

In the opinion of Butler Snow LLP, Special Counsel, assuming continuous compliance with certain covenants described herein, the portion of the Base Rentals which is designated in the Lease as interest on the Certificates is excludable from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Certificates (the "Tax Code"), and such interest is not a specific preference item for purposes of the federal alternative minimum tax, and is excludable from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the Certificates as described herein. See "TAX MATTERS."

\$8,485,000

CERTIFICATES OF PARTICIPATION, SERIES 2020

**Evidencing Proportionate Interests in the Base Rentals and other Revenues under an Annually Renewable Lease Purchase Agreement, dated October 8, 2020, between
UMB BANK, n.a., solely in its capacity as Trustee under the Indenture, as lessor,
and the TOWN OF CASTLE ROCK, COLORADO, as lessee**

Dated: Date of Delivery

Due: December 1, as shown herein

The Certificates of Participation, Series 2020 (the "Certificates") evidence a proportionate interest in the base rentals and certain other revenues under an annually renewable Lease Purchase Agreement dated as of October 8, 2020 (the "Lease"), entered into between UMB Bank, n.a., solely in its capacity as trustee under the Indenture (the "Trustee"), as lessor, and the Town of Castle Rock, Colorado, as lessee (the "Town"). The Certificates are being executed and delivered pursuant to an Indenture of Trust dated as of October 8, 2020 (the "Indenture"), executed and delivered by the Trustee.

The Certificates are issued as fully registered certificates in denominations of \$5,000 or any integral multiple thereof and initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), 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." The Certificates bear interest at the rates set forth herein, payable on June 1 and December 1 of each year, commencing on June 1, 2021, to and including the maturity dates shown herein (unless the Certificates are redeemed earlier), payable to the registered owner of the Certificates, initially Cede & Co. The principal of the Certificates will be payable upon presentation and surrender at the Trustee. See "THE CERTIFICATES."

The maturity schedule for the Certificates appears on the inside cover page of this Official Statement.

The Certificates are subject to redemption prior to maturity at the option of the Town and are also subject to mandatory sinking fund redemption as described in "THE CERTIFICATES--Redemption Provisions." The Certificates are subject to extraordinary mandatory redemption upon the occurrence of an Event of Nonappropriation or an Event of Lease Default as described in "THE CERTIFICATES--Redemption Provisions - Extraordinary Redemption Upon the Occurrence of Certain Events."

The proceeds from the issuance of the Certificates, together with other available moneys, will be used to: (i) acquire, construct, install and improve of certain public facilities, including, without limitation, the construction of a parking facility for Town purposes (the "Project"); and (ii) pay the costs of issuing the Certificates. See "SOURCES AND USES OF FUNDS."

Neither the Lease nor the Certificates constitute a general obligation, a multiple fiscal year direct or indirect debt or other financial obligation or indebtedness of the Town within the meaning of any constitutional, or statutory debt limitation. None of the Lease, the Indenture or the Certificates directly or indirectly obligate the Town to make any payments beyond those appropriated for any fiscal year in which the Lease may be in effect. Except to the extent payable from the proceeds of the Certificates and income from the investment thereof, from the Net Proceeds (defined herein), from net proceeds from exercising certain remedies under the Lease or from other amounts made available under the Indenture, the Certificates are payable during the lease term solely from Base Rentals payable to the Trustee under the Lease and the income from certain investments under the Indenture. All payment obligations of the Town under the Lease are from year to year only. The Lease is subject to annual renewal by the Town. Upon termination of the Lease, the Certificates will be payable solely from moneys, if any, held by the Trustee under the Indenture and any amounts resulting from the exercise of various remedies by the Trustee under the Site Lease, the Lease and the Indenture, all as more fully described herein.

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 and should give particular attention to the section entitled "CERTAIN RISK FACTORS."

The Certificates are offered when, as, and if issued, subject to the approval of validity by Butler Snow LLP, Denver, Colorado, Special Counsel, and certain other conditions. Butler Snow LLP also has acted as special counsel to the Town in connection with this Official Statement. Certain legal matters will be passed upon for the Town by the Town Attorney. Hilltop Securities Inc., Denver, Colorado, is acting as Municipal Advisor to the Town. Stradling Yocca Carlson & Rauth, P.C., Denver, Colorado, is acting as counsel to the Underwriter. It is expected that the Certificates will be available for delivery through the facilities of DTC on or about October 8, 2020.

STIFEL

Official Statement dated September 23, 2020.

MATURITY SCHEDULE
(CUSIP© 6-digit issuer number: 14848P)

\$8,485,000

CERTIFICATES OF PARTICIPATION, SERIES 2020

**Evidencing Proportionate Interests in the Base Rentals and other Revenues under an
Annually Renewable Lease Purchase Agreement, dated October 8, 2020, between
UMB BANK, n.a., solely in its capacity as Trustee under the Indenture, as lessor,
and the TOWN OF CASTLE ROCK, COLORADO, as lessee**

Maturing (December 1)	Principal <u>Amount</u>	Interest <u>Rate</u>	<u>Yield</u>	CUSIP© Issue <u>Number</u>
2033	\$ 475,000	4.00%	1.73%†	BD2
2034	495,000	4.00	1.78†	BE0
2035	560,000	4.00	1.84†	BF7

\$3,025,000 4.00% Term Bond due December 1, 2040. Priced to Yield: 2.05%†. CUSIP© Issue No.: BG5.
\$3,930,000 4.00% Term Bond due December 1, 2048. Priced to Yield: 2.26%†. CUSIP© Issue No.: BH3.

† Priced to the first par call date of December 1, 2030. See “THE CERTIFICATES--Redemption Provisions.”

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 Town. The Town maintains an internet website; however, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Certificates.

The information set forth in this Official Statement has been obtained from the Town and from the sources referenced throughout this Official Statement, which the Town believes to be reliable. No representation is made by the Town, however, as to the accuracy or completeness of information provided from sources other than the Town. 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 Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

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 Town, or in the information, estimates, or opinions set forth herein, since the date of this Official Statement.

This Official Statement has been prepared only in connection with the original offering of the 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. 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 UNDERWRITER (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE CERTIFICATES, THE UNDERWRITER 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.

TOWN OF CASTLE ROCK, COLORADO

Town Council

Jason Gray, Mayor
Jason Bower, Mayor Pro Tem
Kevin Bracken, Council Member
Caryn Johnson, Council Member
George Teal, Council Member
James Townsend, Council Member

Town Administrative Officials

David Corliss, Town Manager
Trish Muller, Finance Director
Michael J. Hyman, Town Attorney

MUNICIPAL ADVISOR TO THE TOWN

Hilltop Securities Inc.
Denver, Colorado

TRUSTEE

UMB Bank, n.a.
Denver, Colorado

SPECIAL COUNSEL

Butler Snow LLP
Denver, Colorado

UNDERWRITER

Stifel, Nicolaus & Company, Incorporated
Denver, Colorado

UNDERWRITER'S COUNSEL

Stradling Yocca Carlson & Rauth, P.C.
Denver, Colorado

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NOTE: Tables marked with an (*) indicate Annual Financial Information to be updated pursuant to SEC Rule 15c2 12, as amended. See Appendix D - Form of Continuing Disclosure Certificate.

The information to be updated may be reported in any format chosen by the Town; it is not required that the format reflected in this Official Statement be used in future years. The budget information contained in the General Fund budget summary and comparison table is to be satisfied with the current year budget information found in the CAFR.

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OFFICIAL STATEMENT

\$8,485,000

CERTIFICATES OF PARTICIPATION, SERIES 2020

Evidencing Proportionate Interests in the Base Rentals and other Revenues under an Annually Renewable Lease Purchase Agreement, dated October 8, 2020, between UMB BANK, n.a., solely in its capacity as Trustee under the Indenture, as lessor, and the TOWN OF CASTLE ROCK, COLORADO, as lessee

INTRODUCTION

General

This Official Statement, including the cover page, inside cover page and appendices, is furnished in connection with the execution, delivery and sale of \$8,485,000 aggregate principal amount of Certificates of Participation, Series 2020 (the “Certificates”), evidencing proportionate interests in the base rentals and other revenues under an annually renewable Lease Agreement dated as of October 8, 2020 (the “Lease”), between UMB Bank, n.a., Denver, Colorado, solely in its capacity of trustee under the Indenture (the “Trustee”), as lessor, and the Town of Castle Rock, Colorado, as lessee (the “Town”). The Certificates will be executed and delivered pursuant to the terms of an Indenture of Trust executed by the Trustee dated as of October 8, 2020 (the “Indenture”). Certain of the capitalized terms used herein and not otherwise defined are defined in Appendix B to this Official Statement.

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. The following introductory material is only a brief description of and is qualified by the more complete information contained throughout this Official Statement. A full review should be made of the entire Official Statement and the documents summarized or described herein, particularly the section entitled “CERTAIN RISK FACTORS.” Detachment or other use of this “INTRODUCTION” without the entire Official Statement, including the cover page and appendices, is unauthorized.

Changes Since the Date of the Preliminary Official Statement

This Official Statement includes certain information which was not available for inclusion in the Preliminary Official Statement dated September 17, 2020 (the “POS”), including the final sources and uses of the Certificate proceeds and the principal amounts, maturity dates, interest rates, yields, redemption provisions and other terms of the Certificates. In addition, in the POS, in the table entitled “Monthly Use Tax Collections” (found in the section entitled “CURRENT SOURCES OF AVAILABLE REVENUE--Sales and Use Tax Collection Data”), the percentage changes in the Current Month column were incorrectly calculated. The percentage changes in the Cumulative column were correct. The table has been updated to reflect the correct calculations. In addition, information about a stormwater drawdown loan was unintentionally omitted from the section entitled “DEBT STRUCTURE--Other Obligations,” although it was described in the audited financial statements. That loan has no impact on legally available revenues.

The Town

The Town was incorporated as a statutory town in 1881 and became a home rule municipality pursuant to Article XX of the Colorado constitution on September 22, 1987, upon the adoption of its home rule charter (the “Charter”). The Town is the county seat for Douglas County, Colorado (the “County”) and is located along Interstate 25 approximately 22 miles southeast of downtown Denver, Colorado, and approximately 40 miles north of Colorado Springs, Colorado. The Town encompasses approximately 34 square miles and, based upon home occupancy rates and the number of building permits issued, the Town estimates its current population to be approximately 72,168. See “THE TOWN.”

The Certificates; Prior Redemption

The Certificates are issued solely as fully registered certificates in the denomination of \$5,000, or any integral multiple thereof. The Certificates are dated as of their date of delivery and mature and bear interest (calculated based on a 360-day year consisting of twelve 30-day months) as set forth on the inside cover page hereof. The payment of principal and interest on the Certificates is described in “THE CERTIFICATES--Payment Provisions.” 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.”

The Certificates are subject to redemption prior to maturity at the option of the Town and are also subject to mandatory sinking fund redemption as described in “THE CERTIFICATES--Redemption Provisions.” The Certificates are subject to extraordinary mandatory redemption upon the occurrence of an Event of Nonappropriation or an Event of Lease Default as described in “THE CERTIFICATES--Redemption Provisions - Extraordinary Redemption Upon the Occurrence of Certain Events.”

The Site Lease and the Leased Property Generally

The Site Lease Generally. The Town and UMB Bank, n.a., solely in its capacity as Trustee under the Indenture, will enter into a Site Lease Agreement dated as of October 8, 2020 (the “Site Lease”), pursuant to which the Town will lease to the Trustee the Town Hall Site (as further described below, the “Site”) and the premises, buildings and improvements located thereon (the “Leased Property”). The Site Lease term expires on December 31, 2058. Concurrently with the execution of the Site Lease, the Trustee will lease the Leased Property back to the Town pursuant to the terms of the Lease. The Town will own fee title to the Leased Property and the Trustee will have a leasehold interest in the Leased Property, subject to the terms and provisions of the Lease and the Indenture.

The Town Hall Site. The Town Hall Site includes three parcels of land totaling approximately 1.1 acres of land within the Town and the improvements thereon. One portion of the Town Hall Site (approximately 0.641) acres includes the Town Hall, described below. The other portion of the Town Hall Site (approximately 0.452 acres) is located near Town Hall and includes a small portion of the Town Hall.

In addition to the land included in the Town Hall Site, the Leased Property includes the Town Hall, which is comprised of a 34,705 net square-foot building located in the Town. The original portion of Town Hall was constructed in 2000 and another portion of Town Hall was constructed in 2016. Town Hall currently houses the following Town functions: the Town Manager's Office (including Community Relations, Human Resources and the Town Clerk's office); the Town Attorney's office; the Finance Department; Information Technology and Development Services. The Leased Property also includes approximately 2,300 square feet of parking area in front of Town Hall (12 spaces).

Purpose

The proceeds from the issuance of the Certificates, together with other Town funds, will be used to: (i) acquire, construct, install and improve of certain public facilities, including, without limitation, the construction of a parking facility for Town purposes (the "Project"); and (ii) pay the costs of issuing the Certificates. See "SOURCES AND USES OF FUNDS."

Security for the Certificates; Termination of Lease

General. The Certificates and the interest thereon are payable solely from the Base Rentals paid by the Town pursuant to the Lease and other revenues (the "Revenues") received under the Lease, which include: (a) all amounts payable by or on behalf of the Town or with respect to the Leased Property pursuant to this Lease including, but not limited to, all Base Rentals, Prepayments, the Purchase Option Price and Net Proceeds, but not including Additional Rentals (except for payments made by the Town as Additional Rentals to initially fund or replenish the Reserve Fund, if any); (b) any portion of the proceeds of the Certificates deposited into Base Rentals Fund and the Reserve Fund, each created under the Indenture; (c) any moneys which may be derived from any insurance in respect of the Certificates; and (d) any moneys and securities, including investment income, held by the Trustee in the Funds and Accounts established under the Indenture (except for moneys and securities held in the Rebate Fund or any defeasance escrow account).

Under the Indenture, the Trustee, for the benefit of the Owners of the Certificates, is to receive Base Rentals payable by the Town under the Lease. The amount and timing of the Base Rentals are designed to provide sufficient money to the Trustee to pay the principal of and interest on the Certificates when due. The Trustee is to deposit to the Base Rentals Fund created under the Indenture all amounts payable by or on behalf of the Town or with respect to the Leased Property pursuant to the Lease, including all Base Rentals, Prepayments, the Purchase Option Price and Net Proceeds (but not Additional Rentals).

Neither the Lease nor the Certificates constitute a general obligation or other indebtedness or multiple fiscal year financial obligation of the Town within the meaning of any constitutional, statutory, or Charter debt limitation. Neither the Certificates nor the Lease will directly or indirectly obligate the Town to make any payments other than those which may be appropriated by the Town for each fiscal year.

The Trustee does not have any obligation to and will not make any payments on the Certificates pursuant to the Lease or otherwise.

Sources of Payment of Base Rentals. Amounts due under the Lease are payable from all general revenues of the Town and no particular revenues of the Town are pledged to the payment of Base Rentals. The Town currently intends to budget, appropriate and pay the Base Rentals (and Additional Rentals, if any) allocable to the Certificates from legally available funds in its General Fund. Notwithstanding the foregoing, Base Rentals and Additional Rentals may be budgeted, appropriated and paid from any of the Town's available funds in the future.

The major sources of the moneys deposited into the Town's General Fund are the Town's sales tax (the "Sales Tax") and the use tax (the "Use Tax," and together with the Sales Tax, the "Sales and Use Tax"), which are currently imposed at a rate of 4.0%. A portion of the Town's Sales and Use Tax (imposed at a rate of 1.35%) and sales and use tax revenues received from a shareback agreement with Douglas County (the "County shareback") must be used for voter-approved transportation purposes and are not available to pay Base Rentals. See "CURRENT SOURCES OF AVAILABLE REVENUES" for a description of the Town's Sales and Use Tax.

The Town expects to generate additional revenues from the Encore Project (defined in "SOURCES AND USES OF FUNDS--The Project) and may determine to use those revenues to pay Base Rentals under the Lease. The agreement describing the types of revenues expected to be available to the Town can be found in "CURRENT SOURCES OF AVAILABLE REVENUE--Existing Sales and Use Tax Agreements - Other Rebate/Development Agreements- - Encore Agreement."

Termination of Lease; Annual Appropriation. The Lease constitutes a one-year lease of the Leased Property which is annually renewable for additional one-year terms as described in the Lease. The Town must take action annually in order to renew the Lease term for another year. If the Town fails to take such action, the Lease automatically will be terminated. The Town's decision to terminate its obligations under the Lease will be determined by the failure of the Town Council of the Town (the "Council") to specifically budget and appropriate moneys to pay all Base Rentals and reasonably estimated Additional Rentals for the ensuing Fiscal Year. The Finance Director or other officer of the Town at any time charged with the responsibility of formulating budget proposals for the Town is directed in the Lease to include in the annual budget proposals submitted to the Council, in any year in which the Lease is in effect, items for all payments required for the ensuing Renewal Term under the Lease until such time, if any, as the Town may determine to not renew and terminate the Lease. Notwithstanding this directive regarding the formulation of budget proposals, it is the intention of the Town that any decision to effect an Appropriation (defined in Appendix B) for the Base Rentals and Additional Rentals shall be made solely by the Council in its absolute discretion and not by any other official of the Town, as further provided in the Lease.

If on or before the December 31 prior to the beginning of any Fiscal Year of the Town, the Town fails to budget and appropriate sufficient funds to pay all Base Rentals and all reasonably estimated Additional Rentals, the Town will be considered to have terminated the Lease (subject to certain waiver and cure provisions). Upon termination of the Town's obligations under the Lease, the Trustee may proceed to exercise certain remedies under the Lease and the Indenture, including the lease or sublease of the Leased Property, the sale or assignment of any interest the Trustee has in the Leased Property, including the Trustee's leasehold interest in the Leased Property, or one or any combination of the steps described in the Lease. See APPENDIX B - THE LEASE--Nonappropriation by the Town. The net proceeds of

any such disposition are required to be applied by the Trustee toward the payment of the Certificates.

Termination of the Site Lease. The Leased Property will be leased by the Town to the Trustee pursuant to the Site Lease. At the end of the term of the Site Lease, all right, title and interest of the Trustee, or any sublessee or assignee in and to the Leased Property will vest in the Town. The Site Lease will terminate on the earliest to occur of the following: (a) the termination of the Lease Term as provided in the Lease due to the payment of the Purchase Option Price by the Town, or upon payment by the Town of all Base Rentals and Additional Rentals for the entire Lease Term; or (b) discharge of the Indenture as a result of the fact that all Certificates have been paid or have been deemed to have been paid as provided in the Indenture; or (c) December 1, 2058. The Leased Property will no longer be subject to the provisions of the Site Lease, the Lease or the Indenture upon the termination of the Site Lease. See “CERTAIN RISK FACTORS--Limited Duration of Site Lease” and Appendix B - Certain Definitions and Document Summaries--The Site Lease - Site Lease and Term.

Release of Leased Property; Purchase Option Price. The Town has the option to purchase the Trustee’s leasehold interest in the Leased Property and terminate the Site Lease and the Lease by paying the Purchase Option Price, which is equal to the amount necessary to pay all principal and interest due on all Outstanding Certificates and any other amounts necessary to defease and discharge the Indenture, as provided in the Lease. See APPENDIX B - THE LEASE--Purchase Option and Conditions for Purchase Option. The Trustee is required to use the Purchase Option Price to pay the principal, interest, and any premium on the Certificates. See “THE CERTIFICATES--Redemption Provisions.”

Release of Leased Property; Release and Substitution of Property. So long as no Lease Event of Default or Event of Nonappropriation shall have occurred and is continuing, the Trustee shall release the Leased Property, and shall execute all documents necessary or appropriate to convey or reconvey the same to the Town, free of all restrictions and encumbrances imposed or created by the Site Lease, this Lease or the Indenture, upon receipt by the Trustee of the following: (a) a written request of the Town Representative for such release, describing the Leased Property to be released; (b) a certificate of the Town Representative certifying (i) that the disposition of the Leased Property to be released and the substitution therefor of the real property to be substituted for the Leased Property to be released will not materially adversely affect the ability of the Town to operate the Leased Property or any leased property to be substituted therefor, or to fulfill its obligations under the Lease, (ii) that any real property to be substituted for the Leased Property to be released will be useful in the operation of the Town, and (iii) that the fair value of any real property to be substituted for the Leased Property to be released, as determined by the Council in a duly adopted resolution, together with remaining Leased Property and cash to be paid by the Town to the Trustee, if any, is at least equal to the aggregate principal amount of the Certificates then Outstanding; (c) a certified copy of the resolution referred to in clauses (b)(iii); and (d) supplements and amendments to the Lease, the Indenture and any other documents necessary to subject to the lien of the Indenture any real property to be substituted for the Leased Property to be released. The Town agrees that any cash paid to the Trustee pursuant to the Indenture provisions described above shall be deposited into the Principal Account or the Interest Account of the Base Rentals Fund, or both such accounts, as directed by the Town.

Upon completion of the portion of the parking garage facility which constitutes the Project, the Town may, at its sole discretion and without consent or notice to the Owners, substitute its interest in the Project for the Leased Property described in this Official Statement, so long as the insured value of the Town's interest in the Project is at least equal to the principal amount of the Certificates then Outstanding.

Also see Appendix B - Certain Definitions and Document Summaries--The Lease - Partial Release and Substitution of Leased Property.

Additional Certificates. The Indenture permits the issuance of Additional Certificates without notice to or approval of the owners of the outstanding Certificates under the circumstances described in "THE CERTIFICATES--Additional Certificates."

No Reserve Fund. The Certificates are not secured by a reserve fund.

Tax Status

In the opinion of Butler Snow LLP, Special Counsel, assuming continuous compliance with certain covenants described herein, the portion of the Base Rentals which is designated in the Lease as interest on the Certificates is excludable from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Certificates (the "Tax Code"), and such interest is not a specific preference item for purposes of the federal alternative minimum tax, and is excludable from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the Certificates as described herein.

Notwithstanding the foregoing, Special Counsel has disclaimed any opinion regarding the tax status of the 2020 Certificates after termination of the Lease. See "CERTAIN RISK FACTORS--Effect of Termination on Exemption from Taxation and on Exemption from Registration," "TAX MATTERS" and Appendix E.

Professionals

Butler Snow LLP, Denver, Colorado, has acted as Special Counsel to the Town in connection with execution and delivery of the Certificates and also has acted as special counsel to the Town in connection with preparation of this Official Statement. The fees of Butler Snow LLP will be paid only from Certificate proceeds at closing. Certain legal matters will be passed upon for the Town by the Town Attorney. UMB Bank, N.A., is serving as the Trustee. The Town's audited basic financial statements as of and for the year ended December 31, 2019, including the report thereon of BKD, LLP, CPAs & Advisors, certified public accountants, Denver, Colorado, are attached hereto as Appendix A. See "INDEPENDENT AUDITORS." Stifel, Nicolaus & Company, Incorporated, Denver, Colorado, is acting as the Underwriter for the 2020 Certificates (the "Underwriter"). See "UNDERWRITING." Stradling Yocca Carlson & Rauth, P.C., Denver, Colorado, is acting as counsel to the Underwriter.

Continuing Disclosure Undertaking

The Town 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 and the Town has covenanted

in the Lease to comply with its terms. The Disclosure Certificate will provide that so long as the Certificates remain outstanding, the Town will provide the following information to the Municipal Securities Rulemaking Board, acting through its Electronic Municipal Market Access (“EMMA”) system: (i) annually, certain financial information and operating data; and (ii) notice of the occurrence of certain listed events; all as specified in the Disclosure Certificate. The form of the Disclosure Certificate is attached hereto as Appendix D.

In the last five years, and without a determination of materiality, the Town timely filed notice of a Moody’s upgrade in 2016 but initially did not properly link the filing to one bond issue that is no longer outstanding. The Town’s operating and financial information filing for 2016 did not contain information for two tables and no failure to file notice was filed; that information was filed as part of the 2017 financial and operating data filing.

Additional Information

This introduction is only a brief summary of the provisions of the Certificates, the Indenture, the Lease, the Site Lease and other documents described herein; a full review of the entire Official Statement should be made by potential investors. Brief descriptions of the Project, the Town, the Certificates, the Indenture, the Lease, the Site Lease and other documents are included in this Official Statement. All references herein to the Certificates, the Lease, the Site Lease, the Indenture and other documents are qualified in their entirety by reference to such documents. *This Official Statement speaks only as of its date and the information contained herein is subject to change without notice.*

Additional information and copies of the documents referred to herein are available from the Town or the Underwriter as follows:

Town of Castle Rock, Colorado
Attn: Finance Director
100 N. Wilcox Street
Castle Rock, Colorado 80104
Telephone: (303) 660-1015

Stifel, Nicolaus & Company, Incorporated
1401 Lawrence Street, Suite 900
Denver, Colorado 80202
Telephone: (303) 296-2300.

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 Town to pay Base Rentals pursuant to the Lease; such Base Rentals will provide funds for payment of principal and interest on the Certificates. The Town is not obligated to pay Base Rentals or Additional Rentals under the Lease unless funds are budgeted and appropriated for such rentals by the Town each year. If, by the last date of each Fiscal Year, the Town 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 Town is deemed to have terminated its obligations under the Lease, and the Town 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 Town 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 payments under the Lease, and prospective investors should carefully consider any factors which may influence the budgetary process. There is no assurance that the Council will appropriate sufficient funds to renew the Lease each year and the Town has no obligation to do so. In addition, the ability of the Town to maintain adequate revenues for its operations and obligations in general (including obligations associated with the Lease) is dependent upon several factors outside the Town’s control, such as the general economy, collections of Sales and Use Tax and changes in law. See “LEGAL MATTERS--Certain Constitutional Limitations,” “SECURITY FOR THE CERTIFICATES,” and “TOWN FINANCIAL INFORMATION.”

The obligation of the Town to pay Base Rentals and Additional Rentals is limited to those Town funds that are specifically budgeted and appropriated annually by the Council for such purpose. The Lease directs the officer of the Town 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 Council, items for all payments required under the Lease for the ensuing Fiscal Year, until such time (if any) as the Town determines not to renew the Lease. The Lease provides that it is the intention of the Town that any decision not to renew the Lease is to be made solely by the Council and not by any other official or employee of the Town.

Effect of a Termination of the Lease Term

In the event of termination of the Town’s obligations under the Lease upon the occurrence of an Event of Nonappropriation or an Event of Lease Default, the Town is required to vacate and surrender the Leased Property by March 1 of any Renewal Term in respect of

which an Event of Nonappropriation or an Event of Lease Default has occurred. If an Event of Lease Default shall have occurred and remain uncured, the Trustee may take any of the following actions: (i) terminate the Lease Term and give notice to the Town to vacate and surrender possession of the Leased Property which vacation and surrender the Town agrees under the Lease to complete within sixty (60) days from the date of such notice (in the event the Town does not vacate and surrender possession on the termination date, the “holdover tenant” provisions of the Lease shall apply); (ii) lease or sublease the Leased Property or sell or assign any interest the Trustee has in the Leased Property, including the Trustee’s leasehold interest in the Leased Property pursuant to the Site Lease; (iii) recover from the Town (a) the portion of Base Rentals and Additional Rentals, for which a specific Appropriation has been effected by the Town for such purpose, which would otherwise have been payable under the Lease, during any period in which the Town continues to occupy, use or possess the Leased Property; and (b) Base Rentals and Additional Rentals, for which a specific Appropriation has been effected by the Town for such purpose, which would otherwise have been payable by the Town under the Lease during the remainder, after the Town vacates and surrenders possession of the Leased Property, of the Fiscal Year in which such Event of Lease Default occurs; or (iv) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under the Site Lease, the Lease and the Indenture.

A potential purchaser of the Certificates should not assume that the amount of money received by the Trustee upon the exercise of its rights under the Site Lease, the Lease and the Indenture after a termination of the Lease Term will be sufficient to pay the aggregate principal amount of the Certificates then outstanding plus accrued interest thereon. This may be due to the inability to recover certain of the costs incurred in connection with the issuance of the Certificates. The insured value of the Town Hall building currently is \$11,172,935. That figure represents the insurance valuation of the buildings, excluding contents. No current valuation of the land comprising the Leased Property is available. No appraisals of the Leased Property have been completed.

There is no guarantee that the Trustee will be able to sublease the Leased Property or otherwise sell or dispose of its leasehold interest in the Leased Property in an amount equal to the amount of the outstanding Certificates.

IF THE CERTIFICATES (AND ANY ADDITIONAL 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 TRUSTEE OR THE TOWN.

Factors that May Cause Insufficiency of Expected Revenues

Economic and Other Factors Beyond the Control of the Town. Although the Town is not obligated to pay Base Rentals and Additional Rentals from any particular revenue source, it is the current expectation of the Town that Base Rentals and Additional Rentals will be paid (to the extent funds are appropriated therefor each year) from revenues in the General Fund. See “CURRENT SOURCES OF AVAILABLE REVENUES.”

Various circumstances and developments, most of which are beyond the control of the Town, may have an adverse effect on the future level of Sales and Use Tax revenues. Such circumstances may include, among others, adverse changes in national and local economic and financial conditions generally, reductions in the rates of employment and economic growth in the Town, the County, the State and the region, a decrease in rates of population growth and rates of residential and commercial development in the Town, the County, the State and the region and various other factors. See “CURRENT SOURCES OF AVAILABLE REVENUES-- Finance Director’s Summary of Material Trends in Town Sales and Use Tax Collections.”

In addition, collections of the Sales and Use Tax revenues are subject to fluctuations in consumer spending. Such fluctuations cause Sales and Use Tax revenues to increase along with the increasing prices brought about by inflation, but also cause collections to be vulnerable to adverse economic conditions and reduced spending. Consequently, the rate of Sales and Use Tax collections can be expected to correspond generally to economic cycles. The Town has no control over general economic cycles and is unable to predict what general economic factors or cycles will occur while the Certificates remain outstanding.

COVID-19. The currently circulating COVID-19 virus and resulting actions by the local, State, and federal government may negatively impact the operations of retail businesses generating Sales and Use Tax revenues within the Town. In response to the current spread of the COVID-19 virus, the Governor of Colorado (the “Governor”) has issued and extended several executive orders limiting business operating capacity to 50%. Pursuant to the orders, all businesses and activities must operate with at least six feet between non-household members and have no more than 500 people in one setting at a time. These actions are likely to decrease Sales and Use Tax collections within the Town to an extent, and over a period of time, that cannot be quantified at this time. It is impossible to predict whether businesses will be financially able to remain open while operating under the capacity requirements set forth in the order. These actions have also resulted in significant increases in unemployment rates in the last several months. It is also not possible to predict the duration or severity of the unemployment resulting from the closures or the resulting impact on Sales and Use Tax revenues.

Earlier in the year, the Town anticipated a significant impact in revenue collections from several sources during 2020 due to closures of businesses and reduced consumer spending resulting from COVID-19. Those revenue sources include Sales Tax, charges for Service, and other taxes. Charges for service revenue includes admissions and programs at the Recreation Center and Miller Activity Complex, in addition to greens fees at Red Hawk Ridge Golf Course. These facilities experienced closures of varying lengths; the Recreation Center and Miller Activity Complex closures resulted in significant revenue losses. The golf course has reopened and is experiencing significant demand and corresponding revenues.

The Town staff proactively prepared for the anticipated revenue shortfall, including identifying approximately \$12.9 million in possible budget reductions and expenditure deferrals, as described below. The reductions and deferrals have been identified in multiple funds, including the General Fund, Transportation Fund, General Long Term Planning Fund, and the Community Center Fund. Examples of these items include: holding vacant positions open; a pay freeze, deferring travel, training, equipment replacement, and fleet replacement expenditures; including additional interfund loan payments from capital funds to the General Fund; deferral of the pavement maintenance program slurry seal work; and cancellation of

concerts and events and closure of outdoor pools. Effective in August, the Town reversed certain of those actions, including the pay freezes.

City Staff has continually monitored its financial situation during the COVID-19 period. Through July (representing six months of sales tax collections), Sales Tax revenues, including County shareback, are up approximately 7.7% over the same six months in 2019; the Town originally estimated that Sales Tax revenues could decrease 15%-20% percent in 2020. Sales Taxes on internet sales and food for home consumption buffered significant revenues losses from restaurants/bars and apparel/accessories. However, due to the timing of significant closures during the months of April and May, the impact of these decreases may not be fully realized until the second or third quarters of 2020. The Town currently expects that Sales Tax revenues will increase approximately 4-5% in 2020. Other consumer driven taxes such as Motor Vehicle Tax may also experience continued decreases in 2020.

The Town has incurred unanticipated expenditures associated with COVID-19, including cleaning supplies, personal protective equipment, laptops for remote working and remote conferencing software. The Town has been allocated approximately \$3.4 million of CARES Act funding by the County; these funds will be used to offset the unanticipated expenditures. To date, the Town has submitted approximately \$500,000 in direct expenses for reimbursement; those expenses do not yet include personnel expenses (such as payroll). The Town will continue to submit expenditures for reimbursement through end of year.

In order to assist individuals and businesses with economic recovery, the Town Council has approved several economic assistance programs including: small business grants for local businesses; small business loans funded from Economic Development funds; and water billing assistance.

Existing Obligations Payable from Legally Available Revenues; Additional Bonds. The Town has several obligations outstanding that are paid from Sales Tax revenues. See “CURRENT SOURCES OF AVAILABLE REVENUES--Existing Sales and Use Tax Agreements,” and “DEBT STRUCTURE--Other Obligations” for a description of the obligations that are currently payable from legally available revenues in the General Fund.

Further, the Town is authorized to issue bonds secured in whole or in part by its Sales and/or Use Tax after satisfying all legal conditions. Should the Town issue bonds secured by the Sales and/or Use Tax, debt service on those bonds will be paid prior to any Sales and/or Use Tax revenues being available to pay Base Rentals or Additional Rentals. The Town currently has several series of bond outstanding that are payable from the 1.35% Sales and Use Tax imposed for transportation purposes. The Town currently has no plans to issue bonds secured by its remaining 2.65% Sales Tax and/or Use Tax.

Factors that Could Impact Value of Property if Lease is Terminated

General. The Town will retain fee simple title to the Leased Property and the Trustee will have a leasehold interest in the Leased Property pursuant to the Site Lease. Upon the termination of the Lease, the Trustee will have the right to use and possession of the Leased Property. However, a potential purchaser of the Certificates should not assume that it will be possible for the Trustee to sublease the Leased Property or otherwise sell or dispose of its 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 or

that such subleasing or disposal can be accomplished in time to pay any installment of principal or interest on the Certificates when due.

Current Uses of Property; Restrictions; Valuation. No current appraised valuation of the Leased Property is available. For insurance purposes, the Town has assigned a value of \$11,172,935 to the Town Hall. However, the Trustee is not able to sell the Town Hall Site, the Town Hall or any associated improvements upon the occurrence of an Event of Lease Default or an Event of Nonappropriation and the insured value of the facility may not be indicative of amounts the Trustee may receive in exercising its remedies under the Lease. There is no assurance that the current level of value of the Leased Property will continue in the future and there is no guarantee that the Trustee will be able to sublease or otherwise sell or dispose of its leasehold interest in the Leased Property under the Site Lease in an amount equal to the amount of the outstanding Certificates.

Further, the Town Hall Site is subject to present and future zoning requirements or other land use regulations imposed by the Town. The Town Hall Site currently is zoned B (commercial) and is located within the downtown overlay. Future zoning changes could limit alternate uses of the Leased Property, which could make the Leased Property less attractive to potential users if the Trustee must sublease or otherwise sell or dispose of its leasehold interest in the Leased Property. Zoning and land use regulations in effect in the future may restrict the future uses of the Property. Should that occur, the Leased Property may have less value to third parties than the insured value would indicate. *There is no guarantee that the Trustee will be able to liquidate its interest in the Leased Property in an amount equal to the amount of the outstanding Certificates.*

Former Uses of Town Hall Site. The Town Hall portion of the Site was formerly used as a gas station and the Town is required to monitor and file periodic reports with the U.S. Environmental Protection Agency (the “EPA”) regarding a plume from a leaking underground storage tank located on the site. The Town has engaged a professional monitoring company to assist it in compliance with the EPA requirements and is up to date in its reporting. As of this date, no further remediation of the Town Hall portion of the Town Hall Site is required and if further remediation is required, the Town would remain responsible for the costs of any required remediation. However, should the EPA require further remediation in the future, it may be more difficult for the Trustee to sublease or otherwise dispose of the leasehold interest in the Leased Property.

Limited Duration of Site Lease

The term of the Site Lease is 10 years longer than the term of the Certificates. Upon termination of the Lease for any reason (including the occurrence of an Event of Nonappropriation), the Trustee may assign its interest in the Site Lease and may foreclose through the courts on or sell, lease, sublease or otherwise liquidate or dispose of its interest in the Leased Property. The net proceeds received from those activities are to be applied to pay the Certificates. However, due to the limited term of the Site Lease, the Trustee may find it difficult or impossible to locate third parties that are interested in accepting an assignment of the Trustee’s rights in the Leased Property. Further, the limited term of the Site Lease may make it difficult or impossible for the Trustee to collect revenues over the remaining term of the Site Lease that are sufficient to pay the Certificates.

Enforceability of Remedies; Liquidation Delays

Under the Lease and the Site Lease, the Trustee has the right to take possession of and dispose of the Trustee's leasehold interest in the Leased Property upon an Event of Nonappropriation or an Event of Lease Default and a termination of 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 Town, which may delay an action brought to enforce the remedy of the Trustee to take possession of the Leased Property or may delay repossession for an indefinite period, even though the Town may have terminated the Lease or be in default thereunder. As long as the Trustee is unable to take possession of the Leased Property or any other projects or property which may subsequently be approved in connection with the issuance of Additional Certificates, it will be unable to sublease or otherwise dispose of its leasehold interests in the Leased Property as permitted under the Site Lease and the Indenture or to redeem or pay the Certificates except from funds otherwise available to the Trustee under the Indenture. See "SECURITY FOR THE CERTIFICATES."

Effect of Termination on Exemption from Taxation and on Exemption from Registration

Special Counsel has specifically disclaimed any opinion as to the effect that termination of the Lease may have upon the treatment for federal or State income tax purposes of amounts received by the registered owners of the Certificates. There is no assurance that any amounts representing interest received by the registered owners of the Certificates after termination of the Lease as a consequence of an Event of Nonappropriation or an Event of Default will be excluded from gross income under federal or State laws. In view of past private letter rulings by the United States Department of Treasury, registered owners of the Certificates should not assume that payments allocable to interest received from the Certificates would be excluded from gross income for federal or State income tax purposes.

In the event of a termination of the Town's obligations under the Lease, there is no assurance that Owners of Certificates would be able to transfer their interests without compliance with federal securities laws.

Condemnation Risk

In the mid-1990's, the Town of Sheridan, Colorado ("Sheridan") exercised its eminent domain powers to acquire an administration building it previously had leased under an annually terminable lease purchase agreement. Sheridan sought to use its condemnation power 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 building from the trustee. Pursuant to this settlement, certificate holders reportedly received less than half of the amounts due them under the certificates. The Town considers the occurrence of a situation such as the one described above to be unlikely; 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 monies of the Town will be sufficient either to repair or replace the damaged or destroyed property or to pay all the outstanding Certificates, if the Certificates are called for mandatory redemption as a result of such casualty. See “THE CERTIFICATES--Redemption Provisions.” Although the Town believes its casualty insurance coverages are adequate, there is no assurance that such damage or destruction would not have a material adverse effect on the ability of the Town to make use of the Leased Property. Delays in the receipt of casualty insurance proceeds pertaining to the Leased Property or delays in the repair, restoration or replacement of property damaged or destroyed also could have an adverse effect upon the ability of the Town to make use of the Leased Property or upon its ability to make timely payment of rental payments under the Lease.

Insurance Risk

The Lease requires that the Town provide casualty, public liability and property damage insurance for the Leased Property in an amount equal to the amounts specified in the Lease. The Town 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 B - Certain Definitions and Document Summaries--The Lease - Insurance. The Town currently maintains the insurance described in “THE TOWN--Insurance.” 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. See “THE CERTIFICATES--Redemption Provisions.”

Future Changes in Laws

Various State laws and constitutional provisions apply to the imposition, collection, and expenditure of sales taxes and other revenues, and the operation of the Town. 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 Town and the imposition, collection, and expenditure of its revenues. Such changes could include, but are not limited to, future restrictions on real estate development and growth in the Town and State law changes in the items subject to sales taxes or exemptions therefrom.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “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 available to pay Base Rentals and Additional Rentals under the Lease.

Secondary Market

No assurance can be given concerning the future existence of a secondary market for the Certificates or its maintenance by the Underwriter or others, and prospective purchasers of the Certificates should therefore be prepared, if necessary, to hold their Certificates to maturity.

SOURCES AND USES OF FUNDS

Sources and Uses of Proceeds

The following are the estimated sources and uses of the proceeds of the Certificates:

Sources and Uses of Proceeds

	<u>Amount</u>
<u>Sources of Funds</u>	
Par amount of the Certificates	\$8,485,000
Plus: original issue premium	<u>1,467,716</u>
Total:	<u>\$9,952,716</u>
 <u>Uses of Proceeds</u>	
The Project	\$9,750,000
Costs of issuance (including Underwriter's discount)	<u>202,716</u>
Total:	<u>\$9,952,716</u>

Source: The Underwriter.

The Project

The Project consists of the Town's purchase of a portion of a parking garage facility that is being constructed by a private developer pursuant to the Encore CR Downtown Redevelopment and Financing Agreement (the "Encore Agreement"), dated as of September 3, 2019, and amended as of November 5, 2019, between the Town and CD-Festival Commons, LLC ("CDFC"), which is the developer of the mixed-use project to be known as Encore CR ("Encore"). Encore is planned to include 124 for-sale condominium residential units and 27,000 square feet of retail/office space.

Pursuant to the Encore Agreement, CDFC, will construct a 601-space parking garage ("Parking Garage") on the site of the existing Town Hall parking lot. Upon completion of the Parking Garage, the Town will purchase 308 condominium parking spaces for public use for approximately 40% of the estimated \$24.2 million Parking Garage development cost, with the purchase price capped at \$9,750,000. At the time of the purchase of the condominium parking spaces, the Town will transfer title to the property on which the Project is located to CDFC; during construction the Town will lease the property to CDFC. The Parking Garage is currently expected to be complete by mid-2021.

CDFC will also construct a roundabout at South and Wilcox Streets and a pedestrian plaza between Town Hall and the Parking Garage. The Town is responsible for the design and construction costs for the roundabout. The Town will pay \$800,000 for the pedestrian plaza upon its completion and acceptance by the Town.

THE CERTIFICATES

General

The Certificates are issuable 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 System” below. The Certificates are dated the date of their execution and delivery, and will 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

Except for any Certificates for which DTC is acting as Depository or for an Owner of \$1,000,000 or more in aggregate principal amount of Certificates, the principal of, premium, if any, and interest on all Certificates shall be payable to the Owner thereof at its address last appearing on the registration books maintained by the Trustee. In the case of any Certificates for which DTC is acting as Depository, the principal of, premium, if any, and interest on such Certificates shall be payable as directed in writing by the Depository. In the case of an Owner of \$1,000,000 or more in aggregate principal amount of Certificates, the principal of, premium, if any, and interest on such Certificates shall be payable by wire transfer of funds to a bank account designated by the Certificate Owner in written instructions to the Trustee.

Interest (based on a 360-day year consisting of twelve 30-day months) shall be paid to the Owner of each Certificate, as shown on the registration books kept by the Trustee, as of the close of business on the 15th day of the calendar month immediately preceding the Interest Payment Date, whether or not that day is a Business Day (the “Regular Record Date”), irrespective of any transfer of ownership of Certificates subsequent to the Regular Record Date and prior to such Interest Payment Date, or on a special record date, which shall be fixed by the Trustee for such purpose, irrespective of any transfer of ownership of Certificates subsequent to such special record date and prior to the date fixed by the Trustee for the payment of such interest. Notice of the special record date and of the date fixed for the payment of such interest shall be given by providing a copy thereof by electronic means or first class mail postage prepaid at least ten (10) days prior to the special record date, to the Owner of each Certificate upon which interest will be paid, determined as of the close of business on the day preceding the giving of such notice.

Notwithstanding the foregoing, payments of the principal of and interest on the 2020 Certificates will be made directly to DTC or its nominee, Cede & Co., by the Trustee, so long as DTC or Cede & Co. is the registered owner (the “Owner”) of the Certificates. Disbursement of such payments to DTC’s Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of DTC’s Participants and the Indirect Participants, as more fully described herein. See “Book-Entry Only System” below.

Redemption Provisions

Optional Redemption. The Certificates are subject to redemption prior to their respective maturities, at the option of the Town, in whole or in part, in integral multiples of

\$5,000, and if in part in such order of maturities as the Town shall determine and by lot within a maturity, on December 1, 2030, or on any date thereafter at a redemption price equal to the principal amount of the Certificates so redeemed plus accrued interest to the redemption date, without a premium.

Mandatory Sinking Fund Redemption. The Certificates maturing on December 1, 2040, and December 1, 2048 (“Term Certificates”), are subject to mandatory sinking fund redemption at a price equal to the principal amount thereof plus accrued interest thereon to the redemption date. Term Certificates are to be selected by lot in such manner as the Town shall determine (giving proportionate weight to Certificates in denominations larger than \$5,000).

As a sinking fund for the redemption of the Term Certificates maturing December 1, 2040, there shall be redeemed (after any credits as described below) from amounts on deposit in the Base Rentals Fund on the following dates the following principal amounts of the Term Certificates maturing December 1, 2040:

Redemption Date (December 1)	Principal Amount
2036	\$585,000
2037	655,000
2038	680,000
2039	760,000
2040 (maturity)	345,000

As a sinking fund for the redemption of the Term Certificates maturing December 1, 2048, there shall be redeemed (after any credits as described below) from amounts on deposit in the Base Rentals Fund on the following dates the following principal amounts of Term Certificates maturing December 1, 2048:

Redemption Date (December 1)	Principal Amount
2041	\$380,000
2042	400,000
2043	440,000
2044	465,000
2045	510,000
2046	535,000
2047	585,000
2048 (maturity)	615,000

On or before the 30th day prior to each sinking fund payment date, the Trustee shall proceed to call the Term Certificates indicated above (or any Term Certificate or Certificates issued to replace such Term Certificates) for redemption from the sinking fund on the next December 1, as the case may be, and give notice of such call without other instruction or notice from the Town. The amount of each sinking fund installment may be reduced by the principal amount of any Term Certificates of the maturity and interest rate which are subject to sinking fund redemption on such date and which prior to such date have been redeemed (otherwise than through the operation of the sinking fund) or otherwise canceled and not

theretofore applied as a credit against a sinking fund installment. Such reductions, if any, shall be applied in such year or years as may be determined by the Town.

Extraordinary Mandatory Redemption. If the Lease is terminated by reason of the occurrence of (a) an Event of Nonappropriation, (b) an Event of Lease Default, or (c) (1) the Leased Property is damaged or destroyed in whole or in part by fire or other casualty, or (2) title to, or the temporary or permanent use of, the Leased Property has been taken by eminent domain by any governmental body or (3) breach of warranty or any material defect with respect to the Leased Property becomes apparent or (4) title to or the use of all or the Leased Property is lost by reason of a defect in title thereto, and the Net Proceeds of any insurance, performance bond or condemnation award, or Net Proceeds received as a consequence of defaults under contracts relating to the Leased Property, made available by reason of such occurrences, shall be insufficient to pay in full, the cost of repairing or replacing the Leased Property, and the Town does not appropriate sufficient funds for such purpose or cause the Lease to be amended in order that Additional Certificates may be executed and delivered pursuant to the Indenture for such purpose, the Certificates are required to be called for redemption at the request of the Owners of a majority in aggregate principal amount of the Certificates Outstanding. If called for redemption, the Certificates are to be redeemed in whole on such date or dates as the Trustee may determine, for a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date (subject to the availability of funds as described below).

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

If the Net Proceeds resulting from the exercise of such Lease Remedies and other moneys are insufficient to redeem the Certificates at 100% of the principal amount thereof plus interest accrued to the redemption date, then such Net Proceeds resulting from the exercise of such Lease Remedies and other moneys 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 Certificates at 100% of the principal amount thereof plus interest accrued to the redemption date, then such excess moneys shall be paid to the Town as an overpayment of the Purchase Option Price. Prior to any distribution of the Net Proceeds resulting from the exercise of any of such remedies, the Trustee 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 CERTIFICATES (INCLUDING ANY ADDITIONAL CERTIFICATES)
ARE REDEEMED FOR AN AMOUNT LESS THAN THE AGGREGATE PRINCIPAL

AMOUNT THEREOF PLUS INTEREST ACCRUED TO THE REDEMPTION DATE, SUCH PARTIAL PAYMENT IS DEEMED TO CONSTITUTE A REDEMPTION IN FULL OF THE CERTIFICATES, AND UPON SUCH A PARTIAL PAYMENT NO OWNER OF SUCH CERTIFICATES, SHALL HAVE ANY FURTHER CLAIM FOR PAYMENT AGAINST THE TRUSTEE OR THE TOWN.

Notice of Redemption. Whenever Certificates are to be redeemed, the Trustee is required to, not less than thirty (30) and not more than sixty (60) days prior to the redemption date (except for Extraordinary Mandatory Redemption notice which is required to be immediate), mail notice of redemption to all Owners of all Certificates to be redeemed at their registered addresses, by first class mail, postage prepaid, or in the event that the Certificates to be redeemed are registered in the name of the Depository, such notice may, in the alternative, be given by electronic means in accordance with the requirements of the Depository. In addition, the Trustee shall at all reasonable times make available to the Town and any Certificate Owner, including the Depository, if applicable, information as to Certificates which have been redeemed or called for redemption. Any notice of redemption is to (1) identify the Certificates to be redeemed, (2) specify the redemption date and the redemption price, (3) in the event of optional redemption, state that the Town has given notice of its intent to exercise its option to purchase or prepay Base Rentals under the Lease, (4) state that such redemption is subject to the deposit of the funds related to such option by the Town on or before the stated redemption date and (5) state that on the redemption date the Certificates called for redemption will be payable at the corporate trust office of the Trustee and that from that date interest will cease to accrue. The Trustee may use "CUSIP" numbers in notices of redemption as a convenience to Certificates Owners, provided that any such notice is required to state that no representation is made as to the correctness of such numbers either as printed on the Certificates or as contained in any notice of redemption and that reliance may be placed only on the identification numbers containing the prefix established under the Indenture.

Any notice of redemption may contain a statement that the redemption is conditioned upon the receipt by the Trustee of funds on or before the date fixed for redemption sufficient to pay the redemption price of the Certificates so called for redemption, and that if such funds are not available, such redemption shall be canceled by written notice to the owners of the Certificates called for redemption in the same manner as the original redemption notice was given.

Tax Covenants

The Town covenants for the benefit of the owners of the Certificates that it will not take any action or omit to take any action with respect to the Certificates, the proceeds thereof, any other funds of the Town or any facilities financed or refinanced with the proceeds of the Certificates (except for the possible exercise of the Town's right to terminate the Lease as provided therein) if such action or omission (i) would cause the interest on the Certificates to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Tax Code, or (ii) would cause interest on the Certificates to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, or (iii) would cause interest on the Certificates to lose its exclusion from Colorado taxable income or to lose its exclusion from Colorado alternative minimum taxable income under present Colorado law. Subject to the Town's right to terminate the Lease, the foregoing covenant shall remain in full force and effect, notwithstanding the payment in full or defeasance of the Certificates, until the

date on which all obligations of the Town in fulfilling the above covenant under the Tax Code and Colorado law have been met.

In addition, the Town has covenanted in the Lease that its direction of investments pursuant to the Indenture shall be in compliance with the procedures established by the Tax Certificate entered into by the Town with respect to the Lease (the "Tax Certificate") to the extent required to comply with its covenants described in the previous paragraph. The Town hereby agreed that, to the extent necessary, it will, during the Lease Term, pay to the Trustee such sums as are required for the Trustee to pay the amounts due and owing to the United States Treasury as rebate payments. Any such payment shall be accompanied by directions to the Trustee to pay such amounts to the United States Treasury. Any payment of Town moneys pursuant to the foregoing sentence shall be Additional Rentals for all purposes of the Lease.

Book-Entry Only System

The Certificates will be available only in book-entry form in the principal amount of \$5,000 or any integral multiples thereof. DTC will act as the initial securities depository for the Certificates. The ownership of one fully registered Certificate for each maturity as set forth on the inside cover page of this Official Statement, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. See Appendix C--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 OWNERS OR REGISTERED OWNERS OF THE CERTIFICATES WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

Neither the Town nor the Trustee will have any responsibility or obligation to DTC's Participants or Indirect Participants, or the persons for whom they act as nominees, with respect to the payments to or the providing of notice for the DTC Participants, the Indirect Participants or the beneficial owners of the Certificates as further described in Appendix C to this Official Statement.

BASE RENTALS SCHEDULE

The following table sets forth the schedule of Base Rentals due pursuant to the Lease in each year, including the Principal Component and the Interest Component. See “CURRENT SOURCES OF AVAILABLE REVENUES--Existing Sales and Use Tax Agreements,” and “DEBT STRUCTURE--Other Obligations” for a description of the obligations that are currently payable from legally available revenues of the Town.

Schedule of Base Rentals(1)(2)

Calendar <u>Year</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Base Rentals</u>
2021	--	\$ 389,367	\$ 389,367
2022	--	339,400	339,400
2023	--	339,400	339,400
2024	--	339,400	339,400
2025	--	339,400	339,400
2026	--	339,400	339,400
2027	--	339,400	339,400
2028	--	339,400	339,400
2029	--	339,400	339,400
2030	--	339,400	339,400
2031	--	339,400	339,400
2032	--	339,400	339,400
2033	\$ 475,000	339,400	814,400
2034	495,000	320,400	815,400
2035	560,000	300,600	860,600
2036	585,000	278,200	863,200
2037	655,000	254,800	909,800
2038	680,000	228,600	908,600
2039	760,000	201,400	961,400
2040	345,000	171,000	516,000
2041	380,000	157,200	537,200
2042	400,000	142,000	542,000
2043	440,000	126,000	566,000
2044	465,000	108,400	573,400
2045	510,000	89,800	599,800
2046	535,000	69,400	604,400
2047	585,000	48,000	633,000
2048	615,000	24,600	639,600
Total	\$8,485,000	\$6,982,567	\$15,467,567

(1) Totals may not add due to rounding.

(2) The Base Rentals are due semi-annually on May 15 and November 15 of each year that the Lease remains in effect. The Trustee will use the Base Rentals to pay the principal and interest due on the Certificates on June 1 and December 1 of each year.

Source: The Underwriter.

SECURITY FOR THE CERTIFICATES

General

Each Certificate evidences a proportionate interest in the right to receive certain designated Revenues, including Base Rentals, under and as defined in the Lease and the Indenture. Under the Site Lease, the Leased Property has been leased by the Town to the Trustee, and under the Lease, the Leased Property has been leased by the Trustee back to the Town and the Town has agreed to pay directly to the Trustee, Base Rentals in consideration of the Town's right to possess and use the Leased Property. Certain Revenues, including Base Rentals, are required under the Indenture to be distributed by the Trustee for the payment of the Certificates and interest thereon.

The Lease is subject to annual appropriation, non-renewal and, in turn, termination by the Town. The execution and delivery of the Certificates does not directly or contingently obligate the Town to make any payments beyond those appropriated for the Town's then current Fiscal Year. As more fully described under the caption "CERTAIN RISK FACTORS," the Lease is subject to renewal on an annual basis at the option of the Town. 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 Town elects not to terminate the Lease prior to the end of the Lease Term).

The Certificates shall not constitute a mandatory charge or requirement of the Town in any ensuing Fiscal Year beyond the current Fiscal Year, and shall not constitute or give rise to a general obligation or other indebtedness of the Town or a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the Town, within the meaning of any constitutional, home rule charter or statutory debt provision or limitation. No provision of the Certificates shall be construed or interpreted as creating a delegation of governmental powers nor as a donation by or a lending of the credit of the Town within the meaning of Sections 1 or 2 of Article XI of the Colorado Constitution. The execution and delivery of the Certificates shall not directly or indirectly obligate the Town to renew the Lease from Fiscal Year to Fiscal Year or to make any payments beyond those appropriated for the Town's then current Fiscal Year. Base Rentals and Additional Rentals may be paid from any lawfully available Town monies appropriated for that purpose. See "TOWN FINANCIAL INFORMATION."

In the event of termination of the Town's obligations under the Lease upon the occurrence of an Event of Nonappropriation or an Event of Lease Default, the Town is required to vacate and surrender the Leased Property by March 1 of any Renewal Term in respect of which an Event of Nonappropriation or an Event of Lease Default has occurred. If an Event of Lease Default shall have occurred and remain uncured, the Trustee may take any of the following actions: (i) terminate the Lease Term and give notice to the Town to vacate and surrender possession of the Leased Property which vacation and surrender the Town agrees under the Lease to complete within sixty (60) days from the date of such notice; (ii) lease or sublease the Leased Property or sell or assign any interest the Trustee has in the Leased Property, including the Trustee's leasehold interest in the Leased Property; (iii) recover from the Town (a) the portion of Base Rentals and Additional Rentals, for which a specific Appropriation has been effected by the Town for such purpose, which would otherwise have been payable under the Lease, during any period in which the Town continues to occupy, use or possess the Leased Property; and (b) Base Rentals and Additional Rentals, for which a specific Appropriation has

been effected by the Town for such purpose, which would otherwise have been payable by the Town under the Lease during the remainder, after the Town vacates and surrenders possession of the Leased Property, of the Fiscal Year in which such Event of Lease Default occurs; or (v) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under the Site Lease, the Lease and the Indenture. In the event the Town does not vacate and surrender possession on the termination date, the “holdover tenant” provisions of the Lease shall apply.

Additional Certificates

So long as no Event of Indenture Default, Event of Nonappropriation or Event of Lease Default has occurred and is continuing and the Lease Term is in effect, one or more series of Additional Certificates may be executed and delivered upon the terms and conditions set forth in the Indenture. The principal of any Additional Certificates shall mature on December 1 and the interest payment dates therefore shall be the same as the interest payment dates for the Certificates; otherwise the times and amounts of payment of Additional Certificates shall be as provided in the supplemental ordinance or indenture and amendment to the Lease entered into in connection therewith.

Additional Certificates may be executed and delivered without the consent of or notice to the Owners of Outstanding Certificates, to provide moneys to pay any one or more of the following:

(a) the costs of acquiring, constructing, improving, installing and equipping any additional improvements or capital projects of the Town, or a New Facility, or of acquiring a Site for any capital projects or New Facility (and costs reasonably related thereto);

(b) the costs of completing the Project or making, at any time or from time to time, such substitutions, additions, modifications and improvements for or to the Leased Property as the Town may deem necessary or desirable, and as in accordance with the provisions of the Lease; or

(c) for the purpose of refunding or refinancing all or any portion of Outstanding Certificates.

Each of the Additional Certificates issued pursuant to the Indenture will evidence a proportionate interest in the rights to receive Revenues under the Indenture and shall be ratably secured with all Outstanding Certificates and in respect of all Revenues, and shall be ranked *pari passu* with such Outstanding Certificates and with Additional Certificates that may be executed and delivered in the future, if any.

For additional information on the issuance of Additional Certificates, see Appendix B - Certain Definitions and Document Summaries - Additional Certificates.

CURRENT SOURCES OF AVAILABLE REVENUE

General

Although no particular funds or sources of revenue are pledged to make payments under the Lease, the Town currently intends to budget, appropriate and pay the Base Rentals (and Additional Rentals, if any) allocable to the Certificates from the General Fund. Notwithstanding the foregoing, such Base Rentals and Additional Rentals may be budgeted, appropriated and paid from any of the Town's available funds in the future.

The Town's overall financial operations, budgeting process and information and historical General Fund financial statement comparisons are discussed in "TOWN FINANCIAL INFORMATION."

Major Sources of General Fund Revenues

Sales and Use Tax. The Town imposes the Sales and Use Tax at a rate of 4%. The revenues derived from the Sales and Use Tax imposed at a rate of 1.35% is limited to transportation uses and pledged to the payment of certain outstanding Town bonds. The revenues from the remaining 2.65% Sales and Use Tax constitute legally available revenues, subject to certain existing commitments described herein.

The Town also receives sales and use tax revenue from the County shareback, which is discussed in more detail in "Existing Sales and Use Tax Agreements" below. However, the County shareback can only be used for transportation purposes and does not constitute legally available revenues.

Sales Tax revenues comprise the majority of the Town's General Fund revenues, accounting for approximately 64.1% of General Fund revenues in fiscal year 2019; Use Tax (including building materials use tax and motor vehicle use tax) comprised another 10.6% of General Fund revenues in 2019. The Sales and Use Tax is described in more detail below.

Other General Fund Revenues. Other sources of revenue in the General Fund include: property taxes; other taxes; license and permit revenues; intergovernmental revenues; charges for services; management fees; fines and forfeits; investment income; contributions; management fees for services provided to enterprise funds; and miscellaneous other income.

Collection and Enforcement of the Town Sales and Use Tax

The following discussion includes information with respect to the imposition, collection and administration of the Town's Sales Tax.

Authority for Imposition of Sales Tax. The Sales and Use Tax, which became effective on January 1, 1977, was initially imposed pursuant to State law. The Town adopted its Charter in 1987 and the Sales and Use Tax is currently imposed pursuant to authority granted by the Charter. The Charter provides that the Town may levy and collect taxes, including sales and use taxes, for municipal purposes. No increase in the Town's Sales and Use Tax, or extension of the period for which a temporary rate increase is effective, may take effect until approved by a majority of the Town's registered electors voting thereon.

The Town's Sales and Use Tax was levied at the rate of 1.0% from 1977 through December 31, 1986 and at the rate of 2.0% from January 1, 1987 to June 30, 1988. From July 1, 1988, to December 31, 1989, the Sales and Use Tax was levied at the rate of 3% and as of January 1, 1990, the rate was increased to 4%. Due to the expiration of the Town's authority to levy a portion of its Sales and Use Tax, the Sales and Use Tax rate was reduced to 3.25% for the period from January 1, 1991 to December 31, 1994, and thereafter was increased to 4.0%. For the period from January 1, 1996, through December 31, 2010, the Town reduced its Sales and Use Tax rate by 0.4% pursuant to a prior County shareback agreement; however, the Town increased the rate to 4.0% effective January 1, 2011, upon expiration of that agreement. The initial imposition of the Sales and Use Tax and the subsequent increases were all approved by the Town's electors.

Required Allocations of Sales and Use Tax Revenue. The Town currently imposes a sales tax (the "Sales Tax") and a Use Tax (comprised of a use tax on vehicles (the "Vehicle Use Tax") and a use tax on building materials (the "Building Use Tax")). The Code currently requires the Town to deposit various portions of the Sales and Use Tax into specified funds according to the appropriation set annually by the Town Council. The appropriation must be made in accordance with various voter approvals for sales and use tax distribution, including amounts to be used for transportation purposes and recreation purposes. In addition to the amounts described below, all of the revenues from the County shareback are to be deposited into the Transportation Fund.

As of January 1, 2020, the required deposits are as follows (each number is expressed in cents). However, as described above, the allocation of the Town's Sales and Use Taxes may be changed each year by the Town Council.

<u>Fund</u>	<u>Sales Tax</u>	<u>Vehicle Use Tax</u>	<u>Residential Building Use Tax</u>	<u>Commercial Building Use Tax</u>
General	2.81	2.44	--	--
Transportation	0.98	1.32	1.45	--
Transportation Capital Projects	--	--	1.31	--
Community Center	0.21	0.24	0.22	--
Economic Development	--	--	--	4.0
General Long Term Planning	--	--	1.02	--

Notwithstanding the foregoing, the Code specifically states that the payment of any bonds and the deposits required in connection with such bonds shall occur prior to the deposits discussed above. The payment of Base Rentals under the Lease *does not* enjoy protection described in the prior sentence.

Overlapping Sales Taxes. The total sales and use tax currently in effect within the majority of the Town's boundaries is 7.9%, comprised of the Town Sales and Use Tax of 4.0%, the State's 2.9% sales and use tax, and the County's 1.0% sales and use tax.

Sales Tax. Pursuant to the Code, with certain exceptions discussed in the next paragraph, the Sales Tax is imposed upon all sales and purchases of tangible personal property at retail or the furnishing of services which are subject to the State sales tax as provided in Section 39-26-104, C.R.S. Generally, purchases and sales in the Town also are subject to the same exemptions applicable to the State sales tax.

In accordance with the Code, the Sales Tax is collected and paid on the purchase price paid or charged upon all sales and purchases of tangible property at retail and on specific services. Taxable transactions generally include sales and exchanges of property as well as the sale of tangible personal property (including vehicles) for money. Specific services subject to the Sales Tax include but are not limited to: telephone and telegraph services (except that mobile telecommunications is subject to the provisions of the federal Mobile Telecommunications Sourcing Act and certain taxable transactions may be limited to intrastate calls), gas, electric, and steam services; food or drink served or furnished in or by restaurants, cafes, cafeterias, hotels, night clubs, snack bars, carry out shops and other like places of business at which prepared food or drink is regularly sold; and the transaction of furnishing accommodations. Pursuant to the Code, purchases of food and electricity, natural gas and other fuels for residential use are specifically included as taxable transactions.

The Code also provides that certain transactions are exempt from taxation as specified in Section 39-26-114, C.R.S. These include, but are not limited to: sales to the United States government and to the State, its departments and institutions, and the political subdivisions of the State in their governmental capacities; sales to charitable organizations in the conduct of their charitable functions and activities; sales which the Town is prohibited from taxing under the Constitution or laws of the United States or the State; sales of cigarettes; sales of prescription drugs, prosthetic devices, wheelchairs, hospital beds, corrective eyewear, hearing aids and certain physician-recommended therapeutic devices and appliances; sales of commodities and services to the occupants of certain accommodations; sales to nonprofit schools; sales of trailers and trucks manufactured in the State but sold for use outside the State; sales of construction and building materials to a common carrier by rail for use in construction and maintenance of its railroad tracks; sales of special fuel for farm vehicles; sales of certain articles to retailers or vendors of food, meals or beverages, including bags and other containers, if a separate charge is not made to the consumer thereof and a tax is paid on such food, meal or beverage; sales of aircraft used or purchased for use in interstate commerce by a commercial airline; sales of tangible personal property that is to be permanently affixed or attached as a component part of an aircraft; sales of certain poultry and livestock, feed therefor and straw and other bedding for use in the care thereof; seeds and orchard trees; and 48% of the purchase price of factory-built housing. Reference is made to Section 39-26-114, C.R.S., for a more complete listing of exemptions from the Sales Tax. In addition, pursuant to the Code, purchases of machinery and machine tools and occasional sales by charitable organizations are specifically exempted from taxation. Sales of property on which a specific ownership tax has been paid (or is payable) also are exempt pursuant to the Code if the purchaser is a non-resident or has its place of business outside the Town and the personal property purchased is registered or required to be registered outside the limits of the Town pursuant to State law.

Use Tax. The Town's Use Tax is collected for the privilege of storing, using or consuming in the Town any construction and building materials and motor or other vehicles on which registration is required, purchased at retail, and in accordance with Article 2, Title 39, C.R.S. Transactions which are exempt from the imposition of the Use Tax include the storage, use or consumption of: (a) any tangible personal property the sale of which is subject to the retail sales tax imposed by the Town; (b) any tangible personal property purchased for resale in the Town, either in its original form or as an ingredient of a manufactured or compounded product, in the regular course of a business; (c) any tangible personal property brought into the Town by a nonresident thereof for his own storage, use or consumption while temporarily within the Town; (d) tangible personal property by the United States government, or the State of Colorado, or its

institutions, or its political subdivisions in their governmental capacities only, or by religious or charitable corporations in the conduct of their regular religious or charitable functions; (e) tangible personal property by a person engaged in the business of manufacturing or compounding for sale, profit or use, any article, substance or commodity, which tangible personal property enters into the processing of or becomes an ingredient or component part of the product or service which is manufactured, compounded or furnished and the container, label or the furnished shipping case thereof; (f) any article of tangible personal property, the sale or use of which has already been subject to a sales or use tax of another county, city or Town equal to or in excess of that imposed by the Town; (g) tangible personal property and household effects acquired outside the Town and brought into it by a nonresident acquiring residency; (h) a motor vehicle if the owner is or was, at the time of purchase, a nonresident of the Town, and he or she purchased the vehicle outside of the Town, for use outside the Town and actually so used it for a substantial and primary purpose for which it was acquired and he or she registered, titled and licensed the motor vehicle outside the Town; (i) any construction and building materials and motor and other vehicles on which registration is required, if a written contract for the purchase thereof was entered into prior to the effective date of Article 2; (j) any construction and building materials required or made necessary in the performance of any construction contract bid, let or entered into any time prior to January 1, 1977.

Collection of the Town Sales and Use Tax

General. Collection of the Town Sales and Use Tax is administered by the Town's Finance Director pursuant to the provisions of the Code. Any retailer engaged in the business of selling at retail must first obtain a Town license. The Town's Finance Director states that the Town currently has 4,910 active sales and use tax licenses.

Collection of Sales Tax. Each individual vendor in the Town is liable for the amount of tax due on all taxable sales made by him. Before the 20th day of each month, each vendor must file a return with the Town for the preceding month and remit an amount equivalent to 4.0% of all sales made by him of commodities or services as defined in the Sales and Use Tax Code, less an amount equal to 3.33% of such tax (not to exceed \$200 per month) to cover the retailers' expense in the collection and remittance of the tax. If a vendor is delinquent in remitting the tax the vendor will not be allowed to retain any amounts to cover his expenses. If less than \$300 in tax will be remitted each month, quarterly filing status will be granted. Annual filing status may be granted if monthly tax is \$10 or less or at the discretion of the Finance Director.

Collection of Use Tax. Use Taxes are imposed on the privilege of storing, using, distributing or otherwise consuming in the Town any construction and building materials and motor or other vehicles on which registration is required, purchased at retail, and in accordance with Article 2, title 39, C.R.S. Use Tax is collected from two major sources: (1) purchases of construction materials and (2) purchases of motor vehicles. Any person purchasing an automobile outside the Town limits must pay the Use Tax prior to registering or licensing the vehicle. As a practical matter, the County will not license vehicles without the payment of Use Tax, which is then transmitted to the Town. With respect to construction materials, the Code requires that Use Tax (calculated against an amount equal to 50% of the value for permit purposes) be paid to the Town upon the issuance of a building permit.

Enforcement and Collection. The Town enforces the collection of the Town Sales and Use Tax through an audit program by which the Town may hold investigations and hearings and may examine any books relevant to the collection of the tax. Interest on insufficient or delinquent returns is imposed at a rate of 1.5% per month. Failure to file a required return results in a \$10 non-filer charge for each required return. The failure to file a return or to pay the tax, or a deficiency in any payment, will cause an additional assessment to be levied upon the vendor. A penalty of 15% is added to any deficient amounts due which are caused by negligence or intentional disregard with knowledge thereof but without intent to defraud. A penalty of 100% of the deficiency is added to amounts due which are caused by fraud. Special penalties apply for repeat enforcement procedures.

To enforce the collection of the Town Sales and Use Tax, the Town employs a six-member collection and auditing staff consisting of the Revenue Manager, a Sales Tax Specialist, two Sales Tax Auditors, a Building Use Tax Auditor, and a Senior Customer Service Representative. A business is chosen for a sales tax audit due to an error in filing, inconsistent tax remittance, auditor investigation and invoices or receipts received from taxpayers. Companies to audit are also identified through “reverse audits,” which means that an auditor finds incorrectly billed invoices or receipts in an audit and those invoices are used to begin an audit on a different company. Audits are not chosen at random.

Once a company has been chosen for audit, an audit engagement letter is sent to the company. From there, after the first contact is made, an audit conformation letter is sent out detailing the phone conversation and what was agreed to, such as the audit period, sample dates, and where to perform the audit. The agreed-upon tax records are then examined and any questions concerning the audit are answered. Once any disputes are settled, a written report detailing what was reviewed and determined is sent to the taxpayer and the audit payment amount and due date are set.

Audits can be performed on a company every three years as stated in the Town ordinances. After an audit has been completed, the auditor will review future returns to see if the changes have been made. If changes are not made, the company will most likely be contacted for another audit when feasible.

Penalties for Failure to Pay Sales and Use Tax. If any person neglects or refuses to make a return or pay taxes as required by the Town, the Town makes an estimate of the amount of taxes due and adds the applicable penalties and interest. The Town gives the delinquent taxpayer written notice of such estimated taxes, penalty, and interest (currently being waived due to COVID-19), in person or by mail. Such estimate thereupon becomes an assessment, and such assessment is final and due and payable 15 days from the date of service or mailing. However, within the 15-day period said delinquent taxpayer may petition the Finance Director for a revision or modification of such assessment. If the vendor is dissatisfied with the Finance Director’s decision, the taxpayer may petition the courts for a review of the decision.

The imposition of the Town’s Sales and Use Tax creates a first and prior lien on the goods and business fixtures of or used by any retailer under lease, title, retaining contract, or other contract arrangement, excepting stock of goods sold or for resale in the ordinary course of business, and takes precedence on all such property over other liens or claims of whatever kind or nature.

Remedies. If there is any violation of the Code, the Town may file a complaint and summons to appear in municipal court; violations are punishable by a fine or imprisonment or both. In addition, at any time when taxes due are unpaid, the Town may issue a warrant directed to any duly authorized revenue collector or to any sheriff of any county in the state commanding him to levy upon, seize, and sell sufficient of the real and personal property of the delinquent taxpayer found within such county for the payment of the amount due, together with interest, penalties and costs, subject to valid pre-existing claims or liens. Any lien for such taxes, upon payment of all taxes, penalties, and interest covered thereby, is released in the same manner as mortgages or judgments.

With the exception of cases of failure to file a return or cases of a false or fraudulent return with intent to evade the tax, the assessment and collection of the Town Sales and Use Tax (and the filing of a lien pursuant to the Code) is subject to a limitation period of three years after the date on which the tax was or is payable, as more specifically set forth in the Code.

Sales and Use Tax Collection Data

Historical Sales and Use Tax Revenue Collection. The Town generally receives Sales Tax revenues in the month after the underlying sale is made. However, there is a two-month lag between the underlying sale and the Town's receipt of shareback Sales Tax revenues from the County. The State collects the County's sales taxes. Because of the administrative time lag involved in collecting and recording the remittances of individual vendors, the County receives monthly distributions approximately two months after the revenues are generated and then forwards them to the Town. The Town collects its own Building Material Use Tax and also collects the County shareback Use Tax on behalf of the County (and retains it); as a result, there is no delay in the receipt of Building Material Use Tax revenues. The County collects the Motor Vehicle Use Tax for itself and on behalf of the Town and as a result, there is a one-month lag between collection and the Town's receipt of the funds.

The following table sets forth the history of the Town's total Sales and Use Tax collections. Amounts in the table reflect collection of the entire Town Sales and Use Tax at a rate of 4.0% as well as amounts received from the County shareback (at a rate of 0.3%). These amounts include revenues that are pledged to outstanding sales tax bonds and County shareback amounts that are required to be used for transportation purposes. Accordingly, not all of the revenues shown in this table are legally available to pay Base Rentals under the Lease. See "CURRENT SOURCES OF AVAILABLE REVENUES-- History of Revenues, Expenditures and Changes in Fund Balances" for a depiction of the revenues deposited into the General Fund.

This history is presented on an accrual basis; accordingly, revenues are recorded in the month in which the underlying sale was made rather than in the month the revenue is collected from the taxpayer.

History of Sales and Use Tax Collections(1)

<u>Year</u>	General Fund		General Fund		General Fund	
	<u>Sales Tax</u>	<u>Percent</u>	<u>Use Tax</u>	<u>Percent</u>	<u>Total</u>	<u>Percent</u>
	<u>Collections</u>	<u>Increase</u>	<u>Collections</u>	<u>Change</u>	<u>Sales and Use</u>	<u>Increase</u>
					<u>Tax Collections</u>	
2015	\$40,476,326	-	\$11,296,843	-	\$51,773,169	-
2016	43,742,356	8.1%	14,478,791	28.2%	58,221,147	12.5%
2017	47,732,084	9.1	14,401,689	(0.1)	62,133,773	6.7
2018	51,064,615	7.0	16,492,382	14.5	67,556,997	8.7
2019	53,320,475	4.4	16,456,773	0.0	69,777,248	3.3
2020(2)	25,256,728		7,052,162		32,308,890	

(1) Reflects Sales and Use Tax at a rate of 4.0% and County shareback at a rate of 0.3%.

(2) Through June 30, 2020. County shareback for June 2020 has not been received.

Source: The Town.

The following tables present a comparison between monthly Sales Tax receipts (including the County shareback) and monthly Use Tax receipts for the twelve-month periods ending June 30, 2020 and 2019. These tables are presented on an accrual basis; accordingly, revenues are accounted for in the month of the underlying sale rather than in the month the revenues are actually received by the Town.

As of June 30, 2020, the Town had experienced a 6.3% increase in Sales Tax revenues and a 3.5% reduction in Use Tax revenues as compared to the same twelve-month period for the previous year. See “Finance Director’s Summary of Material Trends in Town Sales and Use Tax Collections,” for further information regarding historical levels of Town Sales and Use Tax collections.

Comparison of Monthly Sales Tax Collections(1)

<u>Month</u>	Twelve-Month Period		Twelve-Month Period		Percent Change	
	<u>Ending June 30, 2020</u>		<u>Ending June 30, 2019</u>			
	<u>Current</u>	<u>Year</u>	<u>Current</u>	<u>Year</u>	<u>Current</u>	<u>Cumulative</u>
	<u>Month</u>	<u>To Date</u>	<u>Month</u>	<u>To Date</u>	<u>Month</u>	<u>Cumulative</u>
July	\$5,390,885	\$5,390,885	\$4,686,552	\$4,686,552	15.0%	15.0%
August	4,716,269	10,107,154	4,206,865	8,893,417	12.1	13.7
September	4,526,566	14,633,720	4,491,617	13,385,034	0.8	9.3
October	4,522,695	19,156,415	4,230,174	17,615,208	6.9	8.8
November	3,705,787	22,862,202	4,304,079	21,919,287	(13.9)	4.3
December	7,022,712	29,884,914	6,534,596	28,453,883	7.5	5.0
January	2,792,428	32,677,342	2,614,654	31,068,537	6.8	5.2
February	4,669,348	37,346,690	3,225,890	34,294,427	44.7	8.9
March	4,316,368	41,663,058	4,591,708	38,886,135	(6.0)	7.1
April	3,846,154	45,509,212	3,903,531	42,789,666	(1.5)	6.4
May	4,433,204	49,942,416	4,392,018	47,181,684	0.9	5.9
June ⁽²⁾	5,199,226	55,141,642	4,707,760	51,889,444	10.4	6.3

(1) Table presented on an accrual basis.

(2) The Town has not received the proceeds of the Sales Tax Shareback for June 2020.

Source: The Town (Unaudited).

Comparison of Monthly Use Tax Collections(1)

<u>Month</u>	<u>Twelve-Month Period Ending June 30, 2020</u>		<u>Twelve-Month Period Ending June 30, 2019</u>		<u>Percent Change</u>	
	<u>Current Month</u>	<u>Year To Date</u>	<u>Current Month</u>	<u>Year To Date</u>	<u>Current Month</u>	<u>Cumulative</u>
July	\$1,671,436	\$ 1,671,436	\$1,666,076	\$ 1,666,076	0.3%	0.3%
August	1,430,722	3,102,158	1,394,998	3,061,074	2.6	1.3
September	1,419,266	4,521,424	1,647,649	4,708,723	(13.9)	(4.0)
October	1,665,973	6,187,397	1,197,704	5,906,427	39.1	4.8
November	941,357	7,128,754	1,152,458	7,058,885	(18.3)	1.0
December	1,292,593	8,421,347	932,446	7,991,331	38.6	5.4
January	1,313,417	9,734,764	1,074,916	9,066,247	22.2	7.4
February	1,266,302	11,001,066	1,116,347	10,182,594	13.4	8.0
March	1,602,600	12,603,666	1,375,149	11,557,743	16.5	9.0
April	907,137	13,510,803	1,471,775	13,029,518	(38.4)	3.7
May	1,229,088	14,739,891	1,598,529	14,628,047	(23.1)	0.8
June	733,618	15,473,509	1,398,710	16,026,757	(47.6)	(3.5)

(1) Table presented on an accrual basis.

Source: The Town (Unaudited).

Principal Sales Tax Generators

Because of the confidential nature of the gross sales of the entities remitting Town Sales Taxes, State law prohibits the release of information that would disclose the identities of the vendors. The Town expects that these vendors will remain as the largest Sales Tax generators in 2020.

Ten Largest Sales Tax Generators - 2019

<u>Type of Business</u>	<u>2019 Sales Tax Collected</u>	<u>Percent of Total Sales Tax(1)</u>
Grocery	\$3,360,058	6.30%
General merchandise	2,945,844	5.52
General merchandise	2,274,655	4.27
Home improvement store	1,966,249	3.69
Utilities	1,629,673	3.06
Grocery	1,596,539	2.99
Home improvement store	1,269,287	2.38
General merchandise	1,230,633	2.31
Grocery	1,017,145	1.91
Miscellaneous retail	985,786	1.85
Total	<u>\$18,275,868</u>	<u>34.28%</u>

(1) Based upon total Sales Tax collections of \$53,320,475 in 2019.

Source: The Town.

During 2019, food and general merchandise stores as a category (not just the top generators) accounted for approximately 27.8% of total Sales Tax revenues. Apparel and accessories stores as a category accounted for approximately 15.0% of total Sales Tax revenues,

while restaurants and bars accounted for approximately 11.9% and miscellaneous retail accounted for 10.7% during that same period. No other category accounted for more than 10% of Sales Tax revenues during 2019.

Finance Director's Summary of Material Trends in Town Sales and Use Tax Collections

Sales Tax revenues for the Town have risen steadily over the last five years. Sales Tax revenues are closely tied to general economic conditions and in the Town they are also closely tied to growth. At this time, the Town is predicting average growth of approximately 3.0% per year over the next five years. The Town is anticipating an average of 20,000 new residents each decade, which will provide 92,000 residents by 2030. The Town estimates that build-out will include 120,000 to 140,000 people. This illustrates the potential for both sales and use tax revenues in the future.

Building Use Tax is also tied closely to growth in the Town along with economic conditions and can vary each year depending on the type of development submitted for permit. The Town has experienced an overall increase in Use Tax revenues over the last five years, with a spike in 2016 due to population growth and new commercial activity caused by development within the Town. The Town is currently anticipating an average of 750 housing units (including single-family and multi-family) each year between now and 2025 and a modest level of additional commercial development of approximately 296,000 square feet per year.

Motor Vehicle Use Tax has continued to increase over the last five years. During 2019, the Town realized an 11% increase over the 2018 actual. Year to date 2020 Motor Vehicle tax revenue is tracking slightly under the 2020 Amended Budget amount, by approximately 7%. Motor vehicle tax revenue for 2021 is anticipated to be 3% higher than the 2020 estimated amounts. This budget prediction is generally based on current trending, in addition to local, state and national economic factors.

Existing Sales and Use Tax Agreements

The County Sales Tax Shareback Agreement. The Town and the County entered into an Intergovernmental Agreement dated as of January 12, 2011 (the "County Shareback Agreement"), which succeeded a prior agreement with respect to the "shareback" of certain revenues derived by the County pursuant to its sales and use tax within certain portions of the Town. Pursuant to the County Shareback Agreement, the Town receives shareback revenues from the County in an amount equal to 30% of the County's 1% sales and use tax rate. Pursuant to the County Shareback Agreement, revenues derived from sales made or deliveries accepted within the Town boundaries as they existed on January 12, 2011, are subject to the shareback provisions. The Town may provide the County with changed boundaries upon the annexation of property into the Town. Funds received from the County Shareback Agreement are not available to pay Base Rentals under the Lease.

The County shareback revenues are not directly comparable to amounts the Town would receive from imposition of a sales and use tax at rates comparable to those embodied in the shareback agreement, primarily because the County, unlike the Town, does not impose its sales tax on food purchased for domestic consumption or on residential utilities. The County shareback may only be used for transportation purposes; the entire amount is deposited into the Town's Transportation Fund.

Other Rebate/Development Agreements. The Town currently has several agreements in place that agree to rebate certain amounts of existing Sales and/or Use Tax. The Town's obligations under these agreements do not have a lien on any specific Sales and Use Tax revenues.

Mercantile Agreement. The Town has entered into a Downtown Redevelopment Reimbursement agreement with the DDA and Mercantile Commons, LLC, ("Mercantile"), dated as of August 4, 2015 (the "Mercantile Agreement"). Pursuant to the Mercantile Agreement, the Town has agreed to (i) rebate to Mercantile at the certificate of occupancy all Use Tax paid by Mercantile in connection with the project, (ii) rebate 50% of the Sales Tax collected at the Mercantile project through December 1, 2032, or until a reimbursement cap of \$1.3 million is reached, and (iii) reimburse 50% of the property tax increment through tax year 2032, payable in 2033, or until the reimbursement cap is reached. The Town's obligations under the Mercantile Agreement are subject to annual appropriation by the Town. To date, the Town has paid approximately \$346,000 pursuant to the Mercantile Agreement. The Mercantile Agreement will terminate upon the earlier of either the date the rebate cap of \$1.3 million is reached, December 1, 2032, or the property tax increment payment date for the tax year 2032.

Promenade Agreement. The Town has entered into an Amended and Restated Public Finance Agreement, dated as of February 17, 2015, as amended by a First Amendment to Amended and Restated Public Finance Agreement dated as of August 4, 2015 (together, the "Promenade Agreement") with a private developer (the "developer") and the Promenade at Castle Rock Metropolitan Districts No. 1, 2 and 3 (the "Promenade Districts"). The developer plans to develop 900,000 square feet of commercial development and up to 350 multifamily residential units as well as related amenities and uses. The Promenade Agreement prohibits the developer from allowing the relocation of any retailer operating within the Outlets on December 31, 2014 (as well as other retailers listed in the Promenade Agreement and operating at the Outlets on December 31, 2018), to the Promenade through December 31, 2024.

Pursuant to the Promenade Agreement and a related Code amendment, the Town has agreed to grant a Sales Tax credit in the amount of 1.10% against the collection of taxable sales within the retail portion of the Promenade Development (the "Promenade PIF Property") to the extent that a public improvement fee of 1.10% (the "Promenade Credit PIF") has been collected on taxable sales occurring within the Promenade PIF Property. The revenues received from the Promenade Credit PIF are to be pledged by the Promenade Districts to the repayment of bonds issued by those districts. The Promenade Credit PIF does not apply to sales made by any King Soopers, City Market or Target stores that open within the Promenade prior to January 1, 2025. The developer must terminate the Promenade Credit PIF upon the earlier to occur of (i) payment in full or defeasance of all outstanding Promenade District bonds; or (ii) if no bonds are issued, upon payment or reimbursement to the developer or the Promenade Districts of \$28.8 million of eligible costs and payment to the Town of \$475,000 in Town costs.

The Promenade Agreement also requires the Town to reimburse certain permit fees to the developer (up to a cap of \$4.45 million).

As a result of the Promenade Agreement, the Sales Tax will be imposed within the Promenade PIF Property at a rate of 2.9%. However, revenues derived from the City's 1.35% Sales and Use Tax can be used only for transportation projects as approved by the Town's voters

and cannot be used to offset the Promenade Credit PIF. Accordingly, all of the revenues attributable to the 1.35% Sales and Use Tax will be collected within Promenade.

Riverwalk Credit PIF Agreement. The Town has entered into a Downtown Redevelopment Agreement, dated as of May 2, 2017 (the “Riverwalk Agreement”), with the DDA and CD Wilcox, LLC (the “Owner”). The Owner plans to develop 170,000 square feet of residential space, 30,000 square feet of office space, and 11,000 square feet of retail space, as well as related amenities and uses. Pursuant to the Riverwalk Agreement, the Town will waive collection from the Owner of certain development fees and Use Tax otherwise imposed on the project (up to a cap of \$4 million). The Town will also provide the Owner with a Sales Tax credit in the amount of 2.7% against the Sales Tax collected on taxable transactions within the redevelopment area (the “Riverwalk PIF Property”) to the extent that a public improvement fee of 2.7% (the “Riverwalk Credit PIF”) has been collected on taxable sales occurring within the Riverwalk PIF Property. The Owner must terminate the Riverwalk Credit PIF upon the earlier to occur of (i) the Owner receives Riverwalk Credit PIF proceeds and property tax increment payments in the aggregate amount of \$11,500,000, or (b) December 31, 2042.

Encore Agreement. The Town has entered into the Encore Agreement with CDFC with respect CDFC’s plans to develop a mixed-use project to be known as Encore CR (the “Encore Project”) consisting of 124 for-sale condominium residential units and 27,000 square feet of retail/office space. The Encore Agreement deals with the construction and financing of a seven-level parking garage with approximately 601 spaces, construction of a pedestrian plaza between the Encore Plaza and Town Hall and the disposition of certain incremental revenues expected to be generated by the Encore Project. Pursuant to the Encore Agreement, CDFC must meet certain construction benchmarks (unless waived or extended by the Town), including completion of the parking garage in mid-2021 and certificates of occupancy for the first residential unit(s) by the end of July 2022.

The Town has created a general improvement district (“GID”) encompassing the Encore Project; the GID will impose a 45-mill property tax within its boundaries in tax years 2022 through 2038. The Encore Project is also located within the boundaries of the Town’s Downtown Development Authority (the “DDA”), a tax increment financing area which currently captures property tax increment within the GID. In addition to the Town’s Sales Tax, the Town will impose a 1% public improvement fee upon retail transactions within the GID (the “Add-On-PIF”) from January 1, 2021, through December 31, 2048, unless CDFC requests earlier termination upon receipt by the Town of its entire investment under the Encore Agreement.

Pursuant to the Encore Agreement, the Town and CDFC will share revenues generated by the Encore Project (or the GID) as follows: (1) CDFC will receive 50% of the Add-On PIF revenues through 2032 or until a \$300,000 cap is reached; (2) CDFC will receive Town Sales Tax revenues (at a rate of 4%) through 2032 or until a \$1,000,000 cap is reached; (3) the Town will receive 100% of the property tax revenues generated by the GID mill levy; and (4) CDFC will receive 80% of the property tax revenues generated within the GID through 2032 or until a \$4,000,000 cap is reached. Pursuant to the Encore Agreement, the Town pledges to pay the Sales Tax described in clause (2) above generated in one fiscal year by June 1 of the following year, to the extent it is budgeted and does not exceed \$1,000,000. Pursuant to the Encore Agreement, the Town also granted CDFC certain fee and use tax waivers (capped at \$2,752,845).

Economic Incentive Agreements. From time to time the Town enters into Economic Assistance Agreements to incentivize companies to relocate businesses or open new businesses and bring jobs to the Town. Pursuant to the Municipal Code, the Town Manager may authorize the dedication of shared revenues generated by the economic development project up to \$100,000; shared revenues in excess of that amount must be approved by the Town Council.

Certain of the economic incentive agreements require the Town to rebate sales or use tax revenues; those rebates are made only from revenues generated by the specific project. The Town expects to enter into additional Economic Incentive Agreements in the future. Amounts rebated pursuant to the Economic Assistance Agreements may reduce the amount of legally available revenues available to pay Base Rentals under the Lease.

Two agreements requiring rebates of sales and/or use tax are described below.

Craig Realty Group. The Town has entered into an Economic Assistance Agreement with Craig Realty Group (“Craig”), dated as of June 1, 2015 (the “Craig Agreement”). Pursuant to the Craig Agreement, the Town has agreed to rebate to Craig an amount not to exceed \$98,750, comprised of: (i) permit fees of approximately \$12,000, and (ii) 25% of the incremental sales tax collected and received by the Town from the Restoration Hardware store located within the Outlets. The Town’s obligations under the Craig Agreement are subject to annual appropriation by the Town. To date, the Town has paid approximately \$41,000 pursuant to the Craig Agreement. The Craig Agreement will terminate upon the earlier of either the date the rebate cap of \$98,750 is reached, or December 31, 2042.

Murdoch’s Ranch and Home Supply. The Town has entered into an Economic Assistance Agreement with Murdoch’s Ranch and Home Supply, LLC (“Murdoch’s”), dated as of July 2, 2018 (the “Murdoch’s Agreement”). Pursuant to the Murdoch’s Agreement, the Town has agreed to rebate to Murdoch’s 25% of the Sales Tax collected on taxable sales at the Murdoch’s Ranch and Supply Store located within the Town (the “store”) for a period not to exceed four years from the date of the completion of the store, in an amount not to exceed \$300,000. The Town’s obligations under the Murdoch’s Agreement are subject to annual appropriation by the Town and are specifically subordinate to any sales and use tax revenue bonds or other indebtedness which are backed by a sales and use tax pledge. To date, the Town has paid \$102,000 pursuant to the Murdoch’s Agreement.

Budget Summaries and Comparisons

Set forth in the following table is a comparisons of the Town’s General Fund budgets for fiscal years 2019 and 2020, as compared to actual (unaudited) results for the six-month periods ending June 30, 2019 and 2020.

Information for these three funds is provided because portions of the Pledged Revenues currently are deposited to each of these funds. The information in these tables is presented in budgetary basis and is not intended to conform to Generally Accepted Accounting Principles (“GAAP”). The table does not include fund balance information; for a representation of fund balance, a portion of which is available for appropriation in each year, see the tables in “History of Revenues, Expenditures and Changes in Fund Balances” below.

Budget Summary and Comparison - General Fund

	2019 Amended Budget	Actual YTD through 06/30/19 (1)	2020 Amended Budget	Actual YTD through 06/30/20(1)
Revenues				
Taxes (2)	\$39,833,223	\$19,199,966	\$42,153,271	\$20,682,647
Licenses and permits	109,301	44,758	102,535	78,667
Franchise fees	2,568,749	774,558	2,497,241	734,125
Fines and forfeitures	415,563	213,677	422,048	130,629
Contributions and donations	29,500	14,049	28,000	32,015
Intergovernmental	1,358,231	257,845	421,139	103,768
Charges for services	6,216,519	2,905,782	7,109,527	3,543,255
Investment earnings	175,334	257,281	238,391	330,832
Other revenue	336,745	106,577	200,850	90,100
Transfers in	<u>1,874,703</u>	<u>39,680</u>	<u>1,784,258</u>	<u>33,162</u>
Total revenues	<u>52,917,868</u>	<u>23,814,173</u>	<u>54,957,260</u>	<u>25,759,200</u>
Expenditures				
Personnel Services	36,628,071	17,623,495	37,661,759	16,291,503
Services & Other	8,951,772	3,721,059	11,383,031	3,441,259
Supplies	2,651,725	959,307	2,283,712	901,196
Capital	6,620,780	2,529,264	3,046,630	1,190,486
Transfers Out	<u>4,812,662</u>	<u>3,290,393</u>	<u>2,881,570</u>	<u>10,980</u>
Total Expenditures	<u>59,665,010</u>	<u>28,123,518</u>	<u>57,256,702</u>	<u>21,835,424</u>
Net change	<u>\$(6,747,142)</u>	<u>\$(4,309,345)</u>	<u>\$(2,299,442)</u>	<u>\$3,923,776</u>

(1) Unaudited, interim financial information only.

(2) Includes a portion of the Town's Sales Tax and Use Tax as well as property taxes, specific ownership taxes, tobacco tax, franchise tax and miscellaneous tax revenues.

Source: The Town.

History of Revenues, Expenditures and Changes in Fund Balances

General. The accounts of the Town are organized and operated on a fund basis. Such funds are segregated for the purpose of accounting for the operation of specific activities or attaining certain objectives. The governmental fund utilized for the administration and operation of the Town is the General Fund. A portion of the Town's 1.35% Sales and Use Tax revenue is deposited into the General Fund; the remainder of the 1.35% Sales and Use Tax revenue is deposited into the Transportation Fund and the Transportation Capital Projects Fund. Accordingly, historical information is provided for each of those funds.

The following table provides a comparative statement of revenues, expenditures and changes in fund balance for the Town's General Fund for fiscal years 2015 through 2019. The information has been obtained from the audited basic financial information presented in the Town's Comprehensive Annual Financial Reports for 2015 through 2019. The information in this table is presented in accordance with GAAP.

This information should be read together with the Town's fiscal year 2019 audited basic financial statements (and accompanying notes) appearing in Appendix A. Financial

statements for prior years may be obtained from the sources noted in “INTRODUCTION--Additional Information.”

Reserve Policies. In April 2016, the Town adopted amended and restated reserve policies providing general guidance on required reserve levels for all Town operating funds. The reserve policy sets out 11 categories of reserves in order to incorporate aspects unique to each of the Town’s 24 funds. Specific amounts are not included in the policies; each fund is to be evaluated each year and funding amounts (or replenishment provisions, if needed) determined as part of the annual budget process.

For the General Fund, the Town maintains the TABOR reserve and a contractual reserve which sets aside funds for specific contracts. The policies incorporate (i) an operational capacity reserve to allow for growth of operational funds for known future items or projects; (ii) a revenue stabilization reserve to protect against fluctuations in Sales Tax collections; (iii) a catastrophic events reserve to protect against increased expenses due to natural disaster; (iv) a capital reserve to plan for unexpected repair or asset failure; and (v) an opportunity reserve to provide for economic development opportunities as well as accommodation for interfund loans to cover cash flow for a given project.

General Fund - History of Revenues, Expenditures and Changes in Fund Balance

	<u>Year Ended December 31,</u>				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenues					
Taxes					
Property	\$ 1,024,564	\$ 1,085,962	\$ 1,132,676	\$1,196,447	\$ 1,260,995
Sales	26,110,841	28,241,814	31,051,728	32,878,773	34,692,600
Use	688,397	1,710,379	1,100,859	1,024,722	1,218,758
Motor Vehicle Use	3,419,177	3,678,299	3,803,645	4,088,476	4,539,944
Other taxes	2,626,034	2,683,156	2,804,922	2,919,175	3,111,497
Licenses and permits	88,355	109,951	114,988	106,766	103,297
Charges for services	1,972,676	2,121,399	2,203,674	2,497,112	2,311,109
Management fees	2,770,586	2,886,561	3,274,465	3,434,368	3,421,034
Fines and forfeitures	815,713	440,519	399,681	412,374	402,875
Intergovernmental	218,272	269,815	282,068	250,017	1,234,840
Investment earnings	89,841	110,851	208,785	414,305	660,724
Contributions and donations	57,779	30,000	164,500	32,630	760,570
Other	<u>644,026</u>	<u>335,069</u>	<u>571,559</u>	<u>298,230</u>	<u>395,784</u>
Total revenues	<u>40,526,261</u>	<u>43,703,775</u>	<u>47,113,550</u>	<u>49,553,395</u>	<u>54,114,027</u>
Expenditures					
Current					
General government	11,987,218	11,307,760	12,357,352	13,241,928	15,846,344
Public safety	22,043,546	23,442,857	25,897,455	28,735,073	30,487,449
Culture and recreation	3,563,396	4,101,898	3,959,242	4,285,153	4,541,604
Capital outlay	1,180,242	397,037	1,453,422	1,311,098	6,806,654
Debt service					
Principal	312,800	312,801	312,801	--	--
Interest	--	--	--	--	--
Agency fees	--	--	--	--	--
Total expenditures	<u>39,087,202</u>	<u>39,562,353</u>	<u>43,980,272</u>	<u>47,573,252</u>	<u>57,682,051</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,439,059</u>	<u>4,141,422</u>	<u>3,133,278</u>	<u>1,980,143</u>	<u>(3,568,024)</u>
Other Financing Sources (Uses)					
Lease proceeds	--	--	--	--	
Transfers in	637,840	539,657	1,071,193	1,466,392	1,512,643
Transfers out (2)	<u>(1,015,110)</u>	<u>(1,345,414)</u>	<u>(191,148)</u>	<u>(559,429)</u>	<u>(695,138)</u>
Total other financing sources (uses)	<u>(377,270)</u>	<u>(805,757)</u>	<u>880,045</u>	<u>906,963</u>	<u>817,505</u>
Net change in fund balances	1,061,789	3,335,665	4,013,323	2,887,106	(2,750,519)
Fund balances-January 1	<u>20,999,556</u>	<u>22,061,345</u>	<u>25,397,010</u>	<u>29,410,333</u>	<u>32,297,439</u>
Fund balances-December 31	<u>\$22,061,345</u>	<u>\$25,397,010</u>	<u>\$29,410,333</u>	<u>\$32,297,439</u>	<u>\$29,546,920</u>

- (1) Generally, transfers out are comprised of transfers or contributions to capital improvements of the Town. In 2015, the Town transferred \$1 million from the General Fund to the Town's Parks Capital Fund for capital improvements to the parks system. In addition, the Town loaned \$450,000 in 2016 and an additional \$1.5 million to the Town's Parks Capital Fund; such amounts were paid back to the General Fund in 2018 and 2019, respectively.

Source: Derived from the Town's CAFRs for the years ended December 31, 2015-2019.

THE TOWN

General

The Town was incorporated as a statutory town in 1881 and became a home rule municipality pursuant to Article XX of the Colorado constitution on September 22, 1987, upon the adoption of its home rule charter (the “Charter”). The Town is the county seat for Douglas County, Colorado (the “County”) and is located along Interstate 25 approximately 22 miles southeast of downtown Denver, Colorado, and approximately 40 miles north of Colorado Springs, Colorado. The Town encompasses approximately 34 square miles and, based upon home occupancy rates and the number of building permits issued, the Town estimates its population to be approximately 72,168.

The Town is a full service municipality providing a full range of services to its citizens. In addition to water, renewable water and wastewater services, those services include police and fire protection, emergency medical and ambulance services, storm water services, the construction and maintenance of streets and infrastructure, golf, recreational activities and cultural events, and general government services.

Town Council

The Town operates under a Council-Manager form of government. The Town Council, which consists of a Mayor and six Council Members, are elected by residents on a nonpartisan basis. The Mayor is elected at-large, and Council Members are elected by district. The Mayor and Council Members serve staggered four-year terms. Council elections are held at the Town’s regular election in November of even-numbered years. Council meetings are held the first and third Tuesday of every month, with special meetings held as needed in accordance with the provisions of the Town Code.

The names, principal occupations, and terms of office of present Council Members are set forth below.

<u>Name and Position</u>	<u>Council</u>		<u>Elected/ Appointed</u>	<u>Term Expires (November)</u>
	<u>District</u>	<u>Principal Occupation</u>		
Jason Gray, Mayor	7	Business owner	2018	2022
Jason Bower, Mayor Pro Tem	4	Business owner	2016	2020
James Townsend, Council Member	2	Attorney	2016	2020
Kevin Bracken, Council Member	3	Healthcare	2018	2022
Caryn Johnson, Council Member	5	Community volunteer	2018	2022
George Teal, Council Member	6	Owner-software consulting business	2014	2020

The Council currently has a vacancy; the former Council Member resigned effective August 31, 2020, due to an impending family move. The seat will be filled at the election to be held in November 2020.

The Colorado constitution and the Charter limit the consecutive terms each member of the Council may hold. Council Members are limited to serving two consecutive four-year terms. Town voters may vote to eliminate, extend or change the term limits imposed by the

Colorado constitution. The Town's voters have not approved a change in the constitutional term limits.

Administration

Administration. The Town functions through various departments under the supervision of the Town Manager, who is the chief administrative officer of the Town and is responsible for the proper administration of the matters placed in the Town Manager's charge. Except as otherwise provided by the Charter or by ordinances not inconsistent with the Charter, the responsibilities of the Town Manager include: (i) enforcement and administration of the ordinances and other enactments of the Town, and of the terms and conditions imposed in favor of the Town in any contract or franchise; (ii) the hiring, suspension, transfer and removal of Town employees, except that the appointment, suspension, transfer, or removal of any person designated as a department head requires the approval of the Council; (iii) annual preparation and submission to the Council of a proposed budget and capital program as provided in the Charter, and administration of the same after their adoption; (iv) preparation and submission to the Council, as of the end of the Fiscal Year, of a complete report on finances and administrative activities of the Town for the preceding year, and the provision of such other reports concerning the affairs of the Town as the Council may require; (v) advice and recommendations to the Council of the present condition and future needs of the Town; (vi) with the approval of the Council, the establishment, consolidation or abolition of Town departments; (vii) supervision and control of Town departments except as otherwise provided in the Charter; (viii) attendance at meetings of the Council and participation in discussions with the Council in an advisory capacity; (ix) establishment of a system of accounting and auditing for the Town which reflects, in accordance with generally accepted accounting principles, the financial condition and financial operation of the Town; and (x) performance of such other duties as required by the Charter, or as required by the Council and not inconsistent with the Charter.

Brief biographies for the Town Manager and other administrative officials involved in this bond issue follow.

David Corliss, Town Manager. David Corliss was appointed as Town Manager on April 7, 2015, effective June 1, 2015. Mr. Corliss comes to Castle Rock with very strong local government experience, most recently serving as the City Manager of Lawrence, Kansas, a post he has held since 2006. Prior to assuming the role of City Manager, he held other management positions with the City of Lawrence. He holds a Bachelor's Degree in Political Science, Master's Degree in Public Administration and a Juris Doctorate from the University of Kansas School of Law.

Trish Muller, Finance Director. Trish Muller has been with the Town since January 2009 as Assistant Finance Director and was appointed Finance Director in November 2012. Prior to joining the Town's staff, she worked in Governmental Accounting and Management with various auditing firms. Ms. Muller obtained her Bachelors of Science degree in Accountancy from Calvin University in Michigan in 1991 and obtained her CPA in 1995.

Michael J. Hyman, Esq., Town Attorney. Michael J. Hyman was recently hired to the Town Attorney position, preceded by Robert J. Slentz. Mr. Hyman served for 32 years in various positions with the City of Aurora, Colorado, including four years as City Attorney. He has spent the last two years with the City and County of Denver, Colorado, as Deputy City

Attorney. Mr. Hyman obtained his law degree from the University of Colorado and his undergraduate degree from the University of Denver.

Employees; Benefits and Pension Matters

Employees; Benefits and Pension Matters. The Town currently has 521 full-time employees and 580 part-time and seasonal employees. In the opinion of the Town Manager, the state of the Town's employee relations is good.

Benefits. The Town offers benefit packages for all full-time and part-time benefits eligible employees including: alternative care program; dental insurance; employee assistance program; FPPA Statewide Death and Disability Plan (fire department only); life insurance and accidental death and dismemberment; long term disability insurance; medical insurance; paid time off; recreation center memberships; retirement plans (discussed below); Section 125 cafeteria benefit accounts; flexible spending and health savings accounts; short term disability insurance; supplemental life insurance; a travel assistance program; and vision insurance.

Pension Matters. The Town provides defined contribution plans for employees other than firefighters and participates in a multiple-employer defined benefit plan with respect to its firefighters.

Defined Contribution Plans. The Town provides a multi-employer defined contribution plan for all permanent full-time and part-time employees who work at least 20 hours per week. The plan was established and is administered by the International City Managers Association (ICMA) Retirement Association and may be amended with the approval of the Council. For 2019, the mandatory employee contribution was 4% of compensation. The Town contributes 7% of each employee's compensation to the plan with the exception of the Town Manager and Town Attorney. As part of their employment contracts, the Town Manager and the Town Attorney receive a 11% contribution from the Town and do not have a mandatory employee contribution. The Town has no other obligations to fund this plan. Employees are permitted to contribute additional amounts beyond their 4% mandatory contribution. These additional amounts are invested in a deferred compensation plan pursuant to Internal Revenue Code (IRC) Section 457. After completion of one year of service, the employees' Town contributions are fully vested. Unvested contributions for terminated employees are returned to the Town, net of servicing fees. Employees are fully vested for their contributions immediately. All administrative costs of the plans are borne by the participants of each plan. The Town made required contributions to ICMA of \$1,002,346 and \$1,707,321, respectively, for the years ended December 31, 2019 and 2018.

The Town also maintains a qualified 401(a) Executive Defined Contribution plan as part of the employment contracts for the Town Manager and the Town Attorney. The Town contributed 9% of the covered employees' compensation into this plan. Vesting is based on years of service and an employee will not be fully vested until they have reached 10 years of service. The Town's contributions to ICMA for this plan for the years ended December 31, 2019 and 2018 were \$36,400 and \$33,539, respectively, equal to the required contributions. Plan provisions and contribution requirements are established and administered by ICMA and may be amended with the approval of Council.

In 2018, the Town's Sworn Police Officers were moved from the General Employee Plan and added to a new qualified 401(a) Money Purchase Retirement plan. Starting

in 2019, the plan required mandatory employee pre-tax contributions to the plan of 5.6% of compensation. The Town also contributes 8.6% of each employees' compensation to the plan. The Town has no other obligations to fund this plan. Employees are permitted to contribute additional amounts beyond their 5.6% mandatory contribution into a deferred 457 plan. These additional amounts are invested in a deferred compensation plan pursuant to Internal Revenue Code (IRC) Section 457. The plan requires employee participation in the plan immediately upon date of hire. After completion of one year of service, the Town's contributions are fully vested. Unvested contributions for terminated employees are returned to the Town, net of servicing fees. Employees are fully vested for their contributions immediately. All administrative costs of the plans are borne by the participants of each plan. The Town's contributions to ICMA for this plan for the years ended December 31, 2019 and 2018 were \$621,025 and \$568,535, respectively, equal to the required contributions. Plan provisions and contribution requirements are established and administered by ICMA and may be amended with the approval of Council.

See Note 11(A), 11(B), and 11(C) in the audited financial statements for more information regarding the Town's defined contribution plans.

Defined Benefit Plans. Firefighters participate in the statewide defined benefit plan (the "SWDB") administered by the Fire and Police Pension Association ("FPPA"). Contribution rates for this plan are established by State statute as are benefit provisions. The current contribution rate is 10.5% of base salary from the Town and 8.0% from the covered employees. The Town's contribution rates will increase by 0.5% per year through 2022 (to a total of 12% of base salary). The Town contributions to this plan for the years ended December 31, 2019 and 2018 were equal to the required contributions of \$574,390 and \$596,522, respectively. As of December 31, 2019, the Town reported a liability of \$1,407,329 for its proportionate share of the SWDB net pension asset, which was measured as of December 31, 2018. See Note 11(D) and the Required Supplementary Information in the audited financial statements attached hereto as Appendix A for a detailed description of the SWDB plan, including contribution rates, a summary of benefits, net pension assets, actuarial assumptions and discount rates and historical funding information.

The Town also participates in an agent multiple-employer defined benefit plan that covers its volunteer firefighters (the "Volunteer Plan"). The plan is administered and benefit provisions are amended by FPPA. This plan provides retirement benefits as well as death and disability benefits. Volunteer Plan participants are not compensated and do not contribute to the plan; the Town funds its obligations under the Volunteer Plan in an amount not to exceed one-half mill of property tax revenues. Pursuant to State law, the State contributes up to 90% of the Town's contribution, subject to a cap of \$17,635. For the year ended December 31, 2019, the Town and State contributions to the Volunteer Plan were \$20,440 and \$0, respectively.

In 2015, the Town began applying Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* ("GASB 68"), to its audited financial statements. GASB 68 separates pension accounting methodologies from pension funding methodologies. Among other requirements, the Town is required to report its proportionate share of the total PPFA net pension liability/assets ("NPL/A") in its government-wide financial statements. Fund level statements, including the General Fund statements, are not impacted by the GASB 68 reporting. The NPL/A is an accounting estimate of the Town's proportionate share of the PPFA's unfunded liability or funded assets at a specific point in time. Inclusion of this figure in the government-wide

financial statements does not indicate that the Town has a liability to pay the amount shown; the Town's liability is limited to the annually required contributions established by the PPFA.

See Note 11(E) and the Required Supplementary Information in the audited financial statements attached hereto as Appendix A for a detailed description of the Volunteer Plan, including contribution rates, a summary of benefits, net pension liability, actuarial assumptions and discount rates, historical funding status and funding progress information.

No OPEB. The Town does not offer any other post-employment benefits ("OPEB") to retirees and therefore does not have any OPEB liability.

Risk Management

The Council acts to protect the Town against loss and liability by maintaining certain insurance coverages, including property, general liability, automobile liability, law enforcement liability, public officials errors and omissions liability, and crime coverage and workmen's compensation insurance provided by the Colorado Intergovernmental Risk Sharing Agency ("CIRSA"). The Town's current CIRSA coverage expires on January 1, 2021. The Town's various coverages have varying deductibles and coverage limits.

The Town has opted to partially self-insure claims for health insurance of Town employees to a maximum liability of \$100,000 per covered person. The program is administered by a third party (Aetna). Self-insurance activities are accounted for in the Employee Benefits Fund.

In the opinion of the Finance Director, the Town's insurance policies provide adequate insurance protection for the Town. See Note 13 in the audited financial statements attached hereto for a description of the Town's 2019 risk management activities.

Intergovernmental and Other Agreements

In addition to the agreements discussed in "REVENUES AVAILABLE FOR DEBT SERVICE--Existing Sales and Use Tax Agreements," the Town is a party to numerous intergovernmental agreements for the provision of services to its residents. For example, the Town, Parker Water and Sanitation District, Douglas County, the City of Castle Pines, the City of Lone Tree and the Town of Parker are parties to a 2015 Intergovernmental Agreement Establishing the Reuter-Hess Recreation Authority, which provides for recreational uses and amenities on and around the Rueter-Hess Reservoir. The Town funds its annual portion of the agreement from the General Fund.

The Town also is a party to several development agreements that require the Town to rebate various revenues, including development impact fees, permit fees, and building fees, to developers. None of those agreements impacts the Pledged Revenues. The Town may enter into additional agreements of this type, including sales and use tax rebate agreements, in the future for economic development purposes.

TOWN FINANCIAL INFORMATION

Budget Process

The Town's fiscal year runs from January 1 to December 31. Pursuant to the Charter, the Town Manager is required to submit a proposed budget to the Council not later than 45 days prior to the certification of the Town's mill levy. The Council then holds a public hearing on the budget, and adopts the budget with or without amendment. The Charter requires the Council to adopt the budget on or before the final day for certifying the mill levy. If the Council fails to adopt a budget by that date, the amounts appropriated for the current fiscal year will be deemed adopted for the ensuing year on a month-to-month basis until the Council adopts a budget.

Supplemental appropriations may be made by the Council if the Town Manager certifies that revenues in excess of those estimated in the budget are available for appropriation. The Council may make emergency appropriations to meet emergencies which in the Council's judgment may affect life, health, property or the public peace. To the extent unappropriated revenues are not available to meet the emergency appropriation, the Council may authorize the issuance of emergency notes by ordinance, which may be renewed from time to time, but the notes and renewals of any fiscal year must be paid not later than the last day of the fiscal year succeeding the year in which the emergency appropriation was made.

If it appears probable to the Town Manager that revenues will be insufficient to meet appropriation, he must report to the Council immediately indicating the estimated amount of the deficit, any remedial action taken, and recommendations as to future steps to be taken. The Council is required to take any action it deems necessary to prevent or minimize the deficit, and may by ordinance reduce any appropriation.

At any time during the fiscal year the Town Manager may transfer unencumbered appropriation balances among programs within a department, office or agency, and upon written request by the Town Manager the Council may transfer unencumbered appropriation balances from one department, office, agency or object to another. However, no appropriation for debt service may be reduced or transferred, and no appropriation may be reduced below the amount required by law to be appropriated, or by more than the amount of the unencumbered appropriation balance.

Financial Statements

General. Under Colorado law, the Town is required to have its financial statements audited annually. The audited financial statements must be filed with the State Auditor by July 31 each year. If the Town fails to file its audit report with the State Auditor, the State Auditor may, after notice to the Town, authorize the County Treasurer to prohibit release of the Town's tax revenues and other moneys held by the Treasurer until the Town files the audit report. The Town's 2019 CAFR was filed on time.

The Town's audited basic financial statements for the year ended December 31, 2019, and the report of the certified public accountants thereon are attached hereto as Appendix A. Those audited financial statements represent the most recent audited financial statements of the Town. *Prospective investors should be aware that the Certificates constitute special, limited obligations of the Town payable solely from the Pledged Revenues. Inclusion of*

the Town's basic financial statements is for informational purposes only and does not imply that the Certificates constitute a general obligation of the Town or a lien on any Town revenues other than the Pledged Revenues.

Awards. The Town has received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association ("GFOA") for its Comprehensive Annual Financial Report for the fiscal years ended December 31, 2015 through December 31, 2018. That certificate is the highest form of recognition in the area of governmental financial reporting and is awarded by the GFOA to local governments whose comprehensive annual financial reports are judged to conform substantially to program standards. This is the 29th consecutive year the Town has received this award.

DEBT STRUCTURE

General

Pursuant to the terms of Article X, Section 20 of the State Constitution (the “Taxpayers Bill of Rights” or “TABOR”), the Town must obtain voter authorization prior to the creation of any multiple fiscal year obligation (except for refunding obligations at a lower interest rate), including general obligation bonds and revenue bonds, without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years. See “LEGAL MATTERS--Certain Constitutional Limitations.” In some instances, the terms of the Charter authorize the Town to issue certain multiple fiscal year obligations without obtaining voter approval in advance. However, the terms of TABOR now require the Town to obtain advance voter approval prior to the issuance of most types of obligations, subject to the exceptions discussed in “LEGAL MATTERS--Certain Constitutional Limitations.”

General Obligation Indebtedness

The Town has the power to contract indebtedness on behalf of the Town by borrowing money or issuing bonds to carry out the objects or purposes of the Town. However, pursuant to the provisions of the Charter and State law, the Town must adhere to the constitutional limitations affecting the issuance of general obligation debt. See “LEGAL MATTERS--Certain Constitutional Limitations.” The Town does not have any general obligation debt outstanding.

Revenue Obligations

General. Pursuant to the Charter, the Town also has the authority to issue revenue obligations payable from the net revenues of Town facilities and other revenues. Pursuant to the Charter, revenue obligations do not constitute a general obligation debt indebtedness of the Town and may be authorized by action of the Town Council. Pursuant to TABOR, the issuance of revenue bonds is governed by the provision which requires voter approval for the creation of any multi-fiscal year direct or indirect financial obligation without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years (unless issued by an enterprise). See “LEGAL MATTERS--Certain Constitutional Limitations.”

Sales and Use Tax Revenue Bonds. The Town has outstanding revenue bonds payable from the 1.35% Sales and Use Taxes imposed for transportation purposes. The sales and use tax bonds currently outstanding consist of the Town’s: (1) Sales and Use Tax Revenue Bonds, Series 2013 (the “2013 Bonds”), currently outstanding in the aggregate principal amount of \$18,015,000; and (2) Sales and Use Tax Revenue Refunding Bonds, Series 2016, currently outstanding in the aggregate principal amount of \$6,075,000.

In early October 2020, the Town expects to issue approximately \$18.9 million in refund approximately \$16.4 million of the 2013 Bonds.

Water and Wastewater Enterprise Revenue Bonds. The Town has outstanding \$42,456,445 aggregate principal amount of revenue bonds payable from the net revenues of its water and wastewater system, consisting of: (1) the Water and Sewer System Enterprise Revenue Refunding Bonds, Series 2012, currently outstanding in the aggregate principal amount of \$4,975,000; (2) the Water and Sewer Enterprise Revenue Refunding Bonds, Series 2015,

currently outstanding in the aggregate principal amount of \$4,060,000, and (3) the Water and Sewer Enterprise Revenue Refunding Bonds, Series 2016, currently outstanding in the aggregate principal amount of \$42,435,000.

Golf Course Enterprise Revenue Bonds. The Town has outstanding its Golf Course Enterprise Revenue Refunding and Improvement Bonds, Series 2015, currently outstanding in the aggregate principal amount of \$3,525,000; those bonds are payable from golf course enterprise revenues.

Special Assessment Bonds

The Town has the power to issue special assessment bonds payable from assessments against benefited properties within special improvement districts formed for the purpose of constructing certain improvements. Such bonds generally do not constitute a general obligation debt of the Town. In accordance with the Charter, the Council may pledge to pay the remaining principal and interest on such bonds when 75% of the bonds have been paid and cancelled, to the extent remaining assessments are not sufficient. The Town currently has no special assessment bonds outstanding.

Other Obligations

Lease-Purchase Agreements. The Town has obligations pursuant to an annually renewable Lease Purchase Agreement dated September 12, 2013, between the Town and UMB Bank, n.a., solely in its capacity as Trustee under a related indenture (the “2013 Lease”). The Town’s payments under the 2013 Lease are used by the Trustee to pay base rentals on certain certificates of participation (the “2013 COPS”) issued pursuant to the Indenture. The proceeds of the 2013 COPS were used by the Town to fund the construction of a fieldhouse at Philip S. Miller Park. As of December 31, 2019, the 2013 COPS were outstanding in the aggregate principal amount of \$7,130,000. The 2013 COPS are payable from any legally available revenues of the Town as appropriated on an annual basis.

The following table sets forth the remaining Base Rentals due under the 2013 Lease (assuming the Town continues to appropriate funds).

Remaining Base Rentals Under 2013 Lease

2020	\$ 708,813
2021	708,413
2022	709,413
2023	707,813
2024	710,613
2025	707,613
2026	707,850
2027	706,025
2028	707,038
2029	706,863
2030	710,500
2031	706,250
2032	705,750
2033	<u>708,750</u>
Total	\$9,911,704

Notes Payable. In 2019, the Town entered into a loan agreement with a financial institution in the amount of \$9,500,000 in order to finance stormwater projects; the loan is payable solely from revenues in the Stormwater Fund. The Town has drawn \$4,500,000 under this loan agreement and expects to draw an additional \$4,500,000 in September 2021 and the remaining \$500,000 in 2021. Principal payments are due annually beginning in 2022 and continuing through 2030. Interest is payable semiannually at a rate of 1.92%.

Other Leases. The Town is a party to several capital leases for the purchase of equipment, golf carts and cardiac monitors. All of these capital leases are subject to annual appropriation. As of December 31, 2012, those leases had combined outstanding principal balances of \$367,525.

Short-Term Obligations. The Town is authorized by the Charter to issue short term securities (maturing before the end of the fiscal year) without an election. The Town has no short term securities outstanding.

Other Obligations. The Town records a long-term liability for accrued vacation, sick and severance pay each year. See Notes 1J and 7 in the audited financial statements attached hereto as Appendix A.

ECONOMIC AND DEMOGRAPHIC INFORMATION

This portion of the Official Statement contains general information concerning historic economic and demographic conditions in and surrounding the Town. It is intended only to provide prospective investors with general information regarding the Town'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 Town makes no representation as to the accuracy or completeness of data obtained from parties other than the Town.

Population

The following table sets forth population statistics for the Town, the County, the Denver-Aurora Core Based Statistical Area ("Denver-Aurora CBSA") and the State. The Denver-Aurora CBSA 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 2010, the population of the Town increased approximately 138.5%, that of the County increased 62.4%, and the populations of the Denver-Aurora CBSA and the State increased 15.8% and 16.9%, respectively.

<u>Population</u>								
Year	Town of Castle Rock	Percent Change	Douglas County	Percent Change	Denver- Aurora CBSA	Percent Change	Colorado	Percent Change
1970	1,531	--	8,407	--	1,116,226	--	2,207,259	--
1980	3,921	156.1%	25,153	199.2%	1,450,768	30.0%	2,889,735	30.9%
1990	8,708	122.1	60,391	140.1	1,650,489	13.8	3,294,394	14.0
2000 ⁽¹⁾	20,224	132.2	175,766	191.0	2,196,957	33.1	4,301,261	30.6
2010	48,231	138.5	285,465	62.4	2,543,482	15.8	5,029,196	16.9
2011	49,748	--	292,650	--	2,604,366	--	5,123,692	--
2012	51,073	2.7%	298,836	2.1%	2,651,802	1.8%	5,195,943	1.4%
2013	52,725	3.2	306,484	2.6	2,702,325	1.9	5,272,942	1.5
2014	55,226	4.7	314,822	2.7	2,756,069	2.0	5,352,866	1.5
2015	57,152	3.5	322,224	2.4	2,815,004	2.1	5,454,707	1.9
2016	60,045	5.1	328,370	1.9	2,859,038	1.6	5,542,951	1.6
2017	63,106	5.1	335,901	2.3	2,894,306	1.2	5,616,567	1.3
2018	64,818	2.7	342,847	2.1	2,932,934	1.3	5,694,311	1.4

(1) Denver-Aurora CBSA population adjusted to reflect the 2001 consolidation of the City and County of Broomfield.

Sources: United States Department of Commerce, Bureau of the Census (1970-2010), and Colorado State Demography Office (2011-2018 estimates, which are subject to periodic revisions, and 2000 Denver-Aurora CBSA number).

Income

The following table sets forth the annual per capita personal income levels for the residents of the County, the Denver-Aurora CBSA, the State and the United States. Per capita personal income levels in the County have consistently exceeded Denver-Aurora CBSA, State and national levels during the period shown.

Per Capita Personal Income

Year ⁽¹⁾	Douglas County	Denver-Aurora CBSA	Colorado	United States
2014	\$66,059	\$55,619	\$50,711	\$47,071
2015	67,531	56,601	52,147	48,994
2016	68,525	56,602	52,278	49,890
2017	70,029	60,604	55,374	51,910
2018	73,662	64,287	58,500	54,526
2019	n/a	n/a	61,348	56,663

(1) Figures for Douglas County and the Denver-Aurora CBSA updated November 14, 2019. Figures for the State and the United States updated March 24, 2020. All figures are subject to periodic revisions.

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

Employment

The following two tables set forth the number of individuals employed within selected Douglas County industries and Denver-Aurora CBSA industries that are covered by unemployment insurance. In 2019, the largest employment sector in Douglas County was retail trade (comprising approximately 14.2% of the county's work force), followed, in order, by health care and social assistance, professional and technical services, accommodation and food services, and finance and insurance. For the twelve-month period ended December 31, 2019, total average employment in the county increased 4.1% as compared to the same period ending December 31, 2018, while total average weekly wages increased 8.4% during the same time period.

Average Number of Employees Within Selected Industries – Douglas County

Industry	2015	2016	2017	2018	2019
Accommodation and Food Services	11,735	11,962	12,112	12,654	13,144
Administrative and Waste Services	6,225	6,070	5,934	5,702	5,977
Agriculture, Forestry, Fishing, Hunting	188	193	205	207	224
Arts, Entertainment and Recreation	3,186	3,273	3,667	3,645	3,851
Construction	7,808	8,363	8,445	8,868	9,285
Educational Services	10,643	10,732	11,096	11,095	11,382
Finance and Insurance	7,052	8,231	9,026	9,761	12,782
Government	3,101	3,236	3,320	3,434	3,542
Health Care and Social Assistance	11,117	11,825	12,506	13,335	13,929
Information	5,761	5,912	5,631	6,788	5,534
Management of Companies/Enterprises	2,852	3,010	3,166	3,373	3,568
Manufacturing	2,481	2,378	2,243	2,058	2,012
Mining	567	478	303	250	291
Non-Classifiable	8	9	4	11	12
Other Services	3,660	3,957	4,203	4,089	4,154
Professional and Technical Services	12,044	12,032	13,205	13,082	13,428
Real Estate, Rental and Leasing	1,568	1,694	1,847	1,911	2,022
Retail Trade	17,486	17,924	17,933	18,706	18,633
Transportation and Warehousing	1,300	1,302	1,777	1,844	1,910
Utilities	404	430	448	454	473
Wholesale Trade	3,698	3,800	4,064	4,416	4,635
Total ⁽¹⁾	<u>112,883</u>	<u>116,808</u>	<u>121,135</u>	<u>125,683</u>	<u>130,787</u>

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

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

In 2019, the largest employment sector in the Denver-Aurora CBSA was health care and social assistance (comprising approximately 12.2% of the metro area's work force), followed in order by professional and technical services, accommodation and food services, retail trade, and educational services. For the twelve-month period ending December 31, 2019, total average employment in the Denver-Aurora CBSA increased by approximately 2.4% as compared to the same twelve-month period ending December 31, 2018.

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

<u>Industry</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Accommodation and Food Services	131,834	137,017	140,312	142,568	144,777
Administrative and Waste Services	96,178	97,345	98,064	98,902	100,750
Agriculture, Forestry, Fishing, Hunting	2,548	2,844	3,446	3,616	4,164
Arts, Entertainment and Recreation	26,471	27,183	29,046	29,975	32,065
Construction	83,954	89,122	93,612	99,219	102,079
Educational Services	103,588	105,846	107,433	108,700	111,885
Finance and Insurance	73,181	75,472	77,384	78,518	78,320
Government	70,710	71,750	72,552	73,588	74,322
Health Care and Social Assistance	168,378	175,797	176,398	181,494	185,801
Information	46,446	47,513	48,004	51,051	51,705
Management of Companies/Enterprises	30,036	30,096	31,812	33,288	34,308
Manufacturing	68,431	69,390	69,266	70,004	70,997
Mining	11,270	9,119	9,201	10,314	10,916
Non-Classifiable	146	144	39	98	133
Other Services	42,261	43,934	45,566	46,066	47,263
Professional and Technical Services	125,944	130,440	134,382	140,168	147,103
Real Estate, Rental and Leasing	26,777	27,926	28,823	29,819	31,532
Retail Trade	136,082	138,161	138,396	139,552	138,864
Transportation and Warehousing	55,380	57,092	60,767	64,451	69,406
Utilities	5,768	5,769	5,737	5,745	5,887
Wholesale Trade	69,961	71,162	72,372	73,263	74,394
Total ⁽¹⁾	<u>1,377,873</u>	<u>1,415,505</u>	<u>1,444,879</u>	<u>1,482,398</u>	<u>1,518,254</u>

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

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

The following table presents information on employment within the County, the Denver-Aurora CBSA, the State and the United States, for the period indicated. The annual unemployment figures indicate average rates for the entire year and do not reflect monthly or seasonal trends. The unemployment rate for the County has consistently been lower than the rate for the Denver-Aurora CBSA, the State and the United States during the period shown.

Labor Force and Employment

	<u>Douglas County⁽¹⁾</u>		<u>Denver-Aurora CBSA⁽¹⁾</u>		<u>Colorado⁽¹⁾</u>		<u>United States</u>
<u>Year</u>	<u>Labor Force</u>	<u>Percent Unemployed</u>	<u>Labor Force</u>	<u>Percent Unemployed</u>	<u>Labor Force</u>	<u>Percent Unemployed</u>	<u>Percent Unemployed</u>
2015	172,105	3.1%	1,505,494	3.7%	2,825,111	3.9%	5.3%
2016	177,371	2.7	1,540,407	3.1	2,891,677	3.3	4.9
2017	184,585	2.4	1,589,449	2.7	2,986,522	2.8	4.4
2018	191,729	2.7	1,639,035	3.0	3,080,661	3.2	3.9
2019	196,248	2.4	1,677,324	2.7	3,148,766	2.8	3.7
<u>Month of May</u>							
2019	194,805	2.2%	1,664,907	2.5%	3,119,482	2.6%	3.6%
2020	187,496	8.2	1,637,743	10.4	3,049,684	10.0	13.3

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

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

Major Employers

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

Largest Private Employers in Douglas County

<u>Name of Employer</u>	<u>Product or Service</u>	<u>Estimated Number of Employees⁽¹⁾</u>
Charles Schwab	Financial Services	4,300
DISH Network	Satellite Television and Equipment	2,700
Centura Health ⁽²⁾	Healthcare	1,510
HealthONE: Sky Ridge Medical Center	Healthcare	1,370
VISA Debit Processing Services	Financial Services	1,100
Specialized Loan Servicing LLC	Financial Services	920
Jacobs Engineering Group	Engineering and Architectural Services	880
IHS Markit	Indexed Technical Data	750
ViaSat, Inc.	Telecommunications	620
Sprint Corporation	Telecommunications	590

(1) Revised May 2020.

(2) Centura Health includes Castle Rock Adventist Hospital and Parker Adventist Hospital.

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

A brief description of selected major employers located within the Town and their approximate number of employees is listed below. No independent investigation of the stability or financial condition of the employers listed hereafter has been conducted and, therefore, no

representation can be made that such employers will continue to maintain their status as major employers in the Town.

Selected Major Employers in the Town of Castle Rock

Name of Employer	Product or Service	Estimated Number of Employees ⁽¹⁾
Douglas County School District Re.1	Public education	6,283 ⁽²⁾⁽³⁾
Douglas County	Government	1,285 ⁽²⁾⁽³⁾
Town of Castle Rock	Government	558 ⁽⁴⁾
Castle Rock Adventist Hospital	Healthcare	250 to 499
Castle Rock Homes	Real estate	250 to 499
Elite Surface Infrastructure	Concrete contractors	250 to 499
WalMart Supercenter	General merchandise retail	250 to 499
Castle Pines Golf Club	Recreation	100 to 249
Kohl's	Department store	100 to 249

(1) Figures are as of April 2020, unless otherwise indicated.

(2) Figure is for all employees, including employees working outside the Town of Castle Rock.

(3) Figure taken from the employer's 2019 Comprehensive Annual Financial Report; includes only full-time employees.

(4) Figure taken from the employer's 2018 Comprehensive Annual Financial Report; includes only full-time employees.

Source: Infogroup as posted by State of Colorado, Department of Labor and Employment, Labor Market Information; and individual employers.

Building Activity

The following two tables provide a history of building permits issued for residential and commercial construction in the Town and in the unincorporated portions of the County for the years indicated.

Building Permit Issuances for New Structures in the Town of Castle Rock

Year	Single Family		Multi-Family ⁽¹⁾		Commercial/Industrial ⁽²⁾	
	Permits	Value	Permits/Units	Value	Square Feet	Value
2015	793	\$173,450,250	83	\$11,000,000	470,000	\$28,693,500
2016	751	169,668,570	380	38,810,205	191,100	59,440,534
2017	862	253,423,531	402	58,746,347	697,539	62,694,257
2018	1,028	304,165,959	372	41,317,324	461,017	45,658,744
2019	901	272,981,745	23	3,801,979	181,767	25,711,875
2020 ⁽³⁾	456	138,981,678	116	717,200	251,578	25,726,396

(1) Includes duplexes, townhomes, condominiums and apartments.

(2) This category is all inclusive and may include permits issued for religious buildings and public schools.

(3) Figures are for January 1 through June 30, 2020.

Source: Town of Castle Rock Development Services Department.

Building Permit Issuances in Unincorporated Douglas County

Year	New Residential		New Multi-Family ⁽¹⁾		Commercial ⁽²⁾	
	Permits	Value	Permits	Value	Permits	Value
2015	893	\$293,300,865	69	\$22,394,193	327	\$157,045,797
2016	851	274,367,486	30	49,775,234	337	119,738,163
2017	939	301,450,934	119	89,618,816	369	162,961,937
2018	1,007	324,216,679	155	28,923,706	340	277,001,574
2019	970	296,896,076	298	42,251,354	330	182,444,753
2020 ⁽³⁾	77	139,694,173	35	19,113,887	155	73,742,091

(1) Includes apartments, condominiums, duplexes and townhouses.

(2) Includes permits for tenant finish and improvement, and alterations.

(3) Figures are for January 1 through June 30, 2020.

Source: Douglas County Building Division.

Foreclosure Activity

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

History of Foreclosures - Douglas County

Year	Number of Foreclosures Filed	Percent Change
2015	322	--
2016	314	(2.5)%
2017	254	(19.1)
2018	279	9.8
2019	242	(13.3)
2020 ⁽¹⁾	86	--

(1) Figures are for January 1 through June 30, 2020.

Sources: Colorado Division of Housing (2015 to 2019 figures) and the Douglas County Public Trustee's Office (2020 figure).

TAX MATTERS

General Matters

In the opinion of Butler Snow LLP, under existing laws, regulations, rulings and judicial decisions, interest on the Certificates (including any original issue discount properly allocable to the owner of a Certificate) is excludable from gross income for federal income tax purposes and is excludable from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code. The opinion described above assumes the accuracy of certain representations and compliance by the City with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Certificates. Failure to comply with such requirements could cause interest on the Certificates to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Certificates. The City has covenanted to comply with such requirements. Special Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Certificates.

The opinion of Special Counsel does not cover the treatment for federal or Colorado income tax purposes of any monies received in payment of or in respect to the Certificates subsequent to the occurrence of an Indenture Event of Default, an Event of Lease Default or an Event of Nonappropriation.

The accrual or receipt of interest on the Certificates may otherwise affect the federal income tax liability of the owners of the Certificates. The extent of these other tax consequences will depend on such owners' particular tax status and other items of income or deduction. Special Counsel has expressed no opinion regarding any such consequences. Purchasers of the Certificates, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Certificates.

Special Counsel is also of the opinion that, under existing State of Colorado statutes, interest on the Certificates is excludable from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the Certificates. Special Counsel has expressed no opinion regarding other tax consequences arising with respect to the Certificates under the laws of the State of Colorado or any other state or jurisdiction.

Original Issue Premium

The Certificates that have an original yield below their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the "Premium Certificates"), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Certificate over its stated redemption price at maturity constitutes premium on such Premium Certificate. A purchaser of a Premium Certificate must amortize any premium over such Premium Certificate's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Certificates callable prior to their maturity, generally by

amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser's basis in such Premium Certificate is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Certificate prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Certificates should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Certificate.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on federally tax-exempt obligations such as the Certificates is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Certificates that fail to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Certificates from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling federally tax-exempt obligations.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading "TAX MATTERS" 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 bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Certificates. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Certificates or the market value thereof would be impacted thereby. Purchasers of the Certificates should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Special Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities 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, regulatory initiatives or litigation.

Prospective purchasers of the Certificates are advised to consult their own tax advisors prior to any purchase of the Certificates as to the impact of the code upon their acquisition, holding or disposition of the Certificates.

LEGAL MATTERS

Litigation

The Town Attorney states that, as of the date hereof, to the best of his knowledge, there is no pending lawsuits or threatened litigation against the Town which would restrain or enjoin the Town's ability to enter into the Site Lease or the Lease or to pay Base Rentals under the Lease. The Town is, however, subject to certain pending and threatened litigation regarding various other matters arising in the ordinary course of the Town's business. It is the opinion of the Town Attorney that the Town's level of insurance coverage is adequate and that the pending or threatened litigation will not result in final judgments against the Town which would, individually or in the aggregate, materially adversely affect the Town's financial position or its ability to perform its obligations under the Lease.

Governmental Immunity

The Colorado Governmental Immunity Act, Title 24, Article 10, Part 1, C.R.S. (the "Immunity Act"), provides that, with certain specified exceptions, sovereign immunity acts as a bar to any action against a public entity, such as the Town, 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; operation and maintenance of any public water, gas, sanitation, electrical, power or swimming facility; a dangerous condition of any public buildings; the operation of any public water facility; and a dangerous condition of a public highway, road or street as provided in the Immunity Act. Immunity is also waived for peace officers who deprive any other person of individual rights under the conditions specified in State law. 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 Town may not be held liable under the Immunity Act either directly or by indemnification for punitive or exemplary damages unless the Town voluntarily pays such damages in accordance with State law.

For injuries occurring on or after January 1, 2018, 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 \$387,000; (b) for an injury to two or more persons in any single occurrence, the sum of \$1,093,000; except in such instance, no person may recover in excess of \$387,000. The maximum amounts that may be recovered will increase every four years pursuant to a formula based on the Denver-Aurora-Lakewood Consumer Price Index.

The Town may be subject to civil liability and damages including punitive or exemplary damages and it may not be able to claim sovereign immunity for actions founded upon various federal laws, or other actions filed in federal court. Examples of such civil liability include suits filed pursuant to 42 U.S.C. § 1983 alleging the deprivation of federal constitutional or statutory rights of an individual. In addition, the Town may be enjoined from engaging in anti-competitive practices which violate the 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

The approving opinion of Butler Snow LLP, as Special Counsel, will be delivered with the Certificates. A form of the Special Counsel opinion is attached to this Official Statement as Appendix E. Butler Snow LLP, Denver, Colorado, has also acted as Special Counsel to the Town in connection with this Official Statement. Certain matters will be passed upon for the Town by the Town Attorney. Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, P.C., Denver, Colorado.

Certain Constitutional Limitations

TABOR (Article X, Section 20 of the Colorado Constitution). At the general election on November 3, 1992, the voters of Colorado approved a constitutional amendment known as the “Taxpayers Bill of Rights,” which is codified as Article X, Section 20, of the Colorado Constitution (“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 governments such as the Town (“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 Town, 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. In the opinion of Special Counsel, the Lease does not constitute a “multiple fiscal year obligation” which requires an election under the terms of TABOR.

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 as described above, 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 2005, the Town's voters approved an election question authorizing the Town to retain and spend all Town revenues in excess of the limitations on local fiscal year spending imposed by TABOR for a five year period commencing on January 1, 2004, through December 31, 2008.

In addition, beginning January 1, 2009, the Town is authorized to retain and spend all Town revenues that do not exceed the "Excess Local Revenue Cap" (defined below) for any given fiscal year, even though such revenues are in excess of the limitations imposed under TABOR. "Excess Local Revenues Cap" for a given fiscal year means an amount that is equal to the highest total Town revenues for a fiscal year from the period of the 2004 fiscal year through the 2008 fiscal year, adjusted each subsequent fiscal year for inflation, the percentage change in local growth, the qualification or disqualification of enterprise, and debt service changes as provided in TABOR and the Town Code. Any excess revenues must be appropriated by the Council for police, fire, ambulance, transportation, parks, recreation, trails and open space purposes. As used in the 2005 election question, "Town revenues" means all revenues except: (1) revenues excluded from Town fiscal year spending under the express provisions of TABOR or judicial interpretations of TABOR; (2) revenues of any enterprise of the Town so long as it is qualified as an enterprise under TABOR; and (3) voter-approved revenue changes approved by Town voters prior to November 1, 2005.

For 2015, the Town experienced a TABOR surplus of \$714,580. Various factors contributed to the surplus, including strong sales tax growth and contributions for the construction of transportation and recreation projects. In June 2016, following a process of obtaining citizen feedback, the Council voted to request voter authorization to retain the surplus at the November 2016 election. At the November 2016 election, the eligible electors of the Town voted to authorize the Town to retain and spend up to \$714,580 of excess 2015 revenue for police, fire, emergency medical services, and transportation purposes as a voter approved revenue change under 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 Town has budgeted emergency reserve funds as required by TABOR.

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

Police Power

The obligations of the Town are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State

and to the exercise by the United States of America of the powers delegated to it by the federal constitution, including bankruptcy.

MUNICIPAL ADVISOR

Hilltop Securities Inc., Denver, Colorado (the “Municipal Advisor”) has served as Municipal Advisor to the Town with respect to the Certificates. As the Town’s municipal advisor, the Municipal Advisor has assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring, rating and issuance of the Certificates. In its role of Municipal Advisor to the Town, the Municipal Advisor has not undertaken either to make an independent verification of or to assume responsibility for the accuracy or completeness of the information contained in the Official Statement and the appendices hereto.

INDEPENDENT AUDITORS

The basic financial statements of the Town for the fiscal year ended December 31, 2019, included in this Official Statement as Appendix A, have been audited by BKD LLP, certified public accountants, Denver, Colorado, to the extent and for the period indicated in their report

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

RATING

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), is expected to assign the Certificates the Rating shown on the cover of this Official Statement. An explanation of the significance of any ratings given by S&P may be obtained from S&P at 55 Water Street, New York, New York 10041.

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

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated, Denver, Colorado (the “Underwriter”) has agreed to purchase the Certificates from the Town pursuant to a Certificate Purchase Agreement at a purchase price equal to \$9,918,776.40 (which is equal to the par amount of the Certificates, plus original issue premium of \$1,467,716.40 and less Underwriter’s discount of \$33,940.00). The Underwriter is committed to take and pay for all of the Certificates if any are taken.

The Underwriter intends to offer the Certificates to the public at the offering prices or yields set forth on the inside cover page of this Official Statement. The Underwriter may allow concessions from the public offering price to certain dealers who may reallocate concessions to other dealers. After the initial public offering price, prices may be varied from time to time by the Underwriter, and the Certificates may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell such Certificates into investment accounts.

OFFICIAL STATEMENT CERTIFICATION

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

TOWN OF CASTLE ROCK, COLORADO



By: /s/ Trish Muller

Finance Director

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APPENDIX A

AUDITED BASIC FINANCIAL STATEMENTS OF THE TOWN FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

NOTE: The audited basic financial statements of the Town included in this Appendix A have been derived from the Town's CAFR for the year ended December 31, 2019. The table of contents, introductory section, individual fund budgetary statements, and other items referred to in the auditor's report attached hereto has purposely been excluded from this Official Statement. Such information provides supporting details and is not necessary for a fair presentation of the basic financial statements of the Town.

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Independent Auditor's Report

Honorable Mayor and Members of Town Council
Town of Castle Rock
Castle Rock, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Town of Castle Rock (the Town), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Plum Creek Water Reclamation Authority, a joint venture of the Town, which represents 27.0 percent, 27.7 percent and 2.4 percent, respectively, of the total assets, net position, and revenues of the Wastewater Enterprise Fund and 3.8 percent, 4.2 percent and 0.40 percent, respectively, of the total assets, net position, and revenues of the Town's business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Plum Creek Water Reclamation Authority, is based solely on the report of the other auditors. We also did not audit the financial statements of the Castle Rock Downtown Development Authority, the discretely presented component unit of the Town. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Castle Rock Downtown Development Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual funds statements and schedules, Local Highway Finance Report, and introductory and statistical sections as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual funds statements and schedules and Local Highway Finance Report (supplementary information) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to

the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

BKD, LLP

Denver, Colorado

July 14, 2020



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Management's Discussion and Analysis

As management of the Town of Castle Rock (Town), Colorado, we offer the readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with additional information contained in the Notes to the Basic Financial Statements and our Letter of Transmittal, which can be found in the Introductory Section of the Town's Comprehensive Annual Financial Report (CAFR).

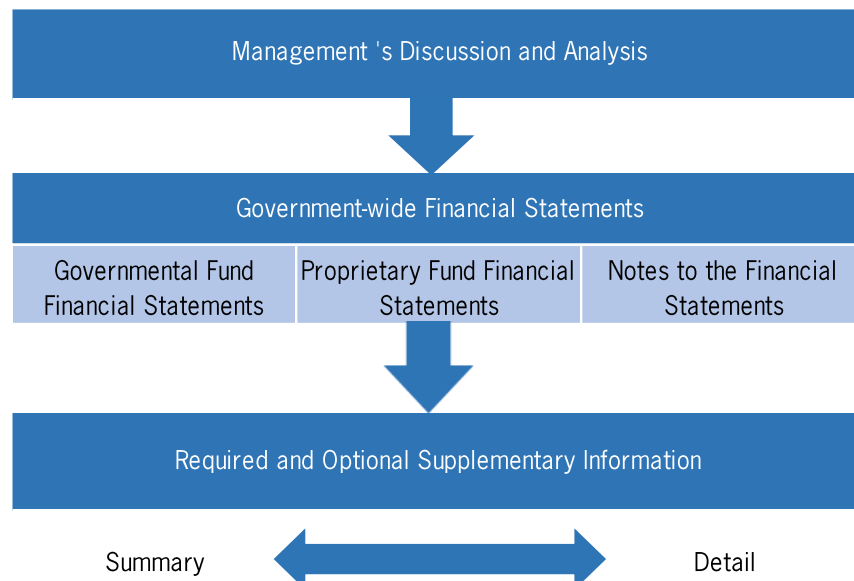
Financial Highlights

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at December 31, 2019 by \$1,075.1 million (*net position*). Of this amount, \$184.0 million (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total Net Position increased by \$51.3 million or 5 percent.
- As of December 31, 2019, the Town's governmental funds reported combined ending fund balances of \$54.2 million, a decrease of \$7.4 million from 2018.
- The Town's long-term liabilities totaled \$111.0 million at the end of 2019. The \$1.3 million or 1 percent decrease from 2018 was primarily due to debt service payments.
- On December 31, 2019, the unassigned fund balance for the General Fund was \$15.6 million, which consisted of cash reserves of \$12.1 million and unappropriated funds of \$3.5 million.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements.

The basic financial statements are comprised of three components: 1) Town-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements. This report also contains Other Supplementary Information in addition to the basic financial statements and information about the Downtown Development Authority, the discretely presented component unit of the Town.



Town-wide Financial Statements

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

The *Statement of Net Position* reports *net position* as the difference between Town-wide assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *Statement of Activities* presents information showing how the Town's net position changed during the year. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in a future period (e.g., uncollected taxes and earned but unused vacation leave).

The Town-wide financial statements distinguish functions of the Town that are primarily supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Governmental activities of the Town include: general government, public safety (police and fire), public works (streets and transportation), culture and recreation (parks, open space and recreation), and the Castle Rock Urban Renewal Authority. The business-type activities of the Town include: water, water resources, stormwater, wastewater, golf course, community (recreation) center and development services.

The Town-wide financial statements include not only the Town itself (known as the *primary government*), but also a legally separate development authority for which the Town is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. The Castle Rock Urban Renewal Authority, although also legally separate, functions for all practical purposes as a department of the Town, and therefore, has been included as an integral part of the primary government.

Fund Financial Statements

The Town, like other governments, uses fund accounting to ensure and 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 activities or objectives. The funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the Town-wide financial statements. However, unlike the Town-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Town-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Town-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. The governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances, provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains fifteen individual governmental funds. Information on the Town's major governmental funds; the General Fund, including the Economic Development Fund, the Transportation Fund and the Transportation Capital

Fund are presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. Data from the other eleven governmental funds are aggregated into a single "Other Governmental Funds" column. Individual fund data for each of these non-major governmental funds is provided in the Combining and Individual Statements under the Supplemental Information tab.

The Town adopts an annual budget for all governmental funds. A schedule of revenues, expenditures and changes in funds available budget and actual (non-GAAP budgetary basis) has been provided to demonstrate compliance with the budget.

Proprietary Funds

The Town maintains two types of proprietary funds, enterprise and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the Town-wide financial statements. The Town uses enterprise funds to account for its water, water resources, stormwater, wastewater, golf course, community center and development services funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's funds and departments. The Town uses internal service funds to account for its fleet of vehicles and to accumulate and pay employee benefits. The internal service funds are included within governmental activities in the Town-wide financial statements since these services predominantly benefit governmental rather than business-type functions.

Proprietary funds provide the same type of information as the Town-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the enterprise funds: Water, Water Resources, Stormwater, Wastewater, Golf, Community Center and Development Services. The internal services funds are aggregated into a single column on the proprietary fund financial statements. Individual fund data for internal service funds are provided in the form of Combining Statements under the Supplemental Information tab.

Required Supplementary Information and Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information concerning the Town's progress in funding its obligation to provide pension benefits for firefighters. The General Fund and Transportation Fund budgets are presented as part of Required Supplementary Information.

The combining and individual fund statements and schedules include detailed information about the non-major governmental funds (non-major special revenue funds and non-major capital projects funds), and the internal service funds and is presented as Supplementary Information.

Town-wide Financial Analysis

The chart on the following page shows a summary comparison of the Town's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position for 2019 and 2018. Based on that comparison, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources (net position) by \$1,075.1 million at the close of 2019. Net position may serve over time as a useful indicator of the Town's financial position.

NET POSITION DECEMBER 31, 2019 and 2018 (In thousands)						
	2019			2018		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
ASSETS						
Current and other assets	\$ 87,752	\$ 144,129	\$ 231,881	\$ 89,399	\$ 154,389	\$ 243,788
Capital assets	401,543	583,374	984,917	373,588	541,778	915,366
Total assets	489,295	727,503	1,216,798	462,987	696,167	1,159,154
DEFERRED OUTFLOWS						
Pension related amounts	5,090	-	5,090	2,172	-	2,172
Loss on refundings	454	748	1,202	507	878	1,385
Total deferred outflows	5,544	748	6,292	2,679	878	3,557
LIABILITIES						
Long-term liabilities	41,109	69,915	111,024	42,961	69,368	112,329
Other liabilities	23,165	10,954	34,119	18,888	4,428	23,316
Total liabilities	64,274	80,869	145,143	61,849	73,796	135,645
DEFERRED INFLOWS						
Pension related amounts	78	-	78	660	-	660
IREA capital credit	1,375	-	1,375	1,269	-	1,269
Property tax	1,353	-	1,353	1,283	-	1,283
Total deferred inflows	2,806	-	2,806	3,212	-	3,212
Net Position						
Net investment in capital assets	361,695	512,560	874,255	332,762	473,028	805,790
Restricted	16,885	-	16,885	19,853	-	19,853
Unrestricted	49,179	134,822	184,001	47,990	150,221	198,211
Total net position	\$ 427,759	\$ 647,382	\$ 1,075,141	\$ 400,605	\$ 623,249	\$ 1,023,854

Town-wide Financial Analysis (continued)

By far the largest portion of the net position (81 percent) is reflected in the Town's investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure) less any related outstanding debt used to acquire those assets. The Town uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves are not liquidated to pay these liabilities.

An additional portion of the Town's net position, \$16.9 million (2 percent), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$184.0 million) consists primarily of accumulated development impact fees that will be used to fund infrastructure needs caused by growth, accumulated rates and fees that will be used to fund the long term water plan, and Town and management designated reserves for Business-Type Activities (operating, capital, revenue stabilization, and catastrophic failure).

At the end of 2019, the Town reported positive balances in all three categories of net position, both for the Town as a whole as well as for its separate governmental and business-type activities.

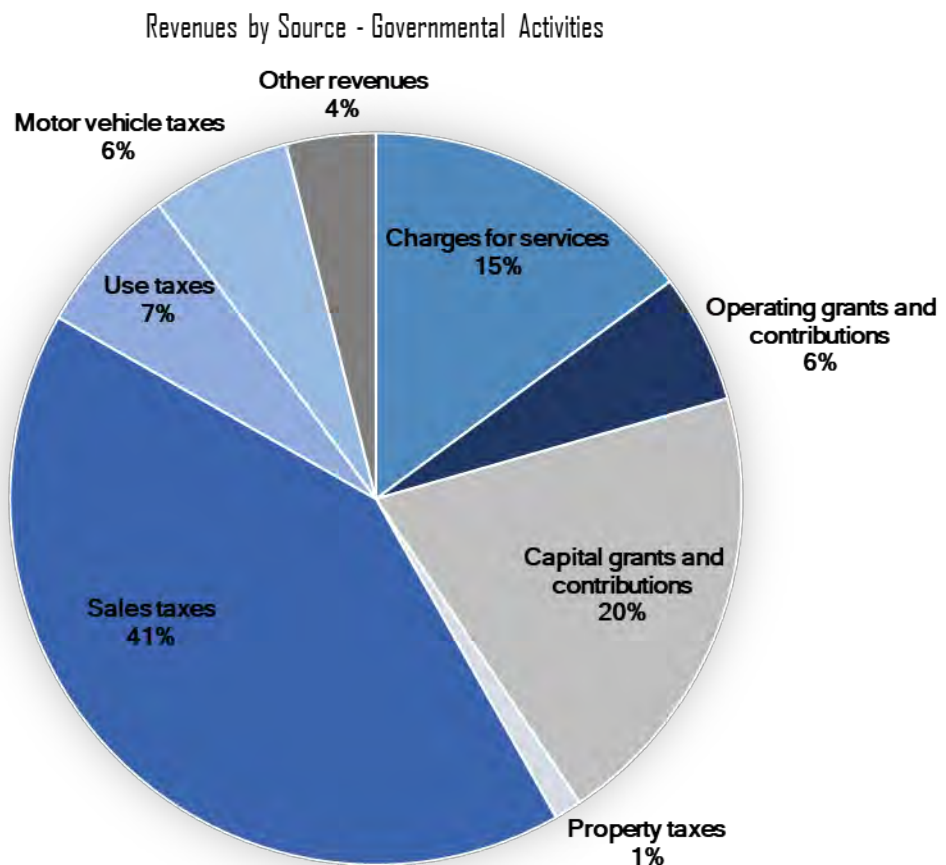
The Town's net position increased \$51.3 million during 2019. There was a \$27.2 million increase in the net position for governmental activities. Total net position of the business-type activities increased \$24.1 million. This increase was partially the result of water, stormwater and wastewater infrastructure valued at \$8 million which was contributed to the utilities enterprise by developers. The remaining \$16.1 million consists of system development fees, charges for services, sales taxes and other revenues less capital and operating expenses.

2019 AND 2018 CHANGES IN NET POSITION

(in thousands)

	2019			2018		
	Governmental activities	Business-type activities	Total	Governmental activities	Business-type activities	Total
REVENUES						
Program revenues						
Charges for services	\$ 18,193	\$ 63,892	\$ 82,085	\$ 18,907	\$ 56,639	\$ 75,546
Operating grants and contributions	6,973	-	6,973	5,357	-	5,357
Capital grants and contributions	24,506	30,603	55,109	19,444	46,319	65,763
General revenues						
Property taxes	1,483	-	1,483	1,331	-	1,331
Sales taxes	50,729	2,591	53,320	48,609	2,456	51,065
Use taxes	8,081	370	8,451	8,861	421	9,282
Other revenues	12,398	3,066	15,464	10,958	2,402	13,360
Total revenues	<u>122,363</u>	<u>100,522</u>	<u>222,885</u>	<u>113,467</u>	<u>108,237</u>	<u>221,704</u>
EXPENSES						
General government	17,615	-	17,615	16,129	-	16,129
Public safety	31,617	-	31,617	28,500	-	28,500
Public works	37,097	-	37,097	29,833	-	29,833
Culture and recreation	7,995	-	7,995	8,201	-	8,201
Interest on long-term debt	1,337	-	1,337	1,429	-	1,429
Water	-	18,519	18,519	-	15,599	15,599
Water Resources	-	9,849	9,849	-	8,696	8,696
Stormwater	-	4,481	4,481	-	4,256	4,256
Wastewater	-	25,749	25,749	-	22,443	22,443
Golf	-	3,020	3,020	-	2,874	2,874
Community center	-	8,085	8,085	-	7,088	7,088
Development services	-	6,234	6,234	-	5,759	5,759
Total expenses	<u>95,661</u>	<u>75,937</u>	<u>171,598</u>	<u>84,092</u>	<u>66,715</u>	<u>150,807</u>
Increase in net position before transfers	26,702	24,585	51,287	29,375	41,522	70,897
Transfers	<u>452</u>	<u>(452)</u>	<u>-</u>	<u>1,304</u>	<u>(1,304)</u>	<u>-</u>
Increase in net position	27,154	24,133	51,287	30,679	40,218	70,897
Net position - January 1	<u>400,605</u>	<u>623,249</u>	<u>1,023,854</u>	<u>369,926</u>	<u>583,031</u>	<u>952,957</u>
Net position - December 31	<u>\$ 427,759</u>	<u>\$ 647,382</u>	<u>\$ 1,075,141</u>	<u>\$ 400,605</u>	<u>\$ 623,249</u>	<u>\$ 1,023,854</u>

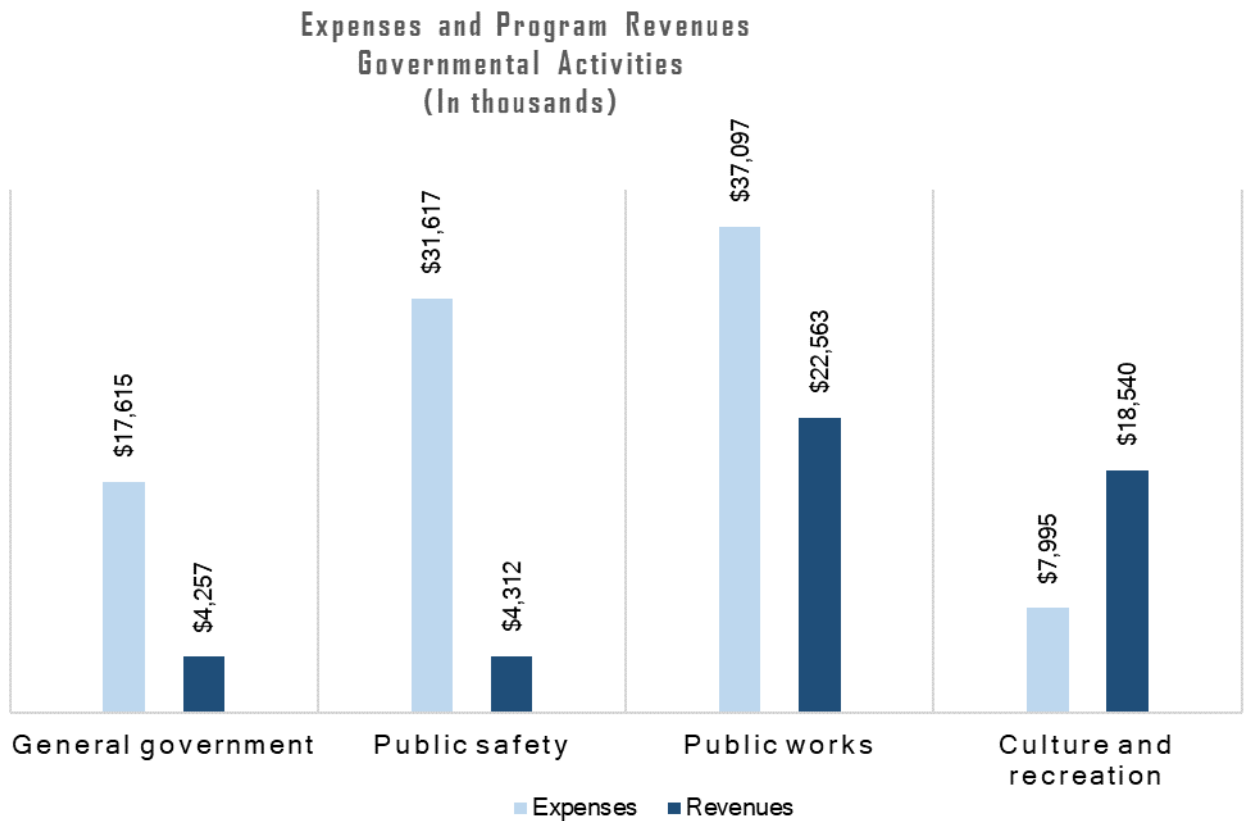
Governmental activities. The following chart shows the governmental activities revenues by source. Sales taxes provide 41 percent of the total revenues of the governmental activities. Program revenues including charges for services and grants and contributions provide 41 percent of revenues in the governmental activities. Only 1 percent of the revenues of the governmental activities are provided by property taxes.



Governmental activities increased the Town's net position by \$27.2 million. Key elements of this change are as follows:

- Sales taxes increased by \$2.1 million or 4 percent in 2019
- Use taxes decreased by \$0.8 million or 8.8 percent in 2019
- Operating grants and contributions include various intergovernmental revenues for highways and streets, public safety and parks and recreation projects.
- Capital grants and contributions are primarily assets contributed by developers.

The chart below shows the extent to which expenses of the various functions of governmental activities are covered by program revenues. Certain program revenues of public works are used for the construction of capital assets. These construction costs are not expensed in the year that the revenues are received but are instead capitalized and depreciated over the life of the assets.



Note: This chart does not include tax revenues, which are the primary source of funding for most governmental activities.

Business-type activities. Business-type activities increased the Town's net position by \$24.1 million, accounting for 47 percent of the total growth in the Town's net position. Key elements of this increase are as follows:

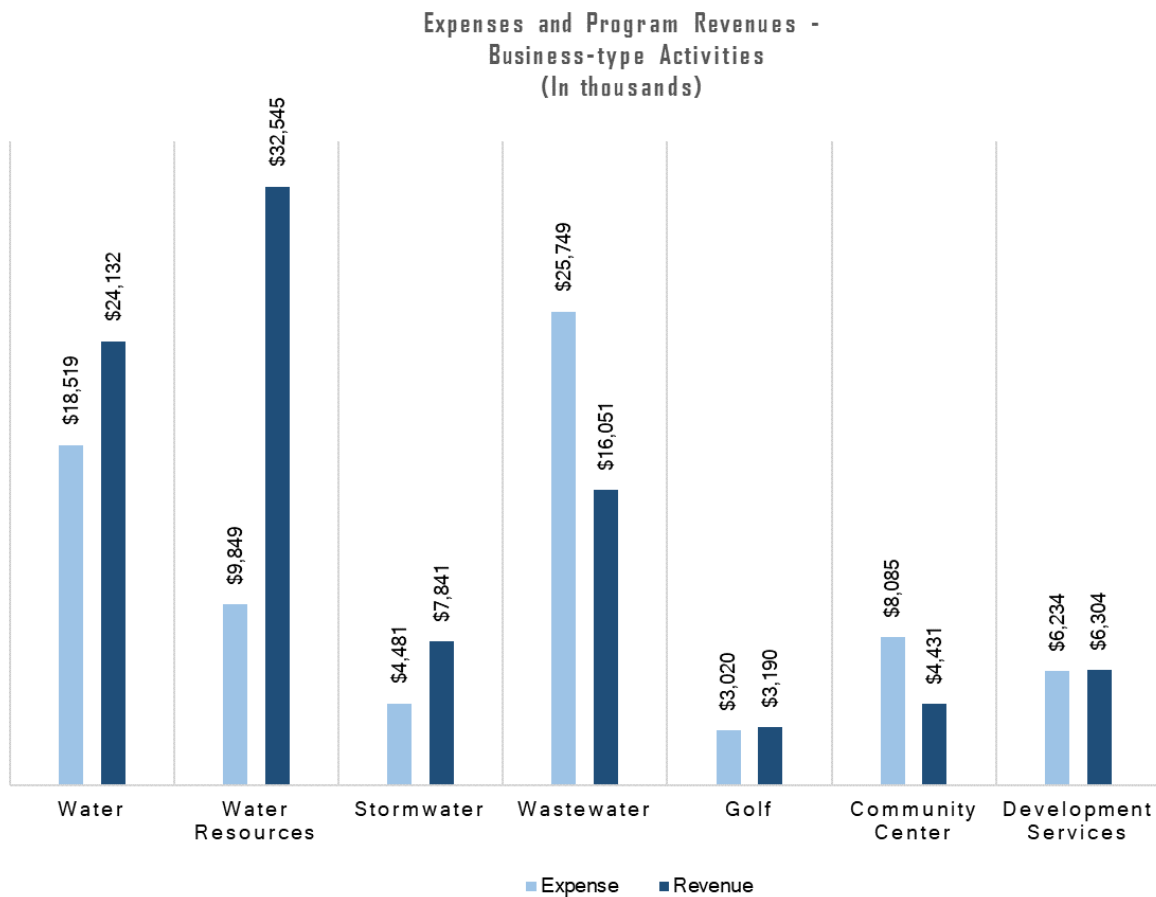
The change in net position in business-type activities resulted primarily from Water, Water Resources, Stormwater and Wastewater Fund system development fees of \$22.6 million and contributed infrastructure from developers of \$8 million and charges for services offset by capital and operational expenses.



The iconic Castle Rock Star is lighted on top of the rock every year around Thanksgiving and remains lit through the end of the Stock Show in Denver. This tradition has been in place since 1936.

The star was also lit as a symbol of hope in April, 2020 in the midst of the National Emergency declared because of the Coronavirus pandemic.

The chart below reflects all revenues of the enterprise funds including impact fees and system development fees. These impact and development fees can only be used for growth related costs, which are primarily the construction of infrastructure assets.



Financial Analysis of the Town's Funds

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

As of December 31, 2019, the governmental funds reported combined ending fund balances of \$54.2 million, which was a decrease of \$7.4 million from 2018. Of the \$54.2 million, the unassigned balance is \$13 million or 24 percent, which is available to spend at the Town's discretion. The unassigned balance includes \$12.1 million in three month cash reserves to cover cash flow requirements for the General Fund. The remaining fund balance of \$41.2 million, consists of fund balance that otherwise has constraints. These constraints include: \$4.7 million in non-spendable funds due to the nature of prepaid and long-term receivables, \$16.9 million in restricted funds due to revenues restricted for a specific purpose of which portions are not yet designated for a specific project, \$17.6 million in committed funds for spending determined by the Town Council, and \$2.1 million in assigned funds for future planned intentions.

The General Fund is the chief operating fund of the Town, which includes a subsidiary fund called the Economic Development Fund. At the end of 2019, fund balance of the General Fund was \$29.5 million, of which \$15.6 million was unassigned. As a measure of the General Fund's liquidity, unassigned fund balance represents 27 percent of the General Fund expenditures. The General Fund balance decreased by \$2.8 million, or 9 percent, during 2019.

At the end of 2019, total fund balance of the Transportation Fund was \$8.44 million. Of this amount, \$0.07 million is non-spendable funds due to prepaids and \$8.4 million is committed by Town Council for future projects. Fund balance for the Transportation Fund decreased \$3.5 million in 2019. Overall, the Transportation Fund revenues increased \$0.3 million or 1 percent in 2019, excluding impact fees that are collected in the Transportation Capital Fund.

The Transportation Capital Fund qualifies as a major fund for 2019 and had a total fund balance of \$11.5 million at the end of 2019, \$1.2 million less than at the end of 2018. The entirety of this amount is identified as restricted for a certain purpose.

Non-major governmental funds, which rely heavily on growth revenues, saw ending fund balances of \$4.8 million in 2019.

Proprietary funds. Unrestricted net position of the combined enterprise funds at the end of 2019 were \$135.4 million. The unrestricted net position consists largely of development impact fees that will be used to fund infrastructure needs caused by growth, rates and fees that will be used to fund the long term water plan and Town and management designated reserves for Business-Type Activities (operating, capital, revenue stabilization, and catastrophic failure). There was no restricted net position at the end of 2019. Net position for enterprise funds increased in 2019 by \$24.4 million with \$4.4 million from Water, \$25.9 million from Water Resources, \$3.5 million from Stormwater, \$0.3 million from Golf and \$0.2 million from the Development Services Fund. The net position in the Community Center Fund decreased by \$0.3 million and the net position for the Wastewater Fund decreased by \$9.6 million due to a contribution to the joint venture of the construction effort for the expansion of the Plum Creek Water Reclamation Facility.

Charges for services coupled with capital grants, contributions and transfers exceeded expenses by \$18.4 million. In addition, investment earnings and sales taxes contributed another \$6 million resulting in the increase to net position of \$24.4 million.

The Amphitheater at Philip S. Miller Park may be rented for community events and Town-arranged performers also present a variety of live music throughout the summer months.



CAPITAL ASSETS (net of depreciation) (In thousands)						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 60,556	\$ 46,839	\$ 9,455	\$ 9,455	\$ 70,011	\$ 56,294
Easements	3,319	3,243	11,905	10,452	15,224	13,695
Right of Ways	9,500	5,549	244	244	9,744	5,793
Artwork	294	244	-	-	294	244
Water Rights	-	-	98,280	99,150	98,280	99,150
Water Rights Definite Life	-	-	52,070	52,647	52,070	52,647
Buildings and improvements	48,179	44,712	30,096	31,135	78,275	75,847
Machinery and equipment	14,515	14,956	3,132	1,961	17,647	16,917
Infrastructure	219,246	224,311	256,742	252,389	475,988	476,700
Other structures and improvements	27,182	21,626	3,839	3,837	31,021	25,463
Construction in progress	18,752	12,108	117,610	80,508	136,362	92,616
Total	\$ 401,543	\$ 373,588	\$ 583,373	\$ 541,778	\$ 984,916	\$ 915,366

Capital Asset and Debt Administration

The Town's investment in capital assets for its governmental and business-type activities as of December 31, 2019, amounts to \$984.9 million (net of accumulated depreciation). This investment in capital assets includes land, water rights, buildings and improvements, machinery and equipment, infrastructure (roads, highways, bridges, water and sewer systems), and construction in progress.

Major capital asset events during 2019 included:

- Completion and opening of Deputy Zack S. Parrish III Memorial Park in the northwest area of Town
- Completion of a 2 mile southward extension of the East Plum Creek Trail, to Crystal Valley Parkway

- Converted the ballfields at Metzler Ranch Community Park to synthetic turf to conserve 6 million gallons of water annually
- Completed construction of groundwater wells in the Lanterns/Montaine area
- Installed a reuse waterline from Plum Creek Water Reclamation Authority to Red Hawk Ridge Golf Course so nonpotable water can be used to water the course, saving 60 million gallons in nonrenewable groundwater each year
- Began constructing an advanced water treatment process at the Plum Creek Water Purification Facility and building a pipeline and pump station to the Town's new water diversion north of Sedalia to further use of reuse water
- Completed upgrades to Chatfield Reservoir to begin storing water in 2020

Additional information concerning the Town's capital assets can be found in the Notes to the Basic Financial Statements on page(s) 61-62.



In support of continuing education in Castle Rock, the Town contributed \$2 million toward Arapahoe Community College's Sturtevant Campus – a partnership among ACC, Douglas County Schools and Colorado State University with assistance from the Castle Rock Economic Development Council and the Town that opened in the fall of 2019 with over 600 students.

Long-term debt

	OUTSTANDING DEBT					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue bonds	\$ 28,038,047	\$ 29,368,312	\$ 63,562,717	\$ 68,144,403	\$ 91,600,764	\$ 97,512,715
Certificates of participation	7,130,000	7,505,000	-	-	7,130,000	7,505,000
Notes Payable	-	2,250,000	4,500,000	-	4,500,000	2,250,000
Capital leases	-	-	407,441	150,452	407,441	150,452
Total	<u>\$ 35,168,047</u>	<u>\$ 39,123,312</u>	<u>\$ 68,470,158</u>	<u>\$ 68,294,855</u>	<u>\$ 103,638,205</u>	<u>\$ 107,418,167</u>
The Town has no general obligation bonds outstanding.						

At the end of 2019, the Town had total long-term debt outstanding of \$103.6 million. Of this amount, there were no general obligation bonds outstanding. There were revenue bonds of \$91.6 million and \$7.1 million in certificates

of participation secured by specific revenue sources. The remainder of the debt (\$4.9 million) consists of notes and capital leases.

The Town's total long-term debt decreased by \$3.8 million or 4 percent in 2019 due primarily to scheduled debt service payments.

Additional information on the Town's long-term debt can be found in the Notes to the Basic Financial Statements on page(s) 64-70.

General Fund Budgetary Highlights

Unspent capital project appropriations do not automatically carry over into the new year, but unspent amounts are re-appropriated in the following year. The increase of \$8.7 million between the total "original" budgets and the "final" amended budgets for the General Fund was due to carryforward of previously unspent capital items including \$2 million for the economic incentive agreement with the collaborative campus effort, \$2 million for construction of the East Plum Creek Trail extension, \$1.7 million for turf replacement at Metzler Park, \$1.2 million for additional construction needs at the new Public Safety Training Facility and acquisition of property for a future roundabout near the Wolfensberger and I-25 on ramp in 2019.

When comparing budgeted to actual expenditures in the General Fund and subsidiary Economic Development Fund, there was a positive variance of \$4.1 million and \$2.0 million respectively. For the General Fund, this was made up of unspent capital funds of \$2.0 million or 49 percent, for projects not completed in 2019, personnel costs of \$0.8 million or 21 percent, and \$1.3 million or 32 percent in services and other expenses such as utility costs, vehicle repairs, and contingencies. For the Economic Development Fund, the \$2.0 million were economic development opportunities that have not yet come to fruition in 2019 and will be re-appropriated in a future year.

Economic Factors and Next Year's Budgets and Rates

It is important to note that as a result of the 2020 COVID-19 health emergency, management anticipates that revenues of the Town may be affected due to the impact on sales and use taxes that the economic shutdown will have. A history of conservative financial management coupled with healthy reserves and fund balances available to deploy as well as capital improvement program funding that can be accessed, the Town is well positioned to work through the fiscal outcomes of the pandemic.

In the development of the budget for the General Fund, the Town considered the following factors:

- The Town continued to experience growth during 2019 with the issuance of permits for 1,170 new residential units (901 single family, 269 multi-family, and 44 new commercial permits). The Town will budget 700 new residential units and 118 multifamily units in the 2020 budget.
- No increase in tax rates of any kind.
- Unemployment rate for the State of Colorado.
- Inflation as measured by the change in the Denver-Boulder consumer price index (CPI).

The Town collects nine different development and impact fees to defray the costs of new infrastructure needs that are caused by growth. The Town has fee schedules for its various development, system development and impact fees and beginning in 2020, impact fees will be adjusted annually for inflation.

Existing rates and fees are set pursuant to Town Council approved schedules or policies, with no new fees proposed for 2020. The 2020 budget includes a decrease of 3 percent for wastewater fees for the typical existing residential water customer, along with an increase in growth-related water system development fees. Increases in development impact fees for transportation and parks and recreation projects are also included.

The 2020 budget provides for \$69.4 million in capital improvements. This includes the following significant projects:

- Design and initiate phase one construction of a neighborhood park in Cobblestone Ranch, which is planned to be complete in 2021
- Replace playground equipment and other amenities within existing parks, including Butterfield Crossing, Mitchell Gulch and Plum Creek parks
- Complete construction of the North Building at the Towns Public Safety Training Facility
- Widen Plum Creek Parkway east of Gilbert Street to Eaton Circle, including constructing two new roundabouts
- Improve certain Downtown alleys and begin work on a Downtown Alley Master Plan
- Acquire the remaining right of way needed and set aside funds toward the future Crystal Valley Parkway Interchange with Interstate 25
- Complete upgrades to the Plum Creek Water Purification Facility so the Town can provide purified reuse water, and complete construction of the pump station and reuse pipeline from the Towns diversion and reservoir north of Sedalia to deliver reuse water to the Plum Creek Water Purification Facility
- Continue the WISE, Box Elder and Chatfield Reallocation renewable water projects, as well as consider purchase of Cherry Creek renewable water rights
- Add and improve Denver Basin groundwater supply wells
- Invest in projects at the Plum Creek Water Reclamation Authority, which treats the Towns wastewater, and rehabilitate/replace some of the Towns aging sanitary sewer pipe
- Construct a new water tank in Liberty Village/Cobblestone Ranch

Requests for Information

This financial report is designed to provide a general overview for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Finance Department, 100 North Wilcox Street, Castle Rock, Colorado 80104.

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Basic Financial Statements

Town-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

Town-wide Financial Statements



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TOWN OF CASTLE ROCK, COLORADO

TOWN-WIDE

STATEMENT OF NET POSITION

DECEMBER 31, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Castle Rock Downtown Development Authority
ASSETS				
Cash and cash equivalents	\$ 36,931,543	\$ 38,306,300	\$ 75,237,843	\$ 508,983
Investments	32,840,627	68,378,773	101,219,400	-
Restricted cash and cash equivalents	900,000	5,009,381	5,909,381	-
Cash held in escrow	3,135,480	-	3,135,480	-
Receivables				
Property taxes	1,353,067	-	1,353,067	178,226
Grants	1,803,660	-	1,803,660	-
Sales taxes	5,855,188	322,499	6,177,687	-
Accounts, net of allowance of \$198,915	3,174,413	3,515,075	6,689,488	7,570
Long term receivable	1,374,803	-	1,374,803	-
Internal balances	(195,545)	195,545	-	-
Prepaid items	578,766	899,951	1,478,717	7,103
Inventory	-	73,111	73,111	-
Capital assets				
Land	60,555,627	9,454,785	70,010,412	-
Water rights	-	170,914,994	170,914,994	-
Artwork	293,733	-	293,733	-
Right of way	9,499,564	244,469	9,744,033	-
Easements	3,318,548	11,904,892	15,223,440	-
Construction in progress	18,752,157	117,609,833	136,361,990	-
Buildings and improvements	64,504,899	40,512,245	105,017,144	215,444
Infrastructure	385,573,411	393,182,086	778,755,497	-
Other structures and improvements	63,110,665	6,504,871	69,615,536	-
Machinery and equipment	39,101,919	7,733,642	46,835,561	146,563
Accumulated depreciation	(243,167,959)	(174,688,304)	(417,856,263)	(246,312)
Investment in joint venture	-	27,428,892	27,428,892	-
Total assets	489,294,566	727,503,040	1,216,797,606	817,577
DEFERRED OUTFLOWS OF RESOURCES				
Pension related amounts	5,090,300	-	5,090,300	-
Loss on refundings	453,654	747,529	1,201,183	-
Total deferred outflows of resources	5,543,954	747,529	6,291,483	-

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

TOWN OF CASTLE ROCK, COLORADO

TOWN-WIDE

STATEMENT OF NET POSITION

DECEMBER 31, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Castle Rock Downtown Development Authority
LIABILITIES				
Accounts payable	9,640,039	8,930,242	18,570,281	1,543
Accounts payable from restricted assets	900,000	-	900,000	-
Retainage payable	1,110,442	1,051,707	2,162,149	-
Accrued liabilities	120,653	194,024	314,677	12,484
Deposits	3,305,578	197,928	3,503,506	-
Unearned revenues	8,088,489	579,354	8,667,843	-
Non-current liabilities				
Due within one year	4,157,420	5,079,606	9,237,026	-
Due beyond one year	36,951,308	64,835,587	101,786,895	-
Total liabilities	64,273,929	80,868,448	145,142,377	14,027
DEFERRED INFLOWS OF RESOURCES				
Pension related amounts	77,502	-	77,502	-
IREA capital credit	1,374,803	-	1,374,803	-
Sponsorships	-	-	-	12,833
Property tax	1,353,067	-	1,353,067	178,226
Total deferred inflows of resources	2,805,372	-	2,805,372	191,059
NET POSITION				
Net investment in capital assets	361,694,721	512,559,768	874,254,489	115,695
Restricted for parks and open space	500,943	-	500,943	-
Restricted for emergencies	2,052,460	-	2,052,460	-
Restricted for capital projects	14,309,601	-	14,309,601	-
Restricted for other purposes	21,855	-	21,855	7,500
Unrestricted	49,179,639	134,822,353	184,001,992	489,296
Total net position	\$ 427,759,219	\$ 647,382,121	\$ 1,075,141,340	\$ 612,491

TOWN OF CASTLE ROCK, COLORADO

TOWN-WIDE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2019

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Governmental activities			
General government	\$ 17,615,169	\$ 4,256,832	\$ -
Public safety	31,616,925	4,001,601	310,690
Public works	37,096,813	6,473,501	5,791,712
Culture and recreation	7,995,062	3,460,974	870,812
Interest on long-term debt	1,337,305	-	-
Total Governmental activities	95,661,274	18,192,908	6,973,214
Business-type activities			
Water	18,519,142	18,236,901	-
Water resources	9,849,461	16,465,907	-
Stormwater	4,480,720	4,049,342	-
Wastewater	25,748,740	11,214,673	-
Golf	3,020,217	3,189,851	-
Community center	8,084,639	4,430,672	-
Development services	6,233,635	6,304,317	-
Total Business-type activities	75,936,554	63,891,663	-
	<u>\$ 171,597,828</u>	<u>\$ 82,084,571</u>	<u>\$ 6,973,214</u>
Component unit:			
Castle Rock Downtown Development Authority	<u>\$ 425,428</u>	<u>\$ 121,571</u>	<u>\$ 194,166</u>
General revenues			
Taxes			
Property			
Sales			
Use			
Motor vehicle			
Other			
Unrestricted investment earnings			
Other revenues not restricted for a purpose			
Transfers			
Total general revenues and transfers			
Changes in net position			
Net position - January 1			
Net Position - December 31			

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

Net (Expense) Revenue and Changes in Net Position				
Capital Grants and Contributions	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Castle Rock Downtown Development Authority
\$ -	\$ (13,358,337)	\$ -	\$ (13,358,337)	\$ -
-	(27,304,634)	-	(27,304,634)	-
10,297,549	(14,534,051)	-	(14,534,051)	-
14,208,691	10,545,415	-	10,545,415	-
-	(1,337,305)	-	(1,337,305)	-
24,506,240	(45,988,912)	-	(45,988,912)	-
5,895,551	-	5,613,310	5,613,310	-
16,079,149	-	22,695,595	22,695,595	-
3,791,861	-	3,360,483	3,360,483	-
4,836,699	-	(9,697,368)	(9,697,368)	-
-	-	169,634	169,634	-
-	-	(3,653,967)	(3,653,967)	-
-	-	70,682	70,682	-
30,603,260	-	18,558,369	18,558,369	-
\$ 55,109,500	\$ (45,988,912)	\$ 18,558,369	\$ (27,430,543)	\$ -
\$ -	\$ -	\$ -	\$ -	\$ (109,691)
1,483,121	-	1,483,121	190,587	-
50,729,264	2,591,211	53,320,475	-	-
8,080,760	369,908	8,450,668	-	-
7,560,750	445,355	8,006,105	-	-
3,111,497	-	3,111,497	-	-
1,589,888	2,620,319	4,210,207	-	-
135,487	-	135,487	16,390	-
452,076	(452,076)	-	-	-
73,142,843	5,574,717	78,717,560	206,977	-
27,153,931	24,133,086	51,287,017	97,286	-
400,605,288	623,249,035	1,023,854,323	515,205	-
\$ 427,759,219	\$ 647,382,121	\$ 1,075,141,340	\$ 612,491	-



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Fund Financial Statements

GOVERNMENTAL FUNDS

Major governmental funds include the General Fund and any governmental fund that comprises 10% or more of a total governmental fund classification (assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures) and at least 5% of the combined governmental and enterprise funds total for the same classification.

MAJOR FUNDS

General Fund

The General Fund is the primary operating fund of the Town. This fund accounts for all financial resources of the Town except those required to be accounted for in another fund. Included in the General Fund is Economic Development, which is a sub-fund of the General Fund. Economic Development is used to facilitate expansion of the tax base, through primary job creation and improved local economy.

Transportation Fund

The Transportation Fund is a special revenue fund that accounts for the accumulation of financial resources and expenditures for the repair and maintenance of streets, bridges, sidewalks, and public transit and the acquisition of easements and right-of-ways, development of transportation facilities and for the operations of the department responsible for the construction and maintenance of such facilities.

Transportation Capital Fund

The Transportation Capital Fund accounts for the resources and expenditures for the construction of new transportation projects which accommodate growth in the Castle Rock area.

NON-MAJOR FUNDS

Other Governmental Funds

The Other Governmental Funds column is an aggregate of the following non-major governmental funds.

Special Revenue Funds

Conservation Trust
Philip S. Miller Trust
Public Art
Police Forfeiture
Downtown Development Authority TIF
Castle Rock Urban Renewal Authority

Capital Project Funds

Parks and Recreation Capital
Municipal Facilities Capital
Fire Capital
Police Capital
General Long Term Planning

TOWN OF CASTLE ROCK, COLORADO

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2019

	General	Transportation	Transportation Capital	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 10,683,214	\$ 7,609,220	\$ 8,519,280	\$ 5,593,395	\$ 32,405,109
Investments	15,500,114	4,038,600	6,423,487	4,682,822	30,645,023
Restricted cash and cash equivalents	900,000	-	-	-	900,000
Cash held in Escrow	-	-	-	3,135,480	3,135,480
Receivables					
Property taxes	1,353,067	-	-	-	1,353,067
Sales taxes	4,352,649	1,502,539	-	-	5,855,188
Accounts, net of allowance of \$198,915	1,664,545	1,140,002	2,065,449	39,510	4,909,506
Prepaid items	498,669	69,817	-	2,669	571,155
Advance to other funds	730,692	-	-	-	730,692
Loans to other funds	5,107,268	-	-	200,694	5,307,962
Total assets	<u>\$ 40,790,218</u>	<u>\$ 14,360,178</u>	<u>17,008,216</u>	<u>\$ 13,654,570</u>	<u>\$ 85,813,182</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 3,603,875	\$ 1,816,223	3,218,732	\$ 156,385	\$ 8,795,215
Accounts payable from restricted assets	900,000	-	-	-	900,000
Retainage payable	86,401	494,395	523,095	6,551	1,110,442
Deposits	3,305,578	-	-	-	3,305,578
Unearned revenues	713,523	3,609,771	-	3,175,480	7,498,774
Advance from other funds	-	-	-	730,692	730,692
Loans from other funds	1,268,247	-	-	4,807,147	6,075,394
Total liabilities	<u>9,877,624</u>	<u>5,920,389</u>	<u>3,741,827</u>	<u>8,876,255</u>	<u>28,416,095</u>
Deferred inflows of resources					
Property taxes	1,353,067	-	-	-	1,353,067
Unavailable fund resources	12,607	-	1,791,053	-	1,803,660
Total liabilities and deferred inflows of resources	<u>11,243,298</u>	<u>5,920,389</u>	<u>5,532,880</u>	<u>8,876,255</u>	<u>31,572,822</u>
Fund balances					
Nonspendable	4,591,792	69,817	-	2,669	4,664,278
Restricted	2,052,460	-	11,475,336	3,357,063	16,884,859
Committed	5,164,845	8,369,972	-	4,060,313	17,595,130
Assigned	2,145,008	-	-	-	2,145,008
Unassigned	15,592,815	-	-	(2,641,730)	12,951,085
Total fund balances	<u>29,546,920</u>	<u>8,439,789</u>	<u>11,475,336</u>	<u>4,778,315</u>	<u>54,240,360</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 40,790,218</u>	<u>\$ 14,360,178</u>	<u>\$ 17,008,216</u>	<u>\$ 13,654,570</u>	<u>\$ 85,813,182</u>

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

TOWN OF CASTLE ROCK, COLORADO

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION DECEMBER 31, 2019

Total governmental funds - fund balances	\$ 54,240,360
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Amounts reported for governmental activities in the Statement of Net Position are different from governmental fund balances because:

Net capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Less \$10,063,545 internal service fund capital assets.	391,479,019
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Long-term receivables related to regulatory activities do not provide current financial resources until received and therefore are not recorded in the funds.	1,374,803
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Internal service funds are used by management to charge the costs of insurance, employee benefits, vehicle replacement, and other activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position, net of the amount allocated to business-type activities.	15,935,190
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Deferred outflows of resources, related to the loss on refundings is amortized over future reporting periods and is not recorded in the funds.	453,654
--	---------

Deferred outflows of resources of \$5,090,300 and inflows of resources of (\$77,502), related to pension activity, that represent acquisition or consumption of net position that applies to future reporting periods and therefore are not reported in the funds.	5,012,798
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Revenues associated with long-term receivables related to regulatory activities are not recognized in the fund statements until expended for the intended purpose. These revenues are reported as deferred inflows of resources in the governmental statement of net position.	(1,374,803)
--	-------------

Long-term liabilities, including bonds payable, capital leases, compensated absences and accrued interest payable are not due and payable in the current period and therefore are not reported in the governmental funds.	(39,495,905)
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Net pension liabilities are not due and payable in the current period and therefore not reported in the funds.	(1,669,557)
--	-------------

Deferred inflows of resources related to unavailable fund resources are recognized as revenue in the Town-wide financial statements.	1,803,660
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Net position of the governmental activities	<u><u>\$ 427,759,219</u></u>
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The notes to the financial statements are an integral part of the financial statements.

TOWN OF CASTLE ROCK, COLORADO

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2019

	General	Transportation	Transportation Capital	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes					
Property	\$ 1,260,995	\$ -	\$ -	\$ 222,126	\$ 1,483,121
Sales	34,692,600	14,618,800	-	1,417,864	50,729,264
Use	1,218,758	2,942,867	2,203,350	1,715,785	8,080,760
Motor vehicle	4,539,944	3,020,806	-	-	7,560,750
Other taxes	3,111,497	-	-	-	3,111,497
Charges for services	2,311,109	123	-	253,187	2,564,419
Development impact fees	-	-	6,473,378	4,680,424	11,153,802
Management fees	3,421,034	-	-	-	3,421,034
Licenses and permits	103,297	-	-	169,190	272,487
Fines and forfeitures	402,875	-	-	-	402,875
Investment earnings	660,724	341,738	289,241	185,777	1,477,480
Intergovernmental	1,234,840	4,984,079	1,450,906	580,614	8,250,439
Contributions and donations	760,570	325,000	-	302,870	1,388,440
Other	395,784	11,128	295	16,460	423,667
Total revenues	54,114,027	26,244,541	10,417,170	9,544,297	100,320,035
EXPENDITURES					
Current					
General government	15,846,344	-	-	567,596	16,413,940
Public safety	30,487,449	-	-	3,285	30,490,734
Public works	-	24,571,541	6,205	-	24,577,746
Culture and recreation	4,541,604	-	-	922,508	5,464,112
Capital outlay	6,806,654	1,711,378	13,251,513	4,080,291	25,849,836
Debt service					
Principal	-	595,000	500,000	2,625,000	3,720,000
Interest	-	285,775	852,163	389,709	1,527,647
Agency fees	-	300	300	2,000	2,600
Total expenditures	57,682,051	27,163,994	14,610,181	8,590,389	108,046,615
Excess (deficiency) of revenues over (under) expenditures	(3,568,024)	(919,453)	(4,193,011)	953,908	(7,726,580)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,512,643	-	3,086,963	664,871	5,264,477
Transfers out	(695,138)	(2,578,813)	(55,870)	(1,641,380)	(4,971,201)
Total other financing sources (uses)	817,505	(2,578,813)	3,031,093	(976,509)	293,276
Net change in fund balances	(2,750,519)	(3,498,266)	(1,161,918)	(22,601)	(7,433,304)
Fund balances - January 1	32,297,439	11,938,055	12,637,254	4,800,916	61,673,664
Fund balances - December 31	\$ 29,546,920	\$ 8,439,789	\$ 11,475,336	\$ 4,778,315	\$ 54,240,360

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

TOWN OF CASTLE ROCK, COLORADO

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019

Net change in fund balances total government funds	\$ (7,433,304)
--	----------------

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

Governmental funds report capital outlay \$25,849,836 as an expenditure while in the statement of activities the cost of those assets are capitalized and allocated over the estimated useful lives and reported as depreciation expense (\$16,606,212). This amount is the net difference between capital outlay and depreciation reported in the current period, less depreciation related to internal service funds.	9,243,624
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Contributed assets do not require the use of current financial resources of governmental funds, but are treated as revenues in the statement of activities. In 2019 the Town received capital assets for streets (public works) valued at \$7,538,222, land and easements (culture and recreation) valued at \$12,498,692.	20,036,914
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt.	3,299,975
--	-----------

Internal service funds are used by management to charge the costs of insurance and employee benefits to individual funds, and to provide vehicle repair, maintenance and replacement. The net revenue (expenditures) of the internal service funds is reported with the governmental activities, net of the amount allocated to business-type activities.	(189,439)
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Pension related expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported in the funds.	392,501
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Deferred inflows of resources related to unavailable fund resources are not recognized as revenue in the governmental funds.	1,803,660
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Change in net position of governmental activities	<u><u>\$ 27,153,931</u></u>
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The notes to the financial statements are an integral part of the financial statements.

PROPRIETARY FUNDS

Major proprietary funds are enterprise funds that comprise 10% or more of a total enterprise fund classification (assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures) and at least 5% of the combined governmental and enterprise funds total for the same classification. The Town has elected to show all enterprise funds as Major Funds.

Enterprise funds account for operations that are financed and operated in a manner similar to private business where costs are predominantly supported by user charges or where management has decided periodic determination of revenues, expenses and / or changes in net position is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

MAJOR FUNDS

Water Fund

The Water Fund accounts for activities related to water well development and extraction, water treatment, water transportation systems and for the repair and maintenance of such facilities.

Water Resources Fund

The Water Resources Fund accounts for the Town's activities related to the analysis and measurement of the long-term water needs of the Town including conservation promotion and the development and maintenance of ground water and renewable water sources.

Stormwater Fund

The Stormwater Fund accounts for the development, operation and maintenance of infrastructure related to storm water run-off including storm sewers, detention ponds and other drainage ways within the Town.

Wastewater Fund

The Wastewater Fund accounts for the development and operation of activities related to the collection and treatment of wastewater.

Golf Fund

The Golf Fund accounts for the activities related to the construction, operation and maintenance of the Town owned golf course, Red Hawk Ridge, at Castle Rock.

Community Center Fund

The Community Center Fund accounts for the Town's recreational facilities including a recreation center, the Miller Activity Center, two outdoor pools, inline skating rinks, multi-purpose ball fields, and a skateboard park. This fund also accounts for recreational and child care programs.

Development Services Fund

The Development Services Fund accounts for revenues and expenses related to community development within the Town. Primary revenues are from user fees to include building and electrical permits, plan reviews and inspections.

TOWN OF CASTLE ROCK, COLORADO

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

DECEMBER 31, 2019

	Water	Water Resources	Stormwater	Wastewater
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 10,821,904	\$ 12,457,805	\$ 5,566,945	\$ 6,631,140
Investments	11,293,763	48,769,453	2,878,710	1,218,648
Restricted cash and cash equivalents	-	-	4,500,000	-
Receivables	830,635	1,291,246	293,031	1,040,404
Prepaid items	437,615	277,729	31,298	28,376
Inventory	-	-	-	-
Total current assets	23,383,917	62,796,233	13,269,984	8,918,568
Non-current Assets				
Capital assets				
Land	2,075,814	783,000	53,693	947,834
Easements	2,686,531	121,733	8,230,646	859,882
Right of way	28,024	-	216,445	-
Water rights	89,172,797	81,742,197	-	-
Construction in progress	9,510,789	103,271,521	4,096,046	710,720
Buildings and improvements	3,089,307	18,588,063	820,924	2,441,379
Infrastructure	204,532,835	23,908,267	73,556,274	91,184,710
Machinery and equipment	3,135,127	1,191,992	140,342	922,290
Other structures and improvements	2,134,712	904,056	710,970	1,176,941
Accumulated depreciation	(109,875,494)	(6,127,536)	(17,685,041)	(33,183,124)
Total capital assets (net of accumulated depreciation)	206,490,442	224,383,293	70,140,299	65,060,632
Investment in joint venture	-	-	-	27,428,892
Loans to other funds	-	1,268,247	-	-
Total non-current assets	206,490,442	225,651,540	70,140,299	92,489,524
Total assets	229,874,359	288,447,773	83,410,283	101,408,092
DEFERRED OUTFLOWS OF RESOURCES				
Loss on refundings	368,461	-	-	77,714
LIABILITIES				
Current liabilities				
Accounts payable	2,188,341	5,233,543	212,011	766,750
Retainage payable	328,255	633,715	71,055	18,682
Accrued interest payable	26,016	150,331	2,880	4,013
Deposits	176,525	-	-	-
Revenue bonds payable-current	1,421,800	1,925,000	-	283,200
Capital leases-current	-	-	-	-
Accrued leave-current	375,029	47,035	74,911	17,937
Unearned revenues	298,546	-	18,520	193,454
Total current liabilities	4,814,512	7,989,624	379,377	1,284,036
Non-current liabilities				
Revenue bonds net of unamortized premiums (discounts)	7,115,369	48,279,422	-	1,012,926
Notes payable	-	-	4,500,000	-
Leases payable	-	-	-	-
Accrued leave	253,751	18,026	54,847	4,244
Loans from other funds	-	-	-	-
Total non-current liabilities	7,369,120	48,297,448	4,554,847	1,017,170
Total liabilities	12,183,632	56,287,072	4,934,224	2,301,206
NET POSITION				
Net investment in capital assets	196,405,959	168,742,370	69,937,108	63,798,005
Unrestricted	21,653,229	63,418,331	8,538,951	35,386,595
Total net position	\$ 218,059,188	\$ 232,160,701	\$ 78,476,059	\$ 99,184,600

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

	Golf	Community Center	Development Services	Total Enterprise Funds	Governmental Activities
					Internal Service Funds
\$	884,011	\$ 1,079,968	\$ 864,527	\$ 38,306,300	\$ 4,526,434
	223,957	704,987	3,289,255	68,378,773	2,195,604
	509,381	-	-	5,009,381	-
	2,366	364,673	15,219	3,837,574	68,567
	31,098	29,964	63,871	899,951	7,611
	73,111	-	-	73,111	-
	<u>1,723,924</u>	<u>2,179,592</u>	<u>4,232,872</u>	<u>116,505,090</u>	<u>6,798,216</u>
	5,412,479	181,965	-	9,454,785	-
	-	-	6,100	11,904,892	-
	-	-	-	244,469	-
	-	-	-	170,914,994	-
	-	20,757	-	117,609,833	5,620
	2,207,364	8,167,414	5,197,794	40,512,245	-
	-	-	-	393,182,086	-
	1,244,309	1,046,144	53,438	7,733,642	25,711,942
	869,366	708,826	-	6,504,871	-
	(2,082,635)	(5,341,359)	(393,115)	(174,688,304)	(15,654,017)
	<u>7,650,883</u>	<u>4,783,747</u>	<u>4,864,217</u>	<u>583,373,513</u>	<u>10,063,545</u>
	-	-	-	27,428,892	-
	-	-	-	1,268,247	-
	<u>7,650,883</u>	<u>4,783,747</u>	<u>4,864,217</u>	<u>612,070,652</u>	<u>10,063,545</u>
	<u>9,374,807</u>	<u>6,963,339</u>	<u>9,097,089</u>	<u>728,575,742</u>	<u>16,861,761</u>
	301,354	-	-	747,529	-
	55,682	231,422	242,493	8,930,242	844,824
	-	-	-	1,051,707	-
	10,784	-	-	194,024	-
	1,113	8,400	11,890	197,928	-
	400,000	-	-	4,030,000	-
	164,052	-	-	164,052	-
	44,150	54,372	272,120	885,554	41,723
	66,862	1,972	-	579,354	589,715
	<u>742,643</u>	<u>296,166</u>	<u>526,503</u>	<u>16,032,861</u>	<u>1,476,262</u>
	3,125,000	-	-	59,532,717	-
	-	-	-	4,500,000	-
	243,389	-	-	243,389	-
	104,984	113,925	9,704	559,481	22,196
	500,815	-	-	500,815	-
	<u>3,974,188</u>	<u>113,925</u>	<u>9,704</u>	<u>65,336,402</u>	<u>22,196</u>
	<u>4,716,831</u>	<u>410,091</u>	<u>536,207</u>	<u>81,369,263</u>	<u>1,498,458</u>
	4,028,362	4,783,747	4,864,217	512,559,768	9,893,759
	930,968	1,769,501	3,696,665	135,394,240	5,469,544
\$	<u>4,959,330</u>	<u>\$ 6,553,248</u>	<u>\$ 8,560,882</u>	<u>\$ 647,954,008</u>	<u>\$ 15,363,303</u>

TOWN OF CASTLE ROCK, COLORADO

*RECONCILIATION OF THE PROPRIETARY FUNDS STATEMENT OF NET POSITION
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019*

Total enterprise net position	\$	647,954,008
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Amounts reported for business-type activities in the Statement of Net Position are different from the enterprise funds Net Position because:

Internal balances between the governmental activities and the business-type activities result from the allocation of the internal service funds profit / loss that are attributable to the business-type activities: water, water resources, stormwater, wastewater, golf, community center and development services.

(571,887)

Net position of the business-type activities

\$	647,382,121
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The notes to the financial statements are an integral part of the financial statements.



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TOWN OF CASTLE ROCK, COLORADO

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

	Water	Water Resources	Stormwater	Wastewater
OPERATING REVENUES				
Charges for services	\$ 15,297,251	\$ 9,817,426	\$ 3,552,640	\$ 11,005,301
Fines and forfeitures	359,657	147,158	-	154
Intergovernmental	2,287,193	-	395,025	-
Other	292,800	6,501,323	101,677	209,218
Total operating revenues	18,236,901	16,465,907	4,049,342	11,214,673
OPERATING EXPENSES				
Cost of sales and services	-	-	-	-
Operations	11,950,666	7,312,895	2,488,862	23,545,741
Depreciation	6,001,534	1,166,762	1,901,184	2,527,276
Total operating expenses	17,952,200	8,479,657	4,390,046	26,073,017
Operating income (loss)	284,701	7,986,250	(340,704)	(14,858,344)
NON-OPERATING REVENUES (EXPENSES)				
Taxes	-	-	-	-
Investment earnings	505,947	1,681,116	179,156	108,442
Gain (loss) on disposal of capital assets	(208,610)	-	-	-
Interest expense	(288,396)	(1,337,539)	(2,880)	(48,904)
Debt issue costs	-	-	(49,500)	-
Agency and other fees	(552)	(300)	-	(48)
Net income (loss) from joint venture	-	-	-	404,102
Total non-operating revenues (expenses)	8,389	343,277	126,776	463,592
Net income (loss) before contributions and transfers	293,090	8,329,527	(213,928)	(14,394,752)
CONTRIBUTIONS AND TRANSFERS				
System development fees	2,629,558	16,079,149	1,111,668	2,802,641
Capital asset contributions	3,265,993	-	2,680,193	2,034,058
Transfers in	10,125	1,613,394	-	-
Transfers out	(1,794,388)	(64,042)	(72,156)	(40,149)
Total contributions and transfers	4,111,288	17,628,501	3,719,705	4,796,550
Change in fund net position	4,404,378	25,958,028	3,505,777	(9,598,202)
Total net position - January 1	213,654,810	206,202,673	74,970,282	108,782,802
Total net position - December 31	\$ 218,059,188	\$ 232,160,701	\$ 78,476,059	\$ 99,184,600

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

				Governmental Activities
Golf	Community Center	Development Services	Total Enterprise Funds	Internal Service Funds
\$ 3,186,921	\$ 4,196,488	\$ 6,302,236	\$ 53,358,263	\$ 10,754,839
-	-	-	506,969	-
-	40,500	-	2,722,718	-
2,930	193,684	2,081	7,303,713	1,753,134
3,189,851	4,430,672	6,304,317	63,891,663	12,507,973
-	-	-	-	10,462,506
2,587,352	7,683,170	6,014,959	61,583,645	-
248,356	368,420	133,482	12,347,014	3,018,502
2,835,708	8,051,590	6,148,441	73,930,659	13,481,008
354,143	(3,620,918)	155,876	(10,038,996)	(973,035)
-	3,406,474	-	3,406,474	-
17,489	24,363	103,806	2,620,319	112,408
-	-	-	(208,610)	203,099
(163,604)	-	-	(1,841,323)	-
-	-	-	(49,500)	-
(375)	-	-	(1,275)	-
-	-	-	404,102	-
(146,490)	3,430,837	103,806	4,330,187	315,507
207,653	(190,081)	259,682	(5,708,809)	(657,528)
-	-	-	22,623,016	-
-	-	-	7,980,244	-
80,000	6,000	-	1,709,519	187,310
(14,639)	(97,819)	(78,402)	(2,161,595)	(28,510)
65,361	(91,819)	(78,402)	30,151,184	158,800
273,014	(281,900)	181,280	24,442,375	(498,728)
4,686,316	6,835,148	8,379,602	623,511,633	15,862,031
\$ 4,959,330	\$ 6,553,248	\$ 8,560,882	\$ 647,954,008	\$ 15,363,303

TOWN OF CASTLE ROCK, COLORADO

RECONCILIATION OF THE ENTERPRISE FUNDS STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET POSITION TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Change in net position total enterprise funds	\$	24,442,375
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Amounts reported for business-type activities in the statement of activities are different because:

Internal balances between the governmental activities and the business-type activities result from the allocation of the internal service funds profit / loss that are attributable to the business-type activities: water, water resources, stormwater, wastewater, golf, community center and development services.		<u>(309,289)</u>
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Changes in net position of business-type activities	\$	<u>24,133,086</u>
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The notes to the financial statements are an integral part of the financial statements.



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TOWN OF CASTLE ROCK, COLORADO

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

	Water	Water Resources	Stormwater
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 18,451,444	\$ 16,802,420	\$ 4,051,221
Receipts from interfund services provided	-	-	-
Payments to suppliers	(8,345,980)	(5,398,543)	(761,061)
Payments to employees	(3,712,042)	(2,064,204)	(1,716,804)
Net cash provided by (used in) operating activities	6,393,422	9,339,673	1,573,356
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Cash transfers in	10,125	1,613,394	-
Cash transfers out	(1,794,388)	(64,042)	(72,156)
Interfund loans	675,000	44,312	-
Receipts from taxes	-	-	-
Net cash provided by (used in) non-capital financing activities	(1,109,263)	1,593,664	(72,156)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
System development fees	2,629,558	16,079,149	1,111,668
Interfund loans	-	-	(675,000)
Acquisition of capital assets	(6,587,838)	(30,658,719)	(1,910,971)
Principal paid on bonds and cops payable	(1,404,200)	(1,825,000)	-
Interest paid on bonds and cops payable	(347,651)	(1,876,976)	-
Principal paid on capital leases	-	-	-
Interest paid on capital leases	-	-	-
Bond issue costs and agency fees	(552)	(300)	(49,500)
Issuance of capital debt	-	-	4,500,000
Proceeds from sale of capital assets	869,365	-	-
Net cash provided by (used in) capital and related financing activities	(4,841,318)	(18,281,846)	2,976,197
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	391,982	1,179,833	149,101
Decrease (increase) in equity in pooled investments	(1,219,436)	(2,955,629)	(50,818)
Net cash provided by investing activities	(827,454)	(1,775,796)	98,283
Net increase (decrease) in cash and cash equivalents	(384,613)	(9,124,305)	4,575,680
Cash and cash equivalents - January 1	11,206,517	21,582,110	5,491,265
Cash and cash equivalents - December 31	<u>\$ 10,821,904</u>	<u>\$ 12,457,805</u>	<u>\$ 10,066,945</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION			
Unrestricted cash and cash equivalents	\$ 10,821,904	\$ 12,457,805	\$ 5,566,945
Restricted cash and cash equivalents	-	-	4,500,000
Total cash and cash equivalents	<u>\$ 10,821,904</u>	<u>\$ 12,457,805</u>	<u>\$ 10,066,945</u>

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

					Governmental Activities
Wastewater	Golf	Community Center	Development Services	Total Enterprise Funds	Internal Service Funds
\$ 11,305,416	\$ 3,209,279	\$ 4,456,093	\$ 6,302,122	\$ 64,577,995	\$ 1,830,784
-	-	-	-	-	10,754,839
(23,333,067)	(1,175,620)	(3,201,604)	(963,372)	(43,179,246)	(9,615,848)
(1,472,547)	(1,403,293)	(4,503,688)	(4,906,936)	(19,779,514)	(815,460)
(13,500,198)	630,366	(3,249,199)	431,814	1,619,235	2,154,315
-	80,000	6,000	-	1,709,519	187,310
(40,149)	(14,639)	(97,819)	(78,402)	(2,161,595)	(28,510)
-	-	400,000	-	1,119,312	-
-	-	3,406,474	-	3,406,474	-
(40,149)	65,361	3,714,655	(78,402)	4,073,710	158,800
2,802,641	-	-	-	22,623,016	-
-	-	-	-	(675,000)	-
(602,429)	(459,326)	(618,622)	(10,835)	(40,848,741)	(1,532,485)
(280,800)	(385,000)	-	-	(3,895,000)	-
(54,475)	(109,444)	-	-	(2,388,546)	-
-	(167,239)	-	-	(167,239)	-
-	(14,428)	-	-	(14,428)	-
(48)	(375)	-	-	(50,775)	-
-	424,228	-	-	4,924,228	-
-	-	-	-	869,365	212,897
1,864,889	(711,584)	(618,622)	(10,835)	(19,623,120)	(1,319,588)
72,037	15,151	17,003	69,465	1,894,572	89,485
5,955,107	(4,421)	(13,915)	(64,921)	1,645,967	(43,335)
6,027,144	10,730	3,088	4,544	3,540,539	46,150
(5,648,314)	(5,127)	(150,078)	347,121	(10,389,636)	1,039,677
12,279,454	1,398,519	1,230,046	517,406	53,705,317	3,486,757
\$ 6,631,140	\$ 1,393,392	\$ 1,079,968	\$ 864,527	\$ 43,315,681	\$ 4,526,434
\$ 6,631,140	\$ 884,011	\$ 1,079,968	\$ 864,527	\$ 38,306,300	\$ 4,526,434
-	509,381	-	-	5,009,381	-
\$ 6,631,140	\$ 1,393,392	\$ 1,079,968	\$ 864,527	\$ 43,315,681	\$ 4,526,434

TOWN OF CASTLE ROCK, COLORADO

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

	Water	Water Resources	Stormwater
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ 284,701	\$ 7,986,250	\$ (340,704)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	6,001,534	1,166,762	1,901,184
Changes in operating assets and liabilities			
(Increase) decrease in assets			
Accounts receivable	181,599	336,513	4,194
Prepaid items	(376,292)	(225,034)	648
Inventory	-	-	-
Equity in joint venture	-	-	-
Increase (decrease) in liabilities			
Accounts payable	110,661	58,931	(9,464)
Accrued leave	158,275	16,251	19,813
Unearned revenue	(19,806)	-	(2,315)
Deposits	52,750	-	-
Total adjustments	6,108,721	1,353,423	1,914,060
Net cash provided by (used in) operating activities	\$ 6,393,422	\$ 9,339,673	\$ 1,573,356
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Contributed infrastructure	\$ 3,265,993	\$ -	\$ 2,680,193
Equity in joint venture	-	-	-
Payables incurred for purchase of capital assets	(1,915,775)	(5,436,501)	(203,191)
Amortization of premium, discount and deferred loss on refunding	(56,300)	(533,353)	-
Increase (decrease) in fair value of investments	113,965	501,283	30,055
Noncash investing, capital and financing activities	\$ 1,407,883	\$ (5,468,571)	\$ 2,507,057

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

Wastewater	Golf	Community Center	Development Services	Total Enterprise Funds	Governmental Activities
					Internal Service Funds
<u>\$ (14,858,344)</u>	<u>\$ 354,143</u>	<u>\$ (3,620,918)</u>	<u>\$ 155,876</u>	<u>\$ (10,038,996)</u>	<u>\$ (973,035)</u>
2,527,276	248,356	368,420	133,482	12,347,014	3,018,502
120,253	8,656	19,249	(2,195)	668,269	(16,592)
(734)	(18,768)	(2,176)	(3,597)	(625,953)	8,083
-	(8,597)	-	-	(8,597)	-
(1,433,199)	-	-	-	(1,433,199)	-
159,421	9,426	(68,644)	60,536	320,868	6,868
14,639	26,378	48,698	87,712	371,766	16,247
(29,510)	10,579	1,972	-	(39,080)	94,242
-	193	4,200	-	57,143	-
<u>1,358,146</u>	<u>276,223</u>	<u>371,719</u>	<u>275,938</u>	<u>11,658,231</u>	<u>3,127,350</u>
<u>\$ (13,500,198)</u>	<u>\$ 630,366</u>	<u>\$ (3,249,199)</u>	<u>\$ 431,814</u>	<u>\$ 1,619,235</u>	<u>\$ 2,154,315</u>
\$ 2,034,058	\$ -	\$ -	\$ -	\$ 7,980,244	\$ -
404,102	-	-	-	404,102	-
(44,215)	-	-	-	(7,599,681)	(169,786)
(5,044)	38,267	-	-	(556,430)	-
36,405	2,338	7,360	34,341	725,747	22,923
<u>\$ 2,425,306</u>	<u>\$ 40,605</u>	<u>\$ 7,360</u>	<u>\$ 34,341</u>	<u>\$ 953,982</u>	<u>\$ (146,863)</u>



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Notes to the Basic Financial Statements



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TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

SUMMARY OF NOTES TO THE BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies
 - A. Financial Reporting Entity
 - B. Financial Statement Presentation
 - C. Measurement Focus and Basis of Accounting
 - D. Cash and Investments
 - E. Restricted Assets
 - F. Receivables
 - G. Inventories
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 - K. Accounts Payable
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13. Risk Management
14. Commitments and Contingencies
15. Interfund Transactions
16. Deficit Fund Balance
17. Tax Abatements
18. Discretely-Presented Component Unit
19. Related Party Transactions
20. Subsequent Events

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Castle Rock, Colorado (the Town) was incorporated in 1881 and was voted by the citizens as a home-rule municipality in 1987 under the provisions of Article XX of the Constitution of the State of Colorado. The Town operates under a Council-Manager form of government.

These financial statements are prepared in accordance with accounting principles applicable to governments generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the Town's significant accounting policies and descriptions of the financial statements are described below:

A. Financial Reporting Entity

The financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. The objective of the financial reporting entity is to provide users of the financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the Town's financial statements to be misleading or incomplete. These financial statements include all funds and activities of the Town. The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the town-wide financial statements to emphasize that it is legally separate from the government.

Blended component units

The Castle Rock Urban Renewal Authority (CRURA) serves all the citizens of the Town and is governed by a board comprised of the Town's elected Council. The Town has agreed to provide financial support to the CRURA. The CRURA is reported as a special revenue fund and does not issue separate financial statements.

The Festival Park Commons General Improvement District (GID) was created under Colorado state statutes. The GID has the power to develop and maintain public improvements and to finance such improvements by levying a general property tax upon the benefiting property. The GID is a legally separate entity from the Town and is governed by a board comprised of the Town's elected Council. The GID is reported as a special revenue fund, however, there was no activity in the GID for the year ended December 31, 2019.

Discretely presented component units

The Castle Rock Downtown Development Authority (CRDDA) was formed in 2008, under State of Colorado statutes as a quasi-municipal corporation, by the voters of downtown Castle Rock, Colorado to finance, construct and, on occasion, operate various public improvements including streetscape projects, sidewalks, street lighting, street furniture, public parks and places. The CRDDA is governed by a seven-member elected Board of Directors pursuant to the provisions of the Colorado Special District Act and consists of property owners, business owners and other representatives of downtown Castle Rock. One of these individuals serves as a liaison to the Castle Rock Town Council and is a member of Council. The operations of the DDA are guided by the 2008 Plan of Development adopted by the board of directors of the CRDDA. The Town approves and certifies the mill levy collected by the CRDDA. The Town has issued debt on behalf of CRDDA.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Financial Reporting Entity (continued)

Separately issued financial reports are available for the CRDDA. The report may be obtained by contacting:

Town of Castle Rock
Finance Department
100 North Wilcox Street
Castle Rock, CO 80104

B. Financial Statement Presentation

The basic financial statements consist of the Town-wide financial statements, the fund financial statements and the notes to the basic financial statements.

Town-wide financial statements

The Town-wide financial statements ("statement of net position" and "statement of activities") report information on all activities of the primary government and component units.

The activities of the primary government are aggregated into two activity types: governmental and business-type.

Governmental activities reflect most of the Town's services including: general government, public safety (police and fire), public works (transportation and streets) and culture and recreation (parks and open space), which are normally supported by taxes and intergovernmental revenues.

Business-type activities include water, water resources, stormwater and wastewater utilities, a golf course, community centers (recreation), and development services. These activities rely to a significant extent on fees and charges for services.

The *primary government* is reported separately from a legally separate *component unit* for which the primary government is financially accountable.

The *statement of net position* reports what the Town owns (assets and deferred outflows of resources) and what the Town owes (liabilities and deferred inflows of resources) with the difference being reported as net position.

The *statement of activities* demonstrates the degree to which direct expenses of a function were funded by program revenues. *Direct expenses* are clearly identifiable with a specific function or segment. *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenues not specifically identifiable with a given program are reported as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Financial Statement Presentation (continued)

Fund Financial Statements

The Town uses fund accounting to control and manage money intended for a particular purpose or to demonstrate compliance with finance-related legal requirements.

Fund statements are grouped into two fund categories: governmental and proprietary. The fund financial statements report Town operations in more detail than the Town-wide financial statements by providing information about financially significant funds called "major funds". Individual financial information is reported for each major fund with the remaining "non-major" funds, including its blended component units, being aggregated into a single "other" column.

Governmental Funds

The Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund. The *Economic Development Fund* is a sub-fund of the General Fund to facilitate expansion of the tax base, through primary job creation and improved local economy.

The *Transportation Fund* is a special revenue fund that accounts for the accumulation of financial resources and expenditures for the construction, acquisition, installation, repair and maintenance of streets, bridges, sidewalks and public transit and the acquisition of easements and right-of-ways, development of transportation facilities and for the operations of the department responsible for the construction and maintenance of such facilities. The following revenue sources are committed to the furtherance of transportation projects within the Town of Castle Rock, the maintenance of existing roads and infrastructure and the overall operations of the public works department:

- Tax revenue inclusive of but not limited to the following:
 - Sales tax
 - Douglas County Shareback
 - Building Use Tax
- Motor Vehicle Tax Intergovernmental revenue inclusive of but not limited to the following:
 - Highway User Revenue
 - Road & Bridge Revenue
- Charge for services
- Investment Earnings
- Contributions and Donations
- Any other revenue inclusive of but not limited to the following:
 - Reimbursements
 - Refunds

The *Transportation Capital Fund* is a capital projects fund that accounts for the planning and construction of growth related capital improvement projects.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Financial Statement Presentation (continued)

Fund Financial Statements (continued)

Proprietary Funds

The Town reports the following major proprietary funds:

The *Water Fund* is used to account for the Town's activities related to water well development, water extraction, treatment, and transportation systems, and for the repair and maintenance of such facilities.

The *Water Resources Fund* is used to account for the Town's activities related to the analysis and measurement of the long-term water needs of the Town including conservation promotion and the maintenance and development of groundwater and renewable water sources.

The *Stormwater Fund* is used to account for long-term stormwater planning, implementation of capital improvement projects, and administration of the Town's floodplain program.

The *Wastewater Fund* is used to account for the activities related to wastewater collection and treatment.

The *Golf Course Fund* is used to account for the activities related to the operations and maintenance of Red Hawk Ridge Golf Course.

The *Community Center Fund* accounts for the operations of the Town's recreation center and the activities that are provided at that facility and the Miller Activity Complex.

The *Development Services Fund* accounts for revenues and expenses related to development services within the Town.

Internal Service Funds are used to finance and account for goods and services provided to other funds, on a cost reimbursement basis. These funds are used to account for the operations of the Employee Benefits and Fleet Services Funds.

The proprietary fund "statement of revenues, expenses and changes in net position" classifies revenues and expenses directly related to the service provided as "operating". Operating revenues are primarily charges for services (exchange-like transactions) for utility services (water, water resources, stormwater, and wastewater), recreation services (golf, and community center) and for development services. Golf operating revenues include sales of merchandise. Operating revenues for internal service funds are charges for services provided to other funds and departments. All other revenues in the proprietary funds are reported as non-operating revenues. Operating expenses for proprietary funds include cost of sales and services, administrative expenses and depreciation of capital assets. All other expenses are reported as non-operating.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the year. The Town reports deferred inflows when the potential revenue does not meet the measurable and available criteria for recognition in the current period. Expenditures are recorded when the liability is incurred. However, debt service and compensated absences are recorded when the payment is due.

Sales taxes, use taxes, motor vehicle use, property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual. These are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

As a general rule the effect of interfund activity has been eliminated from the Town-wide financial statements. Exceptions to this general rule are charges between the Town's water and wastewater funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Cash and Investments

To facilitate the recording of cash transactions and maximize earnings on investments, the Town pools cash and investments of all funds, except for unspent bond proceeds. The Town maintains accountability for each fund's equity in pooled cash and investments. Unspent bond proceeds are separately accounted for in accordance with the bond requirements. All unrestricted funds of the Town are eligible for investment. Investment earnings related to combined funds are distributed to each fund on a pro rata basis. For financial statement presentation, each fund's share of the cash and investment pool is reported as "cash and cash equivalents" and "investments" of that fund at year-end.

The Town defines cash equivalents as highly liquid investments with a maturity of three months or less at the date of purchase.

Investments are reported at fair value except for local government investment pools which are reported at the net asset value per share which is determined based upon how the fund is valued (i.e. fair value or amortized cost). Investment income includes increases and decreases in the fair value of investments. Changes in fair value during the year do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the government intends to hold to maturity.

E. Restricted Assets

Certain resources, such as those set aside for the repayment of debt, are classified as restricted assets on the balance sheet because their use is limited by bond covenants or other agreements. These assets are generally not available to pay current obligations.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Receivables

Receivables are reported net of an allowance for uncollectible accounts, where applicable. The allowance of \$198,915 is reported in the General Fund.

G. Inventories

Inventory is maintained in the Golf Fund for resale merchandise. Inventory is valued at cost, which approximates market, using the first in / first-out (FIFO) method. The cost of this inventory is recorded as an expense when consumed rather than when purchased.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods; the associated expense is recognized in the period benefitted by the prepayment in the Town-wide and proprietary funds and the associated expenditures are recognized when consumed in the governmental funds.

I. Capital Assets

All capital assets, including infrastructure capital assets such as streets and sidewalks are reported in the applicable governmental or business-type activities columns in the Town-wide financial statements and in the proprietary funds financial statements. Purchases and construction of capital assets are reported at cost. Donated assets are valued at the acquisition value at the date of donation. The Town identifies all reportable intangible assets and values of these assets based on purchase price or acquisition value if donated. Intangible assets include, but are not limited to, easements, right-of-ways, internally developed software, water rights, and trademarks.

The Town has established a capitalization threshold of individual assets costing \$5,000 or more with a useful life greater than one year.

Costs incurred for the purchase or construction of capital assets for governmental activities are recorded as capital outlay expenditures in the governmental funds. Infrastructure assets (e.g., streets, sidewalks, and trails) have been capitalized for all infrastructure acquired since 1980. Costs incurred for the purchase or construction of capital assets for business-type activities are reported as assets in the proprietary funds.

Depreciation of exhaustible capital assets is charged as an expense against operations. Accumulated depreciation is reported on the Town-wide and proprietary fund financial statements. Depreciation has been provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Machinery and equipment	5 - 10 years
Buildings and improvements	20 - 40 years
Infrastructure	15 - 50 years
Water Rights (Non-tributary)	100 years

Assets recorded under capital lease agreements are amortized over either the term of the lease or the estimated useful life of the assets, whichever period is shorter. Amortization expense for capital leases is included in the depreciation line item on the financial statements.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Property Taxes

Property taxes attached as a lien on property on January 1, are certified to the county by December 15th and are levied the following January 1st. Property taxes are payable in full by April 30, or in two equal installments due February 29th and June 15th. Taxes collected by the county are remitted to the Town by the 10th of the following month. Property taxes are reported as receivables and deferred inflows when lienied and as revenue when collected in the following year.

K. Accounts Payable

Amounts reported as accounts payable on the statement of net position include:

Disaggregation of Account Payable

	Governmental Activities	Business-type Activities
Vendors	\$ 7,885,406	\$ 8,148,443
Salaries and benefits	1,754,633	781,799
Total	<u>\$ 9,640,039</u>	<u>\$ 8,930,242</u>

L. Unearned Revenue (Liabilities)

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

M. Accrued Leave

The Town allows employees to accumulate unused vacation and sick benefits up to certain maximum hours. Accrued compensated absences are recognized as expenses when earned by the employee for the Town-wide statements and the proprietary fund statements. Compensated absences are recognized as expenditures when paid in the governmental fund statements.

N. Non-current Liabilities

Non-current liabilities include: bonds, notes, certificates of participation, capital leases, earned but not used compensated absences, and net pension liabilities. The accounting and reporting treatment for a fund's non-current liabilities is determined by its measurement focus.

Governmental Funds

For governmental funds, the liability is recorded when payment is due or the resources have been accumulated for payment early in the following year. Proceeds from the issuance of debt are reported in the governmental funds as "other financing sources". Payments of principal on debt are shown as expenditures. In the governmental fund financial statements, bond premiums and discounts, and bond issuance costs, are reported as expenditures of the current period.

Town-wide (governmental and business-type activities) and Proprietary Funds

The Town-wide and proprietary fund financial statements use the economic resources measurement focus. Proprietary funds report long-term liabilities in the fund. Long-term liabilities expected to be repaid by governmental funds are reported in the governmental activities column of the Town-wide statements. Under the economic resources measurement focus, debt issuances are reported as increases in non-current liabilities. Principal payments are shown as decreases in non-current liabilities. The outstanding amounts of non-current liabilities are reported on the statement of net position. Amounts due within the next twelve months are reported as "due within one year" with the remaining amount being reported as "due within more than one year". Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Fund Balance and Net Position

Fund Balances

Fund balances reflect assets minus liabilities and deferred inflows of resources using the current financial resources measurement focus. Fund balances are only reported in the governmental fund statements. The Town follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The following classifications will describe the strength of the fund's spending constraints:

Non-spendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in a spendable form or is legally or contractually required to be maintained intact.

Restricted Fund Balance – The portion of fund balance constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation. Effectively, restrictions on fund balance may only be changed or lifted with the consent of resource providers.

Committed Fund Balance – The portion of fund balance that can only be used for specified purposes according to limitations imposed by Town Council prior to the end of the current fiscal year. The constraint may be removed or changed only by resolution of Town Council.

Assigned Fund balance – The portion of fund balance set aside for planned or intended actions. The intended use may be expressed by Town Council or other individuals authorized to assign funds to be used for a specific purpose. Through a resolution, Town Council assigned authority to the Town Manager. In governmental funds other than the general fund, assigned fund balance represents the amount that is not non-spendable, restricted, or committed. This indicates that resources in these funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned Fund Balance – This is the residual portion of fund balance that does not meet any of the above criteria. The Town will only report a positive unassigned fund balance in the General Fund. In 2016, Town Council approved a reserves policy that required funds to be reserved with the intent of stabilizing revenues which are highly volatile in the event that regular planned revenues do not materialize to the degree anticipated for regular operational needs. Therefore, the Town maintains a cash reserve equal to at least three months of operating expenses in the General Fund to provide for this assurance.

In the Town's Fund Balance policy, it is not specifically identified which order the spending should occur. Therefore, the Town's practice is that the order of spending defaults to the following order; restricted, committed, assigned, and unassigned fund balance.

Net Position

In the government-wide and proprietary fund financial statements, net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources using the economic resources measurement focus and the accrual basis of accounting. Net Position is reported in three classifications. "Net investment in capital assets" which reflects capital assets (net of accumulated depreciation) reduced by the outstanding amount of the debt that was used to acquire or construct the capital assets. Restricted net position report amounts legally segregated for a specific use. The remaining net position is reported as unrestricted. When both restricted and unrestricted resources are available for use, it is the Town's practice to use restricted resources first, then unrestricted resources as needed.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future reporting period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports two items that qualify for reporting in this category - pension related amounts and deferred losses on debt refundings. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports three items that qualify for reporting in this category – pension related amounts, IREA capital credit and property taxes that are deferred to future periods. The IREA capital credit is utilized when the Town has a qualifying future project that requires the removal, relocation or installation of IREA infrastructure.

Under the modified accrual basis of accounting, revenues and other fund financial resources are recognized in the period in which they become both measurable and available. Assets recorded in the fund financial statements for which revenues are not available are reported as a deferred inflow of resources. Unavailable fund resources are recognized in the Town-wide statement of activities.

Q. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenditure and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

The Town invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

R. Implementation of New GASB Standards

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, (GASB 95). The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The Town has implemented this Statement for the year ended December 31, 2019. Implementation of this standard delays the following standards to 2020:

GASB 83, Certain Asset Retirement Obligations:

GASB 84, Fiduciary Activities

GASB 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

2. RECONCILIATION OF TOWN-WIDE AND FUND FINANCIAL STATEMENTS

The reconciliation of total governmental funds on the governmental funds balance sheet to the governmental activities on the statement of net position includes an amount for long-term liabilities including bonds payable and accrued leave that are not due and payable in the current period and therefore are not reported in the governmental funds.

A. Explanation of Certain Differences between the Government Fund Balance Sheet and the Town-wide Statement of Net Position (continued)

The details of the \$39,495,905 difference relating to governmental activities long-term liabilities are as follows:

2013 Sales and use tax bonds	\$ 18,525,000
2016 Sales and use tax bonds	6,710,000
2013 Certificates of participation	7,130,000
Accrued leave, excluding internal service funds of \$63,919	4,207,205
Bond premiums and discounts	2,803,047
Accrued interest payable	<u>120,653</u>
Net adjustments to governmental funds	
fund balances to arrive at net position for	
governmental activities	<u>\$ 39,495,905</u>

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

2. RECONCILIATION OF TOWN-WIDE AND FUND FINANCIAL STATEMENTS (continued)

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Town-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances, total governmental funds and changes in net position of governmental activities as reported in the Town-wide statement of activities. One element of that reconciliation states "repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This amount is the net effect of these differences in the treatment of long-term debt and related items."

The details of the \$3,299,975 difference are as follows:

Principal payments	
2013 Sales and use tax bonds	\$ 500,000
2016 Sales and use tax bonds	595,000
2013 Certificates of participation	375,000
Notes payable	2,250,000
Amortization of bond premium	235,265
Amortization of refunding loss	(53,047)
Accrued interest on debt	8,125
Net increase in accrued leave	<u>(610,368)</u>
 Net adjustments to governmental fund revenues and expenditures to arrive at the change in net position for governmental activities.	 <u>\$ 3,299,975</u>

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

3. DEPOSITS AND INVESTMENTS

Summary Of Deposits By Fund Type And Fund

Fund	Petty Cash	Deposits	Investments	Equity in Town Pool	Totals
Governmental Activities					
General Fund					
Cash and cash equivalents	\$ 39,265	\$ 924,880	\$ 8,119,347	\$ 1,599,722	\$ 10,683,214
Investments	-	-	15,500,114	-	15,500,114
Restricted cash and cash equivalents	-	-	900,000	-	900,000
Transportation					
Cash and cash equivalents	-	303,502	6,696,287	609,431	7,609,220
Investments	-	-	4,038,600	-	4,038,600
Transportation Capital					
Cash and cash equivalents	-	-	6,822,154	1,697,126	8,519,280
Investments	-	-	6,423,487	-	6,423,487
Other Governmental Funds					
Cash and cash equivalents	300	1,778,032	862,938	2,952,125	5,593,395
Investments	-	-	4,682,822	-	4,682,822
Internal Service Funds					
Cash and cash equivalents	-	-	2,239,537	2,286,897	4,526,434
Investments	-	-	2,195,604	-	2,195,604
Total governmental activities	39,565	3,006,414	58,480,890	9,145,301	70,672,170
Business-type Activities					
Water					
Cash and cash equivalents	620	-	8,296,168	2,525,116	10,821,904
Investments	-	-	11,293,763	-	11,293,763
Water Resources					
Cash and cash equivalents	-	-	7,564,973	4,892,832	12,457,805
Investments	-	-	48,769,453	-	48,769,453
Stormwater					
Cash and cash equivalents	-	-	4,210,237	1,356,708	5,566,945
Investments	-	-	2,878,710	-	2,878,710
Restricted cash and cash equivalents	-	-	-	4,500,000	4,500,000
Wastewater					
Cash and cash equivalents	-	-	2,351,538	4,279,602	6,631,140
Investments	-	-	1,218,648	-	1,218,648
Golf					
Cash and cash equivalents	2,500	4,354	365,076	512,081	884,011
Investments	-	-	223,957	-	223,957
Restricted cash and cash equivalents	-	500,815	8,566	-	509,381
Community Center					
Cash and cash equivalents	2,720	65,142	93,496	918,610	1,079,968
Investments	-	-	704,987	-	704,987
Development Services					
Cash and cash equivalents	-	-	211,120	653,407	864,527
Investments	-	-	3,289,255	-	3,289,255
Total business-type activities	5,840	570,311	91,479,947	19,638,356	111,694,454
Total All Funds	\$ 45,405	\$ 3,576,725	\$ 149,960,837	\$ 28,783,657	\$ 182,366,624
Deposits in Town Pool	-	28,783,657	-	(28,783,657)	-
Totals	\$ 45,405	\$ 32,360,382	\$ 149,960,837	\$ -	\$ 182,366,624

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

3. DEPOSITS AND INVESTMENTS (continued)

A. Inherent Risks

The Town's deposits and investments, (like those of other governments), are subject to various risks:

1) Custodial Credit Risk

The custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, the Town would not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for investments is the risk that in the event of the failure of a counterparty to the transaction, the Town would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

2) Concentration of Credit Risk

State statutes do not limit the amount the Town may invest in one issuer. At December 31, 2019, the Town's investments in any one issuer greater than five percent of the Town's total investments include the following:

Issuer	Percent of total investments
U.S. Treasury	22.44%
Corporate Bonds	12.15%
Federal Home Loan Banks (FHLB)	11.38%
Federal Farm Credit Banks (FFCB)	11.21%
Federal National Mortgage (FNMA)	5.65%

B. Town Deposit and Investment Policies

The risk exposure is essentially the same for both governmental and business-type activities.

Deposits

Deposits are exposed to custodial credit risks if they are not covered by depository insurance and the deposits are uncollateralized. The Town's deposit and investment policy allows Town funds to be deposited in any state or national bank located in Colorado, which is a member of the Federal Deposit Insurance Corporation (FDIC) and which complies with the Colorado Public Deposit Protection Act (PDPA). The PDPA requires that all local governments 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 institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured public deposits. The PDPA has the effect of perfecting the security interest in the name of the local government agency. At December 31, 2019, the Town's cash deposits had a carrying value of \$32,360,382 and a corresponding bank balance of \$29,529,853 of which \$1,001,500 was FDIC insured and \$28,528,353 was collateralized by securities held by the pledging financial institution's trust department or agent in the Town's name.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

3. DEPOSITS AND INVESTMENTS (continued)

B. Town Deposit and Investment Policies (continued)

Investments

To limit its exposure to the various investment risks, the Town, through its investment policy, adopted the Colorado Revised Statutes dealing with deposits and investments to restrict investments of Town funds to the securities and transactions meeting certain established criteria. The ratings shown in the following list are by Standard and Poor's (S&P). An investment may also receive an equivalent rating by another rating agency such as Moody's or Fitch. Maturity time limitations are measured from the date of purchase. State statutes do not address custodial risk.

The Town's Investment Policy allows the following investments:

- 1) United States Treasury obligations, federal agency securities and federal instrumentality securities, S&P or Moody rated AAA with maturities not exceeding five years.
- 2) Prime commercial paper issued on U.S. companies and denominated in U.S. currency, S&P rated A-1, with maturities not exceeding 270 days.
- 3) Eligible bankers' acceptances, with maturities not exceeding 180 days, where banks meet certain capital and rating requirements.
- 4) Repurchase agreements and flexible repurchase agreements meeting certain criteria.
- 5) Local government investment pools, with a constant net asset value of \$1 per share, S&P rated AAAm, and which invests under the Colorado Revised Statutes dealing with local government deposits and is overseen by the Colorado Securities Commissioner.
- 6) Time certificates of deposit or savings accounts, with maturities not exceeding one year, meeting both the FDIC and PDPA requirements.
- 7) Money market funds, which are registered, with a constant weighted average maturity and S&P rating of AAAm. No more than 25% of the Town's aggregated portfolio may be invested in this type of investment.
- 8) Corporate bonds issued by a corporation or bank with a final maturity not exceeding three years from the date of purchase, rated at least AA- by S&P.
- 9) Municipal bonds with a final maturity not exceeding five years from the date of purchase and rated at least A by S&P for general obligation or revenue obligation debt of this state or any political subdivision, institution, department, agency, instrumentality, or authority of this state. Such obligations of any other governmental entity shall be rated at least AA by S&P.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

3. DEPOSITS AND INVESTMENTS (continued)

B. Town Deposit and Investment Policies (continued)

The Town's investments on December 31, 2019 were as follows:

Investment Type	Standard & Poors Rating	INVESTMENT MATURITIES (In Years)			Net Asset per Share
		Less Than 1	1-5	Fair Value	
U.S. Treasuries		\$ 9,639,151	\$ 24,016,415	\$ 33,655,566	\$ -
U.S. Agencies	AA+	15,266,038	28,699,327	43,965,365	-
Municipal Bonds	AA- - AA	-	5,374,429	5,374,429	-
Corporate Bonds	AA- - AAA	4,019,010	14,205,030	18,224,040	-
Local Government Investment Pools	AAAm	48,741,437	-	-	48,741,437
Total		\$ 77,665,636	\$ 72,295,201	\$ 101,219,400	\$ 48,741,437

Local Government Investment Pool – At December 31, 2019 the Town had \$48,741,437 invested in the Colorado Surplus Asset Fund Trust (CSAFE) cash fund. This is an investment vehicle established by State Statute for local government entities in Colorado to pool surplus funds. Investment objectives and strategies focus on safety, liquidity, transparency, and competitive yields through investment in a diversified portfolio of short-term marketable securities. The pool does not have any limitations or restrictions on participant withdrawals. The State Securities Commissioner administers and enforces the requirements of creating and operating the pool. The pool operates similarly to a money market fund and each share is equal in value to \$1.00. The pool is rated AAm by S&P. Investments of the pool are limited to those allowed by State Statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the participating governments. Information regarding the CSAF's financial statements is available at its website www.csafe.org.

Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are valued using matrix pricing techniques; Level 3 inputs are significant unobservable inputs. The Town has the following recurring fair value measurements as of December 31, 2019:

Investment by Fair Value Level	Fair Value Measurements Using			
	December 31, 2019	Level 1	Level 2	Level 3
U.S. Treasuries	\$ 33,655,566	\$ -	\$ 33,655,566	\$ -
U.S. Agencies	43,965,365	-	43,965,365	-
Municipal Bonds	5,374,429	-	5,374,429	-
Corporate Bonds	18,224,040	-	18,224,040	-
Total investments by fair value level	101,219,400	\$ -	\$101,219,400	\$ -
Local Government Investment Pools (measured at net asset per share)	48,741,437			
Total investments	\$ 149,960,837			

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

4. RESTRICTED ASSETS

Restricted Cash and Cash Equivalents

<u>Fund</u>	<u>Purpose</u>	<u>Balance December 31, 2019</u>
Governmental activities		
General - Economic Development	Agreement	900,000
	Total Governmental activities	<u>\$ 900,000</u>
Business-type activities		
Stormwater	Unspent note proceeds	4,500,000
Golf	2015 Revenue Refunding and Improvement Bonds Debt Service Reserve	500,815
Golf	Unspent bond proceeds	8,566
	Total Business-type Activities	<u>\$ 5,009,381</u>

Economic Development Fund

The restricted cash in the Economic Development Fund is to comply with the September 3, 2019 Redevelopment and Finance Agreement between the Town of Castle Rock, Castle Rock Downtown Development Authority, Town of Castle Rock Festival Park Commons General Improvement District and CD-Festival Commons (CDFC), LLC. The agreement identifies the Town's obligation to set aside a total of \$900,000 to be made available to pay to CDFC the actual cost incurred by CDFC for the design and construction of the Plaza. The balance at December 31, 2019 is \$900,000 to be used to pay amounts in Accounts Payable at year end.

Stormwater Fund

The restricted cash in the Stormwater Fund relates to unspent note proceeds of \$4,500,000 received on December 19, 2019.

Golf Fund

In 2015, the Golf Fund refunded its outstanding 2005 Golf Course Enterprise Revenue Refunding Bonds. The 2015 Golf Course Enterprise Revenue Refunding and Improvement Bonds require that the Golf Fund maintain a debt service reserve of \$500,815. It is anticipated that this restricted cash will be available to make the final debt service payment due in December 2027. Unspent bond proceeds of \$8,566 are separately accounted for in accordance with bond requirements.

Conservation Trust Fund

The Town has cash in escrow at Douglas County for the Open Space Shareback totaling \$3,135,480.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

5. LONG TERM RECEIVABLE

The Town reports a long-term receivable in the governmental activities on the Town-wide Statement of Net Position. The receivable relates to an agreement with Intermountain Rural Electric Association (IREA). The Town is allowed a percentage of the previous year's IREA adjusted gross revenue derived within the Town from the sale of electrical energy to customers other than the Town or any federal, state or local governmental entities after the write-off of uncollectible accounts and correction of bills theretofore rendered. IREA uses this allotment to apply against expenses incurred if the Town deems it necessary to change the location or nature of any IREA facilities to permit the Town to make street or sidewalk improvements, including but not limited to, pole relocations, pole changes and underground conversions. Unused allotments shall be carried over from year to year and will accumulate until used by the Town. The balance at December 31, 2019 is \$1,374,803.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

6. CAPITAL ASSETS

Changes in Capital Asset Activity for the Year Ended December 31, 2019

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities					
Capital assets not being depreciated					
Land	\$ 46,839,000	\$ 13,716,627	\$ -	\$ -	\$ 60,555,627
Artwork	243,733	50,000	-	-	293,733
Construction in progress	12,108,173	21,260,815	-	(14,616,831)	18,752,157
Easements	3,242,596	75,952	-	-	3,318,548
Right of way	5,548,566	3,950,998	-	-	9,499,564
Total capital assets, not being depreciated	67,982,068	39,054,392	-	(14,616,831)	92,419,629
Capital assets being depreciated					
Buildings and improvements	59,597,217	-	(130,139)	5,037,821	64,504,899
Infrastructure	378,938,600	4,304,734	-	2,330,077	385,573,411
Other structures and improvements	55,307,868	596,786	-	7,206,011	63,110,665
Machinery and equipment	36,938,041	3,633,108	(1,512,152)	42,922	39,101,919
Total capital assets being depreciated	530,781,726	8,534,628	(1,642,291)	14,616,831	552,290,894
Less accumulated depreciation					
Buildings and improvements	(14,885,322)	(1,570,558)	130,139	-	(16,325,741)
Infrastructure	(154,627,476)	(11,699,527)	-	-	(166,327,003)
Other structures and improvements	(33,681,591)	(2,247,263)	-	-	(35,928,854)
Machinery and equipment	(21,981,351)	(4,107,365)	1,502,355	-	(24,586,361)
Total accumulated depreciation	(225,175,740)	(19,624,713)	1,632,494	-	(243,167,959)
Total capital assets, being depreciated, net	305,605,986	(11,090,085)	(9,797)	14,616,831	309,122,935
Total governmental activities capital assets, net of accumulated depreciation	<u>\$ 373,588,054</u>	<u>\$ 27,964,307</u>	<u>\$ (9,797)</u>	<u>\$ -</u>	<u>\$ 401,542,564</u>
Depreciation expense charged to functions					
Governmental activities					
General government		\$ 1,174,334			
Public safety		562,661			
Public works		12,456,490			
Culture and recreation		2,412,726			
Fleet internal service fund		3,018,502			
Total governmental activities depreciation expense		<u>\$ 19,624,713</u>			

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

6. CAPITAL ASSETS (continued)

Changes in Capital Asset Activity for the Year Ended December 31, 2019

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities					
Capital assets not being depreciated					
Land	\$ 9,454,785	\$ -	\$ -	\$ -	\$ 9,454,785
Construction in progress	80,508,339	42,761,908	-	(5,660,414)	117,609,833
Easements	10,451,825	1,453,067	-	-	11,904,892
Right of way	244,469	-	-	-	244,469
Water rights	99,150,427	47	(870,000)	-	98,280,474
Total capital assets, not being depreciated	199,809,845	44,215,022	(870,000)	(5,660,414)	237,494,453
Capital assets being depreciated					
Buildings and improvements	40,542,684	8,034	(38,946)	473	40,512,245
Infrastructure	379,357,522	8,802,210	(465,713)	5,488,067	393,182,086
Other structures and improvements	6,071,117	368,326	(1,487)	66,915	6,504,871
Machinery and equipment	6,341,725	1,627,081	(340,123)	104,959	7,733,642
Water rights - definite life	72,634,520	-	-	-	72,634,520
Total capital assets being depreciated	504,947,568	10,805,651	(846,269)	5,660,414	520,567,364
Less accumulated depreciation					
Buildings and improvements	(9,408,465)	(1,046,318)	38,946	-	(10,415,837)
Infrastructure	(126,969,044)	(9,730,390)	259,225	-	(136,440,209)
Other structures and improvements	(2,234,112)	(431,348)	-	-	(2,665,460)
Machinery and equipment	(4,380,268)	(561,935)	340,123	-	(4,602,080)
Water rights - definite life	(19,987,695)	(577,023)	-	-	(20,564,718)
Total accumulated depreciation	(162,979,584)	(12,347,014)	638,294	-	(174,688,304)
Total capital assets, being depreciated, net	341,967,984	(1,541,363)	(207,975)	5,660,414	345,879,060
Total governmental activities capital assets, net of accumulated depreciation	<u>\$ 541,777,829</u>	<u>\$ 42,673,659</u>	<u>\$ (1,077,975)</u>	<u>\$ -</u>	<u>\$ 583,373,513</u>
Depreciation expense charged to functions					
Business-type activities					
Water		\$ 6,001,534			
Water Resources		1,166,762			
Stormwater		1,901,184			
Wastewater		2,527,276			
Golf Course		248,356			
Development Services		133,482			
Community Center		368,420			
Total business-type activities depreciation expense		<u>\$ 12,347,014</u>			

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

7. INVESTMENT IN JOINT VENTURE

In 1989, the Town, Castle Pines Metropolitan District and Castle Pines North Metropolitan District agreed to establish the Plum Creek Water Reclamation Authority (PCWRA). The Town accounts for this agreement as a joint venture, in which the Town has an equity interest. The purpose of PCWRA is to provide wastewater treatment to the members through the operation of wastewater treatment plants. As part of this agreement, the Town transferred title of the Castle Rock treatment plant to PCWRA in 1990. Additionally, the Town shared in the costs of constructing the Castle Pines plant. The PCWRA is required by state statute to have an annual audit. The audit can be obtained by writing to PCWRA, 4255 North US Highway 85, Castle Rock, CO, 80108.

At December 31, 2019, the Town had an equity interest in PCWRA of \$27,428,892. This represents an 85.83% interest in the net position of the PCWRA. During 2019, PCWRA charged the Town \$2,657,744 for the treatment of wastewater. The Town also paid to PCWRA \$2,473,736 which represents the Town's share of debt service payments for the previous treatment plant expansion and \$16,598,588 towards the current PCWRA capacity expansion project which have been recorded as O&M.

Investment balance January 1	\$ 25,591,591
Net income from joint venture	404,102
Town contributions	<u>1,433,199</u>
Investment balance December 31	<u>\$ 27,428,892</u>

8. SHORT-TERM DEBT

Short-term debt activity for the year ended December 31, 2019, was as follows:

	Balance January 1, 2019	Issued	Repaid	Balance December 31, 2019
Governmental activities				
Downtown Development Authority				
Line of Credit	<u>\$ -</u>	<u>\$ 632,149</u>	<u>\$ (632,149)</u>	<u>\$ -</u>

The Town of Castle Rock's Downtown Development Authority (DDA) uses a line of credit to pay TIF eligible expenses approved by the Finance Director and DDA's Executive Director. The line of credit is then paid back with TIF funds as per State statute. In 2019, the Town had an approved Line of Credit for \$1,000,000 maturing on January 1, 2020 with a variable interest rate adjusted monthly to be equal to the highest prime rate of interest published in the Money Rate Table of the Western Edition of the Wall Street Journal, as that rate may change monthly on the first day of each month, plus 1% per annum. The interest rate shall not at any time be less than 5.25% or more than 7% per annum. Upon Town Council approval, this line of credit is renewed annually.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

9. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities activity for the year ended December 31, 2019:

	Changes In Long-Term Liabilities					
	Balance January 1	Additions	Reductions	Balance December 31	Due within One Year	Due beyond One Year
Governmental activities						
Bonds payable						
2013 Sales and use tax	\$ 19,025,000	\$ -	\$ (500,000)	\$ 18,525,000	\$ 510,000	\$ 18,015,000
2016 Sales and use tax	7,305,000	-	(595,000)	6,710,000	635,000	6,075,000
Bond premiums & discounts	3,038,312	-	(235,265)	2,803,047	-	2,803,047
Certificates of participation	7,505,000	-	(375,000)	7,130,000	385,000	6,745,000
Notes payable	2,250,000	-	(2,250,000)	-	-	-
Accrued leave*	3,644,510	3,321,866	(2,695,252)	4,271,124	2,627,420	1,643,704
Net pension liability	193,285	1,669,557	(193,285)	1,669,557	-	1,669,557
Total governmental activities	<u>\$ 42,961,107</u>	<u>\$ 4,991,423</u>	<u>\$ (6,843,802)</u>	<u>\$ 41,108,728</u>	<u>\$ 4,157,420</u>	<u>\$ 36,951,308</u>
Business-type activities						
Bonds payable						
2012 Water & Wastewater	\$ 6,145,000	\$ -	\$ (1,170,000)	\$ 4,975,000	\$ 1,180,000	\$ 3,795,000
2015 Water & Wastewater	4,575,000	-	(515,000)	4,060,000	525,000	3,535,000
2015 Golf Course	3,910,000	-	(385,000)	3,525,000	400,000	3,125,000
2016 Water & Wastewater	44,260,000	-	(1,825,000)	42,435,000	1,925,000	40,510,000
Bond premiums & discounts	9,254,403	-	(686,686)	8,567,717	-	8,567,717
Notes payable	-	4,500,000	-	4,500,000	-	4,500,000
Capital leases	150,452	424,228	(167,239)	407,441	164,052	243,389
Accrued leave	1,073,269	1,186,060	(814,294)	1,445,035	885,554	559,481
Total business-type activities	<u>\$ 69,368,124</u>	<u>\$ 6,110,288</u>	<u>\$ (5,563,219)</u>	<u>\$ 69,915,193</u>	<u>\$ 5,079,606</u>	<u>\$ 64,835,587</u>

* Accrued leave for the Governmental Activities are expected to be liquidated primarily with revenues of the General Fund and Transportation Fund.

* The General Fund has been used in prior years to liquidate pension liabilities.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

9. LONG-TERM LIABILITIES (continued)

A. Revenue Bonds

Over the years, the Town has issued revenue bonds with pledged revenues as collateral. The revenue bonds have been issued as transportation revenue bonds, water and wastewater revenue bonds and golf revenue bonds. These bonds were issued to finance various construction projects within each of the issuing funds, with the pledged revenue coming from the respective fund.

The total pledged revenue is not estimable in comparison to pledged debt in that revenues are uncertain as to future amounts. However, the debt coverage requirement for each issue must be met or the bonds will be in default. This provides sufficient coverage each year for the pledged debt. The debt service coverage, or comparison of pledged revenues net of specific operating expenses, for each pledged debt, is provided in Tables 19 through 21 of the statistical section.

In March 2013, the Town issued \$20,000,000 at interest rates ranging from 1.5% – 5% of Sales and Use Tax Revenue Bonds. The purpose of the 2013 bonds was to finance a portion of the North Meadows Extension project. Principal payments are due annually on June 1 through 2035 commencing June 1, 2017. Interest payments are due semi-annually on June 1 and December 1 commencing June 1, 2013. As of December 31, 2019, future payments of principal and interest total \$27,934,420. The bonds are payable solely from the revenue derived from sales and use tax at the rate of 1.35% pledged from the General, Transportation and Community Center funds. During the year ended December 31, 2019 revenues of \$22,306,142 were available to pay annual debt service of \$1,352,163.

In July 2016, the Town issued \$7,405,000 of Sales and Use Tax Revenue Refunding Bonds, Series 2016 at interest rates ranging from 2% – 5%. The purpose of the 2016 bonds was to refund all of the Town's Sales and Use Tax Revenue Bonds, Series 2008 in the amount of \$7,880,000. Principal payments are due annually on June 1 through 2028 commencing June 1, 2018. Interest payments are due semi-annually on June 1 and December 1 commencing December 1, 2016. As of December 31, 2019, future payments of principal and interest total \$8,145,351. The bonds are payable solely from the revenue derived from sales and use tax at the rate of 1.35% pledged from the General, Transportation and Community Center funds. During the year ended December 31, 2019 revenues of \$22,306,142 were available to pay annual debt service of \$880,775.

The Town issued Water and Wastewater Revenue Bonds in 2006 for \$9,665,000 at a 4% interest rate to construct water and wastewater system improvements. In May of 2012, the Town issued \$11,455,000 at interest rates ranging from 2% – 5% in Water and Wastewater Refunding Bonds. The purpose of the refunding was to reduce the interest rate paid on the previously issued Water and Wastewater Revenue Bonds. In July of 2015, the Town issued \$5,610,000 at interest rates ranging from 2% - 5% in Water and Wastewater Refunding Bonds. The purpose of the refunding was to reduce the interest rate paid on the 2006 Water and Wastewater Revenue Bonds. A portion of the 2006 Revenue Bonds totaling \$905,000 was not refunded. Principal payments are due annually on December 1. Interest payments are due semi-annually on June 1 and December 1. The bonds are payable solely from the net revenues of the Town's Water and Wastewater Funds after the payment of the operation and maintenance expenses of the systems. These bonds constitute an irrevocable lien upon the net pledged revenues. During the year ended December 31, 2019, net pledged revenues of \$26,915,032 were available to pay annual debt service of \$2,083,644 for the bonds. As of December 31, 2019, future payments of principal and interest, on the 2012 bonds total \$5,535,150 and the 2015 bonds total \$4,808,800.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

9. LONG-TERM LIABILITIES (continued)

A. Revenue Bonds (continued)

In July 2016, the Town issued \$50,635,000 of Water and Sewer Enterprise Revenue Refunding Bonds, Series 2016 at interest rates ranging from 1.5% – 5%. The purpose of the 2016 bonds was to prepay all of the Town's obligations under its Certificates of Participation, Series 2008 (COPs). The purpose of the COPs was to fund the acquisition of a raw water storage easement in the Reuter-Hess Reservoir owned and operated by Parker Water and Sanitation District and to acquire, construct and install certain other water supply, storage, transmission, and treatment facilities. Principal payments are due annually on December 1 through 2034 commencing December 1, 2016. Interest payments are due semi-annually on June 1 and December 1 commencing December 1, 2016. As of December 31, 2019, future payments of principal and interest total \$58,749,450. The bonds are payable solely from the net revenues of the Town's Water and Wastewater Funds after the payment of the operation and maintenance expenses of the systems. These bonds constitute an irrevocable lien upon the net pledged revenues. During the year ended December 31, 2019, net pledged revenues of \$26,915,032 were available to pay annual debt service of \$3,695,892.

In 2015, the Town issued \$5,410,000 at a 2.86% interest rate of Golf Revenue Refunding and Improvement Bonds to refund the outstanding 2005 Golf Revenue Refunding Bonds, who's original purpose was to finance the acquisition, construction and equipping of the golf course facility. The purpose of the 2015 refunding was to reduce the interest rate paid on the 2005 Bonds and to provide funds for capital improvements at the Golf Course. The outstanding bonds are payable solely from the revenues derived from the operation of the Red Hawk Ridge Golf Course after the payment of operation and maintenance expenses. Principal payments are due annually on December 1. Interest payments are due semi-annually on June 1 and December 1. During the year ended December 31, 2019, net pledged revenues of \$699,988 were available to pay annual debt service of \$495,909. As of December 31, 2019 the outstanding balance, including principal and interest was \$3,993,325.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

9. LONG-TERM LIABILITIES (continued)

A. Revenue Bonds (continued)

Revenue Bonds Outstanding at December 31, 2019

<u>Issue</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
Governmental Activities			
2013 Sales and Use Tax Bonds	6/1/2035	1.50% - 5.00%	\$ 18,525,000
2016 Sales and Use Tax Bonds	6/1/2028	2.00% - 5.00%	6,710,000
Total governmental activities			<u>\$ 25,235,000</u>
Business-type activities			
2012 Water and Wastewater Revenue Refunding Bonds	12/1/2023	2.00% - 5.00%	\$ 4,975,000
2015 Water and Wastewater Revenue Refunding Bonds	12/1/2026	2.00% - 5.00%	4,060,000
2015 Golf Course Revenue Refunding and Improvement Bonds Revenue Bonds	12/1/2027	2.86%	3,525,000
2016 Water and Wastewater Revenue Refunding Bonds	12/1/2034	1.50% - 5.00%	42,435,000
Total business-type activities			<u>\$ 54,995,000</u>

Revenue Bond Debt Service Requirements to Maturity

Year	Government-type Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 1,145,000	\$ 1,109,388	\$ 4,030,000	\$ 2,265,140
2021	1,180,000	1,075,669	4,185,000	2,130,800
2022	1,215,000	1,036,213	4,300,000	2,036,049
2023	1,260,000	995,088	4,505,000	1,861,837
2024	1,300,000	952,888	3,350,000	1,651,646
2025-2029	7,440,000	3,836,150	16,500,000	5,900,053
2030-2034	9,495,000	1,784,375	18,125,000	2,246,200
2035	2,200,000	55,000	-	-
	<u>\$ 25,235,000</u>	<u>\$ 10,844,771</u>	<u>\$ 54,995,000</u>	<u>\$ 18,091,725</u>

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

9. LONG-TERM LIABILITIES (continued)

B. Certificates of Participation

In September 2013, the Town issued Certificates of Participation (COPs) in the amount of \$9,245,000. The purpose of the COPs was to fund the construction of the Fieldhouse at Philip S. Miller Park. Principal payments are due annually on December 1st through 2033. Interest (based on a 360-day year consisting of twelve 30-day months) shall be paid semi-annually on the 1st day of the months of June and December. The Police and Municipal Court Facility are pledged assets.

COPs Outstanding at December 31, 2019

<u>Issue</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
Governmental Activities			
2013 Parks and Recreation COPs	12/1/2033	2.0% - 5.0%	\$ 7,130,000
Total governmental activities			<u>\$ 7,130,000</u>

COPs Debt Service Requirements to Maturity

Government-type Activities		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 385,000	\$ 323,813
2021	400,000	308,413
2022	415,000	294,413
2023	430,000	277,813
2024	450,000	260,613
2025-2029	2,540,000	995,389
2030-2033	2,510,000	321,250
	<u>\$ 7,130,000</u>	<u>\$ 2,781,704</u>

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

9. LONG-TERM LIABILITIES (continued)

C. Capital Leases

The Town has entered into capital leases for the purchase of equipment. The assets acquired through these leases are recorded at their cost at the original lease date. Specific assets are pledged under the capital leases. Business-type assets include machinery and equipment of \$724,377 less accumulated depreciation of \$328,772. The present values of the minimum lease payments are as follows:

Present Value of Minimum Lease Payments

<u>Year</u>	<u>Business-type Activities</u>
2020	\$ 179,284
2021	141,653
2022	<u>114,773</u>
Total Minimum Lease Payments	435,710
Less: amount representing interest	<u>(28,269)</u>
Present value of minimum lease payments	<u>\$ 407,441</u>

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

9. LONG-TERM LIABILITIES (continued)

D. Notes Payable

In October 2016, the Town entered into a promissory note with a financial institution in the amount of \$2,500,000. The purpose of the note was to finance Castle Rock Downtown Development Authority projects. Principal payments are due annually on December 15th through September 15, 2026. Interest (based on a 360-day year consisting of twelve 30-day months) shall be paid quarterly on the 15th day of the months of March, June, September and December commencing March 15, 2017 at a rate of 4.58%. The note is payable from the revenues of the Downtown Development Authority TIF Fund. On June 28, 2019 the principal balance outstanding on the note of \$2,250,000 was paid in full. There was no gain or loss associated with the prepayment.

In December 2019, the Town entered into a loan agreement with a financial institution in the amount of \$9,500,000, with an interest rate of 1.92%. The purpose of the loan was to finance Stormwater projects. As of December 31, 2019 the Town has received \$4.5 million of the proceeds. Principal payments are due annually on December 1, beginning in 2022. Interest payments are due semi-annually on June 1 and December 1. The loan is payable from the revenues of the Stormwater Fund. The Town will draw funds based on the following schedule. The repayment schedule below reflects the debt service requirements for the entire \$9.5 million loan.

Date	Amount
December 19, 2019 (Closing)	\$ 4,500,000
September 30, 2020	4,500,000
September 30, 2021	500,000
Total	\$ 9,500,000

Notes Payable Debt Service Requirements to Maturity

Business-type Activities			
Year	Principal	Interest	Totals
2020	\$ -	\$ 82,080	\$ 82,080
2021	-	187,440	187,440
2022	900,000	184,027	1,084,027
2023	975,000	165,120	1,140,120
2024	1,000,000	146,400	1,146,400
2025-2029	5,445,000	432,384	5,877,384
2030	1,180,000	22,656	1,202,656
	<u>\$ 9,500,000</u>	<u>\$ 1,220,107</u>	<u>\$ 10,720,107</u>

E. Interest Expense

Total interest expense in the amount of \$1,337,305 and \$1,841,323 was charged to governmental type and business type funds, respectively, for the year ended December 31, 2019



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TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

10. FUND BALANCE

				Non-major Special Revenue Funds			
	General	Transportation	Transportation Capital	Conservation Trust	P.S. Miller	Public Art	Police Forfeiture
Nonspendable	\$ 4,591,792	\$ 69,817	\$ -	\$ 1,289	\$ 1,380	\$ -	\$ -
Prepaid Items	498,669	69,817	-	1,289	1,380	-	-
Loans to other funds (long-term portion)	4,093,123	-	-	-	-	-	-
Restricted	\$ 2,052,460	\$ -	\$ 11,475,336	\$ 500,943	\$ -	\$ -	\$ 21,855
TABOR	2,052,460	-	-	-	-	-	-
Grants earned, not spent	-	-	-	-	-	-	21,855
Impact Fees	-	-	11,475,336	-	-	-	-
Lottery Funds	-	-	-	500,943	-	-	-
Committed	\$ 5,164,845	\$ 8,369,972	\$ -	\$ 240,942	\$ 303,454	\$ 26,139	\$ -
Council designation of revenue sources	-	8,369,972	-	240,942	303,454	26,139	-
Contractual Obligations	396,714	-	-	-	-	-	-
Economic Development	4,768,131	-	-	-	-	-	-
Assigned	\$ 2,145,008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Project Carryforward	2,145,008	-	-	-	-	-	-
Unassigned	\$ 15,592,815	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash reserve policy	12,092,141	-	-	-	-	-	-
Unappropriated	3,500,674	-	-	-	-	-	-
Total Fund Balance	\$ 29,546,920	\$ 8,439,789	\$ 11,475,336	\$ 743,174	\$ 304,834	\$ 26,139	\$ 21,855

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

10. FUND BALANCE (continued)

		Non-major Capital Project Funds							Total Other Governmental Funds	Total Governmental Funds
DDA TIF	Castle Rock Urban Renewal Authority	Parks and Recreation Capital	Municipal Facilities Capital	Fire Capital	Police Capital	General Long-Term Planning				
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,669	\$ 4,664,278	
-	-	-	-	-	-	-	-	2,669	571,155	
-	-	-	-	-	-	-	-	-	4,093,123	
\$ -	\$ -	\$ 2,093,011	\$ 741,254	\$ -	\$ -	\$ -	\$ -	\$ 3,357,063	\$ 16,884,859	
-	-	-	-	-	-	-	-	-	2,052,460	
-	-	-	-	-	-	-	-	21,855	21,855	
-	-	2,093,011	741,254	-	-	-	-	2,834,265	14,309,601	
-	-	-	-	-	-	-	-	500,943	500,943	
\$ 946,933	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,542,845	\$ 4,060,313	\$ 17,595,130		
946,933	-	-	-	-	-	2,542,845	4,060,313	12,430,285		
-	-	-	-	-	-	-	-	396,714		
-	-	-	-	-	-	-	-	4,768,131		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,145,008		
-	-	-	-	-	-	-	-	2,145,008		
\$ -	\$ (22,776)	\$ -	\$ -	\$ (1,512,994)	\$ (1,105,960)	\$ -	\$ (2,641,730)	\$ 12,951,085		
-	-	-	-	-	-	-	-	12,092,141		
-	(22,776)	-	-	(1,512,994)	(1,105,960)	-	(2,641,730)	858,944		
\$ 946,933	\$ (22,776)	\$ 2,093,011	\$ 741,254	\$ (1,512,994)	\$ (1,105,960)	\$ 2,542,845	\$ 4,778,315	\$ 54,240,360		

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

11. PENSION PLANS

Town employees are covered under one of the four different pension plans, depending on occupation. Three of the plans are the General Employee Plan, Sworn Police Officers Plan and the Fire Employees Statewide Defined Benefit Plan. The Town Manager and the Town Attorney are covered under the Executive Defined Contribution Plan. In addition to the employee pension plans, the Town also participates in an agent multiple-employer defined benefit plan that covers its volunteer fire fighters under the Volunteer Fire Pension Plan. All plans and plan amendments are approved by Town Council as a single-employer, defined contribution plans, qualified under IRS guidelines, except the two fire pension plans, an agent multiple-employer defined benefit plan and a cost sharing multiple-employer defined benefit plan, respectively.

The following table summarizes each of the Town's FPPA plans and the respective pension activity recorded in the financials.

Plan	Net Pension Asset (Liability)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense (Reduction)
FPPA SWDB	\$ (1,407,329)	\$ 5,031,735	\$ 77,502	\$ 165,715
Volunteer Firefighter	(262,228)	58,565	-	36,613
Totals	\$ (1,669,557)	\$ 5,090,300	\$ 77,502	\$ 202,328

All plans are administered by outside trustees and do not meet the standards of accounting principles generally accepted in the United States of America for inclusion as part of the reporting entity.

For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town Fire Pension Plans and additions to/deductions from the Fire Pension Plans fiduciary net position have been determined on the same basis as they are reported by the Fire and Police Pension Association of Colorado (FPPA). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. All employees who participate in the FPPA plans are funded through the general fund and therefore the net pension liability or net pension asset are recorded at the government-wide level only.

A description of each plan and selected financial information follows.

A. General Employee Plan

A multi-employer defined contribution pension plan is maintained for all permanent full-time and part-time employees who work at least 20 hours per week on an annual basis. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Firefighters are excluded from the plan and are covered by a separate plan, as described in 11. D. Sworn Police Officers are excluded from the plan and are covered by a separate plan, as described in 11. C. For 2019, the plan requires mandatory employee pre-tax contributions to the plan of 4% of compensation. The Town also contributes 7% of each employees' compensation to the plan with the exception of the Town Manager and Town Attorney. As part of their employment contracts, the Town Manager and the Town Attorney receive an 11% contribution from the Town and do not have a mandatory employee contribution. The Town has no other obligations to fund this plan. Employees are permitted to contribute additional amounts beyond their 4% mandatory contribution into a deferred 457 plan. These additional amounts are invested in a deferred compensation plan pursuant to Internal Revenue Code (IRC) Section 457, see Note 12.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

11. PENSION PLANS (continued)

A. General Employee Plan (continued)

The plan requires employee participation in the plan immediately upon date of hire. Vesting of employer contributions are 100% after 1 year of employment. Unvested contributions for terminated employees are returned to the Town, net of servicing fees. Employees are fully vested for their contributions immediately. All administrative costs of the plans are borne by the participants of each plan.

Employer contributions are funded by the governmental and proprietary funds. The Town's contributions for 2019 were \$1,798,497. Town employees' mandatory contributions for 2019 were \$1,002,346.

Plan provisions and contribution requirements are established and administered by the International City Managers Association (ICMA) Retirement Corporation and may be amended with the approval of Town Council.

B. Executive Defined Contribution Plan

In 2004, the Town agreed to adopt a qualified 401(a) Executive Defined Contribution plan as part of the employment contracts for the Town Manager and the Town Attorney. The Town contributed 9% of the covered employee's compensation into this plan. Vesting is based on years of service and an employee will not be fully vested until they have reached 10 years of service. The Town's contributions to the plan for the year ended December 31, 2019 were \$36,400, equal to the required contributions. Plan provisions and contribution requirements are established and administered by ICMA and may be amended with the approval of Town Council.

C. Sworn Police Officers Defined Contribution Plan

In 2018, the Town's Sworn Police Officers were moved from the General Employee Plan and added to a new qualified 401(a) Money Purchase Retirement plan. For 2019, the plan requires mandatory employee pre-tax contributions to the plan of 5.6% of compensation. The Town also contributes 8.6% of each employees' compensation to the plan. The Town has no other obligations to fund this plan. Employees are permitted to contribute additional amounts beyond their 5.6% mandatory contribution into a deferred 457 plan. These additional amounts are invested in a deferred compensation plan pursuant to Internal Revenue Code (IRC) Section 457, see Note 12.

The plan requires employee participation in the plan immediately upon date of hire. Vesting of employer contributions are 100% after 1 year of employment. Unvested contributions for terminated employees are returned to the Town, net of servicing fees. Employees are fully vested for their contributions immediately. All administrative costs of the plans are borne by the participants of each plan.

Employer contributions are funded by the governmental funds. The Town's contributions for 2019 were \$621,025. Town employees' mandatory contributions for 2019 were \$404,388.

Plan provisions and contribution requirements are established and administered by the International City Managers Association (ICMA) Retirement Corporation and may be amended with the approval of Town Council.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

11. PENSION PLANS (continued)

D. Fire Employees - Statewide Defined Benefit Plan

(a) Plan Description

The Town contributes to the Statewide Defined Benefit Plan (SWDB), which is a cost sharing multiple-employer defined benefit pension plan administered by the Fire and Police Pension Association of Colorado (FPPA). The Statewide Defined Benefit Plan provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for plan members hired prior to January 1, 1997 through the Statewide Death and Disability Plan, which is also administered by FPPA. All full-time paid firefighters of the Town are members of the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. Plan provisions and contribution requirements are established and amended by FPPA. Colorado Statutes assign the authority to establish benefit provisions to the state legislature. FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. The FPPA Comprehensive Annual Financial Report can be obtained on FPPA's website at: www.fppaco.org/annual-reports.html.

(b) Description of Benefits

A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55.

The annual normal retirement benefit is 2 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to the Statewide Defined Benefit Plan. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

A member is eligible for an early retirement after completion of 30 years of service or attainment of age 50 with at least five years of credited service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5 percent as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2 percent of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

(c) Contributions

Contribution rates for the Statewide Defined Benefit Plan (SWDB) are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership.

Members of the SWDB plan and their employers are contributing at the rate of 10.5% and 8%, respectively, of base salary for the total contribution rate of 18.5% in 2019. In 2014, the members elected to increase the member contribution rate to the SWDB plan beginning in 2015. Member contribution rates will increase 0.5% annually through 2022 to a total of 12% of base salary. Employer contributions will remain at 8% resulting in a combined contribution rate of 20% in 2022.

The Town's contribution to the SWDB for the year ending December 31, 2019 was \$574,390, equal to the required contribution for the year.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

11. PENSION PLANS (continued)

D. Fire Employees - Statewide Defined Benefit Plan (continued)

(d) Pension Liability

At December 31, 2019, the Town reported a liability of \$1,407,329 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018 and the total pension liability used to calculate the net pension liability was determined based upon the January 1, 2019 actuarial valuation, which was unchanged from December 31, 2018.

The Town's proportion of the net pension liability was based on the Town's share of contributions to the pension plan relative to the contributions of all participating employers. The Town's proportion measured as of December 31, 2018, was 1.113152%, which was a decrease of 0.021464% from its proportion measured as of December 31, 2017.

(e) Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended December 31, 2019, the Town recognized pension expense for the SWDB of \$165,715. At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,808,298	\$ 15,034
Changes in assumptions	1,362,953	-
Net difference between projected and actual investment earnings	1,107,081	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	179,013	62,468
Town contributions subsequent to the measurement date	574,390	-
Total	<u>\$ 5,031,735</u>	<u>\$ 77,502</u>

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

11. PENSION PLANS (continued)

D. Fire Employees - Statewide Defined Benefit Plan (continued)

The \$574,390 reported as deferred outflows of resources related to Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to SWDB will be recognized in pension expense as follows:

Year ending December 31	Net Deferred Outflows (Inflows) Of Resources
2020	\$ 820,291
2021	589,181
2022	503,472
2023	825,435
2024	407,825
Thereafter	1,233,639
Total	<u>\$ 4,379,843</u>

(f) Actuarial Assumptions

The January 1, 2019 actuarial valuation, based on the most recent actuarial study completed in 2018, used the following:

Actuarial Method	Entry Age Normal
Long-term Investment Rate of Return*	7.0%
Projected Salary Increases*	4.25% - 11.25%
Cost of Living Adjustments (COLA)	0.0%
*Includes Inflation at	2.5%
Mortality	For determining the total pension liability, the post-retirement mortality tables for non-disabled retirees uses the 2006 central rates from the RP-2014 Annuitant Mortality Tables projected to 2018 using the MP-2017 projection scales, and the projected prospectively using the ultimate rates of the scale for all years. The pre-retirement off-duty mortality tables are adjusted to 50% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00015.

Changes in Assumptions. The investment rate of return decreased from 7.50% to 7.00% from the previous valuation, the projected salary increases changed from 4% - 14% to 4.25% - 11.25%, and the mortality tables were updated.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

11. PENSION PLANS (continued)

D. Fire Employees - Statewide Defined Benefit Plan (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (assumed at 2.5 percent). Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation (as of December 31, 2018) are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash	2%	2.52%
Fixed Income	15%	2.90%
Absolute Return	9%	5.08%
Managed Futures	4%	5.35%
Equity Long/Short	9%	6.45%
Global Equity	37%	8.03%
Private Markets	24%	10.00%
Total	<u>100%</u>	

(g) Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SWDB plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

11. PENSION PLANS (continued)

D. Fire Employees - Statewide Defined Benefit Plan (continued)

Regarding the sensitivity of the net pension liability/(asset) to changes in the Single Discount Rate, the following presents the plan's net pension liability/(asset), calculated using a Single Discount Rate of 7.00%, as well as what the plan's net pension liability/(asset) would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease 6.00%	Single Discount Rate Assumption 7.00%	1% Increase 8.00%
Town's net pension liability/(asset)	\$ 5,457,452	\$ 1,407,329	\$ (1,952,175)

(h) Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in FPPA's Comprehensive Annual financial report.

E. Volunteer Firefighters' Pension Plan

(a) Plan Description – Benefits Provided

The Town participates in an agent multiple-employer defined benefit pension plan that covers its volunteer firefighters. The plan is administered and benefit provisions are executed by FPPA. This plan provides retirement benefits as well as death and disability benefits. The Town's volunteer firefighters become fully vested after 20 years of active service and reaching age 50. The benefit, payable at age 50, would be equal to the retirement benefit prorated based upon the number of years of service accrued at termination. Surviving spouses of deceased retirees are entitled to 50% of the retirement benefit until remarriage or their death. Pre-retirement death and disability benefits are only available if incurred in the line of duty. The plan also provides for a lump-sum burial benefit upon the death of an active or retired firefighter. The FPPA Comprehensive Annual Financial Report can be obtained on FPPA's website at: www.fppaco.org/annual-reports.html. The volunteer firefighters' pension plan is closed to new entrants.

(b) Contributions

Volunteer Plan participants are not compensated and do not contribute to the plan. The Volunteer Firefighters' Pension Plan receives contributions from the Town in an amount not to exceed one-half mill of property tax revenue. As established by the legislature, the State of Colorado contributes up to ninety percent of the Town's contribution. The State's contribution does not meet the definition of a special funding situation as defined by GASB 68 and is considered a discretionary contribution. The State's contribution must not exceed the greater of the actuarially determined contribution or the highest State contribution during the years 1998 through 2001, which was \$17,635 in 2000. The actuarial study as of January 1, 2019, indicated that the current level of contributions to the fund is adequate to support on an actuarially sound basis, the prospective benefits for the present Plan. For the year ended December 31, 2019, the Town and State contributions were \$20,440 and \$0, respectively. The State contribution of \$17,635 was received in January 2020 and will be reported in the appropriate year.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

11. PENSION PLANS (continued)

E. Volunteer Firefighters' Pension Plan (continued)

(c) Members Covered by Benefit Terms

Membership covered by benefit terms at December 31, 2019:

Retirees and Beneficiaries	20
Active Members	<u>1</u>
Total	21

(d) Pension Liability

At December 31, 2019, the Town reported a net pension liability of \$262,228. The net pension liability was measured as of December 31, 2018. The total pension liability used to calculate the net pension liability was determined based upon the January 1, 2019 actuarial valuation, which is unchanged from December 31, 2018.

(e) Actuarial Assumptions

The January 1, 2019 actuarial valuation based on the most recent experience study completed in 2018 used the following:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	5-Year Smoothed Fair Value
Inflation	2.50%
Salary Increases	N/A
Investment Rate of Return	7.00%
Retirement Age	50% per year of eligibility until 100% at age 65.
Mortality	Pre-retirement: 2006 central rates from the RP-2014 Employee Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years, 50% multiplier for off-duty mortality. RP-2014 Mortality Table for Blue Collar Employees, 55% multiplier for off-duty mortality. Post-retirement: 2006 central rates from the RP-2014 Annuitant Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years. Disabled: 2006 central rates from the RP-2014 Disabled Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years.

Changes in Assumptions. The investment rate of return decreased from 7.50% to 7.00% from the previous valuation and the mortality tables and projection scales were updated.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

11. PENSION PLANS (continued)

E. Volunteer Firefighters' Pension Plan (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic nominal rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2018 are summarized in the following table:

Asset Class	Target Allocation	Expected Rate of Return
Cash	2.0%	2.52%
Fixed Income	15.0%	2.90%
Absolute Return	9.0%	5.08%
Managed Futures	4.0%	5.35%
Equity Long/Short	9.0%	6.45%
Global Equity	37.0%	8.03%
Private Markets	24.0%	10.00%
Total	100.0%	

(f) Single Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumes that all actuarially determined contributions will be made. The plan's fiduciary net position was projected to be available to make all projected future benefit payments. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

11. PENSION PLANS (continued)

E. Volunteer Firefighters' Pension Plan (continued)

(g) Changes in Net Pension Liability

Total Pension Liability	
Service Cost	\$ 2,879
Interest on the Total Pension Liability	84,888
Benefit changes	-
Difference between expected and actual experience of the Total Pension Liability	(26,200)
Changes in assumptions	40,977
Benefit Payments	(111,578)
Net Change in Total Pension Liability (Asset)	<u>(9,034)</u>
Total Pension Liability - Beginning	<u>1,185,213</u>
Total Pension Liability - Ending	<u>\$ 1,176,179</u>
 Plan Fiduciary Net Pension	
Employer Contribution	\$ 20,440
Net Investment Income	689
Benefit Payments	(111,578)
Pension Plan Administrative Expenses	(5,163)
State of Colorado Supplemental Discretionary Payment	17,635
Net Change in Plan Fiduciary Net Pension	<u>(77,977)</u>
Plan Fiduciary Net Position – Beginning (Market value of assets at beginning of year)	<u>991,928</u>
Plan Fiduciary Net Position – Ending (Market value of assets at end of year)	<u>\$ 913,951</u>
Net Pension Liability	<u>\$ 262,228</u>

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

11. PENSION PLANS (continued)

E. Volunteer Firefighters' Pension Plan (continued)

Regarding the sensitivity of the net pension liability/(asset) to changes in the Single Discount Rate, the following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.00%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease 6.00%	Single Discount Rate Assumption 7.00%	1% Increase 8.00%
Town's net pension liability	\$ 374,167	\$ 262,228	\$ 167,409

(h) Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued FPPA financial reports online at www.fppaco.org/annual-reports.html

(i) Pension Expense

For the year ended December 31, 2019, the Town recognized pension expense of \$36,613.

(j) Pension Deferred Outflows/Inflows of Resources

At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 38,125	\$ -
Town contributions subsequent to the measurement date	20,440	-
Total	<u>\$ 58,565</u>	<u>\$ -</u>

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

11. PENSION PLANS (continued)

E. Volunteer Firefighters' Pension Plan (continued)

The \$20,440 reported as deferred outflows of resources related to the Volunteer pension plan resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

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

<u>Year ending December 31</u>	<u>Net Deferred Outflows (Inflows) Of Resources</u>
2020	\$ 16,727
2021	5,663
2022	1,574
2023	14,161
Total	<u>\$ 38,125</u>

12. DEFERRED COMPENSATION PLANS

The Town provides employees deferred compensation plans created in accordance with IRC Section 457. These plans permit employees to defer a portion of their salary until future years.

The general employee plan is administered and benefit provisions are amended through ICMA. All full-time and part-time employees who are covered by the ICMA general employees defined contribution pension plan are eligible to participate in the ICMA deferred compensation plan. There are no contributions made by the Town.

A second IRC 457 plan is established with Colorado County Officials and Employees Retirement Association (CCOERA). The plan is administered and benefit provisions are amended through CCOERA. This plan is only available to those employees who were eligible to participate in the CCOERA defined contribution pension plan. There are no contributions made by the Town.

A third plan is available to fire employees who meet the eligibility requirements for FPPA membership. This plan is administered and benefit provisions are amended through FPPA. The Town contributes 3% of each paid fire fighter's salary. Employee participation in the 457 plans is optional. For the year ended December 31, 2019, the Town contributions were \$224,304.

Deferred Compensation is only available to employees upon termination, retirement, death or unforeseeable emergency. Each plan's trustee manages investments. Several investment options are available to participants.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

13. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, theft, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Town has agreed to partially selfinsure claims for health insurance of Town employees to a maximum liability of \$100,000 per covered person. For insured risks, no settlements have exceeded coverage during the past three years.

Self-insurance activities are accounted for in the accounts payable line item of the Employee Benefits Fund. The basis for estimating the liabilities of unpaid claims is by using actuarial projection techniques. Changes in claims payable were as follows:

	<u>2019</u>	<u>2018</u>
Claims payable, January 1	\$ 623,377	\$ 522,133
Incurred claims	7,066,019	6,448,923
Claims paid	<u>(7,080,625)</u>	<u>(6,347,679)</u>
Claims payable, December 31	<u>\$ 608,771</u>	<u>\$ 623,377</u>

For excess liability, property and workers compensation claims, the Town is involved with the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by an intergovernmental agreement by member municipalities pursuant to the provision of 24-10-115.5, Colorado Revised Statutes (1982 Replacement Volume) and Colorado Constitution, Article XIV, Section 18(2).

The purpose of CIRSA is to provide members defined liability and property coverage and to provide assistance in prevention of loss to municipal property and to personal injury.

It is the intent of the members of CIRSA to create an entity in perpetuity, which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability of loss to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverage at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members.

CIRSA is a separate legal entity and the Town does not approve budgets nor does it have the ability to significantly affect the operations of the unit.

In 2019, the Town's CIRSA deductibles per occurrence were:

Liability	\$100,000
Auto Liability	\$ 5,000
Property	\$100,000
Auto Physical Damage	\$100,000

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

14. COMMITMENTS AND CONTINGENCIES

Committed Construction

As of December 31, 2019, the Town had unexpended construction related commitments of \$55,320,649.

Federal Programs

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expect such amounts, if any, to be immaterial.

Litigation

Although the Town is subject to pending and threatened litigation, the Town's Management and the Town Attorney believe that all lawsuits and claims, which have been filed against the Town, are either adequately covered by insurance or the final settlement of uninsured matters will not have a materially adverse effect on the financial position of the Town.

Taxpayer Bill of Rights (TABOR)

In November 1992, Colorado voters approved a State Constitutional Amendment, TABOR, the general purpose of which is to restrain government growth (as measured by revenues) without a vote of the local citizens. The key mechanisms for restraining growth without a vote are: 1) the prohibition of revenue and expenditure growth other than for inflation and a component for new construction growth, 2) the prohibition of new taxes or higher tax rates, 3) the prohibition of new debt, and 4) the refunding of any revenues collected in excess of the revenue limitations.

Castle Rock voters have approved certain revenue exemptions. These exemptions include: 1) a \$.0075 exemption of sales and motor vehicle taxes approved in 1994 to be used for streets, trails, bridges and sidewalks, 2) a \$.004 exemption of sales and motor vehicle taxes approved in 1995 to be used for transportation and the community center, and 3) approved in 2005, an exemption of all transportation impact fees and all building use taxes to be used for transportation and the community center.

TABOR further requires emergency reserves of at least 3% of fiscal year spending (excluding bonded debt service). This reserve was recorded in the General Fund as reserved fund balance of \$2,052,460 as of December 31, 2019. Local governments are prohibited from use of these emergency reserves to compensate for economic conditions, revenue shortfalls, salary or benefit increases.

The Town's management believes the Town is in compliance with the provisions of TABOR.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

15. INTERFUND TRANSACTIONS

Transactions that are representative of lending / borrowing arrangements which were outstanding at the end of the year are referred to as “Loans to / from Other Funds” or “interfund loans”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the Town-wide financial statements as “internal balances”. Eliminations are made in interfund activities, payables and receivables. All internal balances in the Town-wide Statement of Net Position have been eliminated except those representing balances between the governmental activities and business-type activities, which are reported as internal balances and are eliminated in the total column. In the Statement of Activities, internal service fund transactions have been eliminated. Transactions between governmental and business-type activities are not eliminated.

INTERFUND LOANS

REPORTING FUND

Fund loan from / to	Purpose	Receivable	Payable
GOVERNMENTAL FUNDS			
General			
DDA TIF	Advance for loan payoff that partially funded the Festival Park improvement project	\$ 1,365,411	\$ -
Facilities Capital	Advance for Public Safety Training Facility	146,138	-
Police Capital	Impact fees - reimburse General Fund for growth related construction	754,780	-
Police Capital	Advance for Public Safety Training Facility	292,277	-
Fire Capital	Advance for Crystal Valley Fire Station	2,435,190	-
Fire Capital	Advance for Public Safety Training Facility	292,277	-
Water Resources	Advance for Metzler Park turf replacement	-	1,268,247
Golf	Advance debt service reserve	500,815	-
Economic Development			
Urban Renewal Authority	Advance for operating costs	51,072	-
Total General Fund		5,837,960	1,268,247
Other Governmental Funds			
DDA TIF			
General	Advance for loan payoff that partially funded the Festival Park improvement project	-	1,365,411

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

15. INTERFUND TRANSACTIONS (continued)

INTERFUND LOANS (continued)

REPORTING FUND

Fund loan from / to	Purpose	Receivable	Payable
Other Governmental Funds (continued)			
Facilities Capital			
General	Advance for Public Safety Training Facility	-	146,138
Police Capital	Advance for Police Department basement renovation	200,694	-
Total Facilities Capital Fund		<u>200,694</u>	<u>146,138</u>
Fire Capital			
General	Advance for Crystal Valley Fire Station	-	2,435,190
General	Advance for Public Safety Training Facility	-	292,277
Total Fire Capital		<u>-</u>	<u>2,727,467</u>
Police Capital			
General	Impact fees - reimburse General Fund for growth related construction	-	754,780
General	Advance for Public Safety Training Facility	-	292,277
Facilities Capital	Advance for Police Department basement renovation	-	200,694
Total Police Capital Fund		<u>-</u>	<u>1,247,751</u>
Urban Renewal Authority			
Economic Development	Advance for operating costs	-	51,072
Total Other Governmental Funds		<u>200,694</u>	<u>5,537,839</u>
Total Governmental Funds		<u>6,038,654</u>	<u>6,806,086</u>
ENTERPRISE FUNDS			
Water Resources			
General	Advance for Metzler Park turf replacement	1,268,247	-
Golf			
General	Advance for debt service reserve	-	500,815
Total Enterprise Funds		<u>1,268,247</u>	<u>500,815</u>
	Total All Funds	<u>\$ 7,306,901</u>	<u>\$ 7,306,901</u>

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

15. INTERFUND TRANSACTIONS (continued)

		TRANSFERS	
REPORTING FUND			
Fund transfer from / to	Purpose	Transfer In	Transfer Out
GOVERNMENTAL FUNDS			
General			
Transportation	Funding for parks improvements	\$ 578,813	\$ -
PS Miller	Funding for special events	-	175,000
Parks Capital	Interfund loan interest	4,500	-
Parks Capital	Funding for Fleet bay extension	-	177,809
Municipal Facilities Capital	Interfund loan interest	2,901	-
Municipal Facilities Capital	Funding for Public Safety Training Facility construction	107,386	-
Fire Capital	Funding for Public Safety Training Facility construction	214,772	-
Fire Capital	Interfund loan interest	46,598	-
Police Capital	Funding for Public Safety Training Facility construction	214,772	-
Police Capital	Interfund loan interest	17,847	-
General Long Term Planning	Funding for Public Safety Training Facility construction	223,721	-
General Long Term Planning	Funding for replacement of Fire Department equipment	-	308,700
Golf	Interfund loan interest	7,512	-
Water Resources	Funding for Metzler Park turf replacement	60,395	-
Water Resources	Interfund loan interest	-	19,688
Fleet	Purchase of new vehicles	-	13,941
DDA TIF	Interfund loan interest	28,859	-
Economic Development			
DDA TIF	Interfund loan interest	4,567	-
Total General Fund		1,512,643	695,138
Transportation			
General	Funding for parks improvements	-	578,813
Transportation Capital	Funding to support Transportation Capital fund projects	-	2,000,000
Total Transportation Fund		-	2,578,813
Transportation Capital			
Municipal Facilities	Funding for Fleet bay extension	53,456	-
Water	Funding for Fleet bay extension	200,682	-
Development Services	Funding for Fleet bay extension	78,402	-
Fleet	Funding for Fleet bay extension	28,510	-
Fleet	Purchase of new vehicles	-	55,870
Transportation	Funding to support Transportation Capital fund projects	2,000,000	-
Parks Capital	Funding for Fleet bay extension	245,896	-
Fire Capital	Funding for Fleet bay extension	149,676	-
Police Capital	Funding for Fleet bay extension	199,568	-
Water Resources	Funding for Fleet bay extension	3,647	-
Stormwater	Funding for Fleet bay extension	62,031	-
Wastewater	Funding for Fleet bay extension	40,149	-
Community Center	Funding for Fleet bay extension	17,819	-
Golf	Funding for Fleet bay extension	7,127	-
Total Transportation Capital Fund		3,086,963	55,870

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

15. INTERFUND TRANSACTIONS (continued)

		TRANSFERS (continued)	
REPORTING FUND			
Fund transfer from / to	Purpose	Transfer In	Transfer Out
Other Governmental Funds			
PS Miller			
General Fund	Funding for special events	175,000	-
DDA TIF			
Economic Development	Interfund loan interest	-	4,567
General	Interfund loan interest	-	28,859
Parks Capital			
General	Funding for Fleet bay extension	177,809	-
General	Interfund loan interest	-	4,500
Community Center	Interfund loan interest	-	6,000
Transportation Capital	Funding for Fleet bay extension	-	245,896
Municipal Facilities Capital			
General	Funding for Public Safety Training Facility construction	-	107,386
General	Interfund loan interest	-	2,901
Police Capital	Interfund loan interest	3,362	-
Transportation Capital	Funding for Fleet bay extension	-	53,456
Fire Capital			
General	Funding for Public Safety Training Facility construction	-	214,772
General	Interfund loan interest	-	46,598
Transportation Capital	Funding for Fleet bay extension	-	149,676
Police Capital			
General	Interfund loan interest	-	17,847
General	Funding for Public Safety Training Facility construction	-	214,772
Municipal Facilities Capital	Interfund loan interest	-	3,362
Fleet	Purchase of new vehicles	-	117,499
Transportation Capital	Funding for Fleet bay extension	-	199,568
General Long Term Planning			
General	Funding for Public Safety Training Facility construction	-	223,721
General	Funding for replacement of Fire Department equipment	308,700	-
Total Other Governmental Funds		664,871	1,641,380

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

15. INTERFUND TRANSACTIONS (continued)

		TRANSFERS (continued)	
REPORTING FUND			
Fund transfer from / to	Purpose	Transfer In	Transfer Out
ENTERPRISE FUNDS			
Water			
Transportation Capital	Funding for Fleet bay extension	-	200,682
Water Resources	Reallocation of Town's resources	-	1,593,706
Stormwater	Interfund loan interest	10,125	-
Total Water Fund		10,125	1,794,388
Water Resources			
Water	Reallocation of Town's resources	1,593,706	-
General Fund	Funding for Metzler Park turf replacement	-	60,395
General Fund	Interfund loan interest	19,688	-
Transportation Capital	Funding for Fleet bay extension	-	3,647
Total Water Resources Fund		1,613,394	64,042
Stormwater			
Water	Interfund loan interest	-	10,125
Transportation Capital	Funding for Fleet bay extension	-	62,031
Total Stormwater Fund		-	72,156
Wastewater			
Transportation Capital	Interfund loan interest	-	40,149
Total Wastewater Fund		-	40,149
Golf			
General	Interfund loan interest	-	7,512
Transportation Capital	Funding for Fleet bay extension	-	7,127
Community Center	Funding for youth golf program	80,000	-
Total Golf Fund		80,000	14,639
Community Center			
Parks Capital	Interfund loan interest	6,000	-
Golf	Funding for youth golf program	-	80,000
Transportation Capital	Funding for Fleet bay extension	-	17,819
Total Community Center Fund		6,000	97,819
Development Services			
Transportation Capital	Funding for Fleet bay extension	-	78,402
Total Development Services Fund		-	78,402

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

15. INTERFUND TRANSACTIONS (continued)

REPORTING FUND		TRANSFERS (continued)	
Fund transfer from / to	Purpose	Transfer In	Transfer Out
INTERNAL SERVICE FUNDS			
Fleet			
General	Purchase of new vehicles	13,941	-
Police Capital	Purchase of new vehicles	117,499	-
Transportation Capital	Purchase of new vehicles	55,870	-
Transportation Capital	Funding for Fleet bay extension	-	28,510
Total Fleet Fund		187,310	28,510
	Total All Funds	\$ 7,161,306	\$ 7,161,306

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

15. INTERFUND (continued)

In 2002, the Town established the Parks, Municipal Facilities, Fire, Police, and Recreation Capital Funds. Prior to 2002, these activities were accounted for in the General Fund. At the point of the transfer, certain projects completed by the General Fund were expected to be reimbursed by development impact fees that are collected in the capital funds. To assure reimbursement of the costs, the Town recorded loans between the General Fund and the capital funds. Since the expenditures had already occurred, this resulted in the capital project funds showing fund deficits in prior years. Currently, only the Police Capital Project Fund remains in deficit from these loans.

In 2017, the Town recorded an advance from the General Fund to the Police Capital Fund of \$480,000 representing its share of the new Public Safety Training Facility.

In 2017, the Town recorded a loan from the General Fund to the Fire Capital Fund of \$3,000,000 to partially fund the construction of the Crystal Valley Fire Station and an advance of \$480,000 representing its share of the new Public Safety Training Facility.

In 2019, the Town recorded a loan from the General Fund to the DDA TIF Fund of \$2,125,000 for a term loan payoff that partially funded the Festival Park improvement project.

16. DEFICIT FUND BALANCES

On December 31, 2019, the Police Capital Fund had a fund deficit of \$1,105,960. This will be eliminated with the repayment of the loans from the collection of future development impact fees.

On December 31, 2019, the Fire Capital Fund had a fund deficit of \$1,512,994. This will be eliminated with the repayment of the loans from the collection of future development impact fees.

On December 31, 2019, CRURA had a fund deficit of \$22,776. This will be eliminated with the repayment of the loan from future CRURA TIF funds.

17. TAX ABATEMENTS

The Town enters into public finance agreements with developers in order to create jobs, expand the tax base, encourage existing businesses to make capital investments, and spur new office, industrial, and retail expansion and development. Town sales tax credit ordinances authorize sales tax abatements for public finance agreements. For the year ended December 31, 2019, the Town abated approximately \$1,450,000 under this program.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

18. DISCRETELY-PRESENTED COMPONENT UNIT

As of December 31, 2019, all of the CRDDA's deposits were either insured by the FDIC or held in eligible depositories.

Capital assets activity for the CRDDA for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets being depreciated				
Downtown improvements	\$ 112,379	\$ -	\$ -	\$ 112,379
Ice rink site improvements	103,065	-	-	103,065
Ice rink equipment	<u>146,563</u>	<u>-</u>	<u>-</u>	<u>146,563</u>
Total capital assets being depreciated	<u>362,007</u>	<u>-</u>	<u>-</u>	<u>362,007</u>
Less accumulated depreciation				
Downtown improvements	(80,611)	(11,530)	-	(92,141)
Ice rink site improvements	(58,720)	(10,306)	-	(69,026)
Ice rink equipment	<u>(70,489)</u>	<u>(14,656)</u>	<u>-</u>	<u>(85,145)</u>
Total accumulated depreciation	<u>(209,820)</u>	<u>(36,492)</u>	<u>-</u>	<u>(246,312)</u>
CRDDA capital assets, net	<u>\$ 152,187</u>	<u>\$ (36,492)</u>	<u>\$ -</u>	<u>\$ 115,695</u>

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

19. RELATED PARTY TRANSACTIONS

The Castle Rock Council members are on the boards of various organizations in the region, including the Adventist Wellness Committee, Castle Rock Chamber of Commerce, Castle Rock Economic Partnership, Castle Rock Economic Development Council, Castle Rock Fire Volunteer Pension Board, Chatfield Watershed Authority, Cherry Creek Basin Water Quality Authority, Colorado Municipal League Policy Committee, Denver Regional Council of Governments, Douglas County Housing Partnership, Douglas County Youth Initiative, Downtown Development Authority, Downtown Merchants Association, Fire Pension Board, Metro Mayors Caucus, and Partnership of Douglas County Governments. In addition, the Director of Parks and Recreation is on the board of Rueter Hess Recreation Authority.

The Town made payments of the following amounts to these organizations in 2019:

Related Party Transactions

Castle Rock Chamber of Commerce	\$99,720
Castle Rock Economic Development Council	210,086
Chatfield Watershed Authority	62,925
Denver Regional Council of Governments	15,600
Douglas County Housing Partnership	35,000
Douglas County Youth Initiative	19,800
Downtown Development Authority	164,917
Downtown Merchants Association	75,000
Rueter Hess Recreation Authority	219,000

20. SUBSEQUENT EVENTS

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Town. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

In response to COVID-19, the federal government passed legislation that brings economic relief to state and local governments. Under the Coronavirus Relief Fund (CRF) established in the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Town received \$18,128 from the State of Colorado's Department of Health and Human Services as an advance through the CARES Act Provider Relief Fund.

The CARES Act is the largest-ever economic stimulus package in U.S. history containing several grant funding opportunities for governments, education centers, and healthcare providers to prevent, prepare for, and respond to the coronavirus pandemic. In 2020, Douglas County has allocated \$3.4M for the Town to submit eligible expenses for reimbursement for costs not previously covered through any other funding source such as FEMA.

Required Supplementary Information

Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios for the Volunteer Firefighters' Pension Plan

Schedule of Contributions for the Volunteer Firefighters' Pension Plan

Schedule of Contributions for the Statewide Defined Benefit Pension Plan

Schedule of the Town's Proportionate Share of the Net Pension Liability/(Asset) for the Statewide Defined Benefit Pension Plan

Schedule of Revenues and Expenditures and Changes in Funds Available

General Fund

Transportation Fund

Note to Required Supplementary Information

TOWN OF CASTLE ROCK, COLORADO

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS
FIRE AND POLICE PENSION ASSOCIATION OF COLORADO (FPPA)
VOLUNTEER FIRE PENSION PLAN
LAST TEN YEARS (to be built prospectively)

Measurement period ending December 31,	2018	2017	2016
Total Pension Liability			
Service Cost	\$ 2,879	\$ 2,879	\$ 2,861
Interest on the Total Pension Liability	84,888	86,346	82,814
Benefit Changes	-	-	-
Difference between Expected and Actual Experience	(26,200)	-	28,112
Assumption Changes	40,977	-	40,514
Benefit Payments	(111,578)	(105,840)	(108,540)
Net Change in Total Pension Liability	(9,034)	(16,615)	45,761
Total Pension Liability - Beginning	1,185,213	1,201,828	1,156,067
Total Pension Liability - Ending (a)	\$ 1,176,179	\$ 1,185,213	\$ 1,201,828
Plan Fiduciary Net Position			
Employer Contributions	20,440	\$ 20,440	\$ 20,440
Pension Plan Net Investment Income	689	130,343	48,736
Benefit Payments	(111,578)	(105,840)	(108,540)
Pension Plan Administrative Expense	(5,163)	(5,149)	(1,735)
State of Colorado supplemental discretionary payment	17,635	17,635	17,635
Net Change in Plan Fiduciary Net Position	(77,977)	57,429	(23,464)
Plan Fiduciary Net Position - Beginning	991,928	934,499	957,963
Plan Fiduciary Net Position - Ending (b)	\$ 913,951	\$ 991,928	\$ 934,499
Net Pension Liability/(Asset) - Ending (a) - (b)	\$ 262,228	\$ 193,285	\$ 267,329
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	77.71%	83.69%	77.76%
Covered Payroll	N/A	N/A	N/A
Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A

The notes to the required supplementary information are an integral part of the required supplementary information schedules.

2015	2014
\$ 2,861	\$ 3,761
84,409	66,823
-	118,071
-	154,102
-	-
(108,540)	(107,146)
(21,270)	235,611
1,177,337	941,726
<u>\$ 1,156,067</u>	<u>\$ 1,177,337</u>

\$ 20,440	\$ 20,440
18,015	67,171
(108,540)	(107,146)
(3,747)	(1,914)
17,635	17,635
(56,197)	(3,814)
1,014,160	1,017,974
<u>\$ 957,963</u>	<u>\$ 1,014,160</u>
<u>\$ 198,104</u>	<u>\$ 163,177</u>

82.86%	86.14%
--------	--------

N/A	N/A
-----	-----

N/A	N/A
-----	-----

TOWN OF CASTLE ROCK, COLORADO

SCHEDULE OF CONTRIBUTIONS FIRE AND POLICE PENSION ASSOCIATION OF COLORADO (FPPA) VOLUNTEER FIRE PENSION PLAN LAST TEN FISCAL YEARS (to be built prospectively)

	2019	2018
Actuarially determined contributions	\$ 25,867	\$ 25,867
Contributions in relation to the actuarially determined contribution *	20,440	38,075
Contribution deficiency (excess)	<u>\$ 5,427</u>	<u>\$ (12,208)</u>
Town's covered payroll	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A

*Includes both employer and State of Colorado Supplemental Discretionary Payment for years 2015-2018. For 2019 this is the employer contribution only.

Notes to Schedule

Actuarially determined contribution rates are calculated as of January 1 of odd number years. The contribution rates have a one-year lag, so the actuarial valuation as of January 1, 2017 determines the contribution amounts for 2018 and 2019.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open*
Remaining Amortization Period	20 Years*
Asset Valuation Method	5-Year smoothed fair value
Inflation	2.50%
Salary Increases	N/A
Investment Rate of Return	7.50%
Retirement Age	50% per year of eligibility until 100% at age 65.
Mortality	Pre-retirement: RP-2014 Mortality Tables for Blue Collar Employees, projected with Scale BB, 55% multiplier for off-duty mortality. Post-retirement: For ages less than 55, RP-2014 Mortality Tables for Blue Collar Employees. For ages 65 and older, RP-2014 Mortality Tables for Blue Collar Healthy Annuitants. For ages 55 through 64, a blend of the previous tables. All tables are projected with Scale BB.

* Plans that are heavily weighted with retiree liabilities use an amortization period based on the expected remaining lifetime of the participants.

Changes in Assumptions: None

The notes to the required supplementary information are an integral part of the required supplementary information schedules.

2017	2016	2015
\$ 18,141	\$ 18,141	\$ 12,770
38,075	38,075	38,075
<u>\$ (19,934)</u>	<u>\$ (19,934)</u>	<u>\$ (25,305)</u>
N/A	N/A	N/A
N/A	N/A	N/A

TOWN OF CASTLE ROCK, COLORADO

SCHEDULE OF CONTRIBUTIONS FIRE AND POLICE PENSION ASSOCIATION OF COLORADO (FPPA) STATEWIDE DEFINED BENEFIT PENSION PLAN LAST TEN FISCAL YEARS (1)

	*
	2019
Statutorily required contributions	\$ 574,390
Contributions in relation to the statutorily required contribution	574,390
Contribution deficiency (excess)	\$ -
Town's covered payroll	\$ 7,179,869
Contributions as a percentage of covered payroll	8.0%

(1) The Town implemented GASB 68 beginning in 2015. Information will be provided prospectively.

* The amounts presented as of the current year end, December 31, 2019.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Valuation Date	January 1, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 Years
Long-term Investment Rate of Return*	7.5%
Projected Salary Increases*	4.0% - 14.0%
Asset Valuation Method	5-Year smoothed fair value
Cost of Living Adjustments (COLA)	0%
*Includes Inflation at	2.5%

For determining the actuarial determined contributions, the post-retirement mortality tables for non-disabled retirees is a blend of the Annuitant and Employee RP-2014 generational mortality tables with blue collar adjustment projected with Scale BB. The pre-retirement off-duty mortality tables are adjusted to 55% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00020.

There were no changes in assumptions.

2018	2017	2016	2015
\$ 596,522	\$ 530,936	\$ 505,553	\$ 476,284
596,522	530,936	505,553	476,284
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,456,522	\$ 6,636,696	\$ 6,319,413	\$ 5,953,555
8.0%	8.0%	8.0%	8.0%

TOWN OF CASTLE ROCK, COLORADO

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
 FIRE AND POLICE PENSION ASSOCIATION OF COLORADO (FPPA)
 STATEWIDE DEFINED BENEFIT PENSION PLAN
 LAST TEN FISCAL YEARS (1)

		*
		2019
Town's proportion of the net pension liability (asset)		1.113%
Town's proportionate share of the net pension liability (asset)	\$	1,407,329
Town's covered payroll	\$	7,456,522
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll		18.874%
Plan fiduciary net position as a percentage of the total pension liability		95.235%

(1) The Town implemented GASB 68 beginning in 2015. Information will be provided prospectively.

* The amounts presented as of the measurement date, December 31, 2018.

2018	2017	2016	2015
1.135%	1.235%	1.228%	1.232%
\$ (1,632,323)	\$ 446,175	\$ (21,650)	\$ (1,390,185)
\$ 6,636,696	\$ 6,319,413	\$ 5,953,555	\$ 5,602,212
-24.595%	7.060%	-0.364%	-24.815%
106.339%	98.213%	100.095%	106.828%

TOWN OF CASTLE ROCK, COLORADO

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE

BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund			
	Budgets		Budgetary Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 42,539,341	\$ 42,683,603	\$ 43,605,036	\$ 921,433
Charges for services	2,426,822	2,426,822	2,311,109	(115,713)
Management fees	3,556,034	3,556,034	3,421,034	(135,000)
Licenses and permits	109,301	109,301	103,297	(6,004)
Fines and forfeitures	415,563	415,563	402,875	(12,688)
Investment earnings	175,334	175,334	506,788	331,454
Intergovernmental	243,862	1,274,805	1,234,840	(39,965)
Other	461,167	1,451,908	1,156,353	(295,555)
Total revenues	49,927,424	52,093,370	52,741,332	647,962
EXPENDITURES				
General government				
Town council	611,286	619,286	582,627	36,659
Town manager	1,082,510	1,390,337	1,191,385	198,952
Deputy town manager	6,839,657	6,907,746	6,273,160	634,586
Town attorney	912,280	912,280	815,890	96,390
Finance	3,792,463	3,664,316	3,416,381	247,935
Municipal court	414,811	414,811	379,144	35,667
Long-range planning	611,701	627,535	616,925	10,610
Total general government	14,264,708	14,536,311	13,275,512	1,260,799
Public Safety				
Police	14,889,641	14,966,931	14,869,204	97,727
Fire	16,131,621	16,143,583	15,618,245	525,338
Total public safety	31,021,262	31,110,514	30,487,449	623,065
Culture and recreation				
Parks and open space	4,713,758	4,743,793	4,541,604	202,189
Total culture and recreation	4,713,758	4,743,793	4,541,604	202,189
Capital outlay	541,593	8,838,104	6,806,654	2,031,450
Total expenditures	50,541,321	59,228,722	55,111,219	4,117,503
Excess (deficiency) of revenues over (under) expenditures	(613,897)	(7,135,352)	(2,369,887)	4,765,465
OTHER FINANCING SOURCES (USES)				
Interfund loan principal	911,713	1,104,543	1,835,209	730,666
Interfund loan interest - transfer in	85,477	130,952	108,217	(22,735)
Transfers in	578,813	1,399,859	1,399,859	-
Interfund loan	-	(2,125,000)	(2,125,000)	-
Interfund loan principal	-	(60,395)	(44,312)	16,083
Interfund loan interest - transfer out	-	-	(19,688)	(19,688)
Transfers out	(496,555)	(674,364)	(675,450)	(1,086)
Total other financing sources (uses)	1,079,448	(224,405)	478,835	703,240
Net change in funds available	465,551	(7,359,757)	(1,891,052)	5,468,705
Funds available - January 1	17,105,894	22,100,128	22,100,128	-
Funds available - December 31	\$ 17,571,445	\$ 14,740,371	\$ 20,209,076	\$ 5,468,705
RECONCILIATION OF FUNDS AVAILABLE TO GAAP FUND BALANCE				
Advance to other funds			730,692	
Loans to other funds			5,056,196	
Loans from other funds			(1,268,247)	
Fund balance - December 31			\$ 24,727,717	

The notes to the required supplementary information are an integral part of the required supplementary information schedules.

Economic Development					Total General Fund	
Budgets		Budgetary Actual	Variance with Final Budget Positive (Negative)	Budget	Budgetary Actual	Variance with Final Budget Positive (Negative)
Original	Final			Final		
\$ 545,336	\$ 545,336	\$ 1,218,760	\$ 673,424	\$ 43,228,939	\$ 44,823,796	\$ 1,594,857
-	-	-	-	2,426,822	2,311,109	(115,713)
-	-	-	-	3,556,034	3,421,034	(135,000)
-	-	-	-	109,301	103,297	(6,004)
-	-	-	-	415,563	402,875	(12,688)
28,844	28,844	153,935	125,091	204,178	660,723	456,545
-	-	-	-	1,274,805	1,234,840	(39,965)
-	-	-	-	1,451,908	1,156,353	(295,555)
574,180	574,180	1,372,695	798,515	52,667,550	54,114,027	1,446,477
-	-	-	-	619,286	582,627	36,659
2,524,718	4,524,718	2,570,832	1,953,886	5,915,055	3,762,217	2,152,838
-	-	-	-	6,907,746	6,273,160	634,586
-	-	-	-	912,280	815,890	96,390
-	-	-	-	3,664,316	3,416,381	247,935
-	-	-	-	414,811	379,144	35,667
-	-	-	-	627,535	616,925	10,610
2,524,718	4,524,718	2,570,832	1,953,886	19,061,029	15,846,344	3,214,685
-	-	-	-	14,966,931	14,869,204	97,727
-	-	-	-	16,143,583	15,618,245	525,338
-	-	-	-	31,110,514	30,487,449	623,065
-	-	-	-	4,743,793	4,541,604	202,189
-	-	-	-	4,743,793	4,541,604	202,189
-	-	-	-	8,838,104	6,806,654	2,031,450
2,524,718	4,524,718	2,570,832	1,953,886	63,753,440	57,682,051	6,071,389
(1,950,538)	(3,950,538)	(1,198,137)	2,752,401	(11,085,890)	(3,568,024)	7,517,866
67,161	67,161	304,477	237,316	1,171,704	2,139,686	967,982
8,059	8,059	4,567	(3,492)	139,011	112,784	(26,227)
-	-	-	-	1,399,859	1,399,859	-
-	-	-	-	(2,125,000)	(2,125,000)	-
-	-	-	-	(60,395)	(44,312)	16,083
-	-	-	-	-	(19,688)	(19,688)
-	-	-	-	(674,364)	(675,450)	(1,086)
75,220	75,220	309,044	233,824	(149,185)	787,879	937,064
(1,875,318)	(3,875,318)	(889,093)	2,986,225	(11,235,075)	(2,780,145)	8,454,930
2,875,318	5,657,224	5,657,224	-	27,757,352	27,757,352	-
\$ 1,000,000	\$ 1,781,906	\$ 4,768,131	\$ 2,986,225	\$ 16,522,277	\$ 24,977,207	\$ 8,454,930
-	-	-	-	-	730,692	-
-	-	51,072	-	-	5,107,268	-
-	-	-	-	-	(1,268,247)	-
-	-	\$ 4,819,203	-	-	\$ 29,546,920	-

TOWN OF CASTLE ROCK, COLORADO

TRANSPORTATION FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE

BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgets			Variance with Final Budget Positive (Negative)
	Original	Final	Budgetary Actual	
REVENUES				
Sales taxes	\$ 14,531,203	\$ 14,531,203	\$ 14,618,800	\$ 87,597
Building use taxes	2,094,548	2,094,548	2,942,867	848,319
Vehicle use taxes	2,951,148	2,951,148	3,020,806	69,658
Charges for services	-	-	123	123
Investment earnings	32,016	32,016	341,738	309,722
Intergovernmental	4,355,379	4,808,480	4,984,079	175,599
Other	7,200	252,200	336,128	83,928
Total revenues	23,971,494	24,669,595	26,244,541	1,574,946
EXPENDITURES				
Administration	354,037	354,774	444,656	(89,882)
Street operations	9,971,354	9,557,606	8,954,685	602,921
Traffic operations	3,287,898	3,584,401	3,025,434	558,967
Public transit	92,536	92,536	78,035	14,501
Engineering	1,939,196	2,084,176	1,961,571	122,605
Street improvement program	8,190,000	10,271,125	10,107,160	163,965
Total public works	23,835,021	25,944,618	24,571,541	1,373,077
Capital outlay	1,804,000	2,768,994	1,711,378	1,057,616
DEBT SERVICE				
Principal	595,000	595,000	595,000	-
Interest	285,775	285,775	285,775	-
Agency fees	-	-	300	(300)
Total debt service	880,775	880,775	881,075	(300)
Total expenditures	26,519,796	29,594,387	27,163,994	2,430,393
Excess (deficiency) of revenues over (under) expenditures	(2,548,302)	(4,924,792)	(919,453)	4,005,339
OTHER FINANCING SOURCES (USES)				
Transfers out	(578,813)	(2,578,813)	(2,578,813)	-
Total other financing sources (uses)	(578,813)	(2,578,813)	(2,578,813)	-
Net change in funds available	(3,127,115)	(7,503,605)	(3,498,266)	4,005,339
Funds available - January 1	7,250,354	11,938,055	11,938,055	-
Funds available - December 31	\$ 4,123,239	\$ 4,434,450	\$ 8,439,789	\$ 4,005,339

The notes to the required supplementary information are an integral part of the required supplementary information schedules.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

1. Budgets and Budgetary Accounting

Annual appropriations are adopted for all funds.

For the governmental funds, the Town budgets on a basis consistent with generally accepted accounting principles (GAAP), except that interfund loans are treated as revenues of the receiving fund and expenditures of the loaning fund in the year that the loan is made. Principal payments of interfund loans are treated as expenditures of the paying fund and revenues of the receiving fund.

For proprietary funds, the Town budgets on a basis consistent with GAAP except as follows: (1) purchases of capital assets are reported expenditures (capital outlay), (2) debt service principal payments are treated as budgetary expenditures, (3) proceeds from bond issues are treated as revenues, (4) bond issue and discount costs are treated as expenditures of the period, (5) amortization and depreciation of capital assets are not budgeted and (6) interfund loans are treated as revenues of the receiving fund and expenditures of the loaning fund in the year that the loan is made. Principal payments of interfund loans are treated as expenditures of the paying fund and revenues of the receiving fund.

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

(a) Prior to November 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.

(b) Public hearings are conducted at special Town Council Meetings to obtain taxpayer comments.

(c) The Town's mill levy is formally certified to the Douglas County Treasurer prior to December 15, based on the budget.

(d) Prior to December 31, the budget is legally enacted through passage of an ordinance. Adoption of the budget ordinance constitutes appropriations of amounts specified therein as expenditures from the funds indicated. If during the year, the Town Manager certifies that there are revenues available for appropriation in excess of those estimated in the budget, the Council may, by ordinance, make supplemental appropriations for the year up to the amount of such excess. If during the year, the Town Manager determines that the revenues available will be insufficient to meet the amount appropriated, the Council may by ordinance reduce one or more appropriations. At any time during the year, the Town Manager may transfer part or all of any unencumbered appropriation balance amount between departments within a fund.

(e) Expenditures may not legally exceed budgeted appropriations at the fund level. Appropriations may not legally exceed estimated revenues and budgetary fund balances (reserves) estimated as available.

(f) All appropriations lapse at year-end.



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APPENDIX B

CERTAIN DEFINITIONS AND DOCUMENT SUMMARIES

Set forth below are the definitions of some of the terms used in this Official Statement, the Site Lease, the Lease and the Indenture and summaries of certain provisions of the Site Lease, the Lease and the Indenture. These summaries do not purport to be definitive summaries of all provisions of the Site Lease, the Lease or the Indenture; investors must obtain and review each of those documents in order to obtain descriptions of all provisions. Copies of the Site Lease, the Lease and the Indenture may be obtained from the sources listed in “INTRODUCTION--Additional Information.”

Investors should be aware that no Reserve Fund secures the Certificates. Accordingly, the terms described below that refer to a Reserve Fund are of no force and effect.

DEFINITIONS

“Additional Certificates” means Additional Certificates which may be executed and delivered pursuant to the Indenture.

“Additional Rentals” means the payment or cost of all:

(a). (i) reasonable expenses and fees of the Trustee related to the performance or discharge of its responsibilities under the provisions of the Lease, the Site Lease or the Indenture, including the reasonable fees and expenses of any person or firm employed by the Town to make rebate calculations under the provisions of the Indenture and the expenses of the Trustee in respect of any policy of insurance or surety bond obtained in respect of the Certificates executed and delivered with respect to the Lease, (ii) the cost of insurance premiums and insurance deductible amounts under any insurance policy reasonably deemed necessary to protect the Trustee from any liability under the Lease, approved by the Town Representative, which approval shall not be unreasonably withheld, (iii) reasonable legal fees and expenses incurred by the Trustee to defend the Trust Estate or the Trustee from and against any legal claims, and (iv) reasonable expenses and fees of the Trustee incurred at the request of the Town Representative;

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

(c). payments into any account of the Reserve Fund, payments to any surety provider as a result of draws of amounts under a Qualified Surety Bond and rebate payments as provided in the Lease; and

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

Additional Rentals shall not include Base Rentals.

“Appropriation” means the action of the Council in annually making moneys available for all payments due under the Lease, including the payment of Base Rentals and Additional Rentals.

“Authorized Denominations” means \$5,000 or integral multiples of \$5,000.

“Base Rentals” means the rental payments payable by the Town during the Lease Term, which constitute payments payable by the Town for and in consideration of the right to possess and use the

Leased Property as set forth in Exhibit C (Base Rentals Schedule) of the Lease. Base Rentals does not include Additional Rentals.

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

“Beneficial Owners” means any person for which a DTC Participant acquires an interest in Certificates.

“Business Day” means any day, other than a Saturday, Sunday or legal holiday or a day (a) on which banks located in Denver, Colorado, or where the Trustee’s designated corporate trust office is located, are required or authorized by law or executive order to close or (b) on which the Federal Reserve System is closed.

“Certificate Purchase Agreement” means the Certificate Purchase Agreement between the Underwriter and the Trustee relating to the Certificates.

“Certificate” or “Certificates” means the “Town of Castle Rock, Colorado, Certificates of Participation, Series 2020, Evidencing Proportionate Interests in the Base Rentals and other Revenues under an Annually Renewable Lease Purchase Agreement, dated October 8, 2020, between UMB Bank, n.a., solely in its capacity as Trustee under the Indenture, as lessor, and the Town of Castle Rock, Colorado, as lessee,” dated as of their date of delivery, executed and delivered pursuant to the Indenture.

“Charter” means the home rule charter of the Town, and any amendments or supplements thereto.

“Continuing Disclosure Certificate” means the certificate executed by the Town of even date with the Indenture which constitutes an undertaking pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission.

“Costs of Execution and Delivery” means all items of expense directly or indirectly payable by the Trustee related to the authorization, execution and delivery of the Site Lease and the Lease and related to the authorization, sale, execution and delivery of the Certificates and to be paid from the Costs of Execution and Delivery Fund, including but not limited to, survey costs, title insurance premiums, closing costs and other costs relating to the leasing of the Leased Property under the Site Lease and the Lease, costs of preparation and reproduction of documents, costs of printing the Certificates and the Preliminary and final Official Statements prepared in connection with the offering of the Certificates, costs of Rating Agencies and costs to provide information required by Rating Agencies for the rating or proposed rating of Certificates, initial fees and charges of the Trustee and Paying Agent, legal fees and charges, including fees and expenses of Bond Counsel, Special (Disclosure) Counsel, and Counsel to the Trustee, if any, fees and disbursements of other professionals and the Underwriter, fees and charges for preparation, execution and safekeeping of the Certificates, premiums for insurance on the Certificates or for the costs of Qualified Surety Bonds that are deposited to the Reserve Fund in connection with the execution and delivery of the Certificates, and any other cost, charge or fee in connection with the original sale and the execution and delivery of the Certificates; provided, however, that Additional Rentals shall not be Costs of Execution and Delivery of the Certificates and are to be paid by the Town as provided in the Lease.

“Council” means the Town Council of the Town or any successor to its functions.

“Counsel” means an attorney at law or law firm (who may be counsel for the Trustee) who is satisfactory to the Town.

“CRS” means Colorado Revised Statutes.

“DTC” means the Depository Trust Company, New York, New York, and its successors and assigns.

“DTC Participant(s)” means any broker-dealer, bank or other financial institution from time to time for which DTC holds Certificates as Depository.

“Event(s) of Indenture Default” means those defaults specified in Section 7.01 of the Indenture.

“Event(s) of Lease Default” means any event as defined in Section 13.1 of the Lease.

“Event of Nonappropriation” means the termination and non-renewal of the Lease by the Town, determined by the Council’s failure, for any reason, to appropriate by the last day of each Fiscal Year, (a) sufficient amounts to be used to pay Base Rentals due in the next Fiscal Year and (b) sufficient amounts to pay such Additional Rentals as are estimated to become due in the next Fiscal Year, as provided in the Lease. An Event of Nonappropriation may also occur under certain circumstances described in the Lease. The term also means a notice under the Lease of the Town’s intention to not renew and therefore terminate the Lease or an event described in the Lease relating to the exercise by the Town of its right to not appropriate amounts due as Additional Rentals in excess of the amounts for which an Appropriation has been previously effected.

“Finance Director” means the Director of Finance of the Town or his or her successor in functions, if any.

“Fiscal Year” means the Town’s fiscal year, which begins on January 1 of each calendar year and ends on December 31 of the same calendar year, or any other twelve month period which the Town or other appropriate authority hereafter may establish as the Town’s fiscal year.

“Force Majeure” means, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America, the State of Colorado 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 Town in its capacity as lessee under the Lease or the Trustee.

“Indenture” means the Indenture of Trust, dated as of October 8, 2020, entered into by the Trustee, as the same may be amended or supplemented.

“Initial Term” means the period which commences on the date of delivery of the Lease and terminates on December 31, 2020.

“Interest Portion” means the portion of each Base Rentals payment that represents the payment of interest set forth in Exhibit C (Base Rentals Schedule) of the Lease.

“Lease” means the Lease Purchase Agreement, dated as of October 8, 2020, between the Trustee, as lessor, and the Town, as lessee, as the same may hereafter be amended.

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

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

“Lease Term” means the Initial Term and any Renewal Terms as to which the Town may exercise its option to renew the Lease by effecting an Appropriation of funds for the payment of Base Rentals and Additional Rentals under the Lease, as provided in and subject to the provisions of the Lease. “Lease Term” refers to the time during which the Town is the lessee of the Leased Property under the Lease.

“Leased Property” means the Site and, except as provided in the Lease, the premises, buildings and improvements situated thereon, including all fixtures attached thereto, as more particularly described in Exhibit A to the Lease, together with any and all additions and modifications thereto and replacements thereof and any New Facility.

“Mayor” means the Mayor of the Town, or in his or her absence, the Mayor Pro Tem, or any successor in duties.

“Net Proceeds” means the proceeds of any performance or payment bond, or proceeds of insurance, including self-insurance, required by the Lease or proceeds from any condemnation award, or proceeds derived from the exercise of any Lease Remedy or otherwise following termination of the Lease by reason of an Event of Nonappropriation or an Event of Lease Default, allocable to the Leased Property, less (a) all related expenses (including, without limitation, attorney’s fees and costs) incurred in the collection of such proceeds or award; and (b) all other related fees, expenses and payments due to the Town and the Trustee.

“New Facility” means any real property, buildings or equipment leased by the Town to the Trustee pursuant to a future amendment to the Site Lease and leased back by the Town from the Trustee pursuant to a future amendment to the Lease in connection with the execution and delivery of Additional Certificates.

“Owners” means the registered owners of any Certificates and Beneficial Owners.

“Permitted Encumbrances,” with respect to the Leased Property, means, as of any particular time: (a) liens for taxes and assessments not then delinquent, or liens which may remain unpaid pending contest pursuant to the provisions of the Lease; (b) the Site Lease, the Lease, the Indenture and any related fixture filing and any liens arising or granted pursuant to the Site Lease, the Lease or the Indenture; (c) utility, access and other easements and rights of way, licenses, permits, party wall and other agreements, restrictions and exceptions which the Town Representative certifies will not materially interfere with or materially impair the Leased Property, including rights or privileges in the nature of easements, licenses, permits and agreements as provided in the Lease; and (d) the easements, covenants, restrictions, liens and encumbrances (if any) to which title to the Leased Property was subject when leased to the Trustee pursuant to the Site Lease, as shown on Exhibit B to the Lease and which do not interfere in any material way with the Leased Property.

“Permitted Investments” means those investments the Town is authorized to enter into under the Charter and the laws of the State of Colorado.

“Prepayment” means any amount paid by the Town pursuant to the provisions of the Lease as a prepayment of the Base Rentals due under the Lease.

“Principal Portion” means the portion of each Base Rentals payment that represents the payment of principal set forth in Exhibit C (Base Rentals Schedule) to the Lease.

“Project” means the acquisition, construction, installation and improvement of certain public facilities, including, without limitation, the construction of a parking facility for Town purposes.

“Purchase Option Price” means the amount payable on any date, at the option of the Town, to prepay Base Rentals, terminate the Lease Term and purchase the Trustee’s leasehold interest in the Leased Property, as provided in the Lease.

“Qualified Surety Bond” means any insurance policy, surety bond, irrevocable letter of credit or similar instrument deposited in or credited to the Reserve Fund in lieu of or in partial substitution for moneys on deposit therein.

“Rebate Fund” means the fund created under Section 3.05 of the Indenture.

“Renewal Term” means any portion of the Lease Term commencing on January 1 of any calendar year and terminating on or before December 31 of such calendar year as provided in Article 4 of the Lease.

“Reserve Fund” means the special fund maintained under and to be disbursed as provided in Section 3.04 of the Indenture, if any. The Reserve Fund shall secure the payment of the Certificates and any Additional Certificates on a separate basis, if such a reserve fund is otherwise provided in the resolution or indenture authorizing the issuance of Additional Certificates.

“Reserve Fund Requirement” means, if a Reserve Fund is required, the least of (i) 10% of the proceeds of the Certificates, (ii) the maximum annual principal and interest payable with respect to the Certificates, or (iii) 125% of the average annual principal and interest payable with respect to the Certificates. For purposes of this definition of Reserve Fund Requirement, the term “proceeds” means the aggregate stated principal amount of such Certificates, unless there is more than a de minimis amount (as defined in the Regulations) of original issue discount or premium, in which case “proceeds” means issue price. The Reserve Fund, if any, shall secure only the Certificates. Separate reserve funds may be established for any series of Additional Certificates issued pursuant to the Indenture.

“Revenues” means (a) all amounts payable by or on behalf of the Town or with respect to the Leased Property pursuant to the Lease including, but not limited to, all Base Rentals, Prepayments, the Purchase Option Price and Net Proceeds, but not including Additional Rentals (except for payments made by the Town as Additional Rentals to initially fund or replenish the Reserve Fund, if any); (b) any portion of the proceeds of the Certificates deposited into the Base Rentals Fund and the Reserve Fund, each created under the Indenture; (c) any moneys which may be derived from any insurance in respect of the Certificates; and (d) any moneys and securities, including investment income, held by the Trustee in the Funds and Accounts established under the Indenture (except for moneys and securities held in the Rebate Fund or any defeasance escrow account).

“Site” means the real property owned by the Town and leased by the Town to the Trustee under the Site Lease and subleased by the Trustee to the Town under the Lease, the legal description of which is set forth in Exhibit A to the Lease, or an amendment or supplement thereto.

“Site Lease” means the Site Lease Agreement, dated as of October 8, 2020, between the Town, as lessor, and the Trustee, as lessee, as the same may be amended.

“Special Counsel” means any counsel experienced in matters of municipal law and listed in the list of municipal bond attorneys, as published semiannually by *The Bond Buyer*, or any successor publication. So long as the Lease Term is in effect, the Town shall have the right to select Special Counsel.

“Tax Certificate” means the Tax Compliance and No Arbitrage Certificate entered into by the Town with respect to the Lease and the Certificates.

“Tax Code” means the Internal Revenue Code of 1986, as amended, and all regulations and rulings promulgated thereunder.

“Town” means the Town of Castle Rock, Colorado.

“Town Representative” means the Mayor, the Town Manager or the Finance Director or such other person at the time designated to act on behalf of the Town for the purpose of performing any act under the Lease, the Site Lease or the Indenture by a written certificate furnished to the Trustee containing the specimen signature of such person or persons and signed on behalf of the Town by the Mayor or Mayor Pro Tem.

“Trust Estate” means all of the property placed in trust by the Trustee pursuant to the Granting Clauses of the Indenture.

“Trustee” means UMB Bank, n.a., acting solely in the capacity of trustee pursuant to the Indenture, and any successor thereto appointed under the Indenture.

“Underwriter” means Stifel, Nicolaus & Company, Incorporated, Denver, Colorado.

THE SITE LEASE

Site Lease and Terms

Under the Site Lease, the Town demises and leases to the Trustee and the Trustee leases from the Town, on the terms and conditions set forth in the Site Lease, the Leased Property, subject to Permitted Encumbrances.

The term of the Site Lease shall commence on the date of the Site Lease and shall end on December 31, 2058 (the “Site Lease Termination Date”), unless such term is sooner terminated as provided in the Site Lease. If, prior to the Site Lease Termination Date, the Trustee has transferred and conveyed the Trustee’s leasehold interests in all of the Leased Property pursuant to the Lease as a result of the Town’s payment of (a) the applicable Purchase Option Price thereunder; or (b) all Base Rentals and Additional Rentals, all as further provided in the Lease, then the term of the Site Lease shall end in connection with such transfer and conveyance.

The term of any sublease of the Leased Property or any portion thereof, or any assignment of the Trustee’s interest in the Site Lease, pursuant to the Site Lease, the Lease and the Indenture, shall not extend beyond December 31, 2058. At the end of the term of the Site Lease, all right, title and interest of the Trustee, or any sublessee or assignee, in and to the Leased Property, shall terminate. Upon such termination, the Trustee and any sublessee or assignee shall execute and deliver to the Town any necessary documents releasing, assigning, transferring and conveying the Trustee’s, sublessee’s or assignees’ respective interests in the Leased Property.

Rental

The Trustee has paid to the Town and the Town has acknowledged receipt from the Trustee as and for rental under the Site Lease, paid in advance, the sum of \$8,485,000, as and for all rent due under the Site Lease, and other good and valuable consideration, the receipt and the sufficiency of which are acknowledged. The Town has determined that such amount is reasonable consideration for the leasing of the Leased Property to the Trustee for the term of the Site Lease.

Purpose

The Site Lease provides that the Trustee shall use the Leased Property solely for the purpose of leasing the Leased Property back to the Town 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 Lease Default and the termination of the Lease, the Town shall vacate the Leased Property, as provided in the Lease, and the Trustee may exercise the remedies provided in the Site Lease, the Lease and the Indenture.

Owner in Fee

The Town has represented in the Site Lease that (a) it is the owner in fee of the Leased Property, subject only to Permitted Encumbrances, and (b) the Permitted Encumbrances do not and shall not interfere in any material way with the Leased Property. The Trustee acknowledges that it is only obtaining a leasehold interest in the Site and pursuant to the Site Lease.

Sales, Assignments and Subleases

Unless an Event of Nonappropriation or an Event of Lease Default shall have occurred and except as may otherwise be provided in the Lease, the Trustee may not sell or assign its rights and interests under the Site Lease or sublet all or any portion of the Leased Property, without the written consent of the Town.

In the event that (a) the Lease is terminated for any reason and (b) the Site Lease is not terminated, the Trustee may sublease the Leased Property or any portion thereof, or sell or assign the Trustee's leasehold interests in the Site Lease, pursuant to the terms of the Lease and the Indenture, and any purchasers from or sublessees or assignees of the Trustee may sell or assign its respective interests in the Leased Property, subject to the terms of the Site Lease, the Lease and the Indenture. The Town and the Trustee (or any purchasers from or assignees or sublessees of the Trustee) agree that, except as permitted by the Site Lease, the Lease and the Indenture and except for Permitted Encumbrances (including purchase options under the Lease), neither the Town, the Trustee, nor any purchasers from or sublessees or assignees of the Trustee will sell, mortgage or encumber the Leased Property or any portion thereof during the term of the Site Lease.

The Trustee and any other person who has the right to use the Leased Property under the Site Lease, at its own expense, may install equipment and other personal property in or on any portion of the Leased Property unless it is permanently affixed to the Leased Property or removal of it would materially damage the Leased Property, in which case it will become part of the Leased Property.

Termination

The Trustee agrees, upon the termination of the Site Lease, to quit and surrender all of the Leased Property, and agrees that 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 Town.

Taxes; Maintenance; Insurance

During the Lease Term of the Lease and in accordance with the provisions of the Lease, including Sections 8.1 and 8.3 thereof, the Town covenants and agrees to pay any and all taxes, assessments or governmental charges due in respect of the Leased Property and all maintenance costs and utility charges in connection with the Leased Property. In the event that (a) the Lease is terminated for any reason, and (b) the Site Lease is not terminated, the Trustee, or any purchaser, sublessee or assignee of the Leased Property (including the leasehold interests of the Trustee resulting from the Site Lease) shall pay or cause

to be paid when due, all such taxes, assessments or governmental charges and maintain the Leased Property in good condition and working order. Any such payments that are to be made by the Trustee shall be made solely from (a) the proceeds of such sale, subleasing or assignment, (b) from the Trust Estate, or (c) from other moneys furnished to the Trustee under Section 8.02(m) of the Indenture, and in the absence of available moneys identified in the preceding clauses (a) through (c), the Trustee shall be under no obligation to pay or cause to be paid when due, all such taxes, assessments or governmental charges and maintain the Leased Property in good condition and 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 (a) the Lease is terminated for any reason, and (b) the Site Lease is not terminated, the Trustee, or any sublessee, purchaser or assignee of the Leased Property shall obtain and keep in force, (i) commercial general liability insurance against claims for personal injury, death or damage to property of others occurring on or in the Leased Property in an amount not less than the limitations provided in the Colorado Governmental Immunity Act (Article 10, Title 24, Colorado Revised Statutes, as amended), and (ii) property insurance in an amount not less than the full replacement value of the Leased Property. Any such insurance that is to be obtained by the Trustee shall be paid for solely from (a) the proceeds of such sale, subleasing or assignment, (b) from the Trust Estate, including without limitation moneys (including any amounts under a Qualified Surety Bond) on deposit in the Reserve Fund, or (c) from other moneys furnished to the Trustee under Section 8.02(m) of the Indenture, and in the absence of available moneys identified in the preceding clauses (a) through (c), the Trustee shall be under no obligation to obtain or keep in force such insurance coverages. All such insurance shall name the Trustee, any sublessee, purchaser or assignee and the Town as insured. The Trustee shall be named loss payee. The Town and the Trustee shall waive any rights of subrogation with respect to the Trustee, any sublessee, purchaser or assignee, and the Town, and their members, directors, officers, agents and employees, while acting within the scope of their employment and each such insurance policy shall contain such a waiver of subrogation by the issuer of such policy.

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 (a) the Lease is terminated for any reason and (b) the Site Lease is not terminated, and either (i) the Leased Property or any portion thereof is damaged or destroyed, in whole or in part, by fire or other casualty, or (ii) 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 Town and the Trustee, or any sublessee, purchaser or assignee of the Leased Property from the Trustee shall cause the Net Proceeds of any insurance claim or condemnation award to be applied in accordance with the provisions of Article 9 of the Lease.

Default

In the event the Trustee is 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 Trustee, the Town 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 and that so long as any Certificates are Outstanding and unpaid under the Indenture, the Base Rentals due under the Lease shall continue to be paid to the Trustee except as otherwise provided in the Lease. In addition, so long as any of the Certificates are Outstanding, the Site Lease shall not be terminated except as described under "Site Lease and Terms."

THE LEASE

The Lease Term

The Lease Term shall commence as of the date of the Lease. The Initial Term shall terminate on December 31, 2020. The Lease may be renewed, solely at the option of the Town, for the number of Renewal Terms represented in Exhibit C (Base Rentals Schedule) of the Lease, provided, however, that the Lease Term shall terminate no later than December 31, 2048, except that the Renewal Term beginning on January 1, 2048, shall terminate upon the Town's payment of the final Base Rental payment.

The Lease Term will terminate upon the earliest of any of the following events:

(a) the expiration of the Initial Term or any Renewal Term during which there occurs an Event of Nonappropriation pursuant to the Lease (provided that the Lease Term will not be deemed to have been terminated if the Event of Nonappropriation is cured as provided in the Lease);

(b) the occurrence of an Event of Nonappropriation under the Lease (provided that the Lease Term will not be deemed to have been terminated if the Event of Nonappropriation is cured as provided in the Lease);

(c) the conveyance of the Trustee's leasehold interest in the Leased Property under the Lease to the Town upon payment of the Purchase Option Price or all Base Rentals and Additional Rentals, for which an Appropriation has been effected by the Town for such purpose, as provided in the Lease; or

(d) an uncured Event of Lease Default and termination of the Lease under the Lease by the Trustee.

Except for an event described in subparagraph (c) above, upon termination of the Lease, the Town agrees to peacefully deliver possession of the Leased Property to the Trustee.

The Finance Director or other officer of the Town at any time charged with the responsibility of formulating budget proposals for the Town has been directed in the Lease to include in the annual budget proposals submitted to the Council, in any year in which the Lease is in effect, items for all payments required for the ensuing Renewal Term under the Lease until such time, if any, as the Town may determine to not renew and terminate the Lease. Notwithstanding this directive regarding the formulation of budget proposals, it is the intention of the Town that any decision to effect an Appropriation for the Base Rentals and Additional Rentals shall be made solely by the Council in its absolute discretion and not by any other official of the Town. During the Lease Term, the Town shall in any event, whether or not the Lease is to be renewed, furnish the Trustee with copies of its annual budget promptly after the budget is adopted.

Not later than December 15 of the then current Initial Term or any Renewal Term the Town Representative is required to give written notice to the Trustee that either (a) the Town has effected or intends to effect on a timely basis an Appropriation for the ensuing Fiscal Year which includes (1) sufficient amounts authorized and directed to be used to pay all of the Base Rentals and (2) sufficient amounts to pay such Additional Rentals as are estimated to become due, whereupon, the Lease shall be renewed for the ensuing Fiscal Year; or (b) the Town has determined, for any reason, not to renew the Lease for the ensuing Fiscal Year.

The Town's option to renew or not to renew the Lease will be conclusively determined by whether or not the applicable Appropriation has been made on or before December 31 of each Fiscal Year, all as further provided in the Lease.

Termination of the Lease Term will terminate all unaccrued obligations of the Town under the Lease, and will terminate the Town's rights of possession under the Lease (except to the extent of the holdover provisions, and except for any conveyance pursuant to the Lease). All obligations of the Town accrued prior to such termination shall be continuing until the Trustee gives written notice to the Town that such accrued obligations have been satisfied.

Payments to Constitute Currently Budgeted Expenditures of the Town

In the Lease, the Town and the Trustee acknowledge and agree that the Base Rentals, Additional Rentals and any other obligations under the Lease shall constitute currently budgeted expenditures of the Town, if an Appropriation has been effected for such purpose. The Town's obligations to pay Base Rentals, Additional Rentals and any other obligations under the Lease shall be from year to year only (as further provided in the Lease), shall extend only to moneys for which an Appropriation has been effected by the Town, and shall not constitute a mandatory charge, requirement or liability in any ensuing Fiscal Year beyond the then current Fiscal Year. No provision of the Lease shall be construed or interpreted as a delegation of governmental powers or as creating a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the Town or a general obligation or other indebtedness of the Town within the meaning of any constitutional, home rule charter provision or statutory debt limitation, including without limitation Article X, Section 20 of the Colorado constitution. No provision of the Lease shall be construed or interpreted as creating an unlawful delegation of governmental powers nor as a donation by or a lending of the credit of the Town within the meaning of Sections 1 or 2 of Article XI of the Constitution of the State. Neither the Lease nor the Certificates shall directly or indirectly obligate the Town to make any payments beyond those for which an Appropriation has been effected by the Town for the Town's then current Fiscal Year. The Town shall be under no obligation whatsoever to exercise its option to purchase the Trustee's leasehold interest in the Leased Property. No provision of the Lease shall be construed to pledge or to create a lien on any class or source of Town moneys, nor shall any provision of the Lease restrict the future issuance of any Town bonds or obligations payable from any class or source of Town moneys (provided, however, that certain restrictions in the Indenture shall apply to the issuance of Additional Certificates).

Base Rentals, Purchase Option Price and Additional Rentals

Under the Lease, the Town shall pay Base Rentals for which an Appropriation has been effected by the Town, directly to the Trustee during the Initial Term and any Renewal Term. The Town shall receive credit against its obligation to pay Base Rentals to the extent moneys are held by the Trustee on deposit in the Base Rentals Fund created under the Indenture and are available to pay Base Rentals. The Base Rentals will be recalculated in the event of the execution and delivery of Additional Certificates as provided in the Indenture and will also be recalculated in the event of a partial redemption of the Certificates.

The Lease provides that the Town may, on any date, pay the then applicable Purchase Option Price for the purpose of terminating the Lease and the Site Lease in whole and purchasing the Trustee's leasehold interest in the Leased Property as provided in the Lease. Subject to the Approval of Special Counsel, the Town may also, at any time during the Lease Term, (1) prepay any portion of the Base Rentals due under the Lease and (2) in connection with such Prepayment, recalculate the Base Rentals set forth in Exhibit C to the Lease (Base Rentals Schedule). The Town is required to give the Trustee notice of its intention to exercise either of such options not less than forty-five (45) days in advance of the date of exercise and is required to deposit with the Trustee by not later than the date of exercise an amount equal to the Purchase Option Price due on the date of exercise or the applicable amount of Base Rentals to be prepaid. If the Town shall have given notice to the Trustee of its intention to prepay Base Rentals but shall not have deposited the amounts with the Trustee on the date specified in such notice, the Town shall continue to pay Base Rentals which have been specifically appropriated by the Council for such purpose.

as if no such notice had been given. The Trustee may waive the right to receive forty-five (45) days advance notice and may agree to a shorter notice period in the sole determination of the Trustee.

The Lease also requires the Town to pay all Additional Rentals during the Lease Term on a timely basis directly to the person or entity to which such Additional Rentals are owed.

The Lease provides that, notwithstanding any dispute between the Town and the Trustee, the Town shall, during the Lease Term, make all payments of Base Rentals and Additional Rentals in such Fiscal Years and shall not withhold any Base Rentals or Additional Rentals, for which an Appropriation has been effected by the Town, pending final resolution of such dispute (with certain exceptions as to Additional Rentals as provided in the Lease), nor shall the Town assert any right of set-off or counterclaim against its obligation to make such payments required under the Lease.

Nonappropriation by the Town

In the event that the Town gives notice that it intends to not renew the Lease or the Town shall not effect an Appropriation, on or before December 31 of each Fiscal Year, of moneys to pay all Base Rentals and reasonably estimated Additional Rentals coming due for the next ensuing Renewal Term as provided in the Lease, or in the event that the Town is proceeding under the provisions of the Lease (when applicable) relating to certain events of damage, destruction and condemnation, an Event of Nonappropriation shall be deemed to have occurred; subject, however, to each of the following provisions:

(a) In the event the Trustee does not receive the written notice provided for by the Lease or evidence that an Appropriation has been effected by the Town on or before December 31 of a Fiscal Year, then the Trustee shall declare an Event of Nonappropriation on the first Business Day of the February following such Fiscal Year or such declaration shall be made on any earlier date on which the Trustee receives official, specific written notice from the Town that the Lease will not be renewed. In order to declare an Event of Nonappropriation, the Trustee shall send written notice thereof to the Town.

(b) The Trustee shall waive any Event of Nonappropriation which is cured by the Town, within 30 days of the receipt by the Town of notice from the Trustee as provided in (a) above, by a duly effected Appropriation to pay all Base Rentals and sufficient amounts to pay reasonably estimated Additional Rentals coming due for such Renewal Term.

(c) Pursuant to the terms of the Indenture, the Trustee may waive any Event of Nonappropriation which is cured by the Town within a reasonable time with the procedure described in (b) above.

In the event that during the Initial Term or any Renewal Term, any Additional Rentals shall become due which were not included in a duly effected Appropriation and moneys are not specifically budgeted and appropriated or otherwise made available to pay such Additional Rentals within 60 days subsequent to the date upon which such Additional Rentals are due, an Event of Nonappropriation shall be deemed to have occurred, upon notice by the Trustee to the Town to such effect (subject to waiver by the Trustee as provided in the Lease).

If an Event of Nonappropriation occurs, the Town shall not be obligated to make payment of the Base Rentals or Additional Rentals or any other payments under the Lease which accrue after the last day of the Initial Term or any Renewal Term during which such Event of Nonappropriation occurs; provided, however, that, subject to certain limitations set forth in the Lease, the Town shall continue to be liable for Base Rentals and Additional Rentals allocable to any period during which the Town shall continue to occupy, use or retain possession of the Leased Property.

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

The Town has acknowledged that, upon the occurrence of an Event of Nonappropriation (a) the Trustee shall be entitled to all moneys then being held in all funds created under the Indenture (except the Rebate Fund, and any defeasance escrow accounts) to be used as described therein and (b) all property, funds and rights then held or acquired by the Trustee upon the termination of the Lease by reason of an Event of Nonappropriation are to be held by the Trustee in accordance with the terms of the Indenture.

Holdover Tenant

If the Town fails to vacate the Leased Property after termination of the Lease, whether as a result of the occurrence of an Event of Nonappropriation or an Event of Lease Default, with the written permission of the Trustee it will be deemed to be a holdover tenant on a month-to-month basis, and will be bound by all of the other terms, covenants and agreements of the Lease. Any holding over by the Town without the written permission of the Trustee shall be at sufferance. The amount of rent to be paid monthly during any period when the Town is deemed to be a holdover tenant will be equal to (a) one-sixth of the Interest Portion of the Base Rentals coming due on the next succeeding Base Rentals Payment Date plus one-twelfth of the Principal Portion of the Base Rentals coming due on the next succeeding Base Rentals Payment Date on which a Principal Portion of the Base Rentals would have been payable with appropriate adjustments to ensure the full payment of such amounts on the due dates thereof in the event termination occurs during a Renewal Term plus (b) Additional Rentals as the same shall become due.

Title to the Leased Property

Title to the Leased Property shall remain in the Town, subject to the Site Lease, the Lease, the Indenture and any other Permitted Encumbrances. The Trustee shall not in any way be construed as fee owner of the Leased Property. Except personal property purchased by the Town at its own expense pursuant to Section 8.2 of the Lease, title to the Trustee's leasehold interest in the Leased Property and any and all additions and modifications thereto and replacements thereof shall be held in the name of the Trustee, subject to the Lease, the Site Lease and the Indenture, until liquidated, conveyed or otherwise disposed of as provided in Section 7.02 of the Indenture or Article 11 of the Lease, or until termination of the Site Lease, notwithstanding (i) a termination of the Lease by the Town by reason of an Event of Nonappropriation (as provided in Section 6.4 of the Lease); (ii) the occurrence of one or more Lease Events of Default (as defined in Section 13.1 of the Lease); (iii) the occurrence of any event of damage, destruction, condemnation, or construction defect, breach of warranty or title defect, as provided in Article 9 of the Lease; or (iv) the violation by the Trustee of any provision of the Lease.

The Town shall have no right, title or interest in the Leased Property or any additions and modifications thereto or replacements thereof, except as expressly set forth in the Lease.

The Trustee shall not, in any way, be construed as the owner of the Leased Property.

No Encumbrance, Mortgage or Pledge of the Leased Property

Except as may be permitted by the Lease, the Town shall not permit any mechanic's or other lien to be established or remain against the Leased Property; provided that, if the Town shall first notify the Trustee of the intention of the Town to do so, the Town may in good faith contest any mechanic's or other lien filed or established against the Leased Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Trustee shall notify the Town that, in the opinion of Counsel, by nonpayment of any such items the

Trustee's leasehold interest in the Leased Property will be materially endangered, or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event the Town shall promptly pay and cause to be satisfied and discharged all such unpaid items (provided, however, that such payment shall not constitute a waiver of the right to continue to contest such items). The Trustee will cooperate in any such contest. Except as may be permitted by the Lease, the Town shall not directly or indirectly create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, except Permitted Encumbrances. The Town shall promptly, at its expense, take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance or claim not excepted above.

Maintenance of the Leased Property by the Town

Subject to its right to not appropriate and as otherwise provided in the Lease with respect to damage, destruction or condemnation, the Town has agreed that at all times during the Lease Term, the Town will maintain, preserve and keep the Leased Property or cause the Leased Property to be maintained, preserved and kept, in good repair, working order and condition, and from time to time make or cause to be made all necessary and proper repairs, including replacements, if necessary. The Trustee shall have no responsibility in any of these matters or for the making of any additions, modifications or replacements to the Leased Property.

The Town shall have the privilege of making substitutions, additions, modifications and improvements to the Leased Property, at its own cost and expense, as appropriate and any such substitutions, additions, modifications and improvements to the Leased Property shall be the property of the Town, subject to the Site Lease, the Lease and the Indenture and shall be included under the terms of the Site Lease, the Lease and the Indenture; provided, however, that such substitutions, additions, modifications and improvements shall not in any way damage the Leased Property or cause the Leased Property to be used for purposes other than lawful governmental functions of the Town (except to the extent of permitted subleasing) or cause the Town to violate its tax covenant as provided in the Lease; and provided that the Leased Property, as improved or altered, upon completion of such substitutions, additions, modifications and improvements, shall be of a value not less than the value of the Leased Property immediately prior to such making of substitutions, additions, modifications and improvements.

The Town may also, from time to time in its sole discretion and at its own expense, install machinery, equipment and other tangible property in or on any Leased Property. All such machinery, equipment and other tangible property shall remain the sole property of the Town in which the Trustee shall have no interests; provided, however, that title to any such machinery, equipment and other tangible property which becomes permanently affixed to the Leased Property shall be included under the terms of the Site Lease, the Lease and the Indenture, in the event the Trustee shall reasonably determine that such Leased Property would be damaged or impaired by the removal of such machinery, equipment or other tangible property.

Partial Release and Substitution of Leased Property

So long as no Lease Event of Default or Event of Nonappropriation shall have occurred and be continuing the Trustee shall release the Leased Property, and shall execute all documents necessary or appropriate to convey or reconvey the Leased Property to the Town, free of all restrictions and encumbrances imposed or created by the Site Lease, the Lease or the Indenture, upon receipt by the Trustee of the following: (a) a written request of the Town Representative for such release, describing the Leased Property to be released; (b) a certificate of the Town Representative certifying (i) that the disposition of the Leased Property to be released and the substitution therefor of the real property to be substituted for the Leased Property to be released will not materially adversely affect the ability of the Town to operate the Leased Property or any leased property to be substituted therefor, or to fulfill its obligations under the Lease, (ii) that any real property to be substituted for the Leased Property to be

released will be useful in the operation of the Town, and (iii) that the fair value of any real property to be substituted for the Leased Property to be released, as determined by the Council in a duly adopted resolution, together with remaining Leased Property and cash to be paid by the Town to the Trustee, if any, is at least equal to the aggregate principal amount of the Certificates then Outstanding; (c) a certified copy of the resolution referred to in clauses (b)(iii); and (d) supplements and amendments to the Lease, the Indenture and any other documents necessary to subject to the lien of the Indenture any real property to be substituted for the Leased Property to be released. The Town agrees that any cash paid to the Trustee pursuant to the provisions of this Section shall be deposited into the Principal Account or the Interest Account of the Base Rentals Fund, or both such accounts, as directed by the Town.

Taxes, Other Governmental Charges and Utility Charges

In the event that the Leased Property shall, for any reason, be deemed subject to taxation, assessments or charges lawfully made by any governmental body, the Town shall pay the amount of all such taxes, assessments and governmental charges then due, as Additional Rentals. With respect to special assessments or other governmental charges which may be lawfully paid in installments over a period of years, the Town shall be obligated to provide for Additional Rentals only for such installments as are required to be paid during the upcoming Fiscal Year. Except for Permitted Encumbrances, the Town shall not allow any liens for taxes, assessments or governmental charges to exist with respect to the Leased Property (including, without limitation, any taxes levied upon the Leased Property which, if not paid, will become a charge on the rentals and receipts from the Leased Property, or any interest therein, including the leasehold interests of the Trustee), or the rentals and revenues. The Town shall also pay as Additional Rentals, as the same respectively become due, all utility and other charges and fees and other expenses incurred in the operation, maintenance and upkeep of the Leased Property.

The Town may, at its expense, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments, utility or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Trustee shall notify the Town that, in the opinion of Counsel, by nonpayment of any such items the value of the Leased Property will be materially endangered or the Leased Property will be subject to loss or forfeiture, or the Trustee will be subject to liability, in which event such taxes, assessments, utility or other charges shall be paid forthwith (provided, however, that such payment shall not constitute a waiver of the right to continue to contest such taxes, assessments, utility or other charges).

Required Insurance

Upon the execution and delivery of the Lease, the Town shall, at its own expense, cause casualty and property insurance to be carried and maintained with respect to the Leased Property in an amount equal to the estimated replacement cost of the Leased Property. Such insurance policy or policies may have a deductible clause in an amount deemed reasonable by the Council. The Town may, in its discretion, insure the Leased Property under blanket insurance policies which insure not only the Leased Property, but other buildings as well, as long as such blanket insurance policies comply with the requirements of the Lease. If the Town shall insure against similar risks by self-insurance, the Town may, at its election, provide for casualty and property damage insurance with respect to the Leased Property, partially or wholly by means of a self-insurance fund. If the Town shall elect to self-insure, the Town Representative shall annually furnish to the Trustee a certification of the adequacy of the Town's reserves. The Trustee shall be named as an additional insured and loss payee on any casualty and property insurance.

Upon the execution and delivery of the Lease, the Town shall, at its own expense, cause public liability insurance to be carried and maintained with respect to the activities to be undertaken by and on behalf of the Town in connection with the use of the Leased Property, in an amount not less than the limitations provided in the Colorado Governmental Immunity Act (Article 10, Title 24, Colorado Revised

Statutes, as amended). Such insurance may contain deductibles and exclusions deemed reasonable by the Council. The required public liability insurance may be by blanket insurance policy or policies. If the Town shall insure against similar risks by self-insurance, the Town, at its election may provide for public liability insurance with respect to the Leased Property, partially or wholly by means of a self-insurance fund. If the Town shall elect to self-insure, the Town Representative shall annually furnish to the Trustee a certification of the adequacy of the Town's reserves. The Trustee shall be named as additional insured and loss payee on any public liability insurance.

Any property damage insurance policy required by the Lease will be so written or endorsed as to make payments under such insurance policy with a value equal to or less than the then current deductible payable to the Town. Property damage payments under such insurance policy in excess of the then current deductible will designate the Trustee as loss payee. All certificates evidencing such policies shall be deposited with the Trustee. No agent or employee of the Town shall have the power to adjust or settle any loss with respect to the Leased Property in excess of the deductible amount, whether or not covered by insurance, without the prior written consent of the Trustee.

Granting of Easements

As long as no Event of Nonappropriation or Event of Lease Default shall have happened and be continuing, the Trustee, shall upon the request of the Town, (a) grant or enter into easements, permits, licenses, party wall and other agreements, rights-of-way (including the dedication of public roads) and other rights or privileges in the nature of easements, permits, licenses, party wall and other agreements and rights of way with respect to any property or rights included in the Lease (whether such rights are in the nature of surface rights, sub-surface rights or air space rights), free from the Lease and any security interest or other encumbrance created thereunder; (b) release existing easements, permits, licenses, party wall and other agreements, rights-of-way, and other rights and privileges with respect to such property or rights, with or without consideration; and (c) execute and deliver any instrument necessary or appropriate to grant, enter into or release any such easement, permit, license, party wall or other agreement, right-of-way or other grant or privilege upon receipt of: (i) a copy of the instrument of grant, agreement or release and (ii) a written application signed by the Town Representative requesting such grant, agreement or release and stating that such grant, agreement or release will not materially impair the effective use or materially interfere with the operation of the Leased Property.

Damage, Destruction and Condemnation

Damage, Destruction and Condemnation. If, during the Lease Term, (a) the Leased Property shall be destroyed (in whole or in part), or damaged by fire or other casualty; or (b) title to, or the temporary or permanent use of, the Leased Property or the estate of the Town or the Trustee in the Leased Property is taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or entity acting under governmental authority; or (c) a breach of warranty or a material defect in the construction, manufacture or design of the Leased Property becomes apparent; or (d) title to or the use of all or a portion of the Leased Property is lost by reason of a defect in title thereto; then the Town shall be obligated to continue to pay Base Rentals and Additional Rentals pursuant to the Lease (subject to Article 6 of the Lease).

Obligation to Repair and Replace the Leased Property. The Town and the Trustee, to the extent Net Proceeds are within their respective control, shall cause such Net Proceeds of any insurance policies, performance bonds or condemnation awards, to be deposited in a separate trust fund. All Net Proceeds so deposited shall be applied to the prompt repair, restoration, modification, improvement or replacement of the Leased Property by the Town, upon receipt by the Trustee of requisitions signed by the Town Representative stating with respect to each payment to be made: (a) the requisition number; (b) the name and address of the person, firm or entity to whom payment is due; (c) the amount to be paid; and (d) that each obligation mentioned therein has been properly incurred, is a proper charge against the separate trust

fund and has not been the basis of any previous withdrawal and specifying in reasonable detail the nature of the obligation, accompanied by a bill or a statement of account for such obligation.

The Town and the Trustee shall agree to cooperate and use their best reasonable efforts subject to the terms of the Indenture to enforce claims which may arise in connection with material defects in the construction, manufacture or design of the Leased Property or otherwise. The Trustee may rely conclusively upon any such requisition received and shall have no obligation to make an independent investigation in connection therewith. If there is a balance of any Net Proceeds allocable to the Leased Property remaining after such repair, restoration, modification, improvement or replacement has been completed, this balance shall be used by the Town, to: (a) add to, modify or alter the Leased Property or add new components thereto, or (b) prepay the Base Rentals with a corresponding adjustment in the amount of Base Rentals payable under Exhibit C (Base Rentals Schedule) to the Lease or (c) accomplish a combination of (a) and (b).

Any repair, restoration, modification, improvement or replacement of the Leased Property paid for in whole or in part out of Net Proceeds allocable to the Leased Property shall be the property of the Town, subject to the Site Lease, the Lease and the Indenture and shall be included as part of the Leased Property under the Lease.

Insufficiency of Net Proceeds. If the Net Proceeds (plus any amounts withheld from such Net Proceeds by reason of any deductible clause) are insufficient to pay in full the cost of any repair, restoration, modification, improvement or replacement of the Leased Property required under Section 9.2 of the Lease, the Town may elect to:

(a) complete the work or replace such Leased Property (or portion thereof) with similar property of a value equal to or in excess of such portion of the Leased Property and pay as Additional Rentals, to the extent amounts for Additional Rentals which have been specifically appropriated by the Town are available for payment of such cost, any cost in excess of the amount of the Net Proceeds allocable to the Leased Property, and the Town agrees that, if by reason of any such insufficiency of the Net Proceeds allocable to the Leased Property, the Town shall make any payments pursuant to the provisions of this paragraph, the Town shall not be entitled to any reimbursement therefor from the Trustee, nor shall the Town be entitled to any diminution of the Base Rentals and Additional Rentals, for which a specific Appropriation has been effected by the Town for such purpose, payable under Article 6 of the Lease; or

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

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

The above referenced election shall be made by the Town within 90 days of the occurrence of an event specified in the Lease (Damage, Destruction and Condemnation). It is declared in the Lease to be the Town's present intention that, if an event described in the Lease (Damage, Destruction and Condemnation) should occur and if the Net Proceeds shall be insufficient to pay in full the cost of repair, restoration, modification, improvement or replacement of the Leased Property, the Town would use its

best efforts to proceed under either paragraph (a) or paragraph (b) above; but it is also acknowledged that the Town must operate within budgetary and other economic constraints applicable to it at the time, which cannot be predicted with certainty; and accordingly the foregoing declaration shall not be construed to contractually obligate or otherwise bind the Town.

Purchase Option and Conditions for Purchase Option

Purchase Option. The Town has the option to purchase the Trustee's leasehold interest in the Leased Property at any time, but only if an Event of Lease Default or an Event of Nonappropriation has not occurred and is then continuing. The Town shall give the Trustee notice of its intention to exercise its option not less than forty-five (45) days in advance of the date of exercise and shall deposit the required moneys with the Trustee on or before the date selected to pay the Purchase Option Price. The Trustee may waive such notice or may agree to a shorter notice period in the sole determination of the Trustee.

Conditions for Purchase Option. The Trustee shall transfer and release the Trustee's leasehold interests in the Leased Property to the Town in the manner provided for in the Lease; provided, however, that prior to such transfer and release, either:

(a) the Town shall have paid the then applicable Purchase Option Price which shall equal the sum of the amount necessary to defease and discharge the Indenture as provided therein (i.e., provision for payment of all principal and interest portions of any and all Certificates which may have been executed and delivered pursuant to the Indenture shall have been made in accordance with the terms of the Indenture) plus any fees and expenses then owing to the Trustee; or

(b) the Town shall have paid all Base Rentals set forth in Exhibit C (Base Rentals Schedule) to the Lease, for the entire maximum Lease Term, and all then current Additional Rentals required to be paid pursuant to the Lease.

At the Town's option, amounts then on deposit in any fund held under the Indenture (except the Rebate Fund and excluding any defeasance escrow funds) may be credited toward the Purchase Option Price.

Assignment by the Trustee; Replacement of the Trustee

Except as otherwise provided in this Lease and the Indenture, the Lease may not be assigned by the Town for any reason other than to a successor by operation of law. However, the Leased Property may be subleased, as a whole or in part, by the Town, without the necessity of obtaining the consent of the Trustee or any owner of the Certificates subject to each of the following conditions:

(a) The Leased Property may be subleased, in whole or in part, only to an agency or department of, or a political subdivision of, the State, or to another entity or entities with Approval of Special Counsel;

(b) The Lease, and the obligations of the Town thereunder, shall, at all times during the Lease Term remain obligations of the Town, and the Town shall maintain its direct relationships with the Trustee, notwithstanding any sublease;

(c) The Town will furnish or cause to be furnished to the Trustee a copy of any sublease agreement; and

(d) No sublease by the Town shall cause the Leased Property to be used for any purpose which would cause the Town to violate its tax covenant in the Lease.

Events of Lease Default

Any one of the following shall be Events of Lease Default under the Lease:

- (a) failure by the Town to pay any Base Rentals or Additional Rentals, which have been specifically appropriated by the Town for such purpose, during the Initial Term or any Renewal Term, within five (5) Business Days of the date on which they are due; or
- (b) subject to the holdover tenant provisions of the Lease, failure by the Town to vacate or surrender possession of the Leased Property by March 1 of any Renewal Term in respect of which an Event of Nonappropriation has occurred; or
- (c) failure by the Town to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Lease, other than as referred to in (a) or (b), for a period of 30 days after written notice, specifying such failure and requesting that it be remedied shall be received by the Town from the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; provided that if the failure stated in the notice cannot be corrected within the applicable period, the Trustee shall not withhold its consent to an extension of such time if corrective action can be instituted by the Town within the applicable period and diligently pursued until the default is corrected; or
- (d) failure by the Town to comply with the terms of the Site Lease.

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

Remedies on Default; Limitations on Remedies

Whenever any Event of Lease Default shall have happened and be continuing beyond any applicable cure period, the Trustee may, or shall at the request of the 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, without any further demand or notice, take one or any combination of the following remedial steps:

- (a) terminate the Lease Term and give notice to the Town to vacate and surrender possession of the Leased Property, which vacation and surrender the Town agrees to complete within sixty (60) days from the date of such notice; provided, in the event the Town does not vacate and surrender possession on the termination date, the holdover provisions of the Lease shall apply;
- (b) lease or sublease the Leased Property or sell or assign any interest the Trustee has in the Leased Property, including the Trustee's leasehold interest in the Leased Property;
- (c) recover from the Town:
 - (i) the portion of Base Rentals and Additional Rentals, for which a specific Appropriation has been effected by the Town for such purpose, which would otherwise have been payable under

the Lease, during any period in which the Town continues to occupy, use or possess the Leased Property; and

(ii) Base Rentals and Additional Rentals, for which a specific Appropriation has been effected by the Town for such purpose, which would otherwise have been payable by the Town under the Lease during the remainder, after the Town vacates and surrenders possession of the Leased Property, of the Fiscal Year in which such Event of Lease Default occurs.

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

The Trustee shall also be entitled, upon any Event of Lease Default, to any moneys in any funds or accounts created under the Indenture (except the Rebate Fund or any defeasance escrow accounts).

A judgment requiring a payment of money may be entered against the Town by reason of an Event of Lease Default only as to the Town's liabilities described in paragraph (c) above. A judgment requiring a payment of money may be entered against the Town by reason of an Event of Nonappropriation only to the extent that the Town fails to vacate and surrender possession of the Leased Property as required by the Lease, and only as to the liabilities described in paragraph (c)(i) above. The remedy described in paragraph (c)(ii) above is not available for an Event of Lease Default consisting of failure by the Town to vacate and surrender possession of the Leased Property by March 1 following an Event of Nonappropriation.

No Remedy Exclusive

Subject to the limitations on remedies described in the preceding paragraph, no remedy conferred upon or reserved to the Trustee, is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Lease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

THE INDENTURE

General

The Indenture is being executed and delivered to provide for the execution, delivery and payment of and security for the Certificates, the net proceeds of which will be used to finance the Project. The Certificates evidence undivided interests in the right to receive Revenues under the Lease. The Trustee has entered into the Indenture for and on behalf of the Owners of the Certificates and the Trustee will hold the Revenues and the Leased Property and will exercise the Trustee's rights under the Site Lease and the Lease for the equal and proportionate benefit of the Owners of the Certificates as described in the Indenture, and will disburse money received by the Trustee in accordance with the Indenture.

Application of Revenues and Other Moneys

All Base Rentals payable under the Lease and other Revenues shall be paid directly to the Trustee. If the Trustee receives any other payments on account of the Lease, the Trustee shall immediately deposit the same as provided below.

Except for Net Proceeds to be applied pursuant to Section 9.02 of the Lease and Additional Rentals required to be deposited in the Reserve Fund, the Trustee shall deposit all Revenues and any other

payments received in respect of the Lease, immediately upon receipt thereof, to the Base Rentals Fund in an amount required to cause the aggregate amount on deposit therein to equal the amount then required to make the principal and interest payments due on the Certificates on the next Interest Payment Date. In the event that the Trustee receives Prepayments under the Lease, the Trustee shall apply such Prepayments to the Optional Redemption of the Certificates or portions thereof in accordance with the Indenture.

Funds and Accounts

The Indenture provides for the creation and establishment of the various funds and accounts as described in the following paragraphs. The Trustee holds these funds and accounts in trust for the benefit of the Owners of the Certificates.

Base Rentals Fund. The Base Rentals Fund shall be used for the deposit of all Revenues, upon receipt thereof by the Trustee, except for Net Proceeds to be applied pursuant to Section 9.02 of the Lease and Additional Rentals required to be deposited in the Reserve Fund. Moneys in the Base Rentals Fund shall be used solely for the payment of the principal of and interest on the Certificates whether on an Interest Payment Date, at maturity or upon prior redemption, except as provided in the Indenture with respect to transfers that may be made to the Rebate Fund.

The Base Rentals Fund shall be in the custody of the Trustee. The Trustee shall withdraw sufficient funds from the Base Rentals Fund to pay the principal of and interest on the Certificates as the same become due and payable whether on an Interest Payment Date, at maturity or upon prior redemption, which responsibility, to the extent of the moneys therein, the Trustee accepts.

Any moneys held in the Base Rentals Fund shall be invested by the Trustee in accordance with Article 5 of the Indenture.

The Reserve Fund. *Investors should be aware that no Reserve Fund secures the Certificates.*

A special fund is created under the Indenture to be held by the Trustee and designated as the “Town of Castle Rock, Colorado, 2020 Lease Purchase Agreement Reserve Fund” (the “Reserve Fund”). Upon the execution and delivery of any series of Additional Certificates that are secured by the Reserve Fund, there shall be deposited to a separate account of the Reserve Fund, from the proceeds derived from the sale of such Additional Certificates or from other available moneys, such amount, if any, as may be necessary to fund the separate Reserve Fund to the then applicable Reserve Fund Requirement. Any moneys paid by the Town pursuant to the last paragraph of Section 3.04 of the Indenture shall also be deposited to the Reserve Fund. Moneys held in the Reserve Fund shall be invested and reinvested by the Trustee in accordance with Article 5 of the Indenture. Except to the extent transferred to the Rebate Fund, income derived from the investment of the moneys in the Reserve Fund shall be retained in the Reserve Fund to the extent the amount on deposit therein is less than the Reserve Fund Requirement.

If the amount on deposit in the Reserve Fund exceeds the Reserve Fund Requirement for any reason, the amount to be released from the Reserve Fund shall be applied as directed in writing by the Town. Any excess amount released from the Reserve Fund may be deposited in the Base Rentals Fund, or deposited into a defeasance escrow account, or may be applied for other purposes, as directed in writing by the Town and in accordance with the Town’s tax covenant in the Lease.

Except as provided in the Indenture, moneys held in the Reserve Fund, excluding income derived from the investment thereof, shall be applied to any of the following purposes:

(a) To the payment of the principal amount of the Certificates and any Additional Certificates secured by the Reserve Fund and interest thereon, as the same shall become due, to the extent of any deficiency in the Base Rentals Fund;

(b) At the option of the Trustee, to the payment of any Additional Rentals in the event the Town shall fail to make payment thereof;

(c) At the option of the Trustee, subsequent to the occurrence of an Event of Nonappropriation or an Event of Indenture Default, to the payment of any cost or expense necessary to preserve or protect the Leased Property or the interest of the Trustee or the Certificate Owners therein, or necessary to make any repairs or modifications to the Leased Property in preparation for subleasing the Leased Property or other disposition thereof, or the fees and expenses of the Trustee including fees and expenses of its Counsel, as the Trustee may deem to be in the best interests of the Certificate Owners;

(d) Except to the extent applied pursuant to (c) above, upon the termination of the Lease Term by reason of the occurrence of an Event of Nonappropriation or an Event of Indenture Default, to the redemption or payment of the Certificates and any Additional Certificates secured by the Reserve Fund then Outstanding and the payment of interest thereon;

(e) In the event that the Town shall exercise its option to purchase the Trustee's leasehold interest in the Leased Property and terminate the Lease Term upon payment of the Purchase Option Price, to the Town, or, at the option of the Town, as a reduction of such Purchase Option Price;

(f) At the option of the Town, in reduction of the final and, to the extent sufficient therefor, the next preceding payments of Base Rentals (in inverse order) payable by the Town under the Lease; or

(g) To be deposited in escrow for the payment or defeasance of the Certificates and any Additional Certificates secured by the Reserve Fund pursuant to Article 6 of the Indenture.

Notwithstanding the foregoing or any other provisions in the Indenture, to the extent that the Reserve Fund is funded in whole or in part with a Qualified Surety Bond, the Trustee shall draw on any such Qualified Surety Bond only for the purpose of paying the principal of or interest on the Certificates secured by such Qualified Surety Bond to the extent of any deficiency in the Base Rental Fund and for no other purposes, unless approved in writing by the provider of such Qualified Surety Bond.

The Town may at any time substitute (i) cash or Permitted Investments for a Qualified Surety Bond, (ii) a Qualified Surety Bond for cash or Permitted Investments, (iii) a Qualified Surety Bond for another Qualified Surety Bond so long as the amount on deposit in the Reserve Fund after any such substitution is at least equal to the Reserve Fund Requirement, or (iv) a combination of cash and/or one or more Qualified Surety Bonds. Notwithstanding the foregoing, or any other provisions contained in the Indenture, no Qualified Surety Bond shall be accepted by the Trustee for substitution for cash or Permitted Investments unless the Trustee has received an opinion of Special Counsel to the effect that such substitution and the intended use by the Town of the cash or Permitted Investments to be released from the Reserve Fund will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Certificates.

For the purposes of determining the amount on deposit in the Reserve Fund, a Qualified Surety Bond shall be valued at the amount available to be drawn thereunder. If the Reserve Fund contains both cash and a Qualified Surety Bond, all cash held in the Reserve Fund shall be applied to the purposes of the Reserve Fund before a demand is made on the Qualified Surety Bond. In the event that the Reserve Fund contains two or more Qualified Surety Bonds, demands shall be made on such Qualified Surety Bonds on a pro-rata basis. All Revenues available for replenishment of the Reserve Fund shall be applied first to reimburse the providers of the Qualified Surety Bonds, and second to replenish cash in the Reserve Fund.

To the extent that draws are made on a Qualified Surety Bond that has been deposited in the Reserve Fund, the Town has agreed to make any required payments to the provider of such Qualified

Surety Bond as Additional Rentals. The Town has further agreed that failure by the Town to budget and appropriate moneys for the payment of Additional Rentals shall constitute an Event of Nonappropriation.

Rebate Fund. A special fund is created and established under the Indenture to be held by the Trustee, and to be designated the “Town of Castle Rock, Colorado, 2020 Lease Purchase Agreement, Rebate Fund” (the “Rebate Fund”). To the extent necessary to comply with the provisions of the Tax Certificate, there shall be deposited into the Rebate Fund investment income on moneys in any fund created under the Indenture (except defeasance escrows). In addition to the deposit of investment income as provided in the Indenture, there shall be deposited into the Rebate Fund moneys received from the Town as Additional Rentals for rebate payments pursuant to the Lease; moneys transferred to the Rebate Fund from any other fund created pursuant to the Indenture; and all other moneys received by the Trustee when accompanied by directions not inconsistent with the Lease or the Indenture that such moneys are to be paid into an account of the Rebate Fund. The Town will cause (or direct the Trustee to cause) amounts on deposit in the Rebate Fund to be forwarded to the United States Treasury at the address and times provided in the Tax Certificate, and in the amounts calculated to ensure that the Town’s rebate obligations are met, in accordance with the Town’s tax covenants in the Lease. Amounts on deposit in the Rebate Fund shall not be subject to the lien of the Indenture to the extent that such amounts are required to be paid to the United States Treasury.

If, at any time after the Trustee receives instructions by the Town to make any payments from the Rebate Fund, the Trustee determines that the moneys on deposit in an account of the Rebate Fund are insufficient for the purposes thereof, and if the Trustee does not receive Additional Rentals or cannot transfer investment income so as to make the amount on deposit in the appropriate account in the Rebate Fund sufficient for its purpose, the Trustee may transfer moneys to an account in the Rebate Fund from the following funds in the following order of priority: the Reserve Fund (to the extent it is cash-funded), and the Base Rentals Fund. Any moneys so advanced from the Reserve Fund shall be included in the Town’s estimates of Additional Rentals for the ensuing Fiscal Year pursuant to the Lease, and any moneys so advanced from the Base Rentals Fund shall be included as an Additional Rental for the current Fiscal Year pursuant to the Lease, and shall be repaid to the fund from which advanced upon payment to the Trustee of such Additional Rentals. Upon receipt by the Trustee of an opinion of Special Counsel to the effect that the amount in an account of the Rebate Fund is in excess of the amount required to be therein pursuant to the provisions of the Tax Certificate, such excess shall be transferred to the Base Rentals Fund.

The Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness of any rebate report. The Town may, at its own expense, retain an independent firm of professionals in such area to calculate such rebate amounts.

Notwithstanding the foregoing, in the event that the Lease has been terminated or the Town has failed to comply with the Lease so as to make the amount on deposit in the appropriate account in Rebate Fund sufficient for its purpose, the Trustee shall make transfers of investment income or of moneys from the above-described funds in such combination as the Trustee shall determine to be in the best interests of the Certificate Owners.

Costs of Execution and Delivery Fund. A special fund is created and established with the Trustee and denominated the “Town of Castle Rock, Colorado, 2020 Lease Purchase Agreement Costs of Execution and Delivery Fund.” Upon the delivery of the Certificates there shall be deposited into the Costs of Execution and Delivery Fund from the proceeds of the Certificates the amounts directed by Section 3.01 of the Indenture and the Underwriter shall deliver to the Trustee a closing memorandum detailing the anticipated amounts of Costs of Execution and Delivery. Payments from the Costs of Execution and Delivery Fund shall be made by the Trustee upon receipt of a statement or a bill for the provision of Costs of Execution and Delivery of the Certificates approved by the Town Representative.

The Trustee shall transfer all moneys remaining in the Costs of Execution and Delivery Fund to the credit of the Town upon the final payment of all Costs of Execution and Delivery, as certified in writing by the Town Representative. Any amounts remaining in the Costs of Execution and Delivery Fund on November 1, 2020, shall be credited to the Town.

Defeasance and Discharge of the Indenture

(a) When the principal or redemption price (as the case may be) of, and interest on, all the Certificates executed and delivered under the Indenture have been paid or provision has been made for payment of the same (or, in the case of redemption of the Certificates pursuant to the Extraordinary Redemption provisions of Section 4.03 of the Indenture, if full or partial payment of the Certificates and interest thereon is made as provided therein), together with all other sums payable under the Indenture relating to the Certificates, including all fees and expenses of the Trustee, then the right, title and interest of the Trustee in and to the Trust Estate and all covenants, agreements and other obligations of the Town to the Trustee and to the Owners shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall (1) release the Site Lease and transfer and convey the Trustee's leasehold interest in the Leased Property to the Town as provided by the Lease, (2) release the Lease and the Indenture, (3) execute such documents to evidence such releases as may be reasonably required by the Town, and (4) turn over to the Town all balances then held by the Trustee in the Funds or Accounts under the Indenture except for amounts held in any defeasance escrow accounts. If payment or provision therefor is made with respect to less than all of the Certificates, the particular Certificates (or portion thereof) for which provision for payment shall have been considered made shall be selected by the Town.

(b) Provision for the payment of all or a portion of the Certificates shall be deemed to have been made when the Trustee holds in the Base Rentals Fund, or there is on deposit in a separate escrow account or trust account held by a trust bank or escrow agent, either moneys in an amount which shall be sufficient, and/or Federal Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, concurrently deposited in trust, shall be sufficient to pay when due the principal of, premium, if any, and interest due and to become due on said Certificates on and prior to the redemption date or maturity date thereof, as the case may be. Prior to any discharge of the Indenture or the defeasance of any Certificates becoming effective, there shall have been delivered to the Trustee a report of an independent firm of nationally recognized certified public accountants verifying the sufficiency of the escrow established to pay the applicable Certificates in full on the maturity or redemption date thereof unless fully funded with cash.

(c) Neither the Federal Securities nor the moneys deposited in the Base Rentals Fund or separate escrow account or trust account pursuant to the Indenture shall be withdrawn or used for any purpose other than, and shall be segregated and held in trust for, the payment of the principal of, premium, if any, and interest on the Certificates or portions thereof; provided, however, that other Federal Securities and moneys may be substituted for the Federal Securities and moneys so deposited prior to their use for such purpose.

(d) Whenever moneys or Federal Securities shall be deposited with the Trustee or a separate escrow agent for the payment or redemption of any Certificates more than forty-five (45) days prior to the date that such Certificates are to mature or be redeemed, the Trustee shall mail a notice stating that such moneys or Federal Securities have been deposited and identifying the Certificates for the payment of which such moneys or Federal Securities are being held, to all Owners of Certificates for the payment of which such moneys or Federal Securities are being held, or if such Certificates are registered in the name of the Depository, such notice may be sent, in the alternative, by electronic means in accordance with the regulations of the Depository.

(e) At such time as any Certificate shall be deemed paid as provided in (b) above, such Certificate shall no longer be secured by or entitled to the benefits of the Indenture, the Lease or the Site

Lease, except for the purpose of exchange and transfer and any payment from such cash or Federal Securities deposited with the Trustee.

Investment of Moneys

All moneys held as part of the Base Rentals Fund, the Reserve Fund, the Rebate Fund, the Costs of Execution and Delivery Fund, or any other fund or account created under the Indenture (other than any defeasance escrow accounts) shall be deposited or invested and reinvested by the Trustee, at the written direction of the Town, in Permitted Investments; provided, however, that the Trustee shall make no deposits or investments of any fund or account created under the Indenture which shall interfere with or prevent withdrawals for the purpose for which the moneys so deposited or invested were placed in trust thereunder or for payment of the Certificates at or before maturity or interest thereon as required thereunder.

If the Trustee is not provided written directions concerning investment of moneys held in the Funds, the Trustee may invest in money market mutual funds, provided they mature or are subject to redemption prior to the date such funds will be needed. Unless otherwise confirmed or directed in writing, an account statement delivered periodically by the Trustee to the Town shall confirm that the investment transactions identified therein accurately reflect the investment directions of the Town, unless the Town notifies the Trustee in writing to the contrary within thirty (30) days of the date of such statement. The Trustee is specifically authorized to purchase or invest in shares of any investment company provided that such investments are Investment Obligations at the time of such investment that (i) is registered under the Investment Company Act of 1940, as amended (including both corporations and Massachusetts business trusts, and including companies for which the Trustee may provide advisory, administrative, custodial, or other services for compensation), (ii) invests substantially all of its assets in short-term high-quality money-market instruments, limited to obligations issued or guaranteed by the United States, and (iii) maintains a constant asset value per share. The Trustee is specifically authorized to implement its automated cash investments system to assure that cash on hand is invested and to charge reasonable cash management fees, which may be deducted from income earned on investments.

The Trustee may make any and all such deposits or investments through its own investment department or that of its affiliates or subsidiaries, and may charge its ordinary and customary fees for such trades, including cash sweep account fees.

Except as otherwise provided in the Indenture, deposits or investments shall at all times be a part of the fund or account from which the moneys used to acquire such deposits or investments shall have come, and all income and profits on such deposits or investments shall be credited to, and losses thereon shall be charged against, such fund or account.

The Trustee may transfer investments from any Fund or Account to any other Fund or Account in lieu of cash when a transfer is required or permitted by the provisions of the Indenture.

The Town has acknowledged in the Indenture that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant a right to receive brokerage confirmations of security transactions relating to the funds held pursuant to the Indenture, the Town waives receipt of such confirmations, to the extent permitted by law. The Trustee shall furnish a statement of security transactions on its regular monthly reports.

Events of Indenture Default

Each of the following shall be an Event of Indenture Default:

(a) Failure to pay 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 proceedings for redemption;

- (b) Failure to pay any installment of interest on any Certificate when the same shall become due and payable;
- (c) the occurrence of an Event of Nonappropriation; or
- (d) the occurrence of an Event of Lease Default.

Upon the occurrence of any Event of Indenture Default, the Trustee shall give notice thereof to the Owners of the Certificates. The Trustee shall waive any Event of Nonappropriation which is cured by the Town within thirty (30) days of the receipt of notice by the Trustee as provided in the Lease, by a duly effected Appropriation to pay all Base Rentals and sufficient amounts to pay reasonably estimated Additional Rentals coming due for such Renewal Term. The Trustee may waive any Event of Nonappropriation which is cured by the Town within a reasonable time with the procedure described in the preceding sentence.

Remedies

If any Event of Indenture Default occurs and is continuing, the Trustee may, or shall at the request of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding and upon indemnification as provided in Section 8.01(d) of the Indenture, without any further demand or notice, enforce for the benefit of the Owners of the Certificates each and every right of the Trustee as the lessee under the Site Lease and the lessor under the Lease. In exercising such rights of the Trustee and the rights given the Trustee under the Indenture, the Trustee may, or shall at the request of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding and upon indemnification as provided in Section 8.01(d) of the Indenture, take such action as, in the judgment of the Trustee, upon advice of its counsel, would best serve the interests of the Owners of the Certificates, including calling the Certificates for redemption prior to their maturity in the manner and subject to the provisions of Article 4 of the Indenture and exercising the Lease Remedies provided in the Lease, provided however that such action shall not include consequential or punitive damages against the Town.

Application of Moneys in Event of Indenture Default

Any moneys received, collected or held by the Trustee following an Indenture Event of Default and any other moneys held as part of the Trust Estate (except for moneys held in the Rebate Fund or any defeasance escrow account) shall be applied in the following order:

- (a) To the payment of the reasonable costs and expenses of the Trustee, and expenses of the proceedings resulting in the collection of such moneys and of all fees, costs, expenses, liabilities and advances incurred or made by the Trustee, including, but not limited to, its Counsel fees, and disbursements of the Trustee, and the payment of its reasonable compensation and any advances, including any amounts remaining unpaid;
- (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; and
- (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 Certificate over another.

The surplus, if any, shall be paid to the Town.

Duties of the Trustee

The Trustee accepts the provisions of the Site Lease, the Lease and the Indenture and accepts the trusts imposed upon it by the Indenture and agrees to perform said trusts, but only upon and subject to the express terms and conditions set forth in the Site Lease, the Lease and the Indenture, and no implied covenants or obligations shall be read into the Indenture, the Lease or the Site Lease against the Trustee.

The Trustee covenants for the benefit of the Owners of the Certificates that the Trustee will observe and comply with its obligations under the Site Lease, the Lease and the Indenture.

The Trustee shall at all times, to the extent permitted by law, defend, preserve and protect its interest in the Leased Property and the other property or property rights included in the Trust Estate and all the rights of the Owners under the Indenture against all claims and demands of all persons whomsoever.

Before taking any action pursuant to the Indenture, the Lease or the Site Lease, the Trustee may require that satisfactory indemnity be furnished to it for the reimbursement of all costs and expenses (including, without limitation, attorney's fees and expenses) which it may incur and to protect it against all liability, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or resolution related to the protection of the environment or hazardous substances, except liability which is adjudicated to have resulted from its negligence or willful misconduct, by reason of any action so taken.

Notice of Default; Right to Investigate

The Trustee shall, within thirty (30) days after it receives notice thereof, give written notice by first class mail or by electronic means to the Owners of the Certificates of all Events of Indenture Default known to the Trustee and send a copy of such notice to the Town, unless such defaults have been remedied. The Trustee shall not be required to take notice or be deemed to have notice of any default unless it has actual knowledge thereof or has been notified in writing of such default by the Town or the Owners of at least 25% in aggregate principal amount of the Outstanding Certificates. The Trustee may, however, at any time request the Town to provide full information as to the performance of any covenant under the Lease; and, if information satisfactory to it is not forthcoming, the Trustee may make or cause to be made an investigation into any matter related to the Site Lease, the Lease and the Leased Property.

Resignation of Trustee

The Trustee may resign and be discharged of the trusts created by the Indenture by written resignation filed with the Town not less than sixty (60) days before the date when it is to take effect; provided notice of such resignation is mailed by registered or certified mail to the Owner of each Outstanding Certificate at the address shown on the registration books, or in the event that the Certificates are registered in the name of the Depository, such notice may, in the alternative, be given by electronic means in accordance with the requirements of the Depository. Such resignation shall take effect only upon the appointment of a successor Trustee. If no successor Trustee is appointed within sixty (60) days following the date designated for the resignation of the Trustee, the resigning Trustee may apply to a court of competent jurisdiction to appoint a successor Trustee. The rights of the Trustee to be held harmless, to insurance proceeds, or to other amounts due arising prior to the date of such resignation shall survive resignation.

Removal of Trustee

Any Trustee may be removed at any time, after payment of all outstanding fees and expenses of the Trustee being so removed, by the Town or by the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, upon written notice being filed with the Trustee, the Town and the

Owner of each Outstanding Certificate at the address shown on the registration books. Such removal shall take effect only upon the appointment of a successor Trustee. The rights of the Trustee to be held harmless, to insurance proceeds or to other amounts due arising prior to the date of such removal shall survive removal.

Appointment of Successor Trustee

If the Trustee or any successor trustee resigns or is removed or dissolved, or if its property or business is taken under the control of any state or federal court or administrative body, a vacancy shall forthwith exist in the office of the Trustee, and the Town shall appoint a successor, and shall cause a notice of such appointment to be mailed by registered or certified mail to the Owners of all Outstanding Certificates at the address shown on the registration books. If the Town fails to make such appointment within thirty (30) days after the date notice of resignation is filed, the Owners of a majority in aggregate principal amount of the Certificates then Outstanding may do so. If the Owners have failed to make such appointment within sixty (60) days after the date notice of resignation is filed, the Trustee may petition a court of competent jurisdiction to make such appointment.

Any successor trustee shall be a national or State bank with trust powers or a bank and trust company or a trust company, in each case having capital and surplus of at least \$50,000,000, if there be one able and willing to accept the trust on reasonable and customary terms.

Supplemental Indentures

Supplemental Indentures and Amendments Not Requiring Certificate Owners' Consent. The Trustee may, with the written consent of the Town, but without the consent of or notice to the Owners, enter into such indentures or agreements supplemental thereto, for any one or more or all of the following purposes:

- (a) to grant additional powers or rights to the Trustee;
- (b) to make any amendments necessary or desirable to obtain or maintain a rating from any Rating Agency rating the Certificates;
- (c) to authorize the execution and delivery of Additional Certificates for the purposes and under the conditions set forth in the Indenture;
- (d) in order to preserve or protect the excludability from gross income for federal income tax purposes of the interest portion of the Base Rentals allocable to the Certificates; or
- (e) for any purpose not inconsistent with the terms of the Indenture or to cure any ambiguity, or to correct or supplement any provision contained therein which may be defective or inconsistent with any other provisions contained therein or to make such other amendments to the Indenture which do not materially adversely affect the interests of the Owners of the Certificates.

Supplemental Indentures and Amendments Requiring Certificate Owners' Consent.

(a) Exclusive of supplemental indentures and amendments covered by the Indenture, the written consent of the Town and the consent of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, shall be required for any indenture or indentures supplemental thereto.

(b) Notwithstanding the foregoing, without the consent of the Owners of all of the Certificates at the time Outstanding nothing contained in the Indenture shall permit, or be construed as permitting:

(i) A change in the terms of redemption or maturity of the principal amount of or the interest on any Outstanding Certificate, or a reduction in the principal amount of or premium payable upon any redemption of any Outstanding Certificate or the rate of interest thereon, without the consent of the owner of such Certificate;

(ii) The deprivation of the Owner of any Certificate then Outstanding of the interest created by the Indenture (other than as originally permitted thereby) without the consent of the Owner of such Certificate;

(iii) A privilege or priority of any Certificate or Certificates over any other Certificate or Certificates (except with respect to the possible subordination of Additional Certificates); or

(iv) A reduction in the aggregate principal amount of the Certificates required for consent to such supplemental indenture.

If at any time the Town shall request the Trustee to enter into a supplemental indenture which requires the consent of the Certificate Owners, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed to the Registered Owners of the Certificates at the addresses last shown on the registration records of the Trustee. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Certificate Owners. If, within 60 days or such longer period as shall be prescribed by the Town following the mailing of such notice, the required consents have been furnished to the Trustee as provided in the Indenture, no Certificate Owner shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee from executing the same or from taking any action pursuant to the provisions thereof.

Amendment of the Lease and the Site Lease

The Trustee and the Town shall have the right to amend the Lease and the Site Lease without the consent of or notice to the Owners of the Certificates, for one or more of the following purposes:

(a) to add covenants of the Trustee or the Town or to grant additional powers or rights to the Trustee;

(b) to make any amendments necessary or desirable to obtain or maintain a rating from any Rating Agency of the Certificates;

(c) in order to more precisely identify the Leased Property, including any substitutions, additions or modifications to the Leased Property as the case may be, as may be authorized under the Site Lease and the Lease;

(d) to make additions to the Leased Property, amend the schedule of Base Rentals and make all other amendments necessary for the execution and delivery of Additional Certificates in accordance with Section 2.08 of the Indenture;

(e) in order to preserve or protect the excludability from gross income for federal income tax purposes of the interest portion of the Base Rentals allocable to the Certificates; or

(f) for any purpose not inconsistent with the terms of the Indenture or to cure any ambiguity or to correct or supplement any provision contained therein or in any amendment thereto which may be defective or inconsistent with any other provision contained therein or in the Indenture or in any

amendment thereto or to make such other amendments to the Lease or the Site Lease which do not materially adversely affect the interests of the Owners of the Certificates.

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

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APPENDIX C

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, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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 DTC 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 Trustee 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 MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town 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 Town or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Town, 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 Town or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the Town or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Certificate certificates are required to be printed and delivered.

The Town 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 Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the Town of Castle Rock, Colorado, a duly organized and existing home rule municipality of the State of Colorado, (the “Issuer”), in connection with its authorization, execution and delivery of an annually renewable Lease Purchase Agreement, dated as of October 8, 2020 (the “Lease”), with UMB Bank, n.a., solely in its capacity as trustee under the Indenture described herein, (the “Trustee”), as lessor, and the Issuer, as lessee, and the execution and delivery of the Certificates of Participation, Series 2020, in the aggregate principal amount of \$8,485,000 (the “Certificates”), evidencing proportionate interests in the Base Rentals and other Revenues under the Lease. The Certificates are being executed and delivered pursuant to an Indenture of Trust, dated as of October 8, 2020 (the “Indenture”), by the Trustee. The Issuer covenants and agrees as follows:

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

SECTION 2. Definitions. In addition to the definitions set forth in the Lease 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 Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

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

“Fiscal Year” shall mean the period beginning on January 1 of a calendar year and ending on December 31 of the same calendar year, or such other 12-month period as may be adopted by the Issuer in accordance with law.

“Listed Events” shall mean any of the events listed in Section 5 of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board. As of the date hereof, the MSRB’s required method of filing is electronically via its Electronic Municipal Market Access (EMMA) system, which is currently available at <http://emma.msrb.org>.

“Official Statement” means the final Official Statement prepared in connection with the Certificates.

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

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as in effect on the date of this Disclosure Certificate.

SECTION 3. Provision of Annual Reports.

a. The Issuer shall, or shall cause the Dissemination Agent to, not later than nine (9) months following the end of the Issuer's fiscal year, commencing nine (9) months following the end of the Issuer's fiscal year ending December 31, 2020, provide to the MSRB (in an electronic format as prescribed by the MSRB), an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than five (5) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). 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 Issuer may be submitted separately from the balance of the Annual Report. The information to be updated may be reported in any format chosen by the Issuer; it is not required that the format reflected in this Official Statement be used in future years.

b. If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall, in a timely manner, file or cause to be filed with the MSRB a notice in substantially the form attached to this Disclosure Certificate as Exhibit "A."

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

a. A copy of its annual financial statements, if any, prepared in accordance with generally accepted accounting principles audited by a firm of certified public accountants. If audited annual financial statements are not available by the time specified in Section 3(a) above, audited financial statements will be provided when and if available.

b. An update of the type of information identified in Exhibit "B" hereto, which is contained in the tables in the Official Statement with respect to the Certificates.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements, which are available to the public on the MSRB's Internet Web Site or filed with the SEC. The Issuer shall clearly identify each such document incorporated by reference.

SECTION 5. Reporting of Listed Events. The Issuer shall file or cause to be filed with the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the events listed below with respect to the Certificates. All of the events currently mandated by the Rule are listed below; however, some may not apply to the Certificates:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates;
- (7) Modifications to rights of bondholders, if material;

- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Certificates, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;¹
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a financial obligation² of the obligated person, *if material*, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, *if material*; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation² of the obligated person, any of which reflect financial difficulties.

SECTION 6. Format; Identifying Information. All documents provided to the MSRB pursuant to this Disclosure Certificate shall be in the format prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

As of the date of this Disclosure Certificate, all documents submitted to the MSRB must be in portable document format (PDF) files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. In addition, such PDF files must be word-searchable, provided that diagrams, images and other non-textual elements are not required to be word-searchable.

¹ For the purposes of the event identified in subparagraph (b)(5)(i)(C)(12) of the Rule, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and official or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

² For purposes of the events identified in subparagraphs (b)(5)(i)(C)(15) and (16) of the Rule, the term “financial obligation” is defined to mean a (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) a guarantee of (A) or (B). The term “financial obligation” shall not include municipal securities as to which a final official statement has been otherwise provided to the MSRB consistent with the Rule. In complying with Listed Events (15) and (16), the Issuer intends to apply the guidance provided by the Rule or other applicable federal securities law, SEC Release No. 34-83885 (August 20, 2018) and any future guidance provided by the SEC or its staff.

SECTION 7. Termination of Reporting Obligation. The Issuer'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 Issuer 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 8. Dissemination Agent. (a) The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist the Issuer in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Issuer elects not to appoint a successor Dissemination Agent, it shall perform the duties thereof under this Disclosure Certificate. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate and any other agreement between the Issuer and the Dissemination Agent.

(b) In addition to the filing duties on behalf of the Issuer described in this Disclosure Certificate, the Dissemination Agent shall:

(1) each year, prior to the date for providing the Annual Report, determine the appropriate electronic format prescribed by the MSRB;

(2) send written notice to the Issuer 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 Issuer, certify in writing to the Issuer that the Annual Report has been provided pursuant to this Disclosure Certificate and the date it was provided.

(4) If the Annual Report (or any portion thereof) is not provided to the MSRB by the date required in Section (3)(a), the Dissemination Agent shall file with the MSRB a notice in substantially the form attached to this Disclosure Certificate as Exhibit A.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and may waive any provision of this Disclosure Certificate, without the consent of the holders and beneficial owners of the Certificates, if such amendment or waiver does not, in and of itself, cause the undertakings herein (or action of any Participating Underwriter in reliance on the undertakings herein) to violate the Rule, but taking into account any subsequent change in or official interpretation of the Rule. The Issuer will provide notice of such amendment or waiver to the MSRB.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer 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 Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer 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 Listed Event.

SECTION 11. Default. In the event of a failure of the Issuer 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 Issuer 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 Lease, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter 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: October 8, 2020

TOWN OF CASTLE ROCK, COLORADO

By _____
Mayor

EXHIBIT "A"

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Town of Castle Rock, Colorado

Name of Bond Issue: Certificates of Participation, Series 2020, in the aggregate principal amount of \$8,485,000, evidencing proportionate interests in the Base Rentals and other Revenues under an annually renewable Lease Purchase Agreement dated as of October 8, 2020, between UMB Bank, n.a., solely in its capacity as trustee under the Indenture, as lessor, and the Town of Castle Rock, Colorado, as lessee.

Date of Issuance: October 8, 2020.

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the Certificates as required by the Lease Purchase Agreement, dated as of October 8, 2020, and the Continuing Disclosure Certificate executed on October 8, 2020, by the Issuer. The Issuer anticipates that the Annual Report will be filed by _____, 20____.

Dated: _____, _____

TOWN OF CASTLE ROCK, COLORADO

By _____
Mayor

EXHIBIT “B”

INDEX OF OFFICIAL STATEMENT TABLES TO BE UPDATED

See page -iv- of this Official Statement

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APPENDIX E
FORM OF OPINION OF SPECIAL COUNSEL

[Closing date]

Town of Castle Rock, Colorado
100 North Wilcox Street
Castle Rock, Colorado 80104

\$8,485,000
Certificates of Participation, Series 2020
Evidencing Proportionate Interests in the Base Rentals and other Revenues under an Annually
Renewable Lease Purchase Agreement dated as of October 8, 2020, as amended,
between UMB BANK, N.A., solely in its capacity as trustee under the Indenture, as lessor,
and the TOWN OF CASTLE ROCK, COLORADO, as lessee

Ladies and Gentlemen:

We have acted as special counsel to the Town of Castle Rock, Colorado (the “Town”), in connection with its authorization, execution and delivery of the Site Lease Agreement, dated as of October 8, 2020, (the “Site Lease”), between the Town, as lessor, and UMB Bank, n.a., solely in its capacity as trustee (the “Trustee”) under the Indenture (as hereinafter defined), as lessee, and the Lease Purchase Agreement, dated as of October 8, 2020 (the “Lease”), between the Trustee, as lessor, and the Town, as lessee. Certificates of Participation, Series 2020, in the aggregate principal amount of \$8,485,000 (the “Certificates”), each dated October 8, 2020, are authorized under an Indenture of Trust, dated as of October 8, 2020 (the “Indenture”), executed and delivered by the Trustee. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Lease and the Indenture. The Certificates evidence proportionate interests in the Base Rentals and certain other revenues paid under the Lease, as provided in the Certificates, the Lease and the Indenture.

In such capacity as special counsel, we have examined certified proceedings of the Town Council, the Site Lease, the Lease, the Indenture, the Certificates, and such other documents and such law of the State of Colorado and of the United States of America as we have deemed necessary to render this opinion letter.

Regarding questions of fact material to our opinions, we have relied upon the certified proceedings of the Town, certifications of the Trustee, certifications of the Underwriter, and other representations and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon such examination, and subject to the following qualifications, it is our opinion as special counsel that:

1. The Site Lease and the Lease have been duly authorized by the Town and duly executed and delivered by authorized officials of the Town and, assuming due authorization, execution and delivery by the Trustee, constitute valid and binding obligations of the Town. None of the Site Lease, the Lease, or the Certificates constitutes a general obligation, other indebtedness or multiple fiscal year financial obligation of the Town within the meaning of any constitutional, home rule charter, or statutory debt limitation. Notwithstanding the foregoing, the Town’s failure specifically to budget and appropriate

funds to make payments due under the Lease for the ensuing Fiscal Year will extinguish the obligations of the Town to pay Base Rentals and Additional Rentals beyond the then current Fiscal Year.

2. Assuming the due authorization, execution, and delivery of the Site Lease, the Lease, and the Indenture by the Trustee, and the due execution and delivery of the Certificates by the Trustee, the Certificates evidence valid and binding proportionate interests in the right to receive certain payments under the Lease.

3. The portion of the Base Rentals which is designated in the Lease as interest and paid as interest on the Certificates is excludable from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), is excludable from alternative minimum taxable income as defined in Section 55(b)(2) of the Code, and is excludable from Colorado taxable income or Colorado alternative minimum taxable income under Colorado income tax laws in effect as of the date hereof; except that we express no opinion as to the effect which any termination of the Town's obligations under the Lease may have upon the treatment for federal or Colorado income tax purposes of any moneys received or paid under the Indenture subsequent to such termination. The opinions expressed in this paragraph assume continuous compliance with the covenants and representations contained in the Town's certified proceedings and in certain other documents and certain other certifications furnished to us.

The opinions expressed in this opinion letter are subject to the following:

The rights of the owners of the Certificates and the enforceability of the Certificates, the Site Lease and the Lease are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

In rendering the foregoing opinions, we are not opining upon matters relating to the corporate status of the Trustee, the power of the Trustee to execute or deliver the Site Lease, the Lease, the Indenture or the Certificates, or the enforceability of the Site Lease, the Lease, the Indenture or the Certificates against the Trustee.

In this opinion letter issued in our capacity as special counsel, we are opining only upon those matters set forth herein and we are not passing upon the accuracy, adequacy or completeness of the Official Statement relating to the Certificates or any other statements made in connection with any offer or sale of the Certificates, or upon any federal or state tax consequences arising from the receipt or accrual of interest with respect to, or the rights and obligations under, the Site Lease, the Lease, or the Certificates, except those specifically addressed above, or upon any matters pertaining to the priority of any security instrument executed in connection with this transaction, the existence of any liens or other encumbrances on the Leased Property, the ownership of or proper description of any property included in the Leased Property, or any other real estate matters related to the Leased Property.

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

Respectfully submitted,

BUTLER SNOW LLP