

In the opinion of Butler Snow LLP, Special Counsel, under existing laws, regulations, published rulings and judicial decisions and assuming the accuracy of certain representations and 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"), is not a specific preference item for purposes of the federal alternative minimum tax, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Tax Code) for the purpose of computing the alternative minimum tax imposed on corporations, 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."

\$72,550,000

CERTIFICATES OF PARTICIPATION, SERIES 2025

Evidencing Proportionate Interests in the Base Rentals and other Revenues under an Annually Renewable Lease Purchase Agreement, dated August 6, 2025, 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 2025 (the "Certificates") evidence a proportionate interest in the base rentals and certain other revenues under an annually renewable Lease Purchase Agreement dated as of August 6, 2025 (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 August 6, 2025 (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 December 1, 2025, 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 sports development center 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 and if executed and delivered and accepted by the Underwriter, subject to the approval of legality 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, LLP, 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 August 6, 2025.

STIFEL

Official Statement dated July 29, 2025.

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

\$72,550,000

CERTIFICATES OF PARTICIPATION, SERIES 2025

**Evidencing Proportionate Interests in the Base Rentals and other Revenues under an
Annually Renewable Lease Purchase Agreement, dated August 6, 2025, 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 Amount	Interest Rate	Yield	CUSIP®		Principal Amount	Interest Rate	Yield	CUSIP®
				Issue Number	Maturing (December 1)				
2030	\$2,185,000	5.00%	2.89%	BJ9	2038	\$3,230,000	5.00%	4.30%†	BS9
2031	2,295,000	5.00	3.07	BK6	2039	3,390,000	5.00	4.39†	BT7
2032	2,410,000	5.00	3.30	BL4	2040	3,560,000	5.00	4.50†	BU4
2033	2,530,000	5.00	3.45	BM2	2041	3,740,000	5.00	4.63†	BV2
2034	2,660,000	5.00	3.62	BN0	2042	3,925,000	5.25	4.70†	BW0
2035	2,790,000	5.00	3.79	BP5	2043	4,130,000	5.25	4.81†	BX8
2036	2,930,000	5.00	4.00†	BQ3	2044	4,350,000	5.25	4.89†	BY6
2037	3,075,000	5.00	4.19†	BR1	2045	4,580,000	5.25	4.94†	BZ3

\$20,770,000 5.00% Term Certificate due December 1, 2049. Priced to Yield: 5.07%. CUSIP® Issue No.: CA7.

† Priced to the first par call date of December 1, 2035. See “THE CERTIFICATES--Redemption Provisions.”

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page, the inside cover page and the appendices, does not constitute an offer to sell or the solicitation of an offer to buy any of the 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
Laura Cavey, Mayor Pro Tem
Kevin Bracken, Council Member
Max Brooks, Council Member
Mark Davis, Council Member
Tim Dietz, Council Member
Ryan Hollingshead, Council Member

Town Administrative Officials

David Corliss, Town Manager
Trish Muller, CPA, Finance Director
Michael J. Hyman, Town Attorney
Jeff Brauer, Director of Parks and Recreation

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, LLP
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 ACFR.

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OFFICIAL STATEMENT

\$72,550,000

CERTIFICATES OF PARTICIPATION, SERIES 2025

Evidencing Proportionate Interests in the Base Rentals and other Revenues under an Annually Renewable Lease Purchase Agreement, dated August 6, 2025, 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 \$72,550,000 aggregate principal amount of Certificates of Participation, Series 2025 (the “Certificates”), evidencing proportionate interests in the base rentals and other revenues under an annually renewable Lease Agreement dated as of August 6, 2025 (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 August 6, 2025 (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.

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 37 square miles and, based upon home occupancy rates and the number of building permits issued, the Town estimates its current population to be approximately 87,102. 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.”

Purpose

The proceeds from the issuance of the Certificates will be used to: (i) acquire, construct, install and improve of certain public facilities, including, without limitation, the construction of a recreation/sports development center (the “Sports Development Center” or “SDC”) for Town purposes (the “Project”); and (ii) pay the costs of issuing the Certificates. See “SOURCES AND USES OF FUNDS.”

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 August 6, 2025 (the “Site Lease”), pursuant to which the Town will lease to the Trustee the site on which the SDC will be located (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, 2059. 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 Site Lease, the Lease and the Indenture.

The Site. The Site includes 10.11 acres of land within the Brickyard Development (described in “SOURCES AND USES OF FUNDS--The Project) that has been dedicated by the developer to the Town.

The Leased Property. In addition to the Site, the Leased Property includes the SDC to be constructed on the Site. The SDC is planned to include a 145,177 square foot recreation center to be located on the Site.

The amenities to be included in the SDC have not been finalized yet. The currently proposed amenities are subject to changes as the SDC construction process progresses. The proposed amenities include those described below.

- a competition gymnasium providing eight elementary school basketball courts, four high school basketball courts four volleyball courts, and 12 pickleball courts.
- A recreation gymnasium providing two middle school basketball courts and two volleyball courts.
- A competition pool including a 25-meter x 25-yard pool and 1-meter diving board, eleven 25-yard lanes, nine 25-meter lanes, a three-lane warm-up pool with ramp and seat ledge for lessons and spectator seating for up to 200.
- A track, including an adventure loop (6.2 laps per mile) and a flat loop (13.5 laps per mile) and a flex studio connected to the track.
- Fitness amenities including approximately 40 cardio stations, 40 circuit stations, 55 free weight and circuit stations, four stretching stations, group fitness space, a mind/body studio and a spin studio.
- A meeting room (300-person capacity) that is divisible into two meeting rooms and a catering kitchen.
- Outdoor space including 4,000 square feet of turf/flex space, a shade canopy, and outdoor gathering spaces.

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; (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 and the Construction 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), all as defined in Appendix B.

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 4.2%. A portion of the Town's Sales and Use Tax (imposed at a rate of 1.55%) and sales and use tax revenues received from a shareback agreement with Douglas County (the "County shareback") must be used for voter-approved transportation or public safety purposes and are not available to pay Base Rentals. As a result, revenues derived from Sales and Use Tax imposed at a rate of 2.65% constitute legally available revenues to the extent those revenues are not pledged for other uses. See "CURRENT SOURCES OF AVAILABLE REVENUES" for a description of the Town's Sales and Use Tax.

The Town may use any other legally available revenues to pay its Base Rentals under the Lease, including revenues derived from a lodging tax that is dedicated to parks and recreation purposes and any tax increment amounts received pursuant to an urban renewal plan area created in May 2025 which includes the Brickyard Development.

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 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, 2059. 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.

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, under existing laws, regulations, published rulings and judicial decisions and assuming the accuracy of certain representations and 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”), is not a specific preference item for purposes of the federal alternative minimum tax, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Tax Code) for the purpose of computing the alternative minimum tax imposed on corporations, 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.”

Notwithstanding the foregoing, Special Counsel has disclaimed any opinion regarding the tax status of the 2025 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 has also 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, 2024, including the report thereon of Forvis Mazars, LLP, 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 Certificates (the “Underwriter”). See “UNDERWRITING.” Stradling Yocca Carlson & Rauth, LLP, 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, audited financial statements; (ii) annually, certain financial information and operating data; and (iii) 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.

The Town filed its 2023 audited financial statements and its report containing other operating and financial information approximately two months late; the associated failure to file notice was also posted late.

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, the Municipal Advisor 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

Hilltop Securities Inc.
8055 E. Tufts Avenue, Suite 350
Denver, Colorado 80237
Telephone: (303) 771-0217

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 SDC is expected to initially have valuation at least equal to the amount of the 2025 Certificates; however, that value could be lower than that amount for various reasons and the value can decline over time. No current valuation of the land comprising the Leased Property is available and 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.

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.

In addition, in connection with various development projects, the Town has voluntarily granted sales tax credits (sometimes referred to as a “credit public improvement fee” or “Credit PIF”) to assist in the financing of the development. Pursuant to the Credit PIF arrangement, the Town agrees to reduce the amount of sales tax it receives on transactions within the development area for a specified period of time. Those sales taxes are instead collected on behalf of special districts formed within the development area, which uses the revenues to finance public improvements within the area. The Credit PIF is applied only against taxable transactions generated within the development area. The Town has several of these agreements outstanding and intends to enter into future Credit PIF transactions. See “CURRENT SOURCES OF AVAILABLE REVENUES--Existing Sales and Use Tax Agreements,”

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 bonds 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 due to an Event of Nonappropriation or an Event of Lease Default, 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 Valuation. No current appraised valuation of the Leased Property is available. The SDC is expected to initially have a valuation at least equal to the amount of the 2025 Certificates; however, that value could be lower than that amount for various reasons and the value can decline over time. However, the Trustee is not able to sell the Site, the SDC 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.

Title Restrictions and Zoning. The Leased Property is subject to certain pre-existing title restrictions which may make the Leased Property less attractive to potential users if the Trustee must sublease or otherwise sell or dispose of its interest in the Leased Property. The title restrictions, which will be Permitted Encumbrances under the Lease, include: the reservation to the United States of water rights, ditches and reservoirs and the right of a proprietor of a vein or lode to extract ore; reservation of the rights of the Santa Fe railway company of mineral rights (but extraction of minerals cannot be exercised on the Leased Property itself and must be accomplished by wells, shafts, tunnels or other means on other property); any rights of third parties over the present and past creek bed, banks or waters of an unnamed creek; and street, drainage and utility easements.

Further, the Site is subject to present and future zoning requirements or other land use regulations imposed by the Town. The Site has been zoned as a Planned Development District (the Brickyard Planned Development District) that is vested by the Town as a site-specific development plan through March 1, 2045. The zoning of the Site 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.*

Construction Risks

General. Construction of the Project will be financed in part with the net proceeds of the Certificates. There is no assurance that the Project can be completed with the available funds or within the budget anticipated by the Town. Any increases in the costs of the Project could result in the unwillingness of the Town to appropriate Base Rentals under the Lease or an inability to complete the Project, which would in turn impact the Trustee's ability to exercise its remedies under the Site Lease, the Lease or the Indenture.

Additionally, normal contingencies generally involved with the construction of any facility, such as natural disasters, labor difficulties, including the inability to attract a sufficient

workforce to work on the Project, unanticipated engineering or structural problems, soil issues, rockslides, environmental issues, difficulties in obtaining materials or sharp increases in the price of materials, a shortened construction season due to weather conditions, and economic conditions in general may cause delays resulting in increased costs.

Tariffs. The imposition of tariffs or the increase in existing tariffs could significantly increase the cost of imported goods, including steel or other materials required for construction of the Project, potentially leading to higher construction prices and increasing the risk that the Project cannot be completed within budget. The imposition of tariffs could also disrupt the global supply chain and require the Town to identify and use alternative supplies and/or suppliers, if any exist. In March 2025, the Trump administration imposed a 25% tariff on all steel and aluminum imports to the United States; in June 2025 that tariff was increased to 50% on imports from most nations. The administration has threatened additional tariffs on imported steel and aluminum imports from Canada in response to retaliatory tariffs imposed by Canada on American goods. The administration has also imposed tariffs on other imported goods from various countries; in some cases the tariffs have been announced and then reduced, canceled or delayed. It is impossible to predict what tariffs will be imposed by the United States or upon what goods and/or countries; however, investors should be aware that the costs of construction could increase significantly from those currently anticipated.

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 Town expects to apply the proceeds of the Certificates as shown in the following table.

<u>Sources and Uses of Proceeds</u>	
	<u>Amount</u>
<u>Sources of Funds</u>	
Par amount of the Certificates	\$72,550,000
Plus: net original issue premium	<u>3,020,473</u>
Total:.....	<u>\$75,570,473</u>
 <u>Uses of Proceeds</u>	
The Project	\$75,000,000
Costs of issuance (including Underwriter’s discount).....	<u>570,473</u>
Total:	<u>\$75,570,473</u>

Source: The Underwriter.

The Project

General. The Town has been in negotiations with CD-Acme, LLC (the “Developer”), regarding the redevelopment of the former site of the Acme Brick Company at 401 Prairie Hawk Drive (the “Property”) in the Town. The Developer is proposing a mixed-use development, with a maximum of 583 multi-family dwelling units consisting of townhomes and apartments, 92,000 square feet of non-residential uses including office, retail, and restaurant, a 99,000-square foot, 125 room hotel with a conference center and an outdoor performance venue (the “Brickyard”).

The Project will be located in the Brickyard development. The SDC is planned as a 145,177-square foot recreation center and related improvements located on the Site. The Developer will construct the SDC on behalf of the Town as part of the overall construction contract for the Brickyard, but the Town will be responsible for the payment of the costs of the SDC.

The Town will provide the net proceeds of the Certificates to the Developer to finance the costs of the SDC. In addition, the Town will advance approximately \$7.9 million for parking and infrastructure improvements on the property; this amount is expected to be repaid by the Developer over time.

The Rec Center Agreement. The Town expects to enter into a Rec Center Agreement with the Developer prior to the closing on the Certificates (the “Rec Center Agreement”), to describe the dedication and conveyance of the Site to the Town and to provide for the Developer’s construction of the SDC on behalf of the Town. The Developer is expected to enter into a Guaranteed Maximum Price contract (the “GMP”) with Saunders Construction (the “Contractor”) for the entire Brickyard development, including the SDC. Pursuant to the Rec Center Agreement, the Developer agrees to SDC construction to be completed no later than 25 months from the commencement of construction, if it is commercially reasonable to do so.

The final construction budget for the SDC (which will be included in the GMP contract) is required to contain line-item detail customary for construction projects of the size and complexity of the Project. Once approved, changes to the construction budget (including increases in the Contract Sum) will require the mutual agreement of the Town and Developer. The construction budget will include a time and monetary contingency for amounts in excess of the Contract Sum, in a total amount to be agreed between Developer and the Town, each acting reasonably. Any funds remaining following completion will be released to the Town. The Rec Center Agreement authorizes the Developer to make changes to the approved construction budget (including reallocating individual budgeted line items) so long as such changes do not increase the overall Construction Costs and do not materially impair or degrade the quality of the construction materials used for the Rec Center or significantly modify any program elements of the Rec Center.

The Rec Center Agreement has not yet been finalized or executed; it is possible that changes to that document will occur. Further, there is no guarantee that the SDC can be completed within the budget assigned to it in the GMP. See “CERTAIN RISK FACTORS--Construction Risks.” If the SDC cannot be completed within budget, the Town may be required to downsize the Project or provide additional funding to the Project.

The Brickyard Public Finance Agreement. The Town expects to enter into a Public Finance Agreement (the “Brickyard Agreement”) among the Town, the Developer, Brickyard Metropolitan District No. 1 (the “Brickyard District”), and the Castle Rock Urban Renewal Authority (the “URA”) to provide for the financing of improvements within the Brickyard Development. Pursuant to the Brickyard Agreement, the Brickyard District agrees to finance the costs of various public improvements to serve the Brickyard Development and the Developer agrees to the imposition of a 2.4% Credit PIF and an additional 2% public improvement fee (the “Add-on PIF”). The proceeds of both PIFs is to be assigned to the Brickyard District for payment of debt service on its bonds issued to finance the public improvements. The Brickyard Development is included in a URA plan area formed in May 2025. The URA agrees to assign its property tax increment revenues to the Brickyard District for the payment of debt service on its bonds.

Pursuant to the Brickyard Agreement, the Town agrees to amend the Sales and Use Tax Ordinance to provide for the Credit PIF. It also agrees to provide a Sales Tax Credit to the Developer in an amount equal to the 2.4% Credit PIF up to a maximum of \$36 million, but only to the extent the 2.4% Credit PIF is imposed and collected. The Brickyard Agreement requires that the Developer open a hotel on or before December 31, 2032; if that does not occur, the Sales Tax Credit will be suspended. The Town’s obligations under the Brickyard Agreement are subject to annual appropriation.

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 located in the United States 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 2025 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 maturing on or prior to December 1, 2035, are not subject to optional redemption prior to their respective maturity dates. The Certificates maturing on and after December 1, 2036, 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, 2035, 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, 2049 (“Term Certificates”), are subject to mandatory sinking fund redemption at a price equal to the principal amount redeemed 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, 2049, the Town shall deposit in the Base Rentals Funds moneys which are sufficient to redeem (after any credits as described below) the following principal amounts of the Term Certificates maturing December 1, 2049:

<u>Redemption Date</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>
2046	\$4,820,000
2047	5,060,000
2048	5,310,000
2049 (maturity)	5,580,000

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 any part of 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 so that Additional Certificates may be executed and delivered pursuant to the Indenture for such purpose, then all Outstanding Certificates are required to be called for redemption, except as described below. If called for redemption, the Outstanding 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 Outstanding 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 Outstanding 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 Outstanding Certificates, according to the principal amount thereof Outstanding. In the event that such Net Proceeds resulting from the exercise of such Lease Remedies and other moneys are in excess of the amount required to redeem the Outstanding Certificates at 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.

Notwithstanding the foregoing or any other provisions to the contrary in the Lease or the Indenture, if the Net Proceeds resulting from the exercise of such Lease Remedies are insufficient to redeem the Outstanding Certificates at 100% of the principal amount thereof plus interest accrued to the redemption date, the Trustee may, or at the request of the Owners of a majority in aggregate principal amount of the Outstanding Certificates, and upon indemnification as provided in the Indenture, shall determine that the Certificates shall not be subject to extraordinary mandatory redemption as described above, in which event the Trustee will not apply any Net Proceeds or other available moneys to the redemption of any Outstanding Certificates prior to their respective maturity dates. In such event, the Trustee shall (a) allocate such Net Proceeds (together with any other available moneys held under this Indenture), proportionately among all Outstanding Certificates, and (b) apply such allocation of Net Proceeds to the payment of the principal of and interest on the Outstanding Certificates on the regularly scheduled maturity and Interest Payment Dates of the Certificates...

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), give 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 the Trustee's leasehold interest 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

In the Lease, 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 this Lease as provided herein) 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 become a specific preference item for purposes of federal alternative minimum tax under the Tax Code, except as such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Tax Code) for the purpose of computing the alternative minimum tax imposed on corporations, 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 as provided therein, the covenant described above 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 covenants that its direction of investments pursuant to Article 5 of the Indenture shall be in compliance with the procedures established by the Tax Certificate to the extent required to comply with its covenants contained in the foregoing provisions of this Section. The Town hereby agrees 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 this 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>
2025	--	\$ 1,172,349	\$ 1,172,349
2026	--	3,669,963	3,669,963
2027	--	3,669,963	3,669,963
2028	--	3,669,963	3,669,963
2029	--	3,669,963	3,669,963
2030	\$ 2,185,000	3,669,963	5,854,963
2031	2,295,000	3,560,713	5,855,713
2032	2,410,000	3,445,963	5,855,963
2033	2,530,000	3,325,463	5,855,463
2034	2,660,000	3,198,963	5,858,963
2035	2,790,000	3,065,963	5,855,963
2036	2,930,000	2,926,463	5,856,463
2037	3,075,000	2,779,963	5,854,963
2038	3,230,000	2,626,213	5,856,213
2039	3,390,000	2,464,713	5,854,713
2040	3,560,000	2,295,213	5,855,213
2041	3,740,000	2,117,213	5,857,213
2042	3,925,000	1,930,213	5,855,213
2043	4,130,000	1,724,150	5,854,150
2044	4,350,000	1,507,325	5,857,325
2045	4,580,000	1,278,950	5,858,950
2046	4,820,000	1,038,500	5,858,500
2047	5,060,000	797,500	5,857,500
2048	5,310,000	544,500	5,854,500
2049	5,580,000	279,000	5,859,000
Total	\$72,550,000	\$60,429,137	\$132,979,137

(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 capital improvements or capital projects of the Town, or any New Facility, or of acquiring real property for Town use or 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 or Additional 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 4.2%. 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, and the revenues derived from the Sales and Use Tax imposed at a rate of 0.2% are limited to public safety uses. 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 61.6% of General Fund revenues in fiscal year 2024; Use Tax (including building materials use tax and motor vehicle use tax) comprised another 1.6% of General Fund revenues in 2024. The Sales and Use Tax is described in more detail below.

Other General Fund Revenues. General fund revenues also include a 6% lodging tax that is collected in addition to the existing 4.2% Sales and Use Tax. Revenues from the lodging tax must be expended solely for parks and recreation purposes.

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. Effective January 1, 2025, the rate increased to 4.2% following voter approval of an additional 0.2% to be used for public safety purposes. The initial imposition of the Sales and Use Tax and the subsequent increases were approved by the Town’s electors.

The Town’s Use Tax is comprised of a use tax on vehicles (the “Vehicle Use Tax”) and a use tax on building materials the “Building Use Tax.”

Required Allocations of Sales and Use Tax Revenue. 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, 2025, 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	3.00	2.44	--	--
Transportation	0.80	1.32	1.45	--
Transportation Capital Projects	--	--	1.31	--
Community Center	0.20	0.24	0.22	--
Economic Development	--	--	--	--
General Long-Term Planning	--	--	1.02	4.00
Public Safety	0.20	0.20	0.20	0.20

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 the 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 8.1%, comprised of the Town Sales and Use Tax of 4.2%, the State's 2.9% sales and use tax, and the County's 1.0% sales and use tax.

Sales Tax. Pursuant to Chapter 3.04 of the Town's Municipal Code (the "Sales and Use Tax Ordinance"), 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 within the corporate limits of the Town.

In accordance with the Sales Tax Ordinance, 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: all tangible personal property, including food for home consumption, software programs, and digital products, that is sold, leased or rented, whether or not such property has been included in a previous taxable transaction, unless specifically exempt; telecommunications service, except carrier access services and except as otherwise provided in the Sales and Use Tax Ordinance for mobile telecommunications service, for all intrastate telecommunications service originating from or received on telecommunication equipment in the Town, if the charge for the service is billed to an apparatus, telephone or account in this Town, to a customer location in this Town, or to a person residing in this Town without regard to where the bill for such service is actually received, subject to the terms of the Sales and Use Tax Ordinance; gas, electricity and steam furnished for domestic and commercial consumption; television and entertainment services, including charges for service, installation, connection, or any similar charge; services of an operator when furnished with the lease or rental of tangible personal property, if such services are not separately stated; and rentals of storage space that is not subject to taxation as real property within the Town, except for rentals of storage space in conjunction with the lease of an area at which a business is conducted.

The Sales and Use Tax Ordinance also provides that certain transactions are exempt from taxation. 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 straws, napkins, 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 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 3.04.090 of the Sales and Use Tax Ordinance 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.

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. See Section 3.04.200 of the Sales and Use Tax Ordinance for further details on exemptions from the Use Tax.

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 Sales and Use Tax Ordinance. 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 8,085 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 4.2% of all sales made by him of commodities or services as defined in the Sales and Use Tax Ordinance, 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.

Collection of Use Tax. 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 Sales and Use Tax Ordinance requires that Use Tax in an amount equal to 50% of the construction valuation 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 eight-member collection and auditing staff consisting of the Revenue Manager, a Revenue Supervisor, two Sales Tax Specialists, three Sales Tax Auditors and a Building Use Tax Auditor. 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, 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 (i) 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 (ii) the real and personal property owned or leased by any such taxpayer, including personal property affixed to real property, 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 Sales and Use Tax Ordinance, 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 Sales and Use Tax Ordinance) 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 Sales and Use Tax Ordinance.

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, 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. 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 as well as revenues that are limited to public safety purposes (beginning in 2025). Accordingly, not all of the revenues shown in this table are legally available to pay Base Rentals under the Lease.

Prior to 2025, the 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%). Beginning in 2025, the table reflections collections of the Town's Sales and Use Tax at a rate of 4.2% 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)

Year	Total Sales Tax Collections	Percent Change	Use Tax Collections	Percent Change	Total Sales and Use Tax Collections	Percent Change
2020	\$55,995,893	--	\$17,246,672	--	\$73,242,565	--
2021	65,510,936	17.0%	22,142,307	23.4%	87,653,243	19.7%
2022	73,824,474	12.7	21,248,763	(4.0)	95,073,237	8.5
2023	74,652,989	1.1	17,382,570	(18.2)	92,035,559	(3.2)
2024	79,226,821	6.1	17,408,259	0.2	96,635,080	5.0
2025(1)(2)	36,148,157	--	6,907,569	--	43,055,726	--

- (1) Reflects Sales and Use Tax at a rate of 4.0% and County shareback at a rate of 0.3% through 2024. Beginning in 2025, reflects Sales and Use Tax at a rate of 4.2%.
- (2) Through May 31, 2025.

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 April 30, 2025 and 2024. 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 April 30, 2025, the Town had experienced a 9.5% increase in Sales Tax revenues and a 2.6% 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>	<u>Twelve-Month Period</u> <u>Ending April 30, 2025</u>		<u>Twelve-Month Period</u> <u>Ending April 30, 2024</u>		<u>Percent Change</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>
May	\$6,355,247	\$6,355,247	\$5,984,858	\$5,984,858	6.2%	6.2%
June	7,293,617	13,648,864	6,980,717	12,965,575	4.5	5.3
July	6,755,412	20,404,276	6,250,367	19,215,942	8.1	6.2
August	6,429,640	26,833,916	6,250,892	25,466,834	2.9	5.4
September	6,977,082	33,810,998	6,851,466	32,318,300	2.1	4.7
October	6,440,379	40,251,377	6,031,880	38,350,180	6.8	5.0
November	6,758,024	47,009,401	6,441,679	44,791,859	4.9	5.0
December	9,552,930	56,562,331	8,422,964	53,214,823	13.4	6.3
January	6,441,238	63,003,569	5,642,809	58,857,632	14.1	7.0
February	6,067,862	69,071,431	5,147,393	64,005,025	17.9	7.9
March	7,407,514	76,478,945	6,367,917	70,372,942	16.3	8.7
April	7,129,407	83,608,352	5,976,628	76,349,570	19.3	9.5

(1) Table presented on an accrual basis.
Source: The Town (Unaudited).

Comparison of Monthly Use Tax Collections(1)

<u>Month</u>	<u>Twelve-Month Period</u> <u>Ending April 30, 2025</u>		<u>Twelve-Month Period</u> <u>Ending April 30, 2024</u>		<u>Percent Change</u>	
	<u>Current</u>	<u>Year</u>	<u>Current</u>	<u>Year</u>	<u>Current</u>	<u>Year</u>
	<u>Month</u>	<u>To Date</u>	<u>Month</u>	<u>To Date</u>	<u>Month</u>	<u>To Date</u>
May	\$1,693,198	\$1,693,198	\$1,266,608	\$1,266,608	33.7%	33.7%
June	1,259,001	2,952,199	1,352,521	2,619,129	(6.9)	12.7
July	1,609,289	4,561,487	1,561,031	4,180,160	3.1	9.1
August	1,390,618	5,952,105	1,550,873	5,731,033	(10.3)	3.9
September	1,441,042	7,363,147	1,484,629	7,215,662	(5.0)	2.0
October	1,604,591	8,967,738	1,651,343	8,867,005	(2.8)	1.1
November	1,135,822	10,103,560	1,695,459	10,562,463	(33.0)	(4.3)
December	1,437,150	11,540,710	1,552,932	12,115,395	(7.5)	(4.7)
January	1,698,479	13,239,189	1,271,050	13,386,444	33.6	(1.1)
February	1,576,051	14,815,240	2,000,096	15,386,540	(21.2)	(3.7)
March	1,135,591	15,950,831	1,305,543	16,692,083	(13.0)	(4.4)
April	1,561,662	17,512,493	1,290,861	17,982,944	21.0	(2.6)

(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 2025.

Ten Largest Sales Tax Generators - 2024

<u>Type of Business</u>	<u>2024 Sales Tax Collected</u>	<u>Percent of Total Sales Tax(1)</u>
Grocery	\$3,996,604	5.0%
General merchandise	3,919,520	4.9
General merchandise	3,713,171	4.6
General merchandise	3,265,701	4.1
Home Improvement Store	2,462,364	3.1
Utilities	2,229,631	2.8
Groceries	2,118,736	2.7
General merchandise	1,943,066	2.4
Home Improvement Store	1,564,558	2.0
Grocery	1,463,989	1.8
Total	\$25,677,340	33.4%

(1) Based upon total Sales Tax collections of \$79,618,545 in 2024.

Source: The Town.

During 2024, food and general merchandise stores as a category (not just the top generators) accounted for approximately 26.7% of total Sales Tax revenues. Miscellaneous retail accounted for 22.3% of total Sales Tax revenues, while hotels, restaurants and bars accounted for approximately 12.7% and Apparel and accessories accounted for 10.5% during that same period. No other category accounted for more than 10% of Sales Tax revenues during 2024.

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 sales tax growth of approximately 3.7% per year over the next five years. The Town is a growing community, estimated to have roughly 87,000 residents as of the end of the first quarter of 2025. That puts the Town at about 57% of its currently projected maximum buildout population of 151,953. (Realistically, based on today’s entitlements, it is estimated that the Town’s population will grow to up to 120,000-140,000.) That estimate is generated by closely tracking what the Town refers to as “entitlements,” or approved development rights. This illustrates the potential for growth in 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. Single family permits remained strong at 1,060 and 1,169 for 2020 and 2021, respectively. However, the Town saw decreases in the permit numbers of 686, 400, and 371 for the years ended December 31, 2022, 2023 and 2024, respectively. This decrease is primarily attributed to the slowdown in the nationwide housing market due to weakened consumer confidence and inflated interest rates. The decrease in permit numbers combined with the varied valuation amounts, have significantly impacted revenue streams generated from development, such as impact fees and system development fees which are used to fund capital construction necessitated by development. The Town is currently anticipating an average of 535 new housing units (including single-family and multi-family) each year between now and 2030 and a modest level of additional commercial development of approximately 150,000 square feet per year.

Motor Vehicle Use Tax has continued to increase over the last five years as compared to the previous five years, however, during 2024 the Town realized a slight 2.5% decrease as compared to the 2023 actual. Year to date 2025 Motor Vehicle tax revenue is tracking slightly under the 2025 Amended Budget amount, by approximately 8%, but is expected to end the year approximately 2.5% higher than 2024. Motor vehicle tax revenue for 2026 is anticipated to be 3% higher than the 2025 current estimated amount. This budget prediction is generally based on recent trends, 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 numerous agreements in place that agree to rebate certain amounts of existing Sales and/or Use Tax in connection with development agreements. Certain of these agreements are discussed below. The rebates or sharing arrangements are paid from the Sales Tax generated by the specific development. The Town’s obligations under these agreements do not have a specific lien on any Sales and Use Tax revenues and are subject to annual appropriation.

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 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 entered into a Second Amended and Restated Public Finance Agreement, dated as of March 2, 2021 (the “Restated 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 Restated Promenade Agreement replaced a 2015 public finance agreement, as amended. 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.

Pursuant to the Restated Promenade Agreement and a related Sales and Use Tax Ordinance amendment, the Town has agreed to grant a Sales Tax credit in the amount of 0.55% 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 0.55% (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 opened 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.

As a result of the Promenade Agreement, the Sales Tax will be imposed within the Promenade PIF Property at a rate of 3.65%. 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 Town’s Downtown Development Authority (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 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 collects a 1% public improvement fee imposed by the developer 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).

Other Sales Tax Sharing Agreements. The Town has created a business improvement district and entered into a related public finance agreement with respect to the Miller’s Landing development within the Town. The development is planned as a four-phase, 65-acre mixed use development with office space, retail, entertainment and a hotel with conference facilities. The associated public finance agreement requires the Town to provide sales tax credits in an amount of up to \$65 million; however, the development has yet to generate sufficient taxable transactions to qualify for the sales tax credits.

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.

The Town currently has numerous economic incentive agreements in place that require the rebate of sales tax revenues and/or use tax to private business. 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 largest of these is an agreement with Costco pursuant to which the Town will rebate \$3 million from the Economic Development Fund on the second day the store is open and then will provide a 50% sales tax shareback up to a total of \$10 million; that amount will be paid from only sales tax revenues generated by the store.

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.

Budget Summaries and Comparisons

Set forth in the following table is a comparison of the Town’s General Fund budgets for fiscal years 2024 and 2025, as compared to actual (unaudited) results for the four-month periods ending April 30, 2024 and 2025.

The information in the table 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

	2024 Final <u>Budget</u>	Actual YTD through <u>4/30/24 (1)</u>	2025 Adopted <u>Budget</u>	Actual YTD through <u>4/30/25 (1)</u>
Revenues				
Taxes (2)	\$65,611,055	\$21,762,864	\$68,547,626	\$24,150,019
Licenses and permits	176,482	117,361	181,209	89,570
Franchise fees	2,915,939	597,265	3,162,381	940,745
Fines and forfeitures	214,575	75,149	216,946	86,849
Contributions and donations	25,250	8,502	51,503	17,390
Intergovernmental ⁽³⁾	7,901,812	5,868,528	5,213,089	84,260
Charges for services	7,774,059	2,746,198	7,945,994	3,041,180
Investment earnings	701,112	432,849	640,180	240,302
Other revenue	545,253	19,787	296,700	31,857
Transfers in	<u>13,356,429</u>	<u>72,636</u>	<u>5,417,385</u>	<u>170,206</u>
Total revenues	<u>99,221,966</u>	<u>31,701,138</u>	<u>91,673,013</u>	<u>28,852,378</u>
Expenditures				
Personnel Services	55,145,308	15,166,373	59,305,491	14,689,453
Services & Other	12,184,266	3,000,965	12,921,550	3,481,519
Supplies	4,806,263	883,501	4,736,732	1,001,209
Capital	15,965,303	571,881	7,617,442	330,736
Transfers Out	<u>20,397,848</u>	<u>1,921,074</u>	<u>5,233,746</u>	<u>1,299,940</u>
Total Expenditures	<u>108,498,988</u>	<u>21,543,794</u>	<u>89,814,961</u>	<u>20,802,857</u>
Net change	<u>\$(9,277,022)</u>	<u>\$10,157,344</u>	<u>\$1,858,052</u>	<u>\$8,049,521</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.

(3) Intergovernmental revenues are variable from year to year and are reliant upon the timing of payments received from other governmental units during the course of joint projects.

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.

The following table provides a comparative statement of revenues, expenditures and changes in fund balance for the Town's General Fund for fiscal years 2020 through 2024. The information has been obtained from the audited basic financial information presented in the Town's Annual Comprehensive Financial Reports for 2020 through 2024. The information in this table is presented in accordance with GAAP.

This information should be read together with the Town's fiscal year 2024 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 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

Revenues	Year Ended December 31,				
	2020	2021	2022	2023	2024
Taxes					
Property	\$ 1,332,644	\$ 1,387,051	\$ 1,465,448	\$ 1,485,758	\$ 1,755,403
Sales	37,579,999	43,901,118	49,566,348	53,791,639	57,194,615
Use	1,881,788	598,405	2,491,173	1,027,100	1,444,888
Motor Vehicle Use	4,082,645	6,685,380	6,269,376	6,525,224	6,310,815
Other taxes	2,887,574	3,271,042	3,745,319	3,823,627	3,340,122
Charges for services	2,207,948	3,035,694	2,790,785	3,764,519	4,369,126
Management fees	4,308,917	4,304,660	4,205,990	4,202,130	4,548,730
Licenses and permits	145,959	133,909	202,036	200,997	103,438
Fines and forfeitures	270,019	289,720	230,738	239,175	279,854
Investment earnings	553,659	(23,758)	(102,339)	1,415,491	1,760,208
Intergovernmental	3,536,158	47,144	421,992	2,696,124	10,183,247
Contributions and donations	81,969	59,516	66,881	82,836	980,230
Leases	--	--	257,701	148,507	--
Other	666,895	697,363	516,209	546,745	648,059
Total revenues	59,536,174	64,387,244	72,127,657	79,949,872	92,918,735
Expenditures					
Current					
General government	15,709,194	14,613,993	15,620,180	16,610,355	17,727,149
Public safety	29,459,567	34,096,630	38,631,818	43,623,617	47,026,145
Culture and recreation	4,103,913	4,688,195	5,024,880	5,383,098	5,946,157
Capital outlay	1,827,051	10,335,415	4,019,311	13,951,797	16,334,355
Debt service					
Interest	--	389,367	339,400	339,400	339,400
Agency fees	--	2,000	2,000	2,000	2,000
Debt issuance costs	194,979	--	--	--	--
Total expenditures	51,294,704	64,125,600	63,637,589	79,910,267	87,375,206
Excess (deficiency) of revenues over (under) expenditures	8,241,470	261,644	8,490,068	39,605	5,543,529
Other Financing Sources (Uses)					
Issuance of debt (2020 COPS)	8,485,000	--	--	--	--
Issuance of COP premium	1,467,716	--	--	--	--
Transfers in	2,202,748	762,708	16,016,841	1,741,122	1,753,478
Transfers out (1)	(2,954,662)	(937,493)	(15,039,826)	(862,344)	(2,499,045)
Total other financing sources (uses)	9,200,802	(174,785)	977,015	878,778	(745,567)
Net change in fund balances	17,442,272	86,859	9,467,083	918,383	4,797,962
Fund balances-January 1	29,546,920	46,989,192	47,076,051	56,543,134	57,461,517
Fund balances-December 31	\$46,989,192	\$47,076,051	\$56,543,134	\$57,461,517	\$62,259,479

(1) Generally, transfers out are comprised of transfers or contributions to capital improvements of the Town. Occasionally the Town also makes very short-term cash flow loans to other Town funds.

Source: Derived from the Town's ACFRs for the years ended December 31, 2020-2024.

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 37 square miles and, based upon home occupancy rates and the number of building permits issued, the Town estimates its population to be approximately 87,102.

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 Council is comprised of seven members from each of seven voter districts elected at its regular election in November of even-number years for staggered four-year terms. Accordingly, Council elections are now held at the Town’s regular election in November of even-numbered years. The Council elects the Mayor and the Mayor Pro Tem biannually from among its members. 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 Municipal Code.

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

<u>Name and Position</u>	<u>Council District</u>	<u>Principal Occupation</u>	<u>Elected/ Appointed</u>	<u>Term Expires (November)</u>
Jason Gray, Mayor	At large	Business owner	2018	2026
Laura Cavey, Mayor Pro Tem	2	Technology industry	2020	2028
Kevin Bracken, Council Member	3	Healthcare	2018	2026
Max Brooks, Council Member	5	Marketing/advertising	2022	2026
Mark Davis, Council Member	4	Construction management	2024	2028
Tim Dietz, Council Member	6	Owner-insurance agency	2020	2028
Ryan Hollingshead, Council Member	1	Educator	2020	2028

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 held since 2006. Prior to assuming the role of City Manager, he held other management positions with the City of Lawrence. He holds a Bachelors Degree in Political Science, Master's Degree in Public Administration and a Juris Doctorate from the University of Kansas School of Law.

Trish Muller, CPA, 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 Bachelor 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 has been the Town Attorney since July 1, 2020. Prior to coming to the Town, he served two years with the City and County of Denver, Colorado, as Deputy City Attorney. Prior to that time, Mr. Hyman served for 32 years in various positions in the City Attorney's Office with the City of Aurora, Colorado, including four years as City Attorney and as Assistant City Attorney and Deputy City Attorney. Mr. Hyman obtained his law degree from the University of Colorado and his undergraduate degree from the University of Denver.

Jeff Brauer, Director of Parks and Recreation. Jeff Brauer has served as the Parks and Recreation Director for the Town of Castle Rock since 2015. He has worked for three park and recreation agencies in his career. Mr. Brauer is a Certified Park and Recreation Executive (CPRE) and a Professional Landscape Architect (PLA). He earned his Bachelor of Landscape Architecture (BLA) from Iowa State University and is a graduate of the National Executive Development School in Santa Fe, New Mexico. Mr. Brauer worked in private practice while providing design and planning services for real estate development projects in Colorado prior to joining the Parks and Recreation profession.

Employees; Benefits and Pension Matters

Employees; Benefits and Pension Matters. The Town currently has 573 full-time employees and 825 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 employees who work at least 30 hours per week. Part-time employees are offered a limited benefits package. Full-time benefits include: medical, dental, vision insurance, wellness program, flexible spending account, health savings account, 401(a) with employer contribution, 457 and FPPA for eligible public safety employees, life insurance (basic and voluntary), short term disability, long term disability, employee assistance program, recreation center/Miller Activity Complex membership paid time off that includes 11.5 holidays, vacation, sick leave and personal days.

Retirement Plan/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 is administered by Mission Square Retirement and may be amended with the approval of the Council. For 2024, 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 Mission Square Retirement of \$2,346,863 and \$2,447,983, respectively, for the years ended December 31, 2023 and 2024.

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 are not fully vested until they have reached 10 years of service. The Town's contributions to Mission Square Retirement for this plan for the years ended December

31, 2023, and December 31, 2024, were \$41,532 and \$43,197, respectively, equal to the required contributions. Plan provisions and contribution requirements are established and administered by Mission Square Retirement 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. 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. 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 Mission Square Retirement for this plan for the years ended December 31, 2023 and 2024 were \$111,723 and \$107,744, respectively, equal to the required contributions. Plan provisions and contribution requirements are established and administered by Mission Square Retirement and may be amended with the approval of Council.

See Note 11A through C in the audited financial statements for more information regarding the Town's defined contribution plans.

In September 2021, the Council adopted a resolution approving the affiliation of eligible police officers with the Fire and Police Pension Association of Colorado ("FPPA") Statewide Defined Benefit Plan. As described below, the Town's firefighters already participate in FPPA.

Police Employees - Statewide Defined Benefit Plans. Beginning in March 2021, the Town's sworn police officers were provided the option to participate in the Statewide Defined Benefit Plan ("SWDB") administered by the Fire and Police Pension Association ("FPPA"). The Town's full-time sworn police officers who chose to opt into the plan, as well as full-time sworn police officers hired after entry into the plan, are members of SWDB.

Contribution rates for the Plan are set by state statute. The FPPA Board of Directors may further increase the required contributions, equally between employer and member, upon approval through an election of both employers and members.

Members of the Defined Benefit Component contribute 12.0 % of the based salary. In 2020, legislation was enacted to increase the employer contributions rate to the Plan beginning in 2021. Employer contribution rates will increase 0.5% annually through 2030 to a total of 13.0% of base salary. These increases result in a combined contribution rate of 25% of base salary in 2030. In 2024, the total combined member and employer contribution rate was 22%.

The Town's contribution to the Statewide Retirement Plan ("SRP") for the years ended December 31, 2023 and 2024, were equal to the required contributions of \$920,068 and \$1,020,770, respectively. As of December 31, 2024, the Town reported a liability of \$0 for its proportionate share of the SRP net pension liability, which was measured as of December 31, 2023.

Fire Employees - Statewide Defined Benefit Plan. Firefighters participate in the SWDB administered by FPPA. Members of the Defined Component contribute 12.0% of base salary. In 2020, legislation was enacted to increase the employer contributions rate to the Plan beginning in 2021. Employer contributions rates will increase 0.5% annually through 2030 to a total of 13.0% of base salary. The increase result in a combined contributions rate of 25.0% of base salary in 2030. In 2024, the total combined member and employer contribution rate was 22%. The Town contributions to this plan for the years ended December 31, 2023 and 2024 were equal to the required contributions of \$1,010,720 and \$1,102,828, respectively. As of December 31, 2024, the Town reported a liability of \$0 for its proportionate share of the SWDB net pension liability, which was measured as of December 31, 2023.

See Note 11D. 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 a 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. The Town increased monthly benefit amounts in 2024. 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, 2023 and 2024, the Town and State contributions to the Volunteer Plan were \$20,400 and \$26,177, respectively.

The Town and the State have funded the Annual Required Contribution (“ARC”) in each of the last three years. As of January 1, 2021, the most recent actuarial valuation date, the current level of contribution to the fund is adequate to support on an actuarially sound basis, the prospective benefits for the plan.

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 11E 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

General. The Council acts to protect the Town (including the System) against loss and liability by maintaining certain insurance coverages, including property, general liability, automobile liability, law enforcement liability, public officials’ errors and omissions liability, cybersecurity 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, 2026. 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 (Cigna). 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 2024 risk management activities.

Cybersecurity. The Town relies on computer systems and technologies to conduct many of its operations. Despite security measures, policies and training, the Town, like other public and private entities, may be vulnerable to cyber-attacks by third parties. Any such attack could compromise systems and the information stored in them. A cyberattack could result in a disruption in the operations of the Town and may adversely affect its revenues.

The Town carries cyber insurance coverage and has not been the subject of any successful cyberattack that impacted or affected operations or financial recording/reporting functions. The Town has cyber training programs and mitigation/prevention plans for cyberattacks. The Town remains vigilant and proactive in strengthening its cybersecurity posture. As part of its ongoing efforts, it has recently added a dedicated Security Engineer to help implement and maintain enhanced safeguards across our systems. This step reflects our continued commitment to evolving our security measures and minimizing risk. No assurances can be given that these security measures will successfully prevent all cyberattacks.

Climate Issues. The Town has included planning for climate change in its water resources strategic master plan. Potential impacts of climate change to the Town’s water supplies have been estimated to allow for acquisition of additional renewable supplies to mitigate those impacts. The Town continues to secure renewable water sources with a goal of having 75% renewable water by 2030. As part of the planning for potential water supply impacts and more frequent droughts associated with climate change, the Town also has a Municipal Drought Management Plan. This plan outlines the Town’s responses to drought events.

In conjunction with climate change, the Town is evaluating the potential impact of wildfire. The Town has completed a Community Wildfire Protection Plan which was adopted in January 2022. The County contracts for a water-carrying helicopter for 6-9 months of the year; the Town is able to utilize the helicopter if needed. The Town also contracts for a herd of goats used to manage growth in open space areas.

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.

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. 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

General. 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.

Awards. The Government Finance Officers Association ("GFOA") has awarded the Town its Distinguished Budget Presentation Award for the 2025 budget. This is the 13th consecutive year the Town has received this award.

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 2024 ACFR was filed on time.

The Town's audited basic financial statements for the year ended December 31, 2024, 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 are payable only from legally available revenues; no funds are pledged to payment of the Certificates. 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.*

Awards. The Town has received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (“GFOA”) for its Annual Comprehensive Financial Report for 2015 through 2023. 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 annual comprehensive financial reports are judged to conform substantially to program standards. This is the 34th 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 Refunding Bonds, Series 2016, currently outstanding in the aggregate principal amount of \$2,520,000; and (2) the Town’s Taxable Sales and Use Tax Revenue Refunding Bonds, Series 2020, outstanding in the principal amount of \$17,645,000.

Water and Wastewater Enterprise Revenue Bonds. The Town has outstanding \$56,135,000 aggregate principal amount of revenue bonds payable from the net revenues of its water and wastewater system, consisting of its: (1) Water and Sewer Enterprise Revenue Refunding Bonds, Series 2015, currently outstanding in the aggregate principal amount of \$1,280,000; (2) Water and Sewer Enterprise Revenue Refunding Bonds, Series 2016, currently outstanding in the aggregate principal amount of \$31,930,000; and (3) the Water and Sewer Enterprise Revenue Bonds, Series 2022, currently outstanding in the aggregate principal amount of \$22,925,000.

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 \$1,415,000; 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 also has obligations pursuant to an annually renewable lease Purchase Agreement dated as of October 8, 2020, between the Town and the Trustee under a related indenture (the “2020 Lease”). The Town’s payments under the 2020 Lease are used by the Trustee to pay base rentals on certain certificates of participation (the “2020 COPS”) issued pursuant to the indenture. The proceeds of the 2020 COPS were used by the Town to fund the construction of certain public facilities, including, without limitation, the construction of a parking facility for Town purposes. As of June 1, 2025, the 2020 COPS were outstanding in the aggregate principal amount of \$8,485,000. The 2020 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 2020 Lease (assuming the Town continues to appropriate funds).

Remaining Base Rentals Under the 2020 Lease

	<u>2020 Lease</u>
2025	\$ 339,400
2026	339,400
2027	339,400
2028	339,400
2029	339,400
2030	339,400
2031	339,400
2032	339,400
2033	814,400
2034	815,400
2035	860,600
2036	863,200
2037	909,800
2038	908,600
2039	961,400
2040	516,000
2041	537,200
2042	542,000
2043	566,000
2044	573,400
2045	599,800
2046	604,400
2047	633,000
2048	639,600
Total	<u>\$14,060,000</u>

Notes Payable. In 2019, the Town entered into a loan agreement with a financial institution in the amount of \$9,500,000 to finance stormwater projects; the loan is payable solely from revenues in the Stormwater Fund. Principal payments are due annually through 2030; the outstanding principal amount is \$6,625,000. Interest is payable semiannually at a rate of 1.92%.

Other Leases. The Town currently leases office equipment pursuant to operating leases and expects to continue doing so from time to time. All of these leases are subject to annual appropriation.

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.

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 2010 and 2020, the population of the Town increased 51.7% and the population of the County increased 25.4%. During the same time period, the populations of the Denver-Aurora CBSA and the State increased 16.5% and 14.8%, respectively.

<u>Population</u>								
Year	Town of Castle Rock	Percent Change	Douglas County	Percent Change	Denver- Aurora CBSA	Percent Change	Colorado	Percent Change
1980	3,921	--	25,153	--	1,450,768	--	2,889,735	--
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
2020	73,158	51.7	357,978	25.4	2,963,821	16.5	5,773,714	14.8
2021	76,963	--	369,787	--	2,977,806	--	5,811,121	--
2022	79,107	2.8%	375,958	1.7%	2,985,929	0.3%	5,840,234	0.5%
2023	80,950	2.3	383,911	2.1	3,004,095	0.6	5,876,300	0.6

(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 (1980-2020), and Colorado State Demography Office (2021-2023 estimates, which are subject to revision, and the 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
2019	\$76,598	\$67,590	\$61,278	\$55,567
2020	83,137	71,292	64,671	59,114
2021	89,702	79,446	71,676	64,450
2022	97,353	86,141	76,544	66,096
2023	102,928	89,297	79,746	69,418
2024	n/a	n/a	82,705	72,425

(1) Figures for Douglas County and the Denver-Aurora CBSA updated February 20, 2025. Figures for the State and the United States updated March 28, 2025. 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 and Denver-Aurora CBSA industries that are covered by unemployment insurance. In 2024, the largest employment sector in Douglas County was professional and technical services (comprising approximately 12.5% of the county's work force), followed, in order, by retail trade, health care and social assistance, accommodation and food services, and educational services. For the twelve-month period ended December 31, 2024, total average employment in the county increased 1.7% as compared to the twelve-month period ending December 31, 2023, while total average weekly wages increased 4.3% during the same time period.

Average Number of Employees Within Selected Industries – Douglas County

<u>Industry</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Accommodation and Food Services	11,546	12,836	13,678	14,407	14,632
Administrative and Waste Services	5,855	6,156	6,205	6,158	5,735
Agriculture, Forestry, Fishing, Hunting	222	248	263	305	255
Arts, Entertainment and Recreation	3,032	3,083	3,851	4,185	4,122
Construction	9,733	10,845	10,997	11,245	11,159
Educational Services	10,856	10,989	11,175	11,900	12,619
Finance and Insurance	12,766	13,173	12,595	12,385	12,088
Government	3,391	3,494	3,777	4,092	4,285
Health Care and Social Assistance	14,086	14,827	15,501	16,242	17,106
Information	5,317	5,243	5,134	4,986	5,292
Management of Companies/Enterprises	3,512	3,638	3,908	4,327	3,908
Manufacturing	2,081	2,177	2,355	2,418	2,463
Mining	235	208	191	155	133
Non-Classifiable	26	39	51	101	25
Other Services	3,920	4,226	4,433	4,746	4,980
Professional and Technical Services	13,840	15,765	17,128	17,738	18,465
Real Estate, Rental and Leasing	2,020	2,122	2,191	2,409	2,418
Retail Trade	17,673	18,041	17,773	17,816	17,661
Transportation and Warehousing	2,122	2,413	2,512	2,923	3,300
Utilities	482	505	522	555	579
Wholesale Trade	4,875	5,136	5,953	5,811	6,100
Total ⁽¹⁾	<u>127,591</u>	<u>135,163</u>	<u>140,193</u>	<u>144,900</u>	<u>147,322</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 2024, the largest employment sector in the Denver-Aurora CBSA was health care and social assistance (comprising approximately 12.8% 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, 2024, total average employment in the Denver-Aurora CBSA increased by approximately 0.1% as compared to the twelve-month period ending December 31, 2023.

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

<u>Industry</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Accommodation and Food Services	111,871	124,453	139,924	145,310	144,028
Administrative and Waste Services	91,081	95,917	100,893	100,181	97,542
Agriculture, Forestry, Fishing, Hunting	4,436	4,743	4,335	3,714	3,294
Arts, Entertainment and Recreation	22,827	26,168	30,491	33,574	34,371
Construction	100,672	101,561	105,030	106,780	106,910
Educational Services	108,109	107,869	111,338	115,999	117,883
Finance and Insurance	78,237	79,799	80,971	78,892	76,292
Government	73,823	73,285	74,475	79,376	81,500
Health Care and Social Assistance	181,129	186,992	190,774	199,449	206,398
Information	51,884	53,283	55,109	53,616	50,202
Management of Companies/Enterprises	33,887	34,748	35,937	37,065	36,548
Manufacturing	69,354	70,204	71,774	69,805	67,261
Mining	8,883	8,188	8,135	8,079	7,764
Non-Classifiable	129	173	275	531	267
Other Services	42,663	44,789	47,737	49,831	50,609
Professional and Technical Services	149,456	160,278	175,622	181,428	183,456
Real Estate, Rental and Leasing	30,384	32,375	34,065	34,300	34,348
Retail Trade	132,282	136,947	136,864	138,518	137,776
Transportation and Warehousing	72,725	74,830	79,193	81,867	84,239
Utilities	6,037	6,186	6,431	6,762	6,716
Wholesale Trade	72,945	74,020	78,318	78,976	78,162
Total ⁽¹⁾	<u>1,444,289</u>	<u>1,498,191</u>	<u>1,569,810</u>	<u>1,606,400</u>	<u>1,607,995</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 time 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 rates for the Denver-Aurora CBSA, the State or the United States during the period shown.

Labor Force and Employment

Year	Douglas County ⁽¹⁾		Denver-Aurora CBSA ⁽¹⁾		Colorado ⁽¹⁾		United States
	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed	Percent Unemployed
2020	196,496	5.3%	1,665,078	6.9%	3,079,767	6.8%	8.1%
2021	207,386	4.1	1,710,847	5.5	3,146,263	5.5	5.3
2022	215,655	2.5	1,738,712	3.0	3,184,962	3.1	3.6
2023	222,178	2.9	1,761,926	3.2	3,231,187	3.3	3.6
2024	224,147	3.9	1,776,989	4.2	3,267,766	4.3	4.0
<u>Month of April</u>							
2024	222,044	3.4%	1,761,103	3.7%	3,242,389	3.7%	3.9%
2025	223,920	4.3	1,776,342	4.6	3,276,181	4.6	4.2

(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.

Principal Employers in Douglas County - 2024

Name of Employer	Product or Service	Estimated Number of Employees
Douglas County School District	Education	8,500
Charles Schwab	Financial services	3,800
DISH Network	Satellite television and equipment	1,900
Douglas County	Government	1,491
Sky Ridge Medical Center	Healthcare	1,300
Lockheed	Aerospace and defense	1,300
Kiewit	Construction	1,300
Sequoia One	Professional employer organization	1,000
Western Union	Financial services	900
Wind Crest	Assisted living	900

Sources: Metro Denver Economic Development Corporation; Douglas County School District; and State of Colorado, Department of Labor and Employment, Labor Market Information, all as posted in the Douglas County *Annual Comprehensive Financial Report* for the year ended December 31, 2024.

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	Government	1,500-2,250
Douglas County School District Re.1	Public education	1,000-1,500
Town of Castle Rock	Government	750-1,000
Castle Rock Adventist Hospital ⁽²⁾	Healthcare	501-750
Castle Rock Homes/Keller Williams	Real estate	400-550
Wal-Mart	General merchandise retail	300-400
Elite Surface Infrastructure/Rocky		
Mountain Excavating Inc.	Construction	250-350
Kohl's	Department store	150-250
Brookside Inn	Senior living	150-250
Kroger/King Soopers	Retail grocery	150-200

(1) Full-time employee equivalents that work in the Castle Rock area.

(2) Figure includes Centura employees and private practice employees.

Source: Castle Rock Economic Development Council as posted in the Town of Castle Rock *Annual Comprehensive Financial Report* for the year ended December 31, 2023.

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	Permits	Value
2020	1,060	\$325,293,051	293	\$51,892,305	59	\$52,471,985
2021	1,169	378,739,709	538	64,917,976	70	54,709,076
2022	686	276,818,535	352	79,525,496	77	117,925,732
2023	400	207,802,586	283	45,737,653	25	47,163,619
2024	371	205,824,440	44	7,249,955	11	31,377,977
2025 ⁽³⁾	174	101,770,065	--	--	5	25,737,753

(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 permits issued from January 1 through June 30, 2025.

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
2020	969	\$308,765,238	152	\$36,325,996	266	\$140,085,634
2021	1,321	428,079,718	283	83,790,699	277	135,856,591
2022	1,096	353,920,875	457	133,598,720	394	158,141,385
2023	741	257,973,140	242	61,902,335	289	181,177,753
2024	930	313,447,062	146	64,119,121	335	137,180,921
2025 ⁽³⁾	314	106,813,455	44	7,746,886	75	46,779,404

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

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

(3) Figures are for permits issued from January 1 through April 30, 2025.

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 does not take into account the number of foreclosures that were filed and subsequently redeemed or withdrawn.

History of Foreclosures - Douglas County

Year	Number of Foreclosures Filed	Percent Change
2020	98	--
2021	46	(53.1)%
2022	199	332.6
2023	207	4.0
2024	228	10.1
2025 ⁽¹⁾	92	--

(1) Figures are for foreclosures filed from January 1 through April 30, 2025.

Sources: Colorado Division of Housing (2020 figure) and the Douglas County Public Trustee's Office (2021-2025 figures).

TAX MATTERS

General Matters

In the opinion of Butler Snow LLP, Special Counsel, under existing laws, regulations, published rulings and judicial decisions and assuming the accuracy of certain representations and continuous compliance with certain covenants described herein, interest on the Certificates (including any original issue discount properly allocable to the owner of a Certificate) is excludable from gross income under federal income tax laws pursuant to Section 103 of the Tax Code and interest on the Certificates is not a specific preference item for purposes of the federal alternative minimum tax, except as such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Tax Code) for the purpose of computing the alternative minimum tax imposed on corporations. 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.

The opinions described above assume the accuracy of certain representations and compliance by the Town 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 Town has covenanted to comply with such requirements. Special Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds. Special Counsel has also 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.

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.

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.

The maximum amounts that may be recovered under the Immunity Act for injuries occurring on or after January 1, 2022, 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 \$424,000; (b) for an injury to two or more persons in any single occurrence, the sum of \$1,195,000; except in such instance, no person may recover in excess of \$424,000. These amounts increase every four years pursuant to a formula based on the Denver-Aurora-Greeley Consumer Price Index. The City may increase any maximum amount that may be recovered from the City for certain types of injuries. However, the City may not be held liable either directly or by indemnification for punitive or exemplary damages unless the City voluntarily pays such damages in accordance with State law. The City has not acted to increase the damage limitations in the Immunity Act.

The 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, LLP, Denver, Colorado.

Certain Constitutional Limitations

TABOR (Article X, Section 20 of the Colorado Constitution). At the general election on November 3, 1992, the voters of Colorado approved 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.

The Town's electors have approved several temporary "timeouts" from the TABOR spending limitations, including questions approved at elections held in 2005, 2009 and 2016. Most recently, in November 2021, 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 ten-year period commencing on January 1, 2021, through December 31, 2030. In addition, beginning January 1, 2031, 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 2021 fiscal year through the 2030 fiscal year, adjusted in 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 law enforcement, fire protection, and emergency medical services, and for roads and other transportation purposes. As used in the 2021 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 2, 2021.

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, 2024, included in this Official Statement as Appendix A, have been audited by Forvis Mazars, LLP, certified public accountants, Denver, Colorado, to the extent and for the period indicated in their report attached hereto.

The Town will not obtain a consent letter from its auditor for the inclusion of the audit report in this Official Statement. Forvis Mazars, 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. Forvis Mazars, 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 \$75,280,272.50 (which is equal to the par amount of the Certificates, plus net original issue premium of \$3,020,472.50, and less Underwriter’s discount of \$290,200.00). 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 reallow 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, 2024

NOTE: The audited basic financial statements of the Town included in this Appendix A have been excerpted from the Town's ACFR for the year ended December 31, 2024. 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, Colorado
Castle Rock, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Castle Rock, Colorado (the Town), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town, as of December 31, 2024, 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.

We did not audit the financial statements of Plum Creek Water Reclamation Authority, a joint venture of the Town, which represent 28%, respectively, of the assets and net position of the Wastewater Enterprise Fund and 4% and 5%, respectively, of the assets and net position of the Town's business-type activities as of December 31, 2024. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for 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 or the Miller's Landing Improvement District, which together represent the aggregate discretely presented component units of the Town. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Castle Rock Downtown Development Authority and the Miller's Landing Business Improvement District, is based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Plum Creek Water Reclamation Authority, a joint venture of the Town included in the Wastewater and the business-type activities of the Town, and the financial statements of the Castle Rock Downtown Development Authority and Miller's Landing Business Improvement District, component units included in the financial statements of the aggregate discretely presented component units, were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary 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 fund statements and schedules and the Local Highway Finance Report are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 GAAS. In our opinion, the combining and individual fund statements and schedules and the Local Highway Finance Report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report and the popular annual financial report. The other information comprises the introductory and statistical sections of the annual comprehensive financial report and the popular annual financial report but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2025, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Forvis Mazars, LLP

**Denver, Colorado
June 19, 2025**

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, 2024. 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 Annual Comprehensive Financial Report.

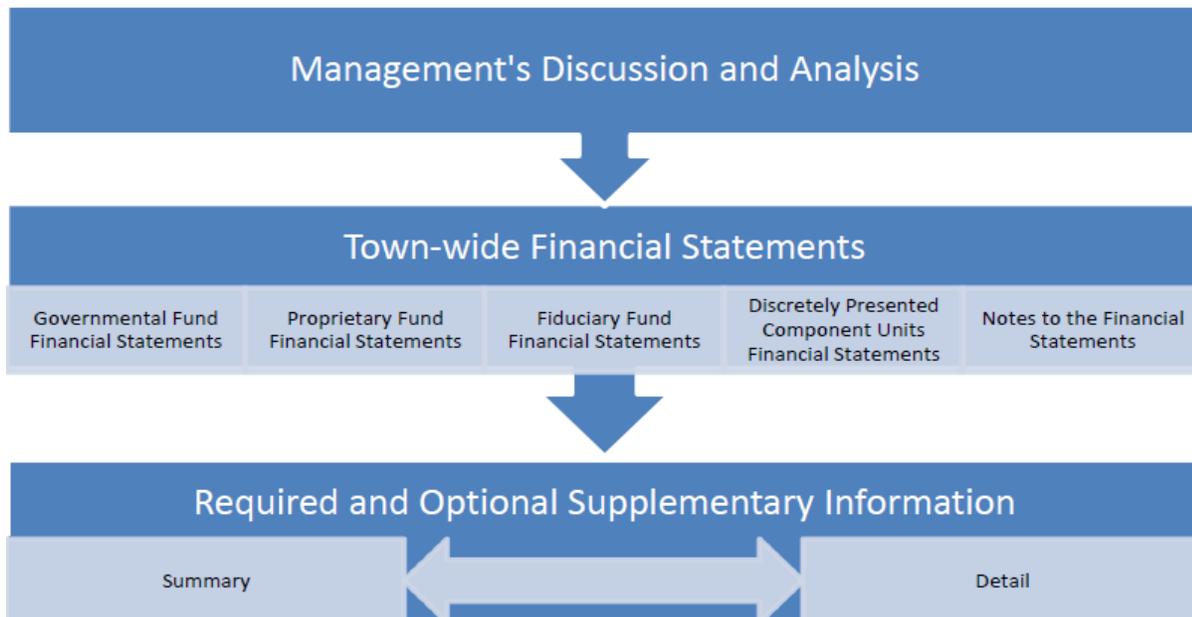
FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at December 31, 2024 by \$1.6 billion (*net position*). Of this amount, \$303.5 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 \$107.5 million or 7.1 percent.
- As of December 31, 2024, the Town's governmental funds reported combined ending fund balances of \$140.9 million, an increase of \$3.1 million from 2023.
- The Town's long-term liabilities totaled \$119.5 million at the end of 2024. The \$8.8 million or 6.9 percent decrease from 2023 was primarily due to payment of annual debt service.
- On December 31, 2024, the unassigned fund balance for the General Fund was \$28.3 million, which consisted of three-months cash reserves of \$17.3 million to cover cash flow requirements and unappropriated funds of \$10.9 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 and the Business Improvement District, the two discretely presented component units 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 compensated absences).

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 legally separate entities for which the Town is financially accountable. Financial information for these component units are 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 three categories: governmental funds, proprietary funds, and fiduciary 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 eighteen individual governmental funds. Information on the Town's major governmental funds; the General Fund, including the Economic Development, Parking Fund and the TABOR Excess 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 thirteen 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 Town's major enterprise funds: Water, Water Resources, Stormwater, and Wastewater. Data from the three other enterprise funds is aggregated into a single "Other Enterprise Funds" column. The internal services funds are also aggregated into a single column on the proprietary fund financial statements. Individual fund data for nonmajor enterprise funds and internal service funds are provided in the form of Combining Statements under the Supplemental Information tab.

FIDUCIARY FUNDS

These funds are used to account for resources held by the Town for the benefit of parties outside of the Town government. Fiduciary activities are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. As of December 31, 2024, the Town's fiduciary activities include the following: one Pension Trust Fund and four custodial funds including the Add-on PIF Fund, Special District Fund, Use Tax Fund and Authority Development Fee Fund.

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 and sworn police officers. 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), the nonmajor enterprise funds, the internal service funds and the custodial funds are presented as Supplementary Information.

TOWN-WIDE FINANCIAL ANALYSIS

The chart below shows a summary comparison of the Town's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position for 2024 and 2023. Based on that comparison, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources (net position) by \$1.6 billion at the close of 2024. Net position may serve over time as a useful indicator of the Town's financial position.

	NET POSITION					
	DECEMBER 31, 2024 and 2023					
	(In thousands)					
	2024			2023		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
ASSETS						
Current and other assets	\$ 219,130	\$ 203,219	\$ 422,349	\$ 187,236	\$ 204,606	\$ 391,842
Capital assets	583,877	791,569	1,375,446	521,547	760,566	1,282,113
Total assets	803,007	994,788	1,797,795	708,783	965,172	1,673,955
DEFERRED OUTFLOWS						
Pension related amounts	11,755	-	11,755	13,001	-	13,001
Loss on refundings	513	141	654	596	200	796
Total deferred outflows	12,268	141	12,409	13,597	200	13,797
LIABILITIES						
Long-term liabilities	43,655	75,822	119,477	46,525	81,804	128,329
Other liabilities	49,729	12,103	61,832	25,936	11,897	37,833
Total liabilities	93,384	87,925	181,310	72,461	93,701	166,162
DEFERRED INFLOWS						
Pension related amounts	2,601	-	2,601	2,949	-	2,949
IREA capital credit	959	-	959	717	-	717
Property tax	1,849	-	1,849	1,926	-	1,926
Leases	749	2,142	2,891	784	2,143	2,927
Total deferred inflows	6,158	2,142	8,300	6,376	2,143	8,519
Net Position						
Net investment in capital assets	540,299	713,708	1,254,007	478,624	686,050	1,164,674
Restricted	63,067	-	63,067	63,904	-	63,904
Unrestricted	112,368	191,153	303,521	101,015	183,478	284,493
Total net position	\$ 715,733	\$ 904,861	\$ 1,620,594	\$ 643,543	\$ 869,528	\$ 1,513,071



The largest portion of the net position, \$1.3 billion (77 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, \$63.1 million (3.9 percent), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$303.5 million (18.7 percent), consists primarily of accumulated development 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 2024, 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 \$107.5 million during 2024. There was a \$72.2 million increase in the net position for governmental activities due primarily to cash and asset contributions for various capital projects. Total net position of the business-type activities increased \$35.3 million. This increase was largely the result of system development fees of \$22.9 million due to continued growth in the community and cash contributions as well as developer contribution for various capital projects that are currently in progress and contributed infrastructure from developers of \$20.0 million in the utilities enterprise funds.

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.

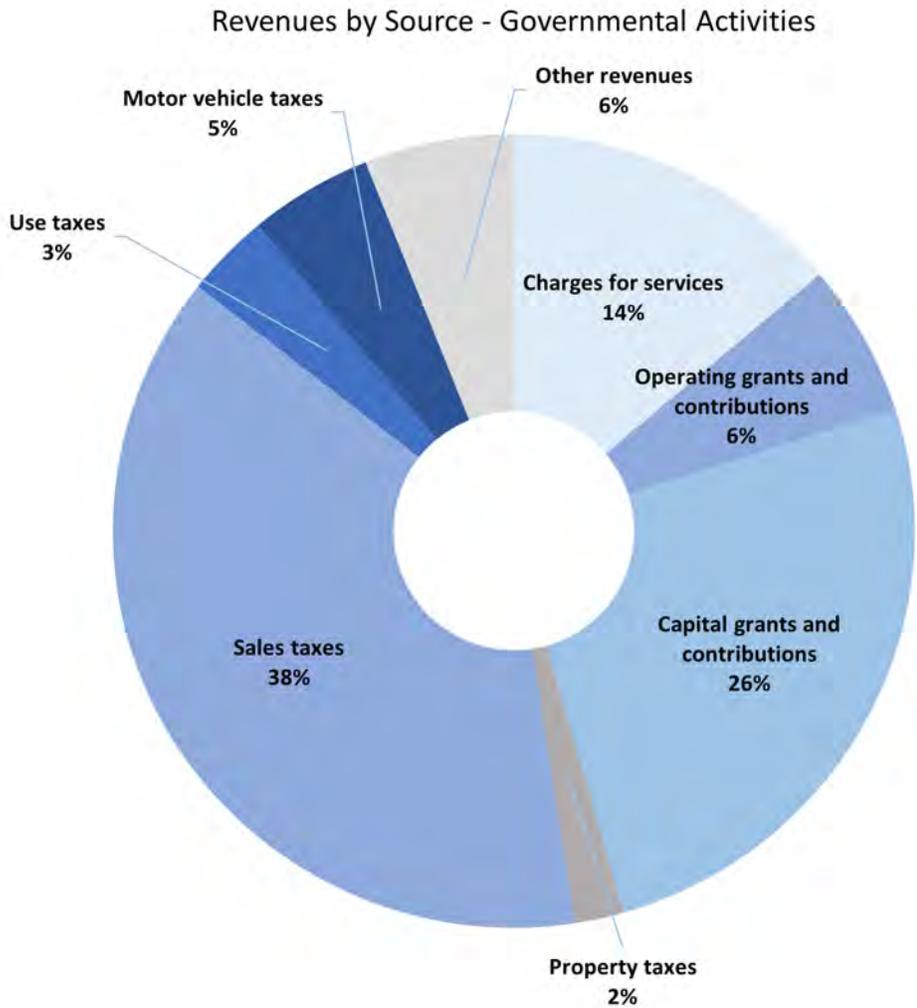


2024 AND 2023 CHANGES IN NET POSITION						
(in thousands)						
	2024			2023		
	Governmental activities	Business- type activities	Total	Governmental activities	Business- type activities	Total
REVENUES						
Program revenues						
Charges for services	\$ 23,417	\$ 69,304	\$ 92,721	\$ 23,015	\$ 62,998	\$ 86,013
Operating grants and contributions	12,252	50	12,302	11,780	-	11,780
Capital grants and contributions	53,873	44,092	97,965	31,521	36,287	67,808
General revenues						
Property taxes	3,860	-	3,860	2,492	-	2,492
Sales taxes	74,620	3,966	78,586	70,726	3,777	74,503
Use taxes	6,701	284	6,984	7,119	289	7,408
Motor vehicle taxes	9,805	619	10,424	10,064	640	10,704
Other revenues	11,836	7,171	19,006	10,352	6,455	16,807
Total revenues	<u>196,363</u>	<u>125,486</u>	<u>321,849</u>	<u>167,069</u>	<u>110,446</u>	<u>277,515</u>
EXPENSES						
General government	23,416	-	23,416	22,412	-	22,412
Public safety	46,086	-	46,086	42,588	-	42,588
Public works	40,871	-	40,871	45,196	-	45,196
Culture and recreation	12,891	-	12,891	11,599	-	11,599
Interest on long- term debt	1,054	-	1,054	1,103	-	1,103
Water	-	24,885	24,885	-	22,914	22,914
Water Resources	-	21,882	21,882	-	15,321	15,321
Stormwater	-	7,921	7,921	-	7,143	7,143
Wastewater	-	13,172	13,172	-	12,463	12,463
Other non-major enterprises	-	22,147	22,147	-	21,772	21,772
Total expenses	<u>124,318</u>	<u>90,007</u>	<u>214,325</u>	<u>122,898</u>	<u>79,613</u>	<u>202,511</u>
Increase in net position before transfers	72,045	35,479	107,524	44,171	30,833	75,004
Transfers	145	(145)	-	964	(964)	-
Increase in net position	72,190	35,334	107,524	45,135	29,869	75,004
Net position - January 1	643,543	869,528	1,513,071	598,408	839,659	1,438,067
Net position - December 31	<u>\$ 715,733</u>	<u>\$ 904,861</u>	<u>\$ 1,620,594</u>	<u>\$ 643,543</u>	<u>\$ 869,528</u>	<u>\$ 1,513,071</u>

Colorado golfers selected Red Hawk Ridge Golf Course as the Best Denver Region Course - Public / Resort in the 2024 CAGGY awards. Red Hawk Ridge has previously been named the Best 5 and Best Value Course in the CAGGY Awards and is also recognized as a Certified Audubon Cooperative Sanctuary by Audubon International.



GOVERNMENTAL ACTIVITIES. The following chart shows the governmental activities revenues by source. Sales taxes provide 38 percent of the total revenues of the governmental activities. Program revenues including charges for services and grants and contributions provide 46 percent of revenues in the governmental activities. Only 2 percent of the revenues of the governmental activities are provided by property taxes.

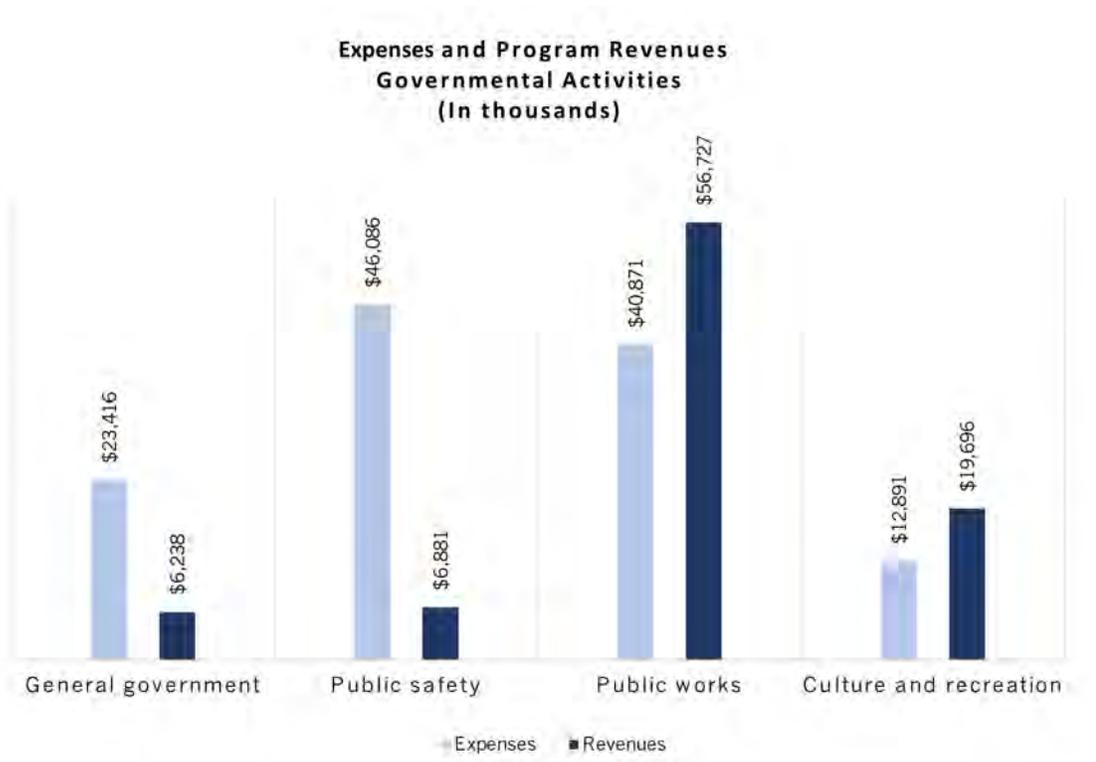


Governmental activities increased the Town’s net position by \$72.2 million. Key elements of this change are as follows:

- Sales taxes increased by \$3.9 million or 5.5 percent in 2024 due to increasing consumer confidence and commercial growth within the Town
- Use taxes decreased by \$0.4 million or 5.8 percent in 2024 due to a slowdown in building throughout the community attributable to increased interest rates as well as slow growth in consumer confidence.
- Culture and Recreation capital grants and contributions increased by \$3.5 million or 35.3 percent. This is primarily due to the Town’s receiving \$3.7 million from the Douglas County Open Space Shareback funds. No such funding was requested in the prior year.

- Public Safety operating grants and contributions increased by \$694.2 thousand or 107.4 percent due to an increase in School Resource Officer funding from the Douglas County School District.
- General Government capital grants and contributions increased by \$931.6 thousand or 100 percent due to developer funding for the construction of the railroad quiet zone.
- Public Works capital grants and contributions increased \$18.0 million or 82.6 percent in 2024 due to developer contributions recognized for the construction on the Crystal Valley Interchange.

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.

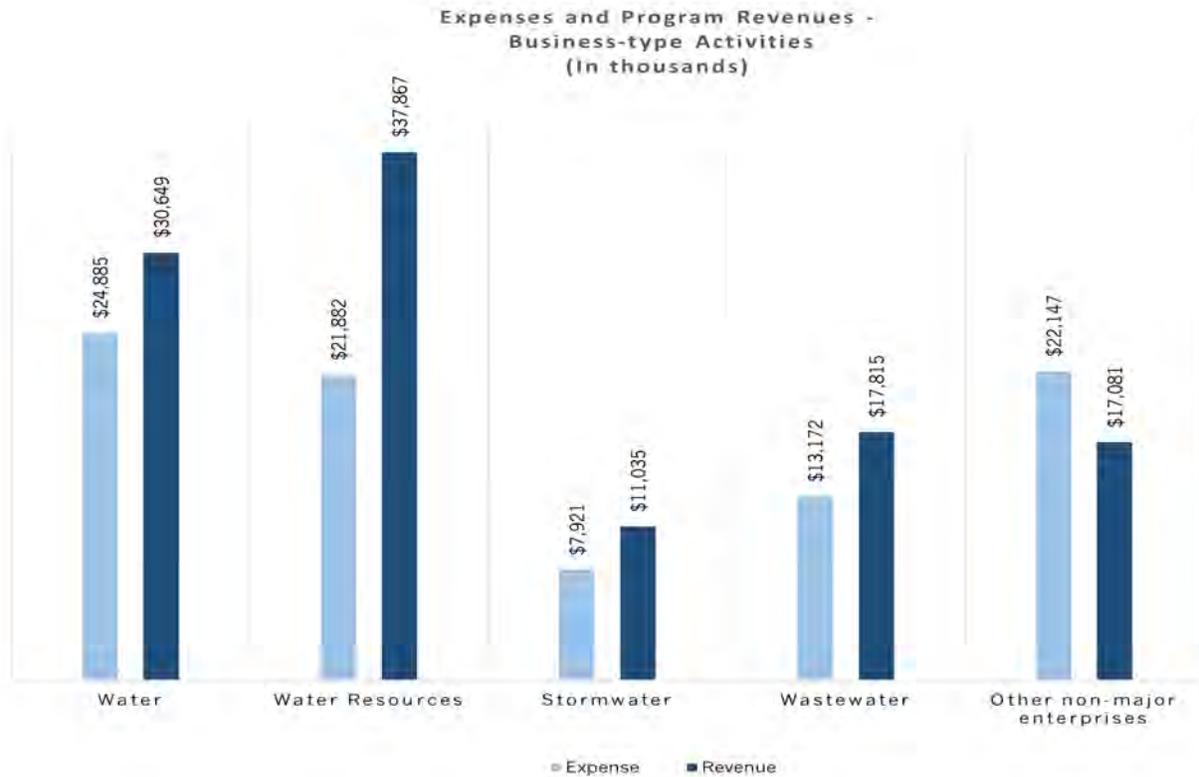
Castle Rock was recognized as the 6th Safest City in Colorado by Safewise in their 2024 report and 13th in their 2023 report.



BUSINESS-TYPE ACTIVITIES. Business-type activities increased the Town’s net position by \$35.3 million, accounting for 32.9 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 \$22.9 million to be used for future capital projects and contributed cash and infrastructure from developers of \$20.0 million.

The chart that follows 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, 2024, the governmental funds reported combined ending fund balances of \$140.9 million, which was an increase of \$3.1 million from 2023. Of the \$140.9 million, the unassigned balance is \$27.4 million or 19.5 percent, which is available to spend at the Town's discretion. The unassigned balance includes \$17.3 million in three-month cash reserves to cover cash flow requirements for the General Fund. The remaining fund balance of \$113.5 million, consists of fund balance that otherwise has constraints. These constraints include: \$10.6 million in non-spendable funds due to the nature of prepaid and long-term receivables, \$63.1 million in restricted funds due to revenues restricted for a specific purpose of which portions are not yet designated for a specific project, \$35.3 million in committed funds for spending determined by the Town Council, and \$4.4 million in assigned funds for future planned intentions.

The General Fund is the chief operating fund of the Town, which includes three subsidiary funds; the Economic Development Fund, the Parking Fund, and the TABOR Excess Fund. At the end of 2024, fund balance of the General Fund was \$62.3 million, of which \$28.3 million was unassigned. As a measure of the General Fund's liquidity, unassigned fund balance represents 33.6 percent of the General Fund expenditures of \$87.4 million. The General Fund balance increased by \$4.8 million during 2024.

At the end of 2024, total fund balance of the Transportation Fund was \$16.2 million. Of this amount, \$98.8 thousand is non-spendable funds due to prepaids, and \$16.1 million is committed by Town Council for future projects. Fund balance for the Transportation Fund decreased \$595.0 thousand in 2024. Overall, the Transportation Fund revenues increased slightly by \$562.4 thousand or 1.8 percent in 2024.

The Transportation Capital Fund had a total fund balance of \$29.6 million at the end of 2024, \$3.5 million less than at the end of 2023 as a result of increased capital expenses related to the Crystal Valley Interchange. These funds were included in restricted fund balance in prior years as the Town was accumulating the funding for the project, which started in 2024 and is anticipated to be completed in 2027. The entirety of the Transportation Capital Fund balance is identified as restricted for a certain purpose.

Non-major governmental funds, which rely heavily on growth revenues, saw ending fund balances of \$32.8 million in 2024, \$2.4 million more than at the end of 2023.

PROPRIETARY FUNDS. Unrestricted net position of the combined enterprise funds at the end of 2024 were \$190.6 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 2024. Net position for enterprise funds increased in 2024 by \$35.0 million with \$5.9 million from Water, \$19.8 million from Water



Resources, \$3.4 million from Stormwater, \$5.7 million from Wastewater. Net position in the other non-major enterprise funds (Golf, Development Services, and Community Center) increased by \$178.5 thousand in 2024.

Charges for services coupled with capital grants, and contributions exceeded expenses and transfers by \$23.3 million. In addition, leases, lease interest, investment earnings and sales taxes contributed another \$11.6 million resulting in the increase to net position of \$35.0 million.

CAPITAL ASSETS						
(net of depreciation)						
(In thousands)						
	Governmental		Business-type		Total	
	Activities		Activities			
	2024	2023	2024	2023	2024	2023
Land	\$ 100,192	\$ 85,799	\$ 24,219	\$ 22,919	\$ 124,411	\$ 108,718
Easements	7,748	7,452	19,197	18,791	26,945	26,243
Right of Ways	16,528	16,528	244	244	16,773	16,772
Artwork	273	273	-	-	273	273
Water Rights	-	-	128,094	126,185	128,094	126,185
Water Rights Definite Life	-	-	49,545	50,126	49,545	50,126
Buildings and Improvements	71,147	62,104	55,222	53,854	126,369	115,958
Machinery and Equipment	12,887	10,570	11,843	11,049	24,731	21,619
Infrastructure	242,789	242,042	339,104	340,604	581,893	582,646
Other Structures and Improvements	43,595	39,285	37,291	15,742	80,886	55,027
Construction in Progress	88,718	57,494	126,808	121,052	215,526	178,546
Total	\$ 583,877	\$ 521,547	\$ 791,569	\$ 760,566	\$ 1,375,446	\$ 1,282,113

CAPITAL ASSET AND DEBT ADMINISTRATION

The Town's investment in capital assets for its governmental and business-type activities as of December 31, 2024, amounts to \$1.4 billion (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 2024 INCLUDED:

- Preserved the historical significance of the Cantril School, turning it into a vibrant arts and cultural facility
- Continued progress toward a future Interstate 25 interchange at Crystal Valley Parkway
- Completed construction of Emerald Park in Plum Creek and performed renovation of the Mitchell Gulch Park
- Acquired the 681-acre Lost Canyon Ranch Open Space
- Progressed on long-term water projects and partnerships including WISE, Box Elder, Walker Reservoir, Chatfield Pump Back, and Platte Valley Water Partnership.
- Completed construction of the "Four Corner" intersection improvements at Fifth Street, Ridge Road, State Highway 86, and Founders Parkway.



Additional information concerning the Town's capital assets can be found in the Notes to the Basic Financial Statements on page(s) 74-75.

LONG-TERM DEBT

	OUTSTANDING DEBT					
	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenue Bond	\$ 22,229,258	\$ 23,073,934	\$ 66,875,231	\$ 71,871,726	\$ 89,104,489	\$ 94,945,660
Certificates of participation	14,776,426	15,278,316	-	-	14,776,426	15,278,316
Notes payable	-	-	6,625,000	7,625,000	6,625,000	7,625,000
Total	\$ 37,005,684	\$ 38,352,250	\$ 73,500,231	\$ 79,496,726	\$ 110,505,915	\$ 117,848,976
The town has no general obligation bonds outstanding						

At the end of 2024, the Town had total long-term debt outstanding of \$110.5 million. Of this amount, there were no general obligation bonds outstanding. There were revenue bonds of \$89.1 million secured by specific revenue sources and \$14.8 million in certificates of participation. The remainder of the debt \$6.6 million consists of notes payable agreements.

The Town's total long-term debt decreased by \$7.3 million or 6.2 percent in 2024, due to scheduled annual principal payments.

Additional information on the Town's long-term debt can be found in the Notes to the Basic Financial Statements on page(s) 77-80.

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 in total expenditures of \$11.6 million between the total "original" budgets and the "final" amended budgets for the General Fund, excluding subsidiary funds, was in part due to carryforward of previously unspent capital items totaling \$3.8 million and supplemental appropriations totaling \$7.8 million, which included funds for open space acquisition, master planning and trail design for Lost Canyon, as well as increased funding for various operating needs. The largest components of the capital carryforward in the General Fund were \$1.0 million for the Downtown Quite Zone project, \$1.1 million for building improvements to the historic Cantril School in the downtown area, and \$1.3 million for annual trail improvements.

When comparing budgeted to actual expenditures in the General Fund and subsidiary Economic Development Fund, Parking Fund, and TABOR Excess Fund there were positive variances of \$6 million, \$451 thousand, \$28 thousand, and \$329 thousand respectively. For the General Fund, this was made up of \$3.7 million or 61 percent in personnel expenses, \$738 thousand or 12 percent in supplies, \$1.9 million or 32 percent in services and other expenses such as utility costs, vehicle repairs, and contingencies. For the Economic Development Fund, the \$451 thousand were economic development opportunities that have not yet come to fruition in 2024 and will be re-appropriated in a future year. For the Parking Fund, the \$28 thousand positive variance was attributable to unspent maintenance and other costs associated with the public parking spaces. For the TABOR Excess Fund, the \$329 thousand positive variance was attributable to unspent funds in services and other for the Wildfire prevention project, these funds will be re-appropriated in 2025.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the development of the 2025 Budget, the Town considered the following factors:

The Town experienced a decline in growth during 2024 with the issuance of permits for 415 new residential units (371 single family, 44 multi-family), and 69,024 square feet of nonresidential development (39,966 square feet of commercial/ retail, 10,500 square feet of office space, and 18,558 square feet of warehouse development). For the 2025 budget, the Town budgeted 400 new residential units, 110 multifamily units and roughly 77,000 square feet of commercial development.

In November 2024, voters approved a 0.2 percent increase in the Town sales and use tax to fund 40 additional public safety personnel between 2025 and 2029. This dedicated revenue stream will be accounted for in the Public Safety Fund and transferred into the General Fund to supplement funding for Public Safety purposes.

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. Impact fees are adjusted annually for inflation.

Existing rates and fees are set pursuant to Town Council approved schedules or policies. The 2025 budget includes a 4.5 percent increase to the Water Fund volumetric and fixed monthly service charges, a 7.5 percent increase in the Water Resources Fund for the fixed monthly service charge, a 4.5 percent increase in the Stormwater Fund for the fixed monthly service charge, and no change to the Wastewater Fund for either the volumetric or fixed monthly service charges. Inflationary increases are planned for all other development impact fees, as previously approved by Council.

Golf green fees increased 3 percent or \$2.50 on average, for most rounds.

The 2025 budget provides for \$159 million in capital improvements. This includes the following significant projects:

- Annual trail improvements
- Master planning and trail design for the Lost Canyon Open Space
- Widening of 5th Street from Woodlands Boulevard to Ridge Road
- Continued construction of the Crystal Valley Interchange
- Expansion of Crowfoot Valley Road from Founders Boulevard to Sapphire Pointe
- Rehabilitate and replace existing Town of Castle Rock wells and water lines as they approach the end of their useful lives
- Increased facility security in accordance with the Facilities Vulnerability Assessment and Supervisory Control and Data Acquisition (SCADA) Master Plan and accomplish future year water transmission and distribution facility upgrades
- Expansion of the Plum Creek Water Purification Facility for the effective treatment of the Town's Plum Creek surface water and reuse water supplies
- Continued acquisition of sustainable water supplies to import to the Town with a focus on proximity and feasibility in order to meet the goal of 75 percent renewable water
- Continued additional pipeline connections and infrastructure expansion as part of the Water Infrastructure and Supply Efficiency (WISE) project
- Upgrades to the Plum Creek Diversion structure to remove large amounts of sediment loads from the stream that cause operational issues.

- Continued stream channel stabilization throughout Castle Rock
- Rehabilitate or replace existing sewer lines due to age or failing infrastructure.
- Replacement and additions to the Town vehicle and equipment fleet

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.

The Town of Castle Rock offers many ways to stay connected and informed such as:

CRGOV.COM/FINANCIALREPORTS





Basic Financial Statements

Town-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements



Town-wide Financial Statements

TOWN OF CASTLE ROCK, COLORADO

**TOWN-WIDE
STATEMENT OF NET POSITION
DECEMBER 31, 2024**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 120,112,575	\$ 82,823,072	\$ 202,935,647	\$ 1,359,776
Investments	49,203,104	61,300,006	110,503,110	-
Cash held in escrow	1,670,216	580,892	2,251,108	-
Receivables				
Property taxes	1,848,593	-	1,848,593	251,907
Sales taxes	9,184,966	508,930	9,693,896	-
Accounts, net of allowance	34,340,006	6,097,339	40,437,345	919
Leases	815,322	2,253,058	3,068,380	-
Notes	-	6,051,724	6,051,724	-
Long term receivable	959,022	-	959,022	-
Internal balances	236,178	(236,178)	-	-
Prepaid items	759,599	366,178	1,125,777	-
Inventory	-	120,205	120,205	-
Capital assets				
Land	100,191,841	24,219,144	124,410,985	-
Water rights	-	201,103,935	201,103,935	-
Artwork	272,733	-	272,733	-
Right of way	16,528,108	244,469	16,772,577	-
Easements	7,748,233	19,196,894	26,945,127	-
Construction in progress	88,717,692	126,808,001	215,525,693	16,369,970
Buildings and improvements	97,671,757	73,174,098	170,845,855	159,366
Infrastructure	475,723,792	536,512,771	1,012,236,563	-
Other structures and improvements	94,610,452	44,805,351	139,415,803	-
Machinery and equipment	51,907,235	23,007,045	74,914,280	-
Accumulated depreciation	(349,494,802)	(257,502,806)	(606,997,608)	(126,184)
Leased Buildings	-	-	-	47,509
Accumulated amortization	-	-	-	(47,509)
Restricted cash and cash equivalents	-	500,815	500,815	2,074,579
Investment in joint venture	-	42,853,041	42,853,041	-
Total assets	803,006,622	994,787,984	1,797,794,606	20,090,333
DEFERRED OUTFLOWS OF RESOURCES				
Pension related amounts	11,754,888	-	11,754,888	-
Loss on refundings	513,131	141,229	654,360	-
Total deferred outflows of resources	12,268,019	141,229	12,409,248	-

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, 2024**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Accounts payable	11,269,014	7,131,213	18,400,227	41,212
Retainage payable	2,421,880	1,648,405	4,070,285	-
Accrued liabilities	92,369	216,642	309,011	122,442
Deposits	3,417,325	1,614,540	5,031,865	3,030
Unearned revenues	32,528,459	1,492,252	34,020,711	-
Noncurrent liabilities				
Due within one year	5,147,378	6,461,982	11,609,360	380,000
Due beyond one year	38,507,666	69,360,398	107,868,064	31,867,192
Total liabilities	93,384,091	87,925,432	181,309,523	32,413,876
DEFERRED INFLOWS OF RESOURCES				
Pension related amounts	2,601,489	-	2,601,489	-
IREA capital credit	959,022	-	959,022	-
Property tax	1,848,593	-	1,848,593	251,907
Leases	748,745	2,142,480	2,891,225	-
Total deferred inflows of resources	6,157,849	2,142,480	8,300,329	251,907
NET POSITION				
Net investment in capital assets	540,298,626	713,708,485	1,254,007,111	(10,941,397)
Restricted for parks and open space	2,279,446	-	2,279,446	-
Restricted for emergencies	3,928,911	-	3,928,911	18,841
Restricted for public safety and transportation	6,533,951	-	6,533,951	-
Restricted for capital projects	50,322,409	-	50,322,409	-
Restricted for debt service	-	-	-	58,145
Restricted for other purposes	1,516	-	1,516	-
Unrestricted	112,367,842	191,152,816	303,520,658	(1,711,039)
Total net position	\$ 715,732,701	\$ 904,861,301	\$ 1,620,594,002	\$ (12,575,450)

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

Town of Castle Rock, Colorado
Statement of Activities
Year Ended December 31, 2024

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 23,416,143	\$ 5,206,929	\$ 99,701	\$ 931,594
Public safety	46,085,925	5,499,623	1,340,733	40,866
Public works	40,871,253	7,421,620	9,728,253	39,577,206
Culture and recreation	12,890,855	5,289,064	1,083,615	13,323,135
Interest and fiscal charges	1,049,895	-	-	-
Agency fees	4,400	-	-	-
Total governmental activities	<u>124,318,471</u>	<u>23,417,236</u>	<u>12,252,302</u>	<u>53,872,801</u>
Business-type activities				
Water	24,884,604	21,211,304	-	9,437,448
Water resources	21,882,114	14,509,591	50,000	22,307,013
Stormwater	7,920,555	4,333,226	-	6,701,985
Wastewater	13,172,146	12,214,811	-	5,600,066
Other non-major enterprises	22,147,282	17,035,295	-	45,963
Total business-type activities	<u>90,006,701</u>	<u>69,304,227</u>	<u>50,000</u>	<u>44,092,475</u>
Total primary government	<u>\$ 214,325,172</u>	<u>\$ 92,721,463</u>	<u>\$ 12,302,302</u>	<u>\$ 97,965,276</u>
Component Units	<u>4,775,313</u>	<u>27,220</u>	<u>-</u>	<u>-</u>
General Revenues				
Property				
Sales				
Use				
Lodging				
Motor vehicle				
Other				
Intergovernmental revenues				
Unrestricted investment earnings				
Other revenues not restricted for a purpose				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position (deficit) - January 1				
Net position (deficit) - December 31				

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Component Units
\$ (17,177,919)	\$ -	\$ (17,177,919)	\$ -
(39,204,703)	-	(39,204,703)	-
15,855,826	-	15,855,826	-
6,804,959	-	6,804,959	-
(1,049,895)	-	(1,049,895)	-
(4,400)	-	(4,400)	-
<u>(34,776,132)</u>	<u>-</u>	<u>(34,776,132)</u>	<u>-</u>
-	5,764,148	5,764,148	-
-	14,984,490	14,984,490	-
-	3,114,656	3,114,656	-
-	4,642,731	4,642,731	-
-	<u>(5,066,024)</u>	<u>(5,066,024)</u>	<u>-</u>
-	23,440,001	23,440,001	-
<u>\$ (34,776,132)</u>	<u>\$ 23,440,001</u>	<u>\$ (11,336,131)</u>	<u>\$ -</u>
			<u>(4,748,093)</u>
3,860,167	-	3,860,167	354,988
74,619,717	3,965,888	78,585,605	-
6,700,842	283,601	6,984,443	-
665,223	-	665,223	-
9,804,743	619,073	10,423,816	-
4,220,728	-	4,220,728	247,603
-	-	-	217,544
5,944,080	6,709,999	12,654,079	156,791
1,005,529	460,562	1,466,091	87
145,033	<u>(145,033)</u>	-	-
<u>106,966,062</u>	<u>11,894,090</u>	<u>118,860,152</u>	<u>977,013</u>
72,189,930	35,334,091	107,524,021	(3,771,080)
<u>643,542,771</u>	<u>869,527,210</u>	<u>1,513,069,981</u>	<u>(8,804,370)</u>
<u>\$ 715,732,701</u>	<u>\$ 904,861,301</u>	<u>\$ 1,620,594,002</u>	<u>\$ (12,575,450)</u>



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Fund Financial Statements

GOVERNMENTAL FUNDS

Major governmental funds include the General Fund and any governmental fund that comprises 10 percent or more of a total governmental fund classification (assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures) and at least 5 percent 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. There are three sub-funds of the General Fund: Economic Development, Parking, and TABOR Excess. Economic Development is used to facilitate expansion of the tax base, through primary job creation and improved local economy. Parking is used to account for public parking garage maintenance and debt payments related to the Encore Redevelopment Agreement. TABOR Excess is used to account for revenues in excess of the TABOR cap from 2021 through 2031 as approved by voters.

Transportation Fund

The Transportation Fund is a special revenue fund that accounts for revenue sources, including taxes, intergovernmental and charges for services that are committed to the furtherance of transportation projects within the Town of Castle Rock, maintenance of existing roads and infrastructure and the overall operations of the public works department.

Transportation Capital Fund

The Transportation Capital Fund is a capital projects fund that 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
Parks and Recreation Lodging Tax
Festival Commons GID

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, 2024

	General	Transportation	Transportation Capital	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 32,978,721	\$ 12,454,741	\$ 25,466,093	\$ 31,292,656	\$ 102,192,211
Investments	17,133,254	5,009,474	19,762,623	4,900,778	46,806,129
Cash held in Escrow	-	-	-	1,670,216	1,670,216
Receivables					
Property taxes	1,582,280	-	-	266,313	1,848,593
Sales taxes	7,246,187	1,938,779	-	-	9,184,966
Accounts, net	3,925,252	1,471,166	28,433,153	329,107	34,158,678
Leases	-	-	-	815,322	815,322
Prepaid items	652,049	98,756	-	1,461	752,266
Loans to other funds	10,449,477	-	-	1,778,075	12,227,552
Total assets	\$ 73,967,220	\$ 20,972,916	\$ 73,661,869	\$ 41,053,928	\$ 209,655,933
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 3,069,318	\$ 1,224,094	\$ 3,812,117	\$ 2,043,621	\$ 10,149,150
Retainage payable	-	197,050	2,019,876	204,954	2,421,880
Deposits	3,417,325	-	-	-	3,417,325
Unearned revenues	1,881,763	3,173,935	25,000,000	1,710,216	31,765,914
Loans from other funds	1,661,096	-	6,500,000	3,238,795	11,399,891
Total liabilities	10,029,502	4,595,079	37,331,993	7,197,586	59,154,160
Deferred inflows of resources					
Property taxes	1,582,280	-	-	266,313	1,848,593
Unavailable fund resources	95,959	226,053	6,695,106	24,590	7,041,708
Leases	-	-	-	748,745	748,745
Total liabilities and deferred inflows of resources	11,707,741	4,821,132	44,027,099	8,237,234	68,793,206
Fund balances					
Nonspendable	10,543,134	98,756	-	1,461	10,643,351
Restricted	10,462,862	-	29,634,770	22,968,601	63,066,233
Committed	10,321,306	16,053,028	-	8,928,186	35,302,520
Assigned	2,661,615	-	-	1,778,075	4,439,690
Unassigned	28,270,562	-	-	(859,629)	27,410,933
Total fund balances	62,259,479	16,151,784	29,634,770	32,816,694	140,862,727
Total liabilities, deferred inflows of resources and fund balances	\$ 73,967,220	\$ 20,972,916	\$ 73,661,869	\$ 41,053,928	\$ 209,655,933

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, 2024**

Total governmental funds - fund balances	\$ 140,862,727
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 \$11,921,663 internal service fund capital assets.	571,955,378
Long-term receivables related to regulatory activities do not provide current financial resources until received and therefore are not recorded in the funds.	959,022
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.	29,925,367
Deferred outflows of resources, related to the loss on refundings is amortized over future reporting periods and is not recorded in the funds.	513,131
Deferred outflows of resources of \$11,754,888 and inflows of resources of (\$2,601,489), 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.	9,153,399
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.	(959,022)
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.	(43,569,836)
Net pension liabilities are not due and payable in the current period and therefore not reported in the funds.	(149,173)
Deferred inflows of resources related to unavailable fund resources are recognized as revenue in the Townwide financial statements.	<u>7,041,708</u>
Net position of the governmental activities	<u><u>\$ 715,732,701</u></u>

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, 2024**

	General	Transportation	Transportation Capital	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes					
Property	\$ 1,755,403	\$ -	\$ -	\$ 2,104,764	\$ 3,860,167
Sales	57,194,615	15,071,344	-	2,353,758	74,619,717
Use	1,444,888	2,252,505	1,686,975	1,316,474	6,700,842
Motor vehicle	6,310,815	3,493,928	-	-	9,804,743
Lodging	-	-	-	665,223	665,223
Other taxes	3,340,122	-	-	30,986	3,371,108
Charges for services	4,369,126	-	-	441,138	4,810,264
Development impact fees	-	-	7,421,620	5,878,555	13,300,175
Management fees	4,548,730	-	-	-	4,548,730
Licenses and permits	103,438	-	-	224,579	328,017
Fines and forfeitures	279,854	-	-	-	279,854
Investment earnings	1,760,208	876,032	1,504,466	957,256	5,097,962
Lease interest	-	-	-	31,727	31,727
Intergovernmental	10,183,247	9,792,398	8,277,645	4,479,814	32,733,104
Contributions and donations	980,230	-	22,495,532	281,826	23,757,588
Leases	-	-	-	35,549	35,549
Other	648,059	35,102	74,985	362,030	1,120,176
	<u>92,918,735</u>	<u>31,521,309</u>	<u>41,461,223</u>	<u>19,163,679</u>	<u>185,064,946</u>
EXPENDITURES					
Current					
General government	17,727,149	-	-	4,224,747	21,951,896
Public safety	47,026,145	-	-	-	47,026,145
Public works	-	25,981,730	-	-	25,981,730
Culture and recreation	5,946,157	-	-	3,381,002	9,327,159
Capital outlay	16,334,355	1,367,707	47,511,007	9,398,979	74,612,048
Debt service					
Principal	-	730,000	-	450,000	1,180,000
Interest	339,400	174,038	362,387	260,612	1,136,437
Agency fees	2,000	-	400	2,000	4,400
	<u>87,375,206</u>	<u>28,253,475</u>	<u>47,873,794</u>	<u>17,717,340</u>	<u>181,219,815</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,543,529</u>	<u>3,267,834</u>	<u>(6,412,571)</u>	<u>1,446,339</u>	<u>3,845,131</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,753,478	-	3,000,000	3,467,393	8,220,871
Transfers out	(2,499,045)	(3,862,829)	(97,500)	(2,484,477)	(8,943,851)
	<u>(745,567)</u>	<u>(3,862,829)</u>	<u>2,902,500</u>	<u>982,916</u>	<u>(722,980)</u>
Net change in fund balances	4,797,962	(594,995)	(3,510,071)	2,429,255	3,122,151
Fund balances - January 1	57,461,517	16,746,779	33,144,841	30,387,439	137,740,576
Fund balances - December 31	<u>\$ 62,259,479</u>	<u>\$ 16,151,784</u>	<u>\$ 29,634,770</u>	<u>\$ 32,816,694</u>	<u>\$ 140,862,727</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 STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024**

Net change in fund balances total government funds \$ 3,122,151

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

Governmental funds report capital outlay \$74,612,048 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 (\$21,498,282). This amount is the net difference between capital outlay and depreciation reported in the current period, less depreciation related to internal service funds. 53,113,766

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 2024 the Town received capital assets for infrastructure streets (public works) valued at \$3,941,587, and land and easements (culture and recreation) valued at \$873,880. 4,815,467

Loss on disposal of capital assets do not require the use of current financial resources of the governmental funds, but are treated as program expenses in the statement of activities. (2,812)

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. 875,211

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. 4,446,597

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. 1,000,606

Deferred inflows of resources related to unavailable fund resources are not recognized as revenue in the governmental funds. 4,818,944

Change in net position of governmental activities \$ 72,189,930

PROPRIETARY FUNDS

Major proprietary funds are enterprise funds that comprise 10 percent or more of a total enterprise fund classification (assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures) and at least 5 percent of the combined governmental and enterprise funds total for the same classification.

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.

NON-MAJOR FUNDS

Other Enterprise Funds

Golf Fund

Community Center Fund

Development Services Fund

TOWN OF CASTLE ROCK, COLORADO

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2024**

	Water	Water Resources	Stormwater	Wastewater
ASSETS				
Current assets				
Cash and cash equivalents	\$ 6,154,040	\$ 52,056,920	\$ 3,733,587	\$ 17,081,545
Investments	10,321,570	36,963,544	2,830,738	7,082,380
Cash held in escrow	580,892	-	-	-
Receivables				
Sales taxes	-	-	-	-
Accounts	1,772,357	1,713,639	1,267,044	1,249,746
Leases	6,915	-	-	-
Notes	-	157,925	-	-
Prepaid items	66,074	49,188	39,669	37,932
Inventory	-	-	-	-
Total current assets	<u>18,901,848</u>	<u>90,941,216</u>	<u>7,871,038</u>	<u>25,451,603</u>
Non-current assets				
Capital assets				
Land	3,680,807	9,316,709	4,679,350	947,834
Easements	3,015,882	2,170,083	13,086,253	918,576
Right of way	28,024	-	216,445	-
Water rights	89,222,710	111,881,225	-	-
Construction in progress	25,896,580	92,316,428	5,807,218	2,778,641
Buildings and improvements	4,860,183	44,671,189	1,712,683	3,152,191
Infrastructure	249,038,224	59,135,335	112,912,004	115,427,208
Machinery and equipment	6,985,732	10,425,048	386,005	2,146,987
Other structures and improvements	15,496,565	12,645,529	12,697,846	1,548,156
Accumulated depreciation	<u>(144,921,018)</u>	<u>(21,479,441)</u>	<u>(32,660,683)</u>	<u>(47,637,996)</u>
Total capital assets (net of accumulated depreciation)	<u>253,303,689</u>	<u>321,082,105</u>	<u>118,837,121</u>	<u>79,281,597</u>
Restricted cash and cash equivalents	-	-	-	-
Investment in joint venture	-	-	-	42,853,041
Leases receivable	2,246,143	-	-	-
Notes receivable	-	5,893,799	-	-
Loans to other funds	-	1,661,096	-	4,820,000
Total noncurrent assets	<u>255,549,832</u>	<u>328,637,000</u>	<u>118,837,121</u>	<u>126,954,638</u>
Total assets	<u>274,451,680</u>	<u>419,578,216</u>	<u>126,708,159</u>	<u>152,406,241</u>
DEFERRED OUTFLOWS OF RESOURCES				
Loss on refundings	31,211	-	-	-
LIABILITIES				
Current liabilities				
Accounts payable	1,375,360	3,199,034	267,687	1,646,355
Retainage payable	548,850	968,399	105,892	25,264
Accrued interest payable	5,333	197,337	10,600	-
Deposits	1,589,750	-	-	-
Revenue bonds payable-current	625,000	3,315,000	-	-
Notes payable-current	-	-	1,030,000	-
Accrued leave-current	332,992	65,872	112,707	41,650
Unearned revenues	449,725	13,412	611,161	44,903
Total current liabilities	<u>4,927,010</u>	<u>7,759,054</u>	<u>2,138,047</u>	<u>1,758,172</u>
Noncurrent liabilities				
Revenue bonds net unamortized premiums (discounts)	775,373	60,744,858	-	-
Notes payable	-	-	5,595,000	-
Accrued leave	625,996	-	67,603	-
Loans from other funds	4,820,000	-	-	-
Total noncurrent liabilities	<u>6,221,369</u>	<u>60,744,858</u>	<u>5,662,603</u>	<u>-</u>
Total liabilities	<u>11,148,379</u>	<u>68,503,912</u>	<u>7,800,650</u>	<u>1,758,172</u>
DEFERRED INFLOWS OF RESOURCES				
Leases	2,142,480	-	-	-
Net Position				
Net investment in capital assets	250,928,568	253,332,865	111,983,070	79,233,030
Unrestricted	10,263,464	97,741,439	6,924,439	71,415,039
Total net position	<u>\$ 261,192,032</u>	<u>\$ 351,074,304</u>	<u>\$ 118,907,509</u>	<u>\$ 150,648,069</u>

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

Other Enterprise Funds	Total Enterprise Funds	Governmental Activities
		Internal Service Funds
\$ 3,796,980	\$ 82,823,072	\$ 17,920,364
4,101,774	61,300,006	2,396,975
-	580,892	-
508,930	508,930	-
94,553	6,097,339	181,328
-	6,915	-
-	157,925	-
173,315	366,178	7,333
120,205	120,205	-
<u>8,795,757</u>	<u>151,961,462</u>	<u>20,506,000</u>
5,594,444	24,219,144	-
6,100	19,196,894	-
-	244,469	-
-	201,103,935	-
9,134	126,808,001	4,275,976
18,777,852	73,174,098	43,590
-	536,512,771	-
3,063,273	23,007,045	32,999,488
2,417,255	44,805,351	-
(10,803,668)	(257,502,806)	(25,397,391)
<u>19,064,390</u>	<u>791,568,902</u>	<u>11,921,663</u>
500,815	500,815	-
-	42,853,041	-
-	2,246,143	-
-	5,893,799	-
-	6,481,096	-
<u>19,565,205</u>	<u>849,543,796</u>	<u>11,921,663</u>
<u>28,360,962</u>	<u>1,001,505,258</u>	<u>32,427,663</u>
110,018	141,229	-
642,777	7,131,213	1,119,864
-	1,648,405	-
3,372	216,642	-
24,790	1,614,540	-
460,000	4,400,000	-
-	1,030,000	-
478,761	1,031,982	28,404
373,051	1,492,252	762,545
<u>1,982,751</u>	<u>18,565,034</u>	<u>1,910,813</u>
955,000	62,475,231	-
-	5,595,000	-
596,568	1,290,167	-
2,488,757	7,308,757	-
<u>4,040,325</u>	<u>76,669,155</u>	<u>-</u>
<u>6,023,076</u>	<u>95,234,189</u>	<u>1,910,813</u>
-	2,142,480	-
18,230,952	713,708,485	11,815,957
4,216,952	190,561,333	18,700,893
<u>\$ 22,447,904</u>	<u>\$ 904,269,818</u>	<u>\$ 30,516,850</u>

TOWN OF CASTLE ROCK, COLORADO

**RECONCILIATION OF THE PROPRIETARY FUNDS STATEMENT OF NET POSITION
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2024**

Total enterprise net position \$ 904,269,818

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.

591,483

Net position of the business-type activities

\$ 904,861,301



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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, 2024**

	<u>Water</u>	<u>Water Resources</u>	<u>Stormwater</u>
OPERATING REVENUES			
Charges for services	\$ 20,556,540	\$ 14,115,976	\$ 4,333,226
Fines and forfeitures	316,544	132,420	-
Intergovernmental	450,700	50,000	-
Contributions and donations	-	-	-
Other	199,467	491,223	120,206
Total operating revenues	<u>21,523,251</u>	<u>14,789,619</u>	<u>4,453,432</u>
OPERATING EXPENSES			
Cost of sales and services	-	-	-
Operations	16,924,834	16,529,606	4,110,034
Net loss from joint venture	-	-	-
Depreciation	8,064,096	3,590,163	3,778,628
Total operating expenses	<u>24,988,930</u>	<u>20,119,769</u>	<u>7,888,662</u>
Operating Income (Loss)	<u>(3,465,679)</u>	<u>(5,330,150)</u>	<u>(3,435,230)</u>
NON-OPERATING REVENUES (EXPENSES)			
Taxes	-	-	-
Investment earnings	437,027	4,490,339	300,443
Lease interest	100,840	-	-
Leases	52,484	-	-
Gain (loss) on disposal of capital assets	(47,975)	-	-
Interest expense	(52,689)	(1,738,394)	(144,464)
Agency and other fees	(800)	(600)	-
Total non-operating revenues (expenses)	<u>488,887</u>	<u>2,751,345</u>	<u>155,979</u>
Net income (loss) before contributions and transfers	<u>(2,976,792)</u>	<u>(2,578,805)</u>	<u>(3,279,251)</u>
CONTRIBUTIONS AND TRANSFERS			
System development fees	3,727,089	16,258,709	1,042,524
Capital asset contributions	5,428,346	6,048,304	5,657,146
Capital grants and gifts	-	-	-
Transfers in	-	26,523	-
Transfers out	(244,144)	-	-
Total contributions and transfers	<u>8,911,291</u>	<u>22,333,536</u>	<u>6,699,670</u>
Change in fund net position	5,934,499	19,754,731	3,420,419
Total net position - January 1	<u>255,257,533</u>	<u>331,319,573</u>	<u>115,487,090</u>
Total net position - December 31	<u>\$ 261,192,032</u>	<u>\$ 351,074,304</u>	<u>\$ 118,907,509</u>

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

Wastewater	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities
			Internal Service Funds
\$ 12,214,811	\$ 17,035,033	\$ 68,255,586	\$ 16,503,954
-	-	448,964	-
-	-	500,700	-
-	45,963	45,963	-
25,645	34,352	870,893	2,745,949
12,240,456	17,115,348	70,122,106	19,249,903
-	-	-	13,953,249
9,612,465	21,169,615	68,346,554	-
452,158	-	452,158	-
3,199,976	877,113	19,509,976	2,297,021
13,264,599	22,046,728	88,308,688	16,250,270
(1,024,143)	(4,931,380)	(18,186,582)	2,999,633
-	4,868,562	4,868,562	-
1,121,883	259,467	6,609,159	814,391
-	-	100,840	-
-	-	52,484	-
-	-	(47,975)	142,171
-	(90,402)	(2,025,949)	-
-	(300)	(1,700)	-
1,121,883	5,037,327	9,555,421	956,562
97,740	105,947	(8,631,161)	3,956,195
1,905,148	-	22,933,470	-
2,895,297	-	20,029,093	-
770,111	-	770,111	-
-	125,000	151,523	868,013
-	(52,412)	(296,556)	-
5,570,556	72,588	43,587,641	868,013
5,668,296	178,535	34,956,480	4,824,208
144,979,773	22,269,369	869,313,338	25,692,642
\$ 150,648,069	\$ 22,447,904	\$ 904,269,818	\$ 30,516,850

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, 2024**

Change in net position total enterprise funds \$ 34,956,480

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.

377,611

Changes in net position of business-type activities

\$ 35,334,091



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TOWN OF CASTLE ROCK, COLORADO

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>Water</u>	<u>Water Resources</u>	<u>Stormwater</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 22,362,545	\$ 14,413,861	\$ 3,996,314
Receipts from interfund services provided	-	-	-
Other operating receipts (payments)	450,700	50,000	-
Payments to suppliers	(11,307,844)	(13,046,399)	(1,746,612)
Payments to employees	(5,606,820)	(3,281,620)	(2,349,578)
Net cash provided by (used in) operating activities	<u>5,898,581</u>	<u>(1,864,158)</u>	<u>(99,876)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Cash transfers in	-	26,523	-
Cash transfers out	(244,144)	-	-
Receipts from taxes	-	-	-
Net cash provided by (used in) non-capital financing activities	<u>(244,144)</u>	<u>26,523</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
System development fees	3,727,089	16,407,611	1,042,524
Grants for capital purposes	-	-	-
Capital contributions	632,558	6,048,304	868,846
Principal payments received on leases receivable	25,574	-	-
Interest payments received on leases receivable	108,524	-	-
Interfund loans	4,820,000	107,107	-
Acquisition of capital assets	(9,292,181)	(24,126,635)	(1,205,946)
Principal paid on bonds, COPs and notes payable	(590,000)	(3,130,000)	(1,000,000)
Interest paid on bonds, COPs and notes payable	(93,501)	(2,524,550)	(146,064)
Bond issue costs and agency fees	(800)	(600)	-
Proceeds from sale of capital assets	-	-	-
Net cash provided by (used in) capital and related financing activities	<u>(662,737)</u>	<u>(7,218,763)</u>	<u>(440,640)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	342,835	3,980,981	262,218
Decrease (increase) in equity in pooled investments	(290,134)	8,770,813	655,594
Net cash provided by (used in) investing activities	<u>52,701</u>	<u>12,751,794</u>	<u>917,812</u>
Net increase (decrease) in cash and cash equivalents	5,044,401	3,695,396	377,296
Cash and cash equivalents - January 1	<u>1,690,531</u>	<u>48,361,524</u>	<u>3,356,291</u>
Cash and cash equivalents - December 31	<u>\$ 6,734,932</u>	<u>\$ 52,056,920</u>	<u>\$ 3,733,587</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION			
Unrestricted cash and cash equivalents (including cash held in escrow)	\$ 6,734,932	\$ 52,056,920	\$ 3,733,587
Restricted cash and cash equivalents	-	-	-
Total cash and cash equivalents	<u>\$ 6,734,932</u>	<u>\$ 52,056,920</u>	<u>\$ 3,733,587</u>

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

Wastewater	Other Enterprise Funds	Total Enterprise Funds	Governmental
			Activities Internal Service Funds
\$ 12,251,811	\$ 17,136,558	\$ 70,161,089	\$ 2,910,698
-	-	-	16,436,267
-	-	500,700	-
(7,447,795)	(6,502,633)	(40,051,283)	(12,660,810)
<u>(2,061,150)</u>	<u>(14,379,365)</u>	<u>(27,678,533)</u>	<u>(1,035,693)</u>
<u>2,742,866</u>	<u>(3,745,440)</u>	<u>2,931,973</u>	<u>5,650,462</u>
-	125,000	151,523	868,013
-	(52,412)	(296,556)	-
-	<u>4,863,087</u>	<u>4,863,087</u>	-
-	<u>4,935,675</u>	<u>4,718,054</u>	<u>868,013</u>
1,905,148	-	23,082,372	-
770,111	-	770,111	-
-	-	7,549,708	-
-	-	25,574	-
-	-	108,524	-
(4,820,000)	287,640	394,747	-
<u>(2,329,422)</u>	<u>(3,435,258)</u>	<u>(40,389,442)</u>	<u>(6,609,554)</u>
-	(445,000)	(5,165,000)	-
-	(53,196)	(2,817,311)	-
-	(300)	(1,700)	-
-	-	-	163,788
<u>(4,474,163)</u>	<u>(3,646,114)</u>	<u>(16,442,417)</u>	<u>(6,445,766)</u>
1,036,517	211,962	5,834,513	788,801
<u>(177,628)</u>	<u>378,587</u>	<u>9,337,232</u>	<u>(63,195)</u>
<u>858,889</u>	<u>590,549</u>	<u>15,171,745</u>	<u>725,606</u>
(872,408)	(1,865,330)	6,379,355	798,315
<u>17,953,953</u>	<u>6,163,125</u>	<u>77,525,424</u>	<u>17,122,049</u>
<u>\$ 17,081,545</u>	<u>\$ 4,297,795</u>	<u>\$ 83,904,779</u>	<u>\$ 17,920,364</u>
\$ 17,081,545	\$ 3,796,980	\$ 83,403,964	\$ 17,920,364
-	500,815	500,815	-
<u>\$ 17,081,545</u>	<u>\$ 4,297,795</u>	<u>\$ 83,904,779</u>	<u>\$ 17,920,364</u>

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

TOWN OF CASTLE ROCK, COLORADO

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>Water</u>	<u>Water Resources</u>	<u>Stormwater</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ (3,465,679)	\$ (5,330,150)	\$ (3,435,230)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	8,064,096	3,590,163	3,778,628
Changes in operating assets and liabilities			
(Increase) decrease in assets			
Accounts receivable	(66,573)	(339,170)	(1,059,019)
Prepaid items	2,056	(3,504)	2,975
Inventory	-	-	-
Investment in joint venture	-	-	-
Increase (decrease) in liabilities			
Accounts payable	84,526	219,114	30,729
Accrued leave	(76,412)	(14,023)	(19,860)
Unearned revenue	7,147	13,412	601,901
Deposits	1,349,420	-	-
Total adjustments	<u>9,364,260</u>	<u>3,465,992</u>	<u>3,335,354</u>
Net cash provided by (used in) operating activities	<u>\$ 5,898,581</u>	<u>\$ (1,864,158)</u>	<u>\$ (99,876)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Contributed infrastructure	\$ 4,795,788	\$ -	\$ 4,788,300
Payables incurred for purchase of capital assets	(1,005,959)	(3,689,382)	(229,051)
Amortization of premium, discount and deferred loss on refunding	(58,381)	(773,114)	-
Amortization of deferred inflows - leases	686	-	-
Loss on capital asset disposition	47,975	-	-
Increase in fair value of investments	105,574	478,937	36,527
Noncash investing, capital and financing activities	<u>\$ 3,885,683</u>	<u>\$ (3,983,559)</u>	<u>\$ 4,595,776</u>

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

<u>Wastewater</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Governmental</u>
			<u>Activities</u>
			<u>Internal Service Funds</u>
\$ (1,024,143)	\$ (4,931,380)	\$ (18,186,582)	\$ 2,999,633
3,199,976	877,113	19,509,976	2,297,021
37,592	313	(1,426,857)	57,454
(6,268)	33,531	28,790	(2,441)
-	7,340	7,340	-
452,158	-	452,158	-
88,515	142,957	565,841	274,943
21,274	103,788	14,767	(15,756)
(26,238)	30,353	626,575	39,608
-	(9,455)	1,339,965	-
<u>3,767,009</u>	<u>1,185,940</u>	<u>21,118,555</u>	<u>2,650,829</u>
<u>\$ 2,742,866</u>	<u>\$ (3,745,440)</u>	<u>\$ 2,931,973</u>	<u>\$ 5,650,462</u>
\$ 2,895,297	\$ -	\$ 12,479,385	\$ -
(48,567)	(29,271)	(5,002,230)	(105,706)
-	38,267	(793,228)	-
-	-	686	-
-	-	47,975	-
<u>75,653</u>	<u>43,676</u>	<u>740,367</u>	<u>24,452</u>
<u>\$ 2,922,383</u>	<u>\$ 52,672</u>	<u>\$ 7,472,955</u>	<u>\$ (81,254)</u>

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

FIDUCIARY FUNDS

Fiduciary funds account for assets held on behalf of outside parties, including individuals, organizations and other governments. Fiduciary funds are not reflected in the Town-wide financial statements because the assets of those funds are not available to support Town programs or operations.

PENSION TRUST FUNDS

Pension trust funds account for the activities and accumulation of resources to pay retirement benefits for employees.

FPPA Fire Volunteers Pension Fund

The FPPA Fire Volunteers Pension Fund is a pension trust fund used to account for the accumulation of resources to be used for retirement annuity payments at appropriate amounts and times in the future.

CUSTODIAL FUNDS

Custodial funds are used to report fiduciary activities that are not held in a trust or equivalent arrangement for individuals, organizations and other governments. The Custodial Funds column is an aggregate of the following funds.

Custodial Funds

Add-On PIF Fund

Special District Fee

Fund Use Tax Fund

Authority Development Fee Fund

TOWN OF CASTLE ROCK, COLORADO

**FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2024**

	Pension Trust Fund	Custodial Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ 219,450
Affiliated local plan pool	918,936	-
Accounts receivable	-	83,955
	<hr/>	<hr/>
Total assets	918,936	303,405
	<hr/>	<hr/>
LIABILITIES		
Accounts payable	\$ -	\$ 146,245
Due to organizations and other governments	-	157,160
	<hr/>	<hr/>
Total liabilities	-	303,405
	<hr/>	<hr/>
NET POSITION		
Restricted for:		
Net position	918,936	-
	<hr/>	<hr/>
Total net position	\$ 918,936	\$ -
	<hr/> <hr/>	<hr/> <hr/>

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

TOWN OF CASTLE ROCK, COLORADO

FIDUCIARY FUNDS

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Pension Trust Fund	Custodial Funds
ADDITIONS		
Contributions:		
Town of Castle Rock	\$ 26,177	\$ -
State Funding	17,635	-
	<hr/>	<hr/>
Total contributions	43,812	-
Investment earnings	90,314	-
Less investment expense	13,086	-
	<hr/>	<hr/>
Net investment earnings	77,228	-
	<hr/>	<hr/>
Fee and permit collections for organizations and other governments	-	1,984,491
	<hr/>	<hr/>
Total additions	121,040	1,984,491
	<hr/>	<hr/>
DEDUCTIONS		
Benefits paid to participants or beneficiaries	106,448	-
Payments of fees and permits to organizations and other governments	-	1,976,909
Payments of refunds	-	1,279
Administrative expense	-	6,303
	<hr/>	<hr/>
Total deductions	106,448	1,984,491
	<hr/>	<hr/>
Net increase in fiduciary net position	14,592	-
	<hr/>	<hr/>
Net Position - January 1	904,344	-
	<hr/>	<hr/>
Net Position - December 31	<u>\$ 918,936</u>	<u>\$ -</u>

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

COMPONENT UNITS

Component units are legally separate organizations for which the Town is considered financially accountable or whose exclusion would make the Town's financial statements misleading or incomplete.

Castle Rock Downtown Development Authority (CRDDA)

The Castle Rock Downtown Development Authority (CRDDA), a discretely presented component unit, accounts for activities related to financing, constructing and operating various public improvements in downtown Castle Rock.

Miller's Landing Business Improvement District (BID)

The Miller's Landing Business Improvement District (BID), a discretely presented component unit, accounts for activities related to business improvements within the District's service area.

Town of Castle Rock, Colorado
Statement of Net Position
Component Units
December 31, 2024

	Castle Rock Downtown Development Authority	Miller's Landing Business Improvement District	Total
Assets			
Cash and cash equivalents	\$ 1,329,377	\$ 30,399	\$ 1,359,776
Receivables			
County Treasurer	-	919	919
Property taxes	226,266	25,641	251,907
Capital assets			
Construction in progress	-	16,369,970	16,369,970
Buildings and improvements	159,366	-	159,366
Accumulated depreciation	(126,184)	-	(126,184)
Leased buildings	47,509	-	47,509
Accumulated amortization	(47,509)	-	(47,509)
Restricted cash and cash equivalents	-	2,074,579	2,074,579
Total assets	\$ 1,588,825	\$ 18,501,508	\$ 20,090,333
Liabilities			
Accounts payable	\$ 41,212	\$ -	\$ 41,212
Accrued liabilities	-	122,442	122,442
Customer deposits	3,030	-	3,030
Due within one year	-	380,000	380,000
Due beyond one year	-	31,867,192	31,867,192
Total liabilities	44,242	32,369,634	32,413,876
Deferred Inflows of Resources			
Property Taxes	226,266	25,641	251,907
Total deferred inflows of resources	226,266	25,641	251,907
Net Position			
Net investment in capital assets	33,182	(10,974,579)	(10,941,397)
Restricted for emergency reserves	18,641	200	18,841
Restricted for debt service	-	58,145	58,145
Unrestricted (deficit)	1,266,494	(2,977,533)	(1,711,039)
Total net position (deficit)	\$ 1,318,317	\$ (13,893,767)	\$ (12,575,450)

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

Town of Castle Rock, Colorado
Statement of Activities
Component Units
For the Year Ended December 31, 2024

	Castle Rock Downtown Development Authority	Miller's Landing Business Improvement District	Total
EXPENSES	\$ 454,769	\$ 4,320,544	\$ 4,775,313
PROGRAM REVENUES			
Charges for services	27,220	-	27,220
Total program revenues	27,220	-	27,220
Net expenses	(427,549)	(4,320,544)	(4,748,093)
GENERAL REVENUES			
Taxes			
Property taxes	329,463	25,525	354,988
Other taxes	-	247,603	247,603
Intergovernmental revenues	217,544	-	217,544
Investment and interest earnings	47,057	109,734	156,791
Other	87	-	87
Total general revenues	594,151	382,862	977,013
Change in Net Position	166,602	(3,937,682)	(3,771,080)
Net position (deficit) - January 1	1,151,715	(9,956,085)	(8,804,370)
Net position (deficit) - December 31	<u>\$ 1,318,317</u>	<u>\$ (13,893,767)</u>	<u>\$ (12,575,450)</u>

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



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Notes to the Basic Financial Statements

TOWN OF CASTLE ROCK, COLORADO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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
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TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2024

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 Town's elected Council is responsible for adopting the GID's annual budget during years of activity. The GID is reported as a special revenue fund and does not issue separate financial statements.

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.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2024

The Miller's Landing Business Improvement District (BID) was organized on September 20, 2016, and is governed pursuant to provisions of the Business Improvement District Act, CRS 31-25-1203. The District operates under a service plan approved by the Town of Castle Rock on August 8, 2016, and is governed by a Board of Directors comprised of up to five members appointed by Town Council. The District was established for the purpose of making public improvements and providing services to the proposed commercial development, in accordance with the District's operating plan.

Separately issued financial reports are available for the Miller's Landing BID. The report may be obtained by contacting:

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

Fiduciary component unit

The FPPA Fire Volunteers Pension Plan is part of a statewide agent multiple-employer defined benefit Public Employee Retirement System. The Affiliated Local Plans represent the assets of numerous separate plans that have been pooled for investment purposes. These pension plans have elected to affiliate with FPPA for plan administration and investment purposes only and are held in a trust. Each plan has a separate plan document and actuarial valuation and is governed by its own local pension board which has the authority to amend the plan benefits, such as cost-of-living increases, funeral benefits, and others as applicable. The Plan is funded by contributions from the Town and the State. The Town Fire Volunteer Pension Board consists of three plan members, two public safety commissioners, the Mayor, the Fire Chief, and the Finance Director. The FPPA Fire Volunteers Pension Plan is not included in the Town-wide statements because its assets are not available to support the Town's own programs. The FPPA Annual Comprehensive Financial Report can be obtained on FPPA's website at: www.fppaco.org/annual-reports.html.

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 non-fiduciary 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.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2024

The *primary government* is reported separately from the legally separate component units 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, proprietary funds and fiduciary funds, even though the fiduciary funds are excluded from the Town-wide reporting as the assets are not available to support Town programs or operations. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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 three fund categories: governmental, proprietary and fiduciary. 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 *Parking Fund* is a sub-fund of the General Fund to fund public parking garage maintenance and debt payments related to the Encore Redevelopment Agreement. The *TABOR Excess Fund* is a Sub-fund of the General Fund to account for the use of revenues in excess of the TABOR cap from 2021 through 2031 as approved by voters.

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

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2024

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
 - Building Use Tax
- Intergovernmental revenues are inclusive of but not limited to the following:
 - Highway User Revenue
 - Road & Bridge Revenue
 - Douglas County Shareback
- 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.

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.

In addition, the Town reports the internal service funds as non-major funds. The 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

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2024

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.

Fiduciary Funds

Fiduciary funds account for assets held on behalf of outside parties, including individuals, organizations and other governments. Fiduciary funds are not reflected in the Town-wide financial statements because the assets of those funds are not available to support Town programs or operations. The fiduciary activities of the Town are reported in the following fiduciary funds:

The *FPPA Fire Volunteers Pension Fund* is a pension trust fund used to account for the accumulation of resources to be used for retirement annuity payments at appropriate amounts and times in the future. Resources are contributed by the Town at amounts determined by biennial actuarial studies as well as contributions by the State of Colorado.

The *Add-On PIF Fund* is a custodial fund used to account for the receipt and disbursement of the Add-On Public Improvement Fee (PIF) collected on sales transactions in the Promenade retail center. The Town remits collections of the Add-On PIF to the Promenade Metropolitan District No. 1 on a monthly basis.

The *Special District Fee Fund* is a custodial fund used to account for receipt and disbursement of the Meadows District imposed capital reserve fee. The Town remits collections of the capital reserve fee to the Meadows Districts on a monthly basis.

The *Use Tax Fund* is a custodial fund used to account for the receipt and disbursement of Douglas County's 1.00% portion of the use tax imposed on construction materials that are utilized in the construction of real property. The Town remits collections of the use tax to Douglas County on a monthly basis.

The *Authority Development Fee Fund* is a custodial fund used to account for the receipt and disbursement of the Cherry Creek Basin Water Quality Authority's imposed Development Fee. The fee is collected on new construction and development within the portion of the Town that overlaps the Authority's boundaries. The Town remits collections of the fee to the Authority periodically, as received.

C. Measurement Focus and Basis of Accounting

The Town-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary funds, and discretely presented component unit financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2024

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. The Town has cash in escrow at Douglas County for the Open Space Shareback totaling \$1,670,216 and at a third-party company for the construction of enhanced water improvements per a construction escrow agreement between the Town and Crystal Valley Metropolitan District No. 2 Subdistrict.

Investments are reported at fair value except for local government investment pools and the affiliated local plan pool 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.

F. Receivables

Receivables are reported net of an allowance for uncollectible accounts, where applicable. The allowance of \$72,792 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.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

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H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods; the associated expense is recognized in the period benefited 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

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 30th, or in two equal installments due February 28th 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 liened and as revenue when collected in the following year.

K. Leases

The Town is the lessor for noncancellable leases of land. As lessor, the Town recognizes a lease receivable and a deferred inflow of resources in the government-wide, governmental fund, and proprietary fund financial statements. Leases are reported at the present value of lease receipts.

At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the

TOWN OF CASTLE ROCK, COLORADO

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principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the commencement date.

Subsequently, the deferred inflow of resources is recognized as revenue on a straight-line basis over the life of the lease term. Variable lease payments based on future performance of the lessee or the usage of the underlying assets are not included in the lease receivable calculations but are recognized as inflows of resources in the period in which those payments occur.

Key estimates and judgements include how the Town determines the discount rate it uses to discount the expected lease receipts to present value, lease term and lease receipts.

- The Town uses the interest rate stated in the agreements or, if none is available, uses its estimated incremental borrowing rate (IBR) as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Town monitors changes in circumstances that would require remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

The Town leases portions of land for cell tower use as part of its’ governmental activities, the terms of which expire in 2047. Payments are either set for the entire term or increase annually by a percentage as stated in the agreement. The leases were measured at leases commencement based upon the IBR. Revenue recognized under these lease contracts during the year ended December 31, 2024 was \$67,276 which include both lease revenue and interest. For governmental activities, the Town lease a portion of land for the use of a zip line and aerial trekking course. Payments are variable based upon a percentage of gross revenues from the business activities as stated in the agreement. No revenue was recognized under this lease contract during the year ended December 31, 2024.

The Town leases portions of land for cell tower use as part of its’ business-type activities, the terms of which expire in 2079. Payments either increase annually or at the end of the renewal period by a percentage as stated in the agreement. The leases were measured at lease commencement based upon the IBR. Revenue recognized under these lease contracts during the year ended December 31, 2024 was \$93,937 which include both lease revenue and interest. For business-type activities, the Town receives variable lease payments for the cell tower rents received by the tenant. Payments are based upon a percentage of actual rents received by the tenant as stated in the agreement. Revenue recognized under this lease contract during the year ended December 31, 2024 was \$40,161.

L. Accounts Payable

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

	Governmental Activities	Business-type Activities
Vendors	\$ 9,769,967	\$ 6,477,333
Salaries and benefits	1,499,047	653,880
Total	<u>\$ 11,269,014</u>	<u>\$ 7,131,213</u>

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2024

M. 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.

N. Accrued Compensated Absences

The Town allows employees to accumulate unused vacation and sick benefits up to certain maximum hours. A liability is accrued for compensated absences as the benefits are earned if the leave is more likely than not to be used for time off or settled in cash. 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.

Compensated absence liabilities are computed using the regular pay and termination pay rates, as applicable, in effect at year end plus an additional amount for salary-related payments such as social security and Medicare taxes computed using rates in effect at that date.

O. Non-current Liabilities

Non-current liabilities include: bonds, notes, certificates of participation, 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.

P. 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

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2024

government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. In the governmental fund financial statements, fund balances are classified as follows:

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.

Q. 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 assets 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.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2024

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 assets 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 four items that qualify for reporting in this category – pension related amounts, CORE capital credit, property taxes that are deferred to future periods, and lease related amounts. The CORE capital credit is utilized when the Town has a qualifying future project that requires the removal, relocation or installation of CORE 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.

R. 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.

S. Adoption of Accounting Principles

In 2024, the Town implemented GASB Statement No. 101, *Compensated Absences*. (Statement No. 101). Statement No. 101 updates the recognition and measurement guidance for compensated absences. Specifically, this statement requires that a government entity recognize a liability for compensated absences for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. Additionally, it amends certain existing disclosure requirements. The adoption of Statement No. 101 did not impact beginning net position.

T. Future Changes in Accounting Principles

The Governmental Accounting Standards Board (GASB) has issued statements not yet implemented by the Town. The statements which might impact the Town are as follows:

GASB Statement No. 102, *Certain Risk Disclosures* will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition. The statement will be effective for the Town with its year ending December 31, 2025.

GASB Statement No. 103, *Financial Reporting Model Improvements* will improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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making and assessing a government's accountability. This statement also addresses certain application issues. The statement will be effective for the Town with its year ending December 31, 2026.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* will provide users with essential information about certain types of capital assets. The statement will be effective for the Town with its year ending December 31, 2026.

The Town's management has not yet determined the effect these statements will have on the Town's financial statements.

TOWN OF CASTLE ROCK, COLORADO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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

The details of the \$43,569,836 difference relating to governmental activities long-term liabilities are as follows:

2016 Sales and use tax bonds	\$	3,280,000
2020 Sales and use tax bonds		18,550,000
2013 Certificates of participation		5,050,000
2020 Certificates of participation		8,485,000
Accrued leave, excluding internal service funds of \$28,404		6,471,784
Debt premiums and discounts		1,640,683
Accrued interest payable		<u>92,369</u>
Net adjustments - long-term liabilities	\$	<u><u>43,569,836</u></u>

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.”

TOWN OF CASTLE ROCK, COLORADO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
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The details of the \$875,211 difference are as follows:

Principal payments		
2016 Sales and use tax bonds	\$	730,000
2013 Certificates of participation		450,000
Amortization of bond premium		166,566
Amortization of refunding loss		(83,196)
Accrued interest on debt		3,170
Net increase in accrued leave		<u>(391,329)</u>
Net adjustments to governmental fund revenues and expenditures - debt related activities	\$	<u>875,211</u>

3. DEPOSITS AND INVESTMENTS

A reconciliation of the Town’s deposit and investment balances as of December 31, 2024 by type to the Statement of Net Position is below.

Summary of Deposit and Investment Balances

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Carrying value				
Petty Cash	\$ 38,696	\$ 7,530	\$ -	\$ 46,226
Deposits	40,802,289	10,889,196	219,450	51,910,935
Investments	128,474,694	133,727,167	918,936	263,120,797
Total	\$ 169,315,679	\$ 144,623,893	\$ 1,138,386	\$ 315,077,958
Included in the Statement of Net Position				
Cash and cash equivalents	\$ 120,112,575	\$ 82,823,072	\$ -	\$ 202,935,647
Investments	49,203,104	61,300,006	918,936	111,422,046
Restricted cash and cash equivalents	-	500,815	219,450	720,265
Total	\$ 169,315,679	\$ 144,623,893	\$ 1,138,386	\$ 315,077,958

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,

TOWN OF CASTLE ROCK, COLORADO

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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, 2024, the Town’s investments in any one issuer greater than five percent of the Town’s total investments include the following:

<u>Issuer</u>	<u>Percent of total investments</u>
U.S. Treasury	20.34%
Federal Home Loan Banks (FHLB)	6.27%
Federal Farm Credit Banks (FFCB)	7.79%

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 fair value of the collateral must be at least equal to 102 percent 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, 2024, the Town’s cash deposits had a carrying value of \$51,910,935 and a corresponding bank balance of \$55,945,934 of which \$1,189,335 was FDIC insured and \$54,756,598 was collateralized by securities held by the pledging financial institution’s trust department or agent in the Town’s name.

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.

TOWN OF CASTLE ROCK, COLORADO

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- 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 percent 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.

The Town’s investments on December 31, 2024 were as follows:

Investment Type	Standard & Poors Rating	INVESTMENT MATURITIES (In Years)			Fair Value	Net Asset per Share
		Less Than 1	1-5			
U.S. Treasuries	AA+	\$ 14,781,986	\$ 38,538,782	\$ 53,320,768	\$ -	
U.S. Agencies	AA+	5,898,330	40,273,881	46,172,211	-	
Corporate Bonds	AA - AA-	4,357,380	6,652,756	11,010,136	-	
Investment Pools						
Local Government Investment Pool *	AAAmf**	151,698,746	-	-	151,698,746	
Pension Trust Affiliated Local Plan Pool	NR	918,936	-	-	918,936	
Total		\$ 177,655,378	\$ 85,465,419	\$ 110,503,115	\$ 152,617,682	

*Included as part of cash and cash equivalents for financial reporting purposes.

** CSAFE is only rated by Fitch

TOWN OF CASTLE ROCK, COLORADO

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Local Government Investment Pool – At December 31, 2024 the Town had \$151,698,746 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 AAmmf by Fitch. 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 CSAFE’s financial statements is available at its website www.csafe.org.

Pension Trust Affiliated Local Plan Pool – At December 31, 2024 the Town had \$918,936 invested in FPPA’s Long-Term Investment Pool of the Fire & Police Members’ Benefit Investment Fund and fall under the complete investment authority of the FPPA Board of Directors. The Long-Term Pool is designed primarily for open plans with a longer time horizon, higher risk tolerance, and lower liquidity needs. On a monthly basis shared revenues and expenses are allocated to each affiliate. The Plan is included in FPPA’s annual issued audited financials. Additional information regarding the investments and associated risk may be obtained in this report at www.fppaco.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, 2024:

Investment by Fair Value Level	December 31, 2024	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
U.S. Treasuries	\$ 53,320,768	\$ -	\$ 53,320,768	\$ -
U.S Agencies	46,172,211	-	46,172,211	-
Corporate Bonds	11,010,136	-	11,010,136	-
Total investments by fair value level	\$ 110,503,115	\$ -	\$ 110,503,115	\$ -
Investment Measured at Net Asset Value (NAV)				
Local Government Investment Pool	151,698,746			
Pension Trust Affiliated Local Plan Pool	918,936			
Total investments measured at the NAV	152,617,682			
Total investments	\$ 263,120,797			

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

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4. RESTRICTED ASSETS

Restricted Cash and Cash Equivalents

<u>Fund</u>	<u>Purpose</u>	<u>Balance December 31, 2024</u>
<i>Business-type activities</i>		
Golf	2015 Revenue Refunding and Improvement Bonds Debt Service Reserve	\$ 500,815
	Total Business-type Activities	<u>\$ 500,815</u>
	Total Restricted Cash and Cash Equivalents	<u>\$ 500,815</u>

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.

5. NOTES RECEIVABLE

Under an intergovernmental agreement between the Town of Castle Rock and the Consolidated Bell Mountain Ranch Metropolitan District, the Town agreed to provide water services to the Bell Mountain Ranch Subdivisions for the purpose of achieving economies of scale. Per the agreement, system charges totaling \$6,354,065 are due from system users in the service area for system development fees and system improvements. The charges are payable over a 30-year period at an annual interest rate of 2.54 percent. Payments are due monthly beginning in January 2023. The balance of the notes receivable at December 31, 2024 is \$6,051,724.

TOWN OF CASTLE ROCK, COLORADO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

Notes Receivable to Maturity

Business-type Activities

Year	Bell Mountain Ranch Subdivision System Users
2025	\$ 157,925
2026	161,983
2027	166,146
2028	170,416
2029	174,795
2030-2034	943,706
2035-2039	1,071,355
2040-2044	1,216,272
2045-2049	1,380,791
2050-2052	608,335
	<u>\$ 6,051,724</u>

6. 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 CORE Electric Cooperative formerly known as Intermountain Rural Electric Association (IREA). The Town is allowed a percentage of the previous year's CORE 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. CORE uses this allotment to apply against expenses incurred if the Town deems it necessary to change the location or nature of any CORE 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, 2024 is \$959,022.

TOWN OF CASTLE ROCK, COLORADO

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7. CAPITAL ASSETS

Changes in Capital Asset Activity for the Year Ended December 31, 2024

	<u>Beginning</u>				
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities					
Capital assets not being depreciated					
Land	\$ 85,799,275	\$ 14,392,566	\$ -	\$ -	\$ 100,191,841
Artwork	272,733	-	-	-	272,733
Construction in progress	57,494,135	44,438,604	(21,618)	(13,193,429)	88,717,692
Easements	7,451,529	296,704	-	-	7,748,233
Right of way	16,528,108	-	-	-	16,528,108
Total capital assets, not being depreciated	<u>167,545,780</u>	<u>59,127,874</u>	<u>(21,618)</u>	<u>(13,193,429)</u>	<u>213,458,607</u>
Capital assets being depreciated					
Buildings and improvements	86,173,119	10,482,144	(14,059)	1,030,553	97,671,757
Infrastructure	460,602,653	5,016,122	-	10,105,017	475,723,792
Other structures and improvements	86,750,433	6,193,414	(5,638)	1,672,243	94,610,452
Machinery and equipment	47,134,673	5,330,567	(943,621)	385,616	51,907,235
Total capital assets being depreciated	<u>680,660,878</u>	<u>27,022,247</u>	<u>(963,318)</u>	<u>13,193,429</u>	<u>719,913,236</u>
Less accumulated depreciation					
Buildings and improvements	(24,069,084)	(2,466,845)	11,247	-	(26,524,682)
Infrastructure	(218,560,763)	(14,374,493)	-	-	(232,935,256)
Other structures and improvements	(47,465,542)	(3,555,100)	5,638	-	(51,015,004)
Machinery and equipment	(36,564,616)	(3,398,865)	943,621	-	(39,019,860)
Total accumulated depreciation	<u>(326,660,005)</u>	<u>(23,795,303)</u>	<u>960,506</u>	<u>-</u>	<u>(349,494,802)</u>
Total capital assets, being depreciated, net	<u>354,000,873</u>	<u>3,226,944</u>	<u>(2,812)</u>	<u>13,193,429</u>	<u>370,418,434</u>
Total governmental activities capital assets, net of accumulated depreciation	<u>\$ 521,546,653</u>	<u>\$ 62,354,818</u>	<u>\$ (24,430)</u>	<u>\$ -</u>	<u>\$ 583,877,041</u>
Depreciation expense charged to functions					
Governmental activities					
General government		\$ 1,543,035			
Public safety		694,441			
Public works		15,506,098			
Culture and recreation		3,754,708			
Fleet internal service fund		2,297,021			
Total governmental activities depreciation expense		<u>\$ 23,795,303</u>			

TOWN OF CASTLE ROCK, COLORADO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

7. CAPITAL ASSETS (continued)

Changes in Capital Asset Activity for the Year Ended December 31, 2024

	<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	\$ 22,919,144	\$ 1,300,000	\$ -	\$ -	\$ 24,219,144
Construction in progress	121,051,700	31,944,161	-	(26,187,860)	126,808,001
Easements	18,790,956	405,938	-	-	19,196,894
Right of way	244,469	-	-	-	244,469
Water rights	126,184,884	1,909,408	-	-	128,094,292
Total capital assets, not being depreciated	289,191,153	35,559,507	-	(26,187,860)	298,562,800
Capital assets being depreciated					
Buildings and improvements	70,035,022	220,351	-	2,918,725	73,174,098
Infrastructure	524,372,529	12,181,091	(40,849)	-	536,512,771
Other structures and improvements	21,792,727	81,051	-	22,931,573	44,805,351
Machinery and equipment	20,608,601	2,493,383	(432,501)	337,562	23,007,045
Water rights - definite life	73,009,643	-	-	-	73,009,643
Total capital assets being depreciated	709,818,522	14,975,876	(473,350)	26,187,860	750,508,908
Less accumulated depreciation					
Buildings and improvements	(16,182,513)	(1,769,957)	-	-	(17,952,470)
Infrastructure	(183,768,116)	(13,658,882)	18,385	-	(197,408,613)
Other structures and improvements	(6,050,316)	(1,463,558)	-	-	(7,513,874)
Machinery and equipment	(9,559,244)	(2,036,805)	432,501	-	(11,163,548)
Water rights - definite life	(22,883,527)	(580,774)	-	-	(23,464,301)
Total accumulated depreciation	(238,443,716)	(19,509,976)	450,886	-	(257,502,806)
Total capital assets, being depreciated, net	471,374,806	(4,534,100)	(22,464)	26,187,860	493,006,102
Total governmental activities capital assets, net of accumulated depreciation	<u>\$ 760,565,959</u>	<u>\$ 31,025,407</u>	<u>\$ (22,464)</u>	<u>\$ -</u>	<u>\$ 791,568,902</u>
Depreciation expense charged to functions					
Business-type activities					
Water		\$ 8,064,096			
Water Resources		3,590,163			
Stormwater		3,778,628			
Wastewater		3,199,976			
Golf Course		291,386			
Development Services		146,962			
Community Center		438,765			
Total business-type activities depreciation expense		<u>\$ 19,509,976</u>			

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2024

8. 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, 2024, the Town had an equity interest in PCWRA of \$42,853,041 . This represents an 78.66% interest in the net position of the PCWRA. During 2024, PCWRA charged the Town \$4,191,906 for the treatment of wastewater. The Town also paid to PCWRA \$603,586 which represents the Town’s share of debt service payments for the previous treatment plant expansion.

Investment balance January 1	\$	43,305,199
Net loss from joint venture		<u>(452,158)</u>
Investment balance December 31	\$	<u><u>42,853,041</u></u>

TOWN OF CASTLE ROCK, COLORADO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

9. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities activity for the year ended December 31, 2024:

	Changes In Long-Term Liabilities			Balance December 31	Due within One Year	Due beyond One Year
	Balance January 1	Additions	Reductions			
Governmental activities						
Bonds payable						
2016 Sales and use tax	\$ 4,010,000	\$ -	\$ (730,000)	\$ 3,280,000	\$ 760,000	\$ 2,520,000
2020 Sales and use tax	18,550,000	-	-	18,550,000	905,000	17,645,000
Certificates of participation						
2013 COPs	5,500,000	-	(450,000)	5,050,000	465,000	4,585,000
2020 COPs	8,485,000	-	-	8,485,000	-	8,485,000
Bond/COP premiums & discounts	1,807,249	-	(166,566)	1,640,683	-	1,640,683
Accrued compensated absences*	6,124,614	375,574	-	6,500,188	3,017,378	3,482,810
Net pension liability **	2,048,154	-	(1,898,981)	149,173	-	149,173
Total governmental activities	<u>\$ 46,525,017</u>	<u>\$ 375,574</u>	<u>\$ (3,245,547)</u>	<u>\$ 43,655,044</u>	<u>\$ 5,147,378</u>	<u>\$ 38,507,666</u>
Business-type activities						
Bonds payable						
2015 Water & Wastewater	\$ 1,870,000	\$ -	\$ (590,000)	\$ 1,280,000	\$ 625,000	\$ 655,000
2015 Golf Course	1,860,000	-	(445,000)	1,415,000	460,000	955,000
2016 Water & Wastewater	34,245,000	-	(2,315,000)	31,930,000	2,460,000	29,470,000
2022 Water & Wastewater	23,740,000	-	(815,000)	22,925,000	855,000	22,070,000
Bond premiums & discounts	10,156,726	-	(831,495)	9,325,231	-	9,325,231
Notes and leases from direct borrowings and direct placements	7,625,000	-	(1,000,000)	6,625,000	1,030,000	5,595,000
Accrued compensated absences*	2,307,382	14,767	-	2,322,149	1,031,982	1,290,167
Total business-type activities	<u>\$ 81,804,108</u>	<u>\$ 14,767</u>	<u>\$ (5,996,495)</u>	<u>\$ 75,822,380</u>	<u>\$ 6,461,982</u>	<u>\$ 69,360,398</u>

* The change in accrued leave is presented as a net change.

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

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.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

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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 percent – 5 percent. 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, 2024, future payments of principal and interest total \$3,618,250. The bonds are payable solely from the revenue derived from sales and use tax at the rate of 1.35 percent pledged from the General, Transportation and Community Center funds. During the year ended December 31, 2024 revenues of \$31,440,487 were available to pay annual debt service of \$904,038

In October 2020, the Town issued \$18,550,000 of Sales and Use Tax Revenue Refunding Bonds, Series 2020 at interest rates ranging from 1.03 percent – 2.42 percent. The purpose of the 2020 bonds was to reduce the interest rate paid on the Town's debt by refunding a portion of the Town's Sales and Use Tax Revenue Bonds, Series 2013 in the amount of \$16,425,000. The purpose of the 2013 bonds was to finance a portion of Castle Rock Parkway. Principal payments are due annually on June 1 through 2035 commencing June 1, 2025. Interest payments are due semi-annually on June 1 and December 1 commencing June 1, 2021. As of December 31, 2024, future payments of principal and interest total \$21,067,023. The bonds are payable solely from the revenue derived from sales and use tax at the rate of 1.35 percent pledged from the General, Transportation and Community Center funds. During the year ended December 31, 2024 revenues of \$31,440,487 were available to pay annual debt service of \$362,387.

The Town issued Water and Wastewater Revenue Bonds in 2006 for \$9,665,000 at a 4 percent interest rate to construct water and wastewater system improvements. In May of 2012, the Town issued \$11,455,000 at interest rates ranging from 2percent-5percent 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. The 2012 bonds were paid in full in 2023. In July of 2015, the Town issued \$5,610,000 at interest rates ranging from 2 percent - 5 percent 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, 2024, net pledged revenues of \$33,579,940 were available to pay annual debt service of \$683,500 for the bonds. As of December 31, 2024, future payments of principal and interest on the 2015 bonds total \$1,376,750.

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 percent – 5 percent. 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, 2024, future payments of principal and interest total \$39,897,850. 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, 2024, net pledged revenues of \$33,579,940 were available to pay annual debt service of \$3,819,950

In February 2022, the Town issued \$25,455,000 of Water and Sewer Enterprise Revenue Bonds, Series 2022 at interest rates ranging from 2 percent – 5 percent. The purpose of the 2022 bonds was to fund the Newlin Gulch pipeline and pump station. Principal payments are due annually on December 1 through 2042 commencing December 1, 2022. Interest payments are due semi-annually on June 1 and December 1 commencing June 1, 2022. As of December 31, 2024, future payments of principal and interest total \$33,005,350. The bonds are payable solely from the net revenues of the Town's Water Resource Funds after the payment of the operation and maintenance expenses of the systems. These bonds

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2024

constitute an irrevocable lien upon the net pledged revenues. During the year ended December 31, 2024, net pledged revenues of \$33,579,940 were available to pay annual debt service of \$1,834,600.

In 2015, the Town issued \$5,410,000 at a 2.86 percent 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, 2024, net pledged revenues of \$1,409,334 were available to pay annual debt service of \$498,197. As of December 31, 2024 the outstanding balance, including principal and interest was \$1,496,653.

Revenue Bonds Outstanding at December 31, 2024

<u>Issue</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
Governmental Activities			
2016 Sales and Use Tax Bonds	6/1/2028	2.00% - 5.00%	\$ 3,280,000
2020 Sales and Use Tax Bonds	6/1/2035	1.03% - 2.42%	18,550,000
Total governmental activities			<u>\$ 21,830,000</u>
Business-type Activities			
2015 Water and Wastewater Revenue Refunding Bonds	12/1/2026	2.00% - 5.00%	\$ 1,280,000
2015 Golf Course Revenue Refunding and Improvement Bonds Revenue Bonds	12/1/2027	2.86%	1,415,000
2016 Water and Wastewater Revenue Refunding Bonds	12/1/2034	1.50% - 5.00%	31,930,000
2022 Water and Wastewater Revenue Improvement Bonds Revenue Bond	12/1/2042	2.00% - 5.00%	22,925,000
Total business-type activities			<u>\$ 57,550,000</u>

Revenue Bond Debt Service Requirements to Maturity

Year	<u>Government-type Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 1,665,000	\$ 502,749	\$ 4,400,000	\$ 2,472,519
2026	1,800,000	452,840	4,630,000	2,262,363
2027	1,850,000	398,316	4,165,000	2,066,971
2028	1,915,000	339,203	3,905,000	1,869,100
2029	1,960,000	290,743	4,120,000	1,673,850
2030-2034	10,415,000	844,544	23,985,000	5,558,200
2035-2039	2,225,000	26,878	7,255,000	1,911,000
2040-2042	-	-	5,090,000	412,600
	<u>\$ 21,830,000</u>	<u>\$ 2,855,273</u>	<u>\$ 57,550,000</u>	<u>\$ 18,226,603</u>

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2024

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 1 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.

In October 2020, the Town issued Certificates of Participation (COPs) in the amount of \$8,485,000. The purpose of the COPs was to fund a portion of the acquisition, construction, installation, and improvements of 308 public parking spaces in the Encore parking garage. Principal payments are due annually on December 1 through 2048, commencing December 1, 2033. Interest payments are due semi-annually on June 1 and December commencing June 1, 2021.

COPs Outstanding at December 31, 2024

<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%	\$ 5,050,000
2020 Parking Fund COPs	12/1/2048	4.0%	8,485,000
Total governmental activities			<u>\$ 13,535,000</u>

COPs Debt Service Requirements to Maturity

Government-type Activities		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 465,000	\$ 582,013
2026	485,000	562,250
2027	505,000	540,425
2028	530,000	516,437
2029	555,000	491,263
2030-2034	3,480,000	1,999,250
2035-2039	3,240,000	1,263,600
2040-2044	2,030,000	704,600
2045-2048	2,245,000	231,800
	<u>\$ 13,535,000</u>	<u>\$ 6,891,638</u>

TOWN OF CASTLE ROCK, COLORADO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

C. Notes from Direct Borrowings and Placements

The following is a summary of notes from direct borrowings and placements for the year ended December 31, 2024:

Notes from Direct Borrowings and Placements

	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Business-type activities		
2019 Stormwater Notes Payable	\$ 9,500,000	\$ 6,625,000
Total Notes from Direct Borrowings and Placements	<u>\$ 9,500,000</u>	<u>\$ 6,625,000</u>

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 percent. The purpose of the loan was to finance Stormwater projects. 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 drew funds based on the following schedule.

<u>Date</u>	<u>Amount</u>
December 19, 2019 (Closing)	\$ 4,500,000
September 30, 2020	4,500,000
September 30, 2021	500,000
	<u>\$ 9,500,000</u>

Notes Payable Debt Service Requirements to Maturity

<u>Business-type Activities</u>		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 1,030,000	\$ 127,200
2026	1,060,000	107,424
2027	1,095,000	87,072
2028	1,115,000	66,048
2029	1,145,000	44,640
2030	1,180,000	22,656
	<u>\$ 6,625,000</u>	<u>\$ 455,040</u>

D. Interest Expense

Total interest expense, excluding amortization and other debt related items, in the amount of \$1,136,437 and \$2,817,310 was charged to governmental type and business type funds, respectively, for the year ended December 31, 2024.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2024

10. FUND BALANCE AND NET POSITION

	Non-major Special Revenue Funds							
	General	Transportation	Transportation Capital	Conservation Trust	P. S. Miller	Public Art	Police Forfeiture	DDA TIF
Nonspendable	\$ 10,543,134	\$ 98,756	\$ -	\$ 1,461	\$ -	\$ -	\$ -	\$ -
Prepaid Items	652,049	98,756	-	1,461	-	-	-	-
Loans to other funds (long-term portion)	9,891,085	-	-	-	-	-	-	-
Restricted	\$ 10,462,862	\$ -	\$ 29,634,770	\$ 1,484,050	\$ -	\$ -	\$ 1,516	\$ -
TABOR Reserve	3,928,911	-	-	-	-	-	-	-
TABOR Excess	6,533,951	-	-	-	-	-	-	-
Advance grant payments received, not earned	-	-	-	-	-	-	-	-
Grants earned, not spent	-	-	-	-	-	-	1,516	-
Impact Fees	-	-	29,634,770	-	-	-	-	-
Public Finance Agreement	-	-	-	-	-	-	-	-
Lottery Funds	-	-	-	1,484,050	-	-	-	-
Unspent Debt Proceeds	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-
Committed	\$ 10,321,306	\$ 16,053,028	\$ -	\$ 751,966	\$ 202,244	\$ 95,527	\$ -	\$ 3,194,416
Council designation of revenue sources	-	16,053,028	-	751,966	202,244	95,527	-	3,194,416
Contractual Obligations	491,209	-	-	-	-	-	-	-
Economic Development	8,576,855	-	-	-	-	-	-	-
Parking Fund	1,253,242	-	-	-	-	-	-	-
Assigned	\$ 2,661,615	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Project Carryforward	2,661,615	-	-	-	-	-	-	-
Loans to other funds	-	-	-	-	-	-	-	-
Unassigned	\$ 28,270,562	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash reserve policy	17,345,278	-	-	-	-	-	-	-
Unappropriated	10,925,284	-	-	-	-	-	-	-
Total Fund Balance	\$ 62,259,479	\$ 16,151,784	\$ 29,634,770	\$ 2,237,477	\$ 202,244	\$ 95,527	\$ 1,516	\$ 3,194,416

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2024

Non-major Special Revenue Funds			Non-major Capital Project Funds						Total Other Governmental Funds	Total Governmental Funds
Castle Rock Urban Renewal Authority	Parks and Rec Lodging Tax	Festival Park Commons GID	Parks and Recreation Capital	Municipal Facilities Capital	Fire Capital	Police Capital	General Long-Term Planning			
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,461	\$ 10,643,351
-	-	-	-	-	-	-	-	-	1,461	752,266
-	-	-	-	-	-	-	-	-	-	9,891,085
\$ -	\$ 795,396	\$ -	\$ 16,535,332	\$ 2,324,008	\$ 1,828,299	\$ -	\$ -	\$ -	\$ 22,968,601	\$ 63,066,233
-	-	-	-	-	-	-	-	-	-	3,928,911
-	-	-	-	-	-	-	-	-	-	6,533,951
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	1,516	1,516
-	-	-	16,535,332	2,324,008	1,828,299	-	-	-	20,687,639	50,322,409
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	1,484,050	1,484,050
-	-	-	-	-	-	-	-	-	-	-
-	795,396	-	-	-	-	-	-	-	795,396	795,396
-	-	-	-	-	-	-	-	-	-	-
\$ -	\$ -	\$ 585,371	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,098,662	\$ 8,928,186	\$ 35,302,520
-	-	585,371	-	-	-	-	-	4,098,662	8,928,186	24,981,214
-	-	-	-	-	-	-	-	-	-	491,209
-	-	-	-	-	-	-	-	-	-	8,576,855
-	-	-	-	-	-	-	-	-	-	1,253,242
\$ -	\$ -	\$ -	\$ 1,700,000	\$ 78,075	\$ -	\$ -	\$ -	\$ -	\$ 1,778,075	\$ 4,439,690
-	-	-	-	-	-	-	-	-	-	2,661,615
-	-	-	1,700,000	78,075	-	-	-	-	1,778,075	1,778,075
\$ (20,698)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (838,931)	\$ -	\$ -	\$ (859,629)	\$ 27,410,933
-	-	-	-	-	-	-	-	-	-	17,345,278
(20,698)	-	-	-	-	-	(838,931)	-	-	(859,629)	10,065,655
\$ (20,698)	\$ 795,396	\$ 585,371	\$ 18,235,332	\$ 2,402,083	\$ 1,828,299	\$ (838,931)	\$ 4,098,662	\$ 32,816,694	\$ 140,862,727	

TOWN OF CASTLE ROCK, COLORADO

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11. PENSION PLANS

Town employees are covered under one of the five different pension plans, depending on occupation. Four of the plans are the General Employee Plan, Sworn Police Officers Plan, Sworn Police Officers Statewide Retirement Plan and the Fire Employees Statewide Retirement Plan (SRP). 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 one police pension plan, and 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 Liability (Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense (Reduction)
FPPA SWDB - Police	\$ -	\$ 5,354,949	\$ 2,095,580	\$ 380,680
FPPA SWDB - Fire	-	6,338,916	505,909	795,119
Volunteer Firefighter	149,173	61,023	-	(6,630)
Totals	\$ 149,173	\$ 11,754,888	\$ 2,601,489	\$ 1,169,169

All plans are administered by outside trustees and, except for the Volunteer Fire Pension Plan, 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. E. Sworn Police Officers are excluded from the plan and are covered by a separate plan, as described in 11. C & D.. For 2024, the plan requires mandatory employee pre-tax contributions to the plan of 4 percent of compensation. The Town also contributes 7 percent of each employees’ compensation to the plan with the exception of the Town Manager and Town Attorney. As part of

TOWN OF CASTLE ROCK, COLORADO

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their employment contracts, the Town Manager and the Town Attorney receive an 11 percent 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 percent 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 percent 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 2024 were \$2,447,983. Town employees' mandatory contributions for 2024 were \$1,368,131.

Plan provisions and contribution requirements are established and administered by Mission Square Retirement 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 percent 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, 2024 were \$43,197, equal to the required contributions. Plan provisions and contribution requirements are established and administered by Mission Square Retirement 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 2024, the plan requires mandatory employee pre-tax contributions to the plan of 5.6 percent of compensation. The Town also contributes 8.6 percent 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 percent 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 percent 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 2024 were \$107,744. Town employees' mandatory contributions for 2024 were \$70,159.

Plan provisions and contribution requirements are established and administered by Mission Square Retirement and may be amended with the approval of Town Council.

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D. Sworn Police Officers – Statewide Retirement Plan

In March 2021 the Town of Castle Rock's sworn police officers were provided the option to participate in the Fire and Police Pension Association (FPPA) Statewide Defined Benefit Plan. The Town of Castle Rock's full-time sworn police officers who chose to opt into the plan, as well as full-time sworn police officers hired after entry into the plan, are members of the Statewide Defined Benefit Plan. During 2022, House Bill 22-1034 was signed into law. This legislation combines the assets and liabilities of the Statewide Defined Benefit Plan and Statewide Hybrid Plan to form the Statewide Retirement Plan effective January 1, 2023.

(a) Plan Description

The Statewide Retirement Plan (SRP) is a cost-sharing multiple-employer defined benefit pension plan. The Plan consists of four components: Defined Benefit Component, Hybrid Defined Benefit Component, Social Security Component and Money Purchase Component. The Plan currently has 230 participating employer fire and police departments. The Town does not participate in the Social Security Component. State statute assigns authority to establish and amend benefit provisions to the FPPA. This plan is included in the FPPA's annual separately issued audited financial statements. . The FPPA Annual Comprehensive 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. A member may also qualify for a normal retirement pension if the member's combined years of service and age equals at least 80, with a minimum age of 50 (Rule of 80).

A member is eligible for retirement after attainment of age 55 with at least five years of credited service.

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.

The annual retirement benefit for the Defined Benefit Component is 2.0 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 of the average of the member's highest three years' base salary for each year of service thereafter.

The annual retirement benefit of the Hybrid Defined Benefit Component is 1.9 percent of the average of the member's highest three years' base salary for each year of credited service through December 31, 2022 and 1.5 percent of the average of the member's highest three years' base salary for each year of credited service after January 1, 2023.

Benefits paid to retired members and beneficiaries may be increased annually on October 1 via cost of living adjustment (COLA). COLAs may be compounding or non-compounding. The increase in benefits, if any, is based on the FPPA Board of Director's discretion. Compounding COLAs can range from 0 percent to the higher of 3 percent or the Consumer Price Index for Urban Wage Earners and Clerical Workers. Non-compounding COLAs take into consideration the investment returns, compounding COLAs and other economic factors. COLAs may begin once the retired member has been receiving retirement benefits for at least 12 calendar months prior to October 1.

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Upon termination, the vested account balance within the Money Purchase Component becomes available to the member.

Upon termination, a member may elect to have their member contributions, along with 5.0 percent as interest, returned as a lump sum distribution in lieu of a retirement benefit.

(c) Contributions

Contribution rates for the Plan are set by state statute. The FPPA Board of Directors may further increase the required contributions, equally between employer and member, upon approval through an election of both employers and members.

Members of the Defined Benefit Component contribute 12.0 percent of base salary. In 2020, legislation was enacted to increase the employer contributions rate to the Plan beginning in 2021. Employer contribution rates will increase 0.5 percent annually through 2030 to a total of 13.0 percent of base salary. These increases result in a combined contribution rate of 25.0 percent of base salary in 2030. In 2024, the total combined member and employer contribution rate was 22 percent.

Contributions from Defined Benefit Component members and employers of plans reentering the Defined Benefit Component are established by resolution and approved by the FPPA Board of Directors. The continuing rate of contribution for reentry groups is determined for each reentry group. The additional contribution amount is determined locally and may be paid by the member, the employer or split 50/50. Per the 2020 legislation, the required employer contribution rate for reentry departments also increases 0.5 percent annually. These increases result in a minimum combined contribution rate of 25.2 percent in 2030. In 2024, the total minimum required member and employer contribution rate was 21.7 percent.

The Hybrid Defined Benefit Component and Money Purchase Component members and their employers are currently each contributing at the rate determined by the individual employer. Effective January 1, 2023, the employer and member minimum contribution rates will increase by 0.125 percent annually until they reach a minimum rate of 9 percent each and at least a combined rate of 18 percent in 2030. In 2024, the total minimum combined member and employer contribution rate was 16.375 percent. The Town does not participate in the Hybrid Defined Benefit Component.

A member of the Plan may elect to make voluntary after-tax contributions to the Money Purchase Component of the Plan.

Additional voluntary contributions from the employer are made on a pre-tax basis. Within the Money Purchase Component, members are always fully vested in their own contributions, as well as the earnings on those contributions. Vesting in the employer's contributions within the Money Purchase Component, and earnings on those contributions occurs according to the vesting schedule set by the plan document at 20 percent per year after the first year of service and to be 100 percent vested after five years of service or the attainment of age 55. Employer and member contributions are invested in funds at the discretion of members.

A member of the Plan may elect to make voluntary after-tax contributions to the Money Purchase Component of the Plan. Additional voluntary contributions from the employer are made on a pre-tax basis.

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The Town’s contribution to the SRP for the year ending December 31, 2024 was \$1,040,770, equal to the required contribution for the year.

(d) Pension Liability

At December 31, 2024, the Town reported a liability of \$0 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2023 and the total pension liability used to calculate the net pension liability was determined based upon the January 1, 2024 actuarial valuation, which was unchanged from December 31, 2023.

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, 2023, was 0.99 percent, which was an increase of 0.024 percent from its proportion measured as of December 31, 2022.

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

For the year ended December 31, 2024, the Town recognized pension expense for the SRP of \$380,680. At December 31, 2024, 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	\$ 1,877,405	\$ 90,203
Changes in assumptions	1,088,969	-
Net difference between projected and actual investment earnings	1,347,805	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	2,005,377
Town contributions subsequent to the measurement date	1,040,770	-
Total	<u>\$ 5,354,949</u>	<u>\$ 2,095,580</u>

The \$1,040,770 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to SRP will be recognized in pension expense as follows:

Year ending December 31	Net Deferred Outflows (Inflows) of Resources
2025	\$ 402,163
2026	749,991
2027	1,212,698
2028	(117,612)
2029	(68,696)
Thereafter	40,055
Total	<u>\$ 2,218,599</u>

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(f) Actuarial Assumptions

The January 1, 2024 actuarial valuations, based on the most recent actuarial study completed in 2022, 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 and actuarially determined contributions, the post-retirement mortality tables for non-disabled retirees uses the Pub-2010 Safety Health Annuitant Mortality Tables projected with the ultimate values of the MP-2020 projection scale. The pre-retirement off-duty mortality tables are adjusted to 60 percent of the MP-2020 mortality tables for active employees. The on-duty mortality rate is 0.00015.

Change in Assumptions: No changes in assumptions since the prior valuation

Changes in Benefit Terms: No changes in benefit terms since the prior validation.

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, 2023 are summarized in the following table.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash	1%	4.32%
Fixed Income - Credit	5%	5.89%
Fixed Income - Rates	10%	5.35%
Absolute Return	9%	6.39%
Equity Long/Short	6%	7.27%
Global Equity	35%	8.33%
Private Markets	34%	10.31%
Total	100%	

(g) Discount Rate

The discount rate used to measure the total pension liability was 7.0 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 plan fiduciary net

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position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the longterm expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability (asset) to changes in the discount rate, the following presents the Town’s proportionate share of the net pension liability (asset), calculated using a discount rate of 7.00%, as well as what the Town’s proportionate share of the plan’s net pension liability (asset) would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Town's net pension liability/(asset)	\$ 5,527,777	\$ -	\$ -

(h) Pension Plan Fiduciary Net Position

Detailed information about the pesnion plan's fiduciary net position is available in FPPA's Annual Report.

E. Fire Employees - Statewide Defined Benefit Plan

(a) Plan Description

All full-time firefighters of the Town are members of the Statewide Retirement Plan (SRP). Reference note 11.D.(a) for the SRP plan description.

(b) Description of Benefits

Reference note 11.D.(b) for a description of benefits of the SRP plan.

(c) Contributions

Contribution rates for the Plan are set by state statute. The FPPA Board of Directors may further increase the required contributions, equally between employer and member, upon approval through an election of both employers and members.

Members of the Defined Benefit Component contribute 12.0 percent of base salary. In 2020, legislation was enacted to increase the employer contributions rate to the Plan beginning in 2021. Employer contribution rates will increase 0.5 percent annually through 2030 to a total of 13.0 percent of base salary. These increases result in a combined contribution rate of 25.0 percent of base salary in 2030. In 2024, the total combined member and employer contribution rate was 22 percent.

Contributions from Defined Benefit Component members and employers of plans reentering the Defined Benefit Component are established by resolution and approved by the FPPA Board of Directors. The continuing rate of contribution for reentry groups is determined for each reentry group. The additional contribution amount is determined locally and may be paid by the member, the employer or split 50/50. Per

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the 2020 legislation, the required employer contribution rate for reentry departments also increases 0.5 percent annually. These increases result in a minimum combined contribution rate of 25.2 percent in 2030. In 2024, the total minimum required member and employer contribution rate was 21.7 percent.

The Hybrid Defined Benefit Component and Money Purchase Component members and their employers are currently each contributing at the rate determined by the individual employer. Effective January 1, 2023, the employer and member minimum contribution rates will increase by 0.13 percent annually until they reach a minimum rate of 9 percent each and at least a combined rate of 18 percent in 2030. In 2024, the total minimum combined member and employer contribution rate was 16.4 percent. The Town does not participate in the Hybrid Defined Benefit Component.

A member of the Plan may elect to make voluntary after-tax contributions to the Money Purchase Component of the Plan.

Additional voluntary contributions from the employer are made on a pre-tax basis. Within the Money Purchase Component, members are always fully vested in their own contributions, as well as the earnings on those contributions. Vesting in the employer's contributions within the Money Purchase Component, and earnings on those contributions occurs according to the vesting schedule set by the plan document at 20 percent per year after the first year of service and to be 100 percent vested after five years of service or the attainment of age 55. Employer and member contributions are invested in funds at the discretion of members.

A member of the Plan may elect to make voluntary after-tax contributions to the Money Purchase Component of the Plan. Additional voluntary contributions from the employer are made on a pre-tax basis.

The Town's contribution to the SRP for the year ending December 31, 2024 was \$1,102,828, equal to the required contribution for the year.

(d) Pension Liability

At December 31, 2024, the Town reported a liability of \$0 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2023 and the total pension liability used to calculate the net pension liability was determined based upon the January 1, 2024 actuarial valuation, which was unchanged from December 31, 2023.

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, 2023, was 1.1 percent, which was an increase of 0.05 percent from its proportion measured as of December 31, 2022.

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

For the year ended December 31, 2024, the Town recognized pension expense for the SRP of \$759,119. At December 31, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,062,376	\$ 99,091
Changes in assumptions	1,196,260	-
Net difference between projected and actual investment earnings	1,480,598	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	496,854	406,818
Town contributions subsequent to the measurement date	1,102,828	-
Total	<u><u>\$ 6,338,916</u></u>	<u><u>\$ 505,909</u></u>

The \$1,102,828 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to SRP will be recognized in pension expense as follows:

Year ending December 31	Net Deferred Outflows (Inflows) of Resources
2025	\$ 823,302
2026	1,210,906
2027	1,713,924
2028	240,640
2029	274,504
Thereafter	466,903
Total	<u><u>\$ 4,730,179</u></u>

(f) Actuarial Assumptions

The January 1, 2024 actuarial valuations, 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 and actuarially determined contributions, the post-retirement mortality tables for non-disabled retirees uses the Pub-2010 Safety Health Annuitant Mortality Tables projected with the ultimate values of the MP-2020 projection scale. The pre-retirement off-duty mortality tables are adjusted to 60% of the MP-2020 mortality tables for active employees. The on-duty mortality rate is 0.00015.

Change in Assumptions: No changes in assumptions since the prior valuation

Changes in Benefit Terms: No changes in benefit terms since the prior validation.

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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, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash	1%	4.32%
Fixed Income - Rates	10%	5.35%
Fixed Income - Credit	5%	5.59%
Absolute Return	9%	6.39%
Equity Long/Short	6%	7.27%
Global Equity	35%	8.33%
Private Markets	34%	10.31%
Total	100%	

(g) Discount Rate

The discount rate used to measure the total pension liability was 7.0 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 plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the longterm expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 7.0 percent, 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%	Current Discount Rate 7.00%	1% Increase 8.00%
Town's net pension liability/(asset)	\$ 6,072,403	\$ -	\$ -

(h) Pension Plan Fiduciary Net Position

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

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F. 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 percent 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 Annual Comprehensive 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, 2021, 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, 2024, the Town and State contributions were \$26,177 and \$17,635 respectively.

(c) Members Covered by Benefit Terms

Membership covered by benefit terms at December 31, 2024:

Retirees and Beneficiaries	18
Active Members	1
Total	<u>19</u>

Pension Liability

At December 31, 2024, the Town reported a net pension liability of \$149,173. The net pension liability was measured as of December 31, 2023. The total pension liability used to calculate the net pension liability was determined based upon the January 1, 2023 actuarial valuation. The liability was rolled forward to December 31, 2023 using standard actuarial methods.

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(d) Actuarial Assumptions

The January 1, 2023 actuarial valuation based on the most recent experience study completed in 2022 used the following:

Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary Increases	N/A
Investment Rate of Return	7.00%
Return	
Retirement Age	50% per year of eligibility until 100% at age 65.
Mortality	The post-retirement mortality tables for non-disabled retirees uses the Pub-2010 Safety Healthy Annuitant Mortality Tables for males and females, amount-weighted, and then projected using the ultimate values of the MP-2020 projection scale for all years. The pre-retirement mortality assumption uses Pub-2010 Safety Healthy Employee Mortality Tables for males and females, amount-weighted, and then projected with the MP-2020 Ultimate projection scale. The pre-retirement non-duty mortality tables are adjusted to 60 percent multiplier. The on-duty mortality rate is 0.00015.

Change in Assumptions: No changes in assumptions since the prior valuation

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, 2023 are summarized in the following table:

Asset Class	Target Allocation	Expected Rate of Return
Cash	1.0%	4.32%
Fixed Income - Rates	10.0%	5.35%
Fixed Income - Credit	5.0%	5.89%
Absolute Return	9.0%	6.39%
Equity Long/Short	6.0%	7.27%
Global Equity	35.0%	8.33%
Private Markets	34.0%	10.31%
Total	100.0%	

(e) Single Discount Rate

A single discount rate of 7.0% 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 7.0%. The projection of cash flows used to determine this single discount rate assumes that all actuarially determined contributions will

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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.

(f) Changes in Net Pension Liability

Total Pension Liability	
Service Cost	\$ 1,117
Interest on the Total Pension Liability	72,351
Benefit changes	-
Difference between expected and actual experience of the Total Pension Liability	-
Changes in assumptions	-
Benefit Payments	(104,220)
Net Change in Total Pension Liability	<u>(30,752)</u>
Total Pension Liability - Beginning	<u>1,084,269</u>
Total Pension Liability - Ending	<u>\$ 1,053,517</u>
 Plan Fiduciary Net Pension	
Employer Contribution	\$ 20,440
Net Investment Income	82,083
Benefit Payments	(104,220)
Pension Plan Administrative Expenses	(9,132)
State of Colorado Supplemental Discretionary Payment	17,635
Net Change in Plan Fiduciary Net Pension	<u>6,806</u>
Plan Fiduciary Net Position – Beginning (Market value of assets at beginning of year)	<u>897,538</u>
Plan Fiduciary Net Position – Ending (Market value of assets at end of year)	<u>\$ 904,344</u>
 Net Pension Liability	 <u><u>\$ 149,173</u></u>

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 7.0 percent, 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%	Current Discount Rate 7.00%	1% Increase 8.00%
Town’s net pension liability	\$ 245,187	\$ 149,173	\$ 67,184

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2024

(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, 2024, the Town recognized a reduction of pension expense of \$6,630.

(j) Pension Deferred Outflows/Inflows of Resources

At December 31, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 34,846	\$ -
Town contributions subsequent to the measurement date	<u>26,177</u>	<u>-</u>
Total	<u>\$ 61,023</u>	<u>\$ -</u>

The \$26,177 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, 2025.

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>
2025	\$ 1,426
2026	11,553
2027	26,236
2028	<u>(4,369)</u>
Total	<u>\$ 34,846</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

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2024

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 percent of each paid fire fighter's salary. Employee participation in the 457 plans is optional. For the year ended December 31, 2024, the Town contributions were \$337,996.

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.

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 self-insure 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>2023</u>	<u>2024</u>
Claims payable, January 1	\$ 587,000	\$ 690,700
Incurred claims	7,656,052	8,263,269
Claims paid	<u>(7,552,352)</u>	<u>(7,971,219)</u>
Claims payable, December 31	<u>\$ 690,700</u>	<u>\$ 982,750</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.

TOWN OF CASTLE ROCK, COLORADO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 2024, the Town’s CIRSA deductibles per occurrence were:

Liability	\$	100,000
Auto Liability	\$	5,000
Errors and omissions	\$	100,000
Worker Compensation	\$	25,000
Fidelity (employee dishonesty)	\$	1,000

14. COMMITMENTS AND CONTINGENCIES

Committed Construction

As of December 31, 2024, the Town had unexpended construction related commitments of \$157,580,495.

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 \$0.0075 exemption of sales and motor vehicle taxes approved in 1994 to be used for streets, trails, bridges and

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2024

sidewalks, 2) a \$0.004 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 percent of fiscal year spending (excluding bonded debt service). This reserve was recorded in the General Fund as restricted fund balance of \$3,928,911 as of December 31, 2024. 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, 2024

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 Payable						
Interfund Receivable	General Fund	Transportation Capital Fund	Water	Nonmajor Governmental Funds	Nonmajor Business-type Funds	Total
General Fund	\$ -	\$ 6,500,000	\$ -	\$ 1,460,720	\$ 2,488,757	\$ 10,449,477
Water Resources	1,661,096	-	-	-	-	1,661,096
Wastewater	-	-	4,820,000	-	-	4,820,000
Nonmajor Governmental Funds	-	-	-	1,778,075	-	1,778,075
Total	\$ 1,661,096	\$ 6,500,000	\$ 4,820,000	\$ 3,238,795	\$ 2,488,757	\$ 18,708,648

The below describes the outstanding loans of the general fund as of December 31, 2024:

Purpose	Payable Fund	Outstanding Balance
Crystal Valley Interchange (3)	Transportation Capital Fund	\$ 6,500,000
Impact fees - reimburse General Fund for growth related construction (1)	Police Capital	503,082
Advanced funding for capital projects funded by Tabor Excess Fund (4)	Police Capital	906,566
Advance for operating costs funded by Economic Development Fund	Urban Renewal Authority	51,072
Advance for debt service reserve	Golf	500,815
Advance for golf maintennce equipment (2)	Golf	50,598
Advance for golf carts (6)	Golf	695,000
Advance for slide tower repair (5)	Community Center	1,242,344
Total loans outstanding		<u>\$ 10,449,477</u>

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2024

(1) 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.

(2) In 2022, the Town recorded a loan from the General Fund to the Golf Fund of \$541,816 to fund the golf course maintenance equipment.

(3) In 2023, the Town recorded a loan from the General Fund to the Transportation Capital Fund of \$6,500,000 to cash flow the construction of the Crystal Valley Interchange project.

(4) In 2023, the Town recorded a loan from the TABOR Fund to the Police Capital Fund of \$1,000,000 to fund renovations at Police Headquarters.

(5) In 2023, the Town recorded a loan from the General Fund to the Community Center Fund of \$1,370,385 to fund repairs to the Recreation Center slide and pool.

(6) In 2024, the Town recorded a loan from the General Fund to the Golf Fund of \$695,000 to fund the purchase of golf carts.

In addition, the Water Resources Fund has a loan outstanding with the General Fund for an advance to fund turf replacement, the Wastewater fund has a loan outstanding with the Water Fund for planned water projects, the Parks Capital Fund has a loan outstanding with the Conservation Trust fund to Mitchell Gulch Park project, and the Municipal Facilities Capital Fund has a loan outstanding with the Police Capital fund the Police Department basement renovation.

Transfers are used to move revenues from the fund in which the town budget requires collection to the fund required to expend the monies, and to move unrestricted revenues collected in the General Fund to finance various activities accounted for in other funds. Transfers also include the repayment of interfund loan interest.

TOWN OF CASTLE ROCK, COLORADO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

Transfers In	Transfers Out							Total
	General Fund	Transportation Fund	Transportation Capital Fund	Water	Nonmajor Governmental Funds	Nonmajor Business-type Funds		
General Fund	\$ 164,824	\$ 862,829	\$ 97,500	\$ -	\$ 575,913	\$ 52,412	\$ 1,753,478	
Transportation Capital	-	3,000,000	-	-	-	-	3,000,000	
Water Resource	26,523	-	-	-	-	-	26,523	
Nonmajor Governmental Funds	1,710,343	-	-	-	1,757,050	-	3,467,393	
Nonmajor Business-type Funds	125,000	-	-	-	-	-	125,000	
Internal Service Funds	472,355	-	-	244,144	151,514	-	868,013	
Total	\$ 2,499,045	\$ 3,862,829	\$ 97,500	\$ 244,144	\$ 2,484,477	\$ 52,412	\$ 9,240,407	
Transfers between Water Resources and General Fund							\$ 26,523	
Transfers between General fund and nonmajor Business-type Funds							72,588	
Transfers between the Internal Service Funds and Water fund							<u>(244,144)</u>	
Total transfers between Governmental-type and Business-type Activities							<u>\$ (145,033)</u>	

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2024

16. DEFICIT FUND BALANCES

On December 31, 2024, the Police Capital Fund had a fund deficit of \$838,931 . This will be eliminated with the repayment of the loans from the collection of future development impact fees.

On December 31, 2024, CRURA had a fund deficit of \$20,698. This will be eliminated with the repayment of the loan from future administration fees collected by the URA.

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 ordinances authorize abatements of incremental sales tax and property tax revenues for public finance agreements. For the year ended December 31, 2024, the Town abated approximately \$1,908,930 in sales taxes under this program.

18. DISCRETELY-PRESENTED COMPONENT UNITS

Castle Rock Downtown Development Authority (CRDDA)

As of December 31, 2024, all of the CRDDA’s deposits were either insured by the FDIC or held in eligible depositories. CRDDA investments are held in CSAFE rated AAmmf by Fitch.

Capital assets activity for the CRDDA for the year ended December 31, 2024 was as follows:

	Balance at December 31, 2023	Additions	Deletions	Balance at December 31, 2024
Capital assets, being depreciated				
Improvements	\$ 154,267	\$ 5,099	\$ -	\$ 159,366
Total capital assets being depreciated	<u>154,267</u>	<u>5,099</u>	<u>-</u>	<u>159,366</u>
Less assets, being amortized				
Buildings	47,509	-	-	47,509
Total lease assets, being amortized	<u>47,509</u>	<u>-</u>	<u>-</u>	<u>47,509</u>
Capital asset accumulated depreciation	(121,698)	(4,486)	-	(126,184)
Lease asset accumulated amortization	<u>(38,171)</u>	<u>(9,338)</u>	<u>-</u>	<u>(47,509)</u>
Total accumulated depreciation and amortization	<u>(159,869)</u>	<u>(13,824)</u>	<u>-</u>	<u>(173,693)</u>
Total capital assets, net	<u>\$ 41,907</u>	<u>\$ (8,725)</u>	<u>\$ -</u>	<u>\$ 33,182</u>

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2024

In January 2020, CRDDA entered into a sublease agreement in which CRDDA will sublease two offices for the period of January 2020 through December 2024. As of December 31, 2024, CRDDA recognized a lease liability and an intangible right-to-use lease asset.

	Balance at December 31, 2023	Additions	Dispositions	Balance at December 31, 2024	Due In One Year
Lease Payable	\$ 9,365	\$ -	\$ 9,365	\$ -	\$ -
Total	<u>\$ 9,365</u>	<u>\$ -</u>	<u>\$ 9,365</u>	<u>\$ -</u>	<u>\$ -</u>

Miller's Landing Business Improvement District (BID)

As of December 31, 2024, all of the Miller's Landing BID had no deposits with financial institutions and all cash and investments are held in a U.S. Treasury money market fund rated AAA.

Capital assets activity for the Miller's Landing BID for the year ended December 31, 2024 was as follows:

	Balance at December 31, 2023	Additions	Deletions	Balance at December 31, 2024
Capital assets not being depreciated				
Construction in progress	\$ 18,435,246	\$ 121,296	\$ 2,186,572	\$ 16,369,970
Total capital assets not being depreciated	<u>18,435,246</u>	<u>121,296</u>	<u>2,186,572</u>	<u>16,369,970</u>
Miller's Landing BID capital assets, net	<u>\$ 18,435,246</u>	<u>\$ 121,296</u>	<u>\$ 2,186,572</u>	<u>\$ 16,369,970</u>

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2024

The following is an analysis of changes in long-term obligations for the Miller’s Landing BID for the year ended December 31, 2024:

	Balance at December 31, 2023	Additions	Retirements	Balance at December 31, 2024	Due Within One Year
Bonds Payable:					
Series 2018A	\$ 7,845,000	\$ -	\$ 130,000	\$ 7,715,000	\$ 140,000
Series 2018A	12,805,000	-	225,000	12,580,000	240,000
Subtotal Bonds Payable	<u>\$ 20,650,000</u>	<u>\$ -</u>	<u>\$ 355,000</u>	<u>\$ 20,295,000</u>	<u>\$ 380,000</u>
Notes from Direct Borrowing					
Developer Advance - Operating	\$ 743,854	\$ 7,388	\$ -	\$ 751,242	\$ -
Developer Advance - Capital	4,227,599	121,296	-	4,348,895	-
Developer Advance - Debt	3,911,762	1,389,089	-	5,300,851	-
Accrued Interest on:					
Developer Advance - Operating	176,421	54,263	-	230,684	-
Developer Advance - Capital	372,571	184,954	-	557,525	-
Developer Advance - Debt	368,962	394,033	-	762,995	-
Subtotal Other Debt	<u>\$ 9,801,169</u>	<u>\$ 2,151,023</u>	<u>\$ -</u>	<u>\$ 11,952,192</u>	<u>\$ -</u>
	<u><u>\$ 30,451,169</u></u>	<u><u>\$ 2,151,023</u></u>	<u><u>\$ 355,000</u></u>	<u><u>\$ 32,247,192</u></u>	<u><u>\$ 380,000</u></u>

Miller’s Landing BID has yet to establish a revenue base sufficient to pay operations expenditures. Until an independent revenue base is established, continuation of operation in the District will be dependent upon funding by the developer.

TOWN OF CASTLE ROCK, COLORADO

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2024

19. RELATED PARTY TRANSACTIONS

The Castle Rock Council members are on the boards of various organizations in the region, including the Castle Rock Chamber of Commerce, Castle Rock Economic Development Council, 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, and Downtown Merchants Association. 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 2024:

Related Party Transactions

Castle Rock Chamber of Commerce	\$	133,000
Castle Rock Economic Development Council		242,346
Chatfield Watershed Authority		75,510
Colorado Municipal League		27,184
Denver Regional Council of Governments		52,610
Douglas County Housing Partnership		17,500
Douglas County Youth Initiative		19,800
Downtown Merchants Association		97,850
Douglas County (for Rueter Hess Recreation Authority)		210,000



Supplementary Information

Required Supplementary Information

Combining and Individual Fund Statements and Schedules



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 Retirement Plan - Fire

Schedule of the Town's Proportionate Share of the Net Pension Liability/(Asset) for the Statewide Retirement Plan - Fire

Schedule of Contributions for the Statewide Retirement Plan - Police

Schedule of the Town's Proportionate Share of the Net Pension Liability/(Asset) for the Statewide Retirement Plan - Police

Schedule of Contributions for the Statewide Defined Benefit Pension Plan - Fire

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

Schedule of Contributions for the Statewide Defined Benefit Pension Plan - Police

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

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**

Measurement period ending December 31,	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total Pension Liability				
Service Cost	\$ 1,117	\$ 1,095	\$ 1,095	\$ 1,095
Interest on the Total Pension Liability	72,351	74,473	76,592	76,186
Benefit Changes	-	-	-	-
Difference between Expected and Actual Experience	-	(9,375)	-	39,791
Assumption Changes	-	8,559	-	-
Benefit Payments	(104,220)	(105,908)	(109,924)	(112,590)
Net Change in Total Pension Liability	<u>(30,752)</u>	<u>(31,156)</u>	<u>(32,237)</u>	<u>4,482</u>
Total Pension Liability - Beginning	<u>1,084,269</u>	<u>1,115,425</u>	<u>1,147,662</u>	<u>1,143,180</u>
Total Pension Liability - Ending (a)	<u>\$ 1,053,517</u>	<u>\$ 1,084,269</u>	<u>\$ 1,115,425</u>	<u>\$ 1,147,662</u>
Plan Fiduciary Net Position				
Employer Contributions	\$ 20,440	\$ 20,440	\$ 20,440	\$ 20,440
Pension Plan Net Investment Income	82,083	(81,842)	139,501	113,648
Benefit Payments	(104,220)	(105,908)	(109,924)	(112,590)
Pension Plan Administrative Expense	(9,132)	(5,747)	(6,089)	(4,814)
State of Colorado supplemental discretionary payment	17,635	17,635	35,270	17,635
Net Change in Plan Fiduciary Net Position	<u>6,806</u>	<u>(155,422)</u>	<u>79,198</u>	<u>34,319</u>
Plan Fiduciary Net Position - Beginning	<u>897,538</u>	<u>1,052,960</u>	<u>973,762</u>	<u>939,443</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 904,344</u>	<u>\$ 897,538</u>	<u>\$ 1,052,960</u>	<u>\$ 973,762</u>
Net Pension Liability/(Asset) - Ending (a) - (b)	<u>\$ 149,173</u>	<u>\$ 186,731</u>	<u>\$ 62,465</u>	<u>\$ 173,900</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	85.84%	82.78%	94.40%	84.85%
Covered Payroll	N/A	N/A	N/A	N/A
Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A

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

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 1,095	\$ 2,879	\$ 2,879	\$ 2,861	\$ 2,861	\$ 3,761
78,496	84,888	86,346	82,814	84,409	66,823
-	-	-	-	-	118,071
-	(26,200)	-	28,112	-	154,102
-	40,977	-	40,514	-	-
<u>(112,590)</u>	<u>(111,578)</u>	<u>(105,840)</u>	<u>(108,540)</u>	<u>(108,540)</u>	<u>(107,146)</u>
<u>(32,999)</u>	<u>(9,034)</u>	<u>(16,615)</u>	<u>45,761</u>	<u>(21,270)</u>	<u>235,611</u>
<u>1,176,179</u>	<u>1,185,213</u>	<u>1,201,828</u>	<u>1,156,067</u>	<u>1,177,337</u>	<u>941,726</u>
<u>\$ 1,143,180</u>	<u>\$ 1,176,179</u>	<u>\$ 1,185,213</u>	<u>\$ 1,201,828</u>	<u>\$ 1,156,067</u>	<u>\$ 1,177,337</u>
\$ 20,440	\$ 20,440	\$ 20,440	\$ 20,440	\$ 20,440	\$ 20,440
124,499	689	130,343	48,736	18,015	67,171
(112,590)	(111,578)	(105,840)	(108,540)	(108,540)	(107,146)
(6,857)	(5,163)	(5,419)	(1,735)	(3,747)	(1,914)
-	17,635	17,635	17,635	17,635	17,635
<u>25,492</u>	<u>(77,977)</u>	<u>57,159</u>	<u>(23,464)</u>	<u>(56,197)</u>	<u>(3,814)</u>
<u>913,951</u>	<u>991,928</u>	<u>934,499</u>	<u>957,963</u>	<u>1,014,160</u>	<u>1,017,974</u>
<u>\$ 939,443</u>	<u>\$ 913,951</u>	<u>\$ 991,658</u>	<u>\$ 934,499</u>	<u>\$ 957,963</u>	<u>\$ 1,014,160</u>
<u>\$ 203,737</u>	<u>\$ 262,228</u>	<u>\$ 193,555</u>	<u>\$ 267,329</u>	<u>\$ 198,104</u>	<u>\$ 163,177</u>
82.18%	77.71%	83.67%	77.76%	82.86%	86.14%
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A

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

TOWN OF CASTLE ROCK, COLORADO

**SCHEDULE OF CONTRIBUTIONS
FIRE AND POLICE PENSION ASSOCIATION OF COLORADO (FPPA)
VOLUNTEER FIRE PENSION PLAN
LAST TEN FISCAL YEARS**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Actuarially determined contributions	\$ 43,812	\$ 26,473	\$ 26,473	\$ 25,013
Contributions in relation to the actuarially determined contribution *	43,812	38,075	38,075	55,710
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (11,602)</u>	<u>\$ (11,602)</u>	<u>\$ (30,697)</u>
Town's covered payroll	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A

*Includes both employer contributions and State of Colorado Supplemental Discretionary Payment for all years except 2019. For 2019, this includes employer contributions 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, 2023 determines the contribution amounts for 2024 and 2025.

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	2.500%
Salary Increases	N/A
Investment Rate of Return	7.0%
Retirement Age	50% per year of eligibility until 100% at age 65.
Mortality	The post-retirement mortality tables for non-disabled retirees uses the Pub-2010 Safety Healthy Annuitant Mortality Tables for males and females, amount-weighted, and then projected using the ultimate values of the MP-2020 projection scale for all years. The pre-retirement mortality assumption uses the Pub-2010 Safety Healthy Employee Mortality Tables for males and females, amount weighted, and then projected with the MP-2020 Ultimate projection scale. The pre-retirement non-duty mortality tables are adjusted to 60% multiplier. The on-duty mortality rate is 0.00015. The disabled retirees mortality assumption uses the Pub-2010 Public Safety Healthy Annuitant Mortality Tables for males and females, amount-weighted, set forward five years projected with the MP-2020 Ultimate projection scale, with minimum probability of 3.5% for males and 2.5% for females.

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

Changes in Assumptions. Effective for the January 1, 2023 valuation the mortality tables were updated.

Effective for the January 1, 2019 valuation the investment rate of return decreased from 7.5% to 7.0% and the mortality tables were updated.

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

2020	2019	2018	2017	2016	2015
\$ 25,013	\$ 25,867	\$ 25,867	\$ 18,141	\$ 18,141	\$ 12,770
38,075	20,440	38,075	38,075	38,075	38,075
<u>\$ (13,062)</u>	<u>\$ 5,427</u>	<u>\$ (12,208)</u>	<u>\$ (19,934)</u>	<u>\$ (19,934)</u>	<u>\$ (25,305)</u>
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A

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

TOWN OF CASTLE ROCK, COLORADO

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

	*
	<u>2024</u>
Statutorily required contributions	\$ 1,102,828
Contributions in relation to the statutorily required contribution	<u>1,102,828</u>
Contribution deficiency (excess)	<u>\$ -</u>
Town's covered payroll	\$ 11,083,762
Contributions as a percentage of covered payroll	9.95%

* The amounts presented as of the current year end, December 31, 2024

Methods and Assumptions used to Determine Contribution:

Actuarial valuations done every year. Actuarial assumptions effective for valuations prior to January 1, 2024 were used in the determination of the actuarially determined contributions as of December 31, 2023, which represents contributions required in 2024.

Actuarial Valuation Date	January 1, 2023
Actuarial Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 Years
Long-term Investment Rate of Return, net*	7.0%
Projected Salary Increases	4.25% - 11.25%
Cost of Living Adjustments (COLA)	0%
*Includes inflation at	2.5%

For determining the actuarially determined contributions, the post-retirement mortality tables for non-disabled retirees uses the Pub-2010 Safety Healthy Annuitant Mortality Tables projected with the ultimate values of the MP-2020 projection scale. The pre-retirement off-duty mortality tables are adjusted to 60% of the MP-2020 mortality tables for active employees. The on-duty mortality rate is 0.00015

At least every five years the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2022 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA's actuaries, Gabriel, Roeder, Smith & Company, based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 2023. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

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

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 RETIREMENT PLAN - FIRE
LAST TEN FISCAL YEARS (to be built prospectively)**

	*
	<u>2024</u>
Town's proportion of the net pension liability (asset)	1.083%
Town's proportionate share of the net pension liability (asset)	-
Town's covered payroll	\$ 10,639,150
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.00%
Plan fiduciary net position as a percentage of the total pension liability	100%

* The amounts presented as of the measurement date, December 31, 2023.

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

TOWN OF CASTLE ROCK, COLORADO

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

	*
	<u>2024</u>
Statutorily required contributions	\$ 1,040,770
Contributions in relation to the statutorily required contribution	<u>1,040,770</u>
Contribution deficiency (excess)	<u>\$ -</u>
Town's covered payroll	\$ 9,138,321
Contributions as a percentage of covered payroll	11.39%

* The amounts presented as of the current year end, December 31, 2024

Methods and Assumptions used to Determine Contribution:

Actuarial valuations done every year. Actuarial assumptions effective for valuations prior to January 1, 2024 were used in the determination of the actuarially determined contributions as of December 31, 2023, which represents contributions required in 2024.

Actuarial Valuation Date	January 1, 2023
Actuarial Method	Entry Age Normal Level % of Payroll,
Amortization Method	Open
Amortization Period	30 Years
Long-term Investment Rate of Return, net*	7.0%
Projected Salary Increases	4.25% - 11.25%
Cost of Living Adjustments (COLA)	0%
*Includes inflation at	2.5%

For determining the actuarially determined contributions, the post-retirement mortality tables for non-disabled retirees uses the Pub-2010 Safety Healthy Annuitant Mortality Tables projected with the ultimate values of the MP-2020 projection scale. The pre-retirement off-duty mortality tables are adjusted to 60% of the MP-2020 mortality tables for active employees. The on-duty mortality rate is 0.00015

At least every five years the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2022 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA's actuaries, Gabriel, Roeder, Smith & Company, based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 2023. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

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

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 RETIREMENT PLAN - POLICE
LAST TEN FISCAL YEARS (to be built prospectively)**

	*
	<u>2024</u>
Town's proportion of the net pension liability (asset)	0.985%
Town's proportionate share of the net pension liability (asset)	-
Town's covered payroll	\$ 8,364,268
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.00%
Plan fiduciary net position as a percentage of the total pension liability	100%

* The amounts presented as of the measurement date, December 31, 2023.

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

TOWN OF CASTLE ROCK, COLORADO

**SCHEDULE OF CONTRIBUTIONS
FIRE AND POLICE PENSION ASSOCIATION OF COLORADO (FPPA)
STATEWIDE DEFINED BENEFIT PENSION PLAN - FIRE
LAST TEN FISCAL YEARS (to be built prospectively)**

	*		
	2023	2022	2021
Statutorily required contributions	\$ 1,010,720	\$ 889,200	\$ 733,443
Contributions in relation to the statutorily required contribution	<u>1,010,720</u>	<u>889,200</u>	<u>733,443</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 10,639,158	\$ 9,880,000	\$ 8,628,741
Contributions as a percentage of covered payroll	9.5%	9.0%	8.5%

* The amounts presented as of the current year end, December 31, 2023

Note: Plan was combined with the Statewide Hybrid Plan effective January 1, 2023. See Statewide Retirement Plan for current year information

Methods and Assumptions Used to Determine Contribution:

Actuarial valuations done every year. Actuarial assumptions as of January 1, 2022 were used in the determination of the actuarially determined contributions as of December 31, 2022, which represents contributions required in 2023.

Actuarial Valuation Date	January 1, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 Years
Long-term Investment Rate of Return*	7.0%
Projected Salary Increases*	4.25% - 11.25%
Cost of Living Adjustments (COLA)	0%
*Includes Inflation at	2.5%

For determining the actuarially determined contributions, the post-retirement mortality tables for non-disabled retirees uses the 2006 central rates from the RP-2015 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.

At least every five years the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions.

Changes in actuarial assumptions effective for 2019: The real return on investments assumption was reduced from 5.0% to 4.50% while the inflation assumption remained unchanged at 2.50% for a reduced overall nominal investment return of 7.00% from 7.50%. In addition, the productivity component of the salary scale assumption increased from 1.50% to 1.75%; when combined with the 2.50% inflation rate, this creates an ultimate salary scale assumption of 4.25%. For demographic assumptions, the blue collar adjustment was removed from the mortality tables being used and the mortality projection scale was updated from Scale BB to the ultimate rates of the MP-2017 projection scale. In addition, disability rates were increased for members covered by a defined benefit program and retirement rates were slightly modified to reflect increased retirement utilization for low service members and slightly decreased normal retirement rates after age 55.

Changes in actuarial assumptions effective for 2016: The inflation assumption was reduced from 3.0% to 2.5% while the real return on investments was increased to 5.0% from 4.5% for an overall nominal investment return of 7.5% which is unchanged from the prior year. In addition, an explicit charge for administrative expenses was added in the actuarial contribution calculation, the base mortality tables were revised with the explicit assumption for increasing longevity in the future to reflect current mortality studies and the expected incidence of total disability was increased.

Changes in actuarial assumptions effective for 2014: The married assumption for active members was increased from 80% to 85% to reflect the passage of the Colorado Civil Union Act.

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

TOWN OF CASTLE ROCK, COLORADO

**SCHEDULE OF CONTRIBUTIONS
 FIRE AND POLICE PENSION ASSOCIATION OF COLORADO (FPPA)
 STATEWIDE DEFINED BENEFIT PENSION PLAN - FIRE
 LAST TEN FISCAL YEARS (to be built prospectively)**

2020	2019	2018	2017	2016	2015
\$ 713,149	\$ 574,390	\$ 596,522	\$ 530,936	\$ 505,553	\$ 476,284
<u>713,149</u>	<u>574,390</u>	<u>596,522</u>	<u>530,936</u>	<u>505,553</u>	<u>476,284</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 8,914,365	\$ 7,179,869	\$ 7,456,522	\$ 6,636,696	\$ 6,319,413	\$ 5,953,555
8.0%	8.0%	8.0%	8.0%	8.0%	8.0%

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

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 - FIRE
 LAST TEN FISCAL YEARS (to be built prospectively)**

	*		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Town's proportion of the net pension liability (asset)	1.136%	1.072%	1.110%
Town's proportionate share of the net pension liability (asset)	1,007,982.00	(5,808,791.00)	(2,409,475.00)
Town's covered payroll	9,880,000.00	8,628,741.00	8,914,365.00
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	10.20%	-67.32%	-27.03%
Plan fiduciary net position as a percentage of the total pension liability	97.634%	116.165%	106.720%

* The amounts presented as of the measurement date, December 31, 2022

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

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 - FIRE
 LAST TEN FISCAL YEARS (to be built prospectively)**

2020	2019	2018	2017	2016	2015
0.97%	1.11%	1.14%	1.24%	1.23%	1.23%
\$ (550,949)	\$ 1,407,329	(1,632,323)	446,175	(21,650)	(1,390,185)
\$ 7,179,869	\$ 7,456,522	6,636,696	6,319,413	5,953,555	5,602,212
-7.67%	18.87%	-24.60%	7.06%	-0.36%	-24.81%
101.94%	95.24%	106.34%	98.21%	100.10%	106.83%

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

TOWN OF CASTLE ROCK, COLORADO

**SCHEDULE OF CONTRIBUTIONS
FIRE AND POLICE PENSION ASSOCIATION OF COLORADO (FPPA)
STATEWIDE DEFINED BENEFIT PENSION PLAN - POLICE
LAST TEN FISCAL YEARS (to be built prospectively)****

	*		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Statutorily required contributions	\$ 920,068	\$ 574,390	\$ 596,522
Contributions in relation to the statutorily required contribution	<u>920,068</u>	<u>574,390</u>	<u>596,522</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 8,372,969	\$ 7,179,869	\$ 7,456,522
Contributions as a percentage of covered payroll	10.99%	8.0%	8.0%

* The amounts presented as of the current year end, December 31, 2023.

** The sworn police officers affiliated with the Fire and Police Pension Association in March 2021. Contributions for 2021 include only ten months of actual contributions.

Note: Plan was combined with the Statewide Hybrid Plan effective January 1, 2023. See Statewide Retirement Plan for current year information

Methods and Assumptions Used to Determine Contribution:

Actuarial valuations done every year. Actuarial assumptions as of January 1, 2022 were used in the determination of the actuarially determined contributions as of December 31, 2022, which represents contributions required in 2023.

Actuarial Valuation Date	January 1, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 Years
Long-term Investment Rate of Return*	7.0%
Projected Salary Increases*	4.25% - 11.25%
Cost of Living Adjustments (COLA)	0%
*Includes Inflation at	2.5%

For determining the actuarially determined contributions, the post-retirement mortality tables for non-disabled retirees uses the 2006 central rates from the RP-2015 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.

At least every five years the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions.

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

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 - POLICE
LAST TEN FISCAL YEARS (to be built prospectively)**

	<u>2023</u>	<u>2022</u>
Town's proportion of the net pension liability (asset)	0.962%	0.886%
Town's proportionate share of the net pension liability (asset)	\$ 853,441	\$ (4,801,333)
Town's covered payroll	\$ 7,097,802	\$ 4,549,620
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	12.024%	-105.533%
Plan fiduciary net position as a percentage of the total pension liability	97.634%	116.165%

* The amounts presented as of the measurement date, December 31, 2022.

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

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, 2024**

	General Fund			
	Budgets		Budgetary Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property	\$ 1,543,823	\$ 1,543,823	\$ 1,645,894	\$ 102,071
Sales	56,341,401	56,341,401	57,082,449	741,048
Motor Vehicle	7,305,295	7,305,295	6,310,815	(994,480)
Other taxes	3,515,012	3,515,012	3,340,122	(174,890)
Charges for services	2,967,343	2,967,343	4,369,126	1,401,783
Management fees	4,548,736	4,548,736	4,548,730	(6)
Licenses and permits	176,482	176,482	103,438	(73,044)
Fines and forfeitures	214,575	214,575	279,854	65,279
Investment earnings	701,112	701,112	1,495,066	793,954
Intergovernmental	1,285,323	7,744,235	10,183,247	2,439,012
Contributions and donations	25,250	25,250	980,230	954,980
Other	526,928	782,273	648,059	(134,214)
Total revenues	<u>79,151,280</u>	<u>85,865,537</u>	<u>90,987,030</u>	<u>5,121,493</u>
EXPENDITURES				
General government				
Town council	466,586	466,586	464,541	2,045
Town manager	9,668,796	9,996,109	8,677,772	1,318,337
Town attorney	1,297,334	1,297,334	1,265,806	31,528
Finance	7,084,493	6,754,980	5,023,049	1,731,931
Municipal court	457,161	457,161	431,679	25,482
Long-range planning	720,971	720,971	545,964	175,007
Total general government	<u>19,695,341</u>	<u>19,693,141</u>	<u>16,408,811</u>	<u>3,284,330</u>
Public safety				
Police	25,231,088	25,834,111	24,256,179	1,577,932
Fire	24,286,415	24,331,380	22,769,966	1,561,414
Total public safety	<u>49,517,503</u>	<u>50,165,491</u>	<u>47,026,145</u>	<u>3,139,346</u>
Culture and recreation				
Parks and open space	5,879,779	5,941,083	5,946,157	(5,074)
Total culture and recreation	<u>5,879,779</u>	<u>5,941,083</u>	<u>5,946,157</u>	<u>(5,074)</u>
Capital outlay	5,110,000	15,965,303	16,334,355	(369,052)
Total expenditures	<u>80,202,623</u>	<u>91,765,018</u>	<u>85,715,468</u>	<u>6,049,550</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,051,343)</u>	<u>(5,899,481)</u>	<u>5,271,562</u>	<u>11,171,043</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,856,429	13,356,429	1,952,973	(11,403,456)
Transfers out	(3,293,782)	(16,733,970)	(3,301,152)	13,432,818
Total other financing sources (uses)	<u>(1,437,353)</u>	<u>(3,377,541)</u>	<u>(1,348,179)</u>	<u>2,029,362</u>
Net change in funds available	(2,488,696)	(9,277,022)	3,923,383	13,200,405
Funds available - January 1	<u>39,393,856</u>	<u>33,279,228</u>	<u>33,279,228</u>	-
Funds available- December 31	<u>\$ 36,905,160</u>	<u>\$ 24,002,206</u>	<u>\$ 37,202,611</u>	<u>\$ 13,200,405</u>
RECONCILIATION OF FUNDS AVAILABLE TO GAAP FUND BALANCE				
Loans to other funds			9,491,839	
Loans from other funds			(1,661,096)	
Fund balance - December 31			<u>\$ 45,033,354</u>	

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

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, 2024**

	Economic Development			Variance with Final Budget Positive (Negative)
	Budgets		Budgetary Actual	
	Original	Final		
REVENUES				
Use	\$ 445,359	\$ 445,359	\$ 1,444,888	\$ 999,529
Investment earnings	101,028	101,028	253,061	152,033
Total revenues	546,387	546,387	1,697,949	1,151,562
EXPENDITURES				
General government				
Town manager	1,395,744	1,395,744	944,851	450,893
Total general government	1,395,744	1,395,744	944,851	450,893
Public safety				
Total public safety	-	-	-	-
Culture and recreation				
Total culture and recreation	-	-	-	-
Total expenditures	1,395,744	1,395,744	944,851	450,893
Net change in funds available	(849,357)	(849,357)	753,098	1,602,455
Funds available - January 1	4,924,996	7,823,757	7,823,757	-
Funds available- December 31	<u>\$ 4,075,639</u>	<u>\$ 6,974,400</u>	\$ 8,576,855	<u>\$ 1,602,455</u>
RECONCILIATION OF FUNDS AVAILABLE TO GAAP FUND BALANCE				
Loans to other funds			51,072	
Loans from other funds			-	
Fund balance - December 31			<u>\$ 8,627,927</u>	

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

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, 2024**

	Parking			
	Budgets		Budgetary Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property	\$ 280,982	\$ 280,982	\$ 109,509	\$ (171,473)
Sales	47,718	47,718	112,166	64,448
Investment earnings	20,600	20,600	12,081	(8,519)
Other	11,929	11,929	-	(11,929)
Total revenues	<u>361,229</u>	<u>361,229</u>	<u>233,756</u>	<u>(127,473)</u>
EXPENDITURES				
General government				
Total general government	-	-	-	-
Public safety				
Total public safety	-	-	-	-
Culture and recreation				
Total culture and recreation	-	-	-	-
Public transit	235,000	235,000	205,499	29,501
Interest	339,400	339,400	339,400	-
Agency fees	-	-	2,000	(2,000)
Total expenditures	<u>574,400</u>	<u>574,400</u>	<u>546,899</u>	<u>27,501</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(213,171)</u>	<u>(213,171)</u>	<u>(313,143)</u>	<u>(99,972)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	300,500	300,500	300,500	-
Total other financing sources (uses)	<u>300,500</u>	<u>300,500</u>	<u>300,500</u>	<u>-</u>
Net change in funds available	87,329	87,329	(12,643)	(99,972)
Funds available - January 1	<u>940,929</u>	<u>1,265,885</u>	<u>1,265,885</u>	<u>-</u>
Funds available- December 31	<u>\$ 1,028,258</u>	<u>\$ 1,353,214</u>	<u>\$ 1,253,242</u>	<u>\$ (99,972)</u>
RECONCILIATION OF FUNDS AVAILABLE TO GAAP FUND BALANCE				
Loans to other funds			-	
Loans from other funds			-	
Fund balance - December 31			<u>\$ 1,253,242</u>	

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

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, 2024**

	TABOR Excess			Variance with Final Budget Positive (Negative)
	Budgets		Budgetary Actual	
	Original	Final		
EXPENDITURES				
General government				
Total general government	\$ -	\$ -	\$ -	\$ -
Public safety				
Total public safety	-	-	-	-
Culture and recreation				
Total culture and recreation	-	-	-	-
Administration	100,000	497,471	167,988	329,483
Total expenditures	100,000	497,471	167,988	329,483
Excess (deficiency) of revenues over (under) expenditures	(100,000)	(497,471)	(167,988)	329,483
OTHER FINANCING SOURCES (USES)				
Transfers in	457,123	1,002,123	652,032	(350,091)
Transfers out	(6,000,000)	(6,000,000)	-	6,000,000
Total other financing sources (uses)	(5,542,877)	(4,997,877)	652,032	5,649,909
Net change in funds available	(5,642,877)	(5,495,348)	484,044	5,979,392
Funds available - January 1	1,271,773	5,954,346	5,954,346	-
Funds available- December 31	<u>\$ (4,371,104)</u>	<u>\$ 458,998</u>	\$ 6,438,390	<u>\$ 5,979,392</u>
RECONCILIATION OF FUNDS AVAILABLE TO GAAP FUND BALANCE				
Loans to other funds			906,566	
Loans from other funds			-	
Fund balance - December 31			<u>\$ 7,344,956</u>	

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

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, 2024**

	Total General Fund			Variance with Final Budget Positive (Negative)
	Budgets		Budgetary Actual	
	Original	Final		
REVENUES				
Property	\$ 1,824,805	\$ 1,824,805	\$ 1,755,403	\$ (69,402)
Sales	56,389,119	56,389,119	57,194,615	805,496
Use	445,359	445,359	1,444,888	999,529
Motor Vehicle	7,305,295	7,305,295	6,310,815	(994,480)
Other taxes	3,515,012	3,515,012	3,340,122	(174,890)
Charges for services	2,967,343	2,967,343	4,369,126	1,401,783
Management fees	4,548,736	4,548,736	4,548,730	(6)
Licenses and permits	176,482	176,482	103,438	(73,044)
Fines and forfeitures	214,575	214,575	279,854	65,279
Investment earnings	822,740	822,740	1,760,208	937,468
Intergovernmental	1,285,323	7,744,235	10,183,247	2,439,012
Contributions and donations	25,250	25,250	980,230	954,980
Other	538,857	794,202	648,059	(146,143)
Total revenues	80,058,896	86,773,153	92,918,735	6,145,582
EXPENDITURES				
General government				
Town council	466,586	466,586	464,541	2,045
Town manager	11,064,540	11,391,853	9,622,623	1,769,230
Town attorney	1,297,334	1,297,334	1,265,806	31,528
Finance	7,084,493	6,754,980	5,023,049	1,731,931
Municipal court	457,161	457,161	431,679	25,482
Long-range planning	720,971	720,971	545,964	175,007
Total general government	21,091,085	21,088,885	17,353,662	3,735,223
Public safety				
Police	25,231,088	25,834,111	24,256,179	1,577,932
Fire	24,286,415	24,331,380	22,769,966	1,561,414
Total public safety	49,517,503	50,165,491	47,026,145	3,139,346
Culture and recreation				
Parks and open space	5,879,779	5,941,083	5,946,157	(5,074)
Total culture and recreation	5,879,779	5,941,083	5,946,157	(5,074)
Administration	100,000	497,471	167,988	329,483
Public transit	235,000	235,000	205,499	29,501
Capital outlay	5,110,000	15,965,303	16,334,355	(369,052)
Interest	339,400	339,400	339,400	-
Agency fees	-	-	2,000	(2,000)
Total expenditures	82,272,767	94,232,633	87,375,206	6,857,427
Excess (deficiency) of revenues over (under) expenditures	(2,213,871)	(7,459,480)	5,543,529	13,003,009
OTHER FINANCING SOURCES (USES)				
Transfers in	2,614,052	14,659,052	2,905,505	(11,753,547)
Transfers out	(9,293,782)	(22,733,970)	(3,301,152)	19,432,818
Total other financing sources (uses)	(6,679,730)	(8,074,918)	(395,647)	7,679,271
Net change in funds available	(8,893,601)	(15,534,398)	5,147,882	20, ,
Funds available - January 1	6, ,	48,323,216	48,323,216	-
Funds available- December 31	\$ 3 ,6 ,9 3	\$ 32,788,818	\$ 53, , 8	\$ 2 , ,
RECONCILIATION OF FUNDS AVAILABLE TO GAAP FUND BALANCE				
Loans to other funds			1 , , 4	
Loans from other funds			(1,661,096)	
Fund balance - December 31			\$ 62, ,	

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

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, 2024**

	Budgets			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Sales	\$ 14,868,802	\$ 14,868,802	\$ 15,071,344	\$ 202,542
Use	1,590,436	1,590,436	2,252,505	662,069
Motor Vehicle	4,034,629	4,034,629	3,493,928	(540,701)
Investment earnings	54,139	54,139	876,032	821,893
Intergovernmental	9,444,906	9,444,906	9,792,398	347,492
Other	4,930	4,930	35,102	30,172
Total revenues	29,997,842	29,997,842	31,521,309	1,523,467
EXPENDITURES				
Administration	584,878	584,878	630,374	(45,496)
Street operations	6,061,635	6,061,635	5,499,265	562,370
Traffic operations	4,411,851	4,938,038	4,447,132	490,906
Public transit	97,994	97,994	100,042	(2,048)
Public works	-	5,749,584	4,977,544	772,040
Engineering	17,433,309	12,890,736	10,327,373	2,563,363
Total public works	28,589,667	30,322,865	25,981,730	4,341,135
Capital Outlay	1,073,000	2,698,168	1,367,707	1,330,461
Debt Service				
Principal	730,000	730,000	730,000	-
Interest	174,038	174,038	174,038	-
Total debt service	904,038	904,038	904,038	-
Total expenditures	30,566,705	33,925,071	28,253,475	5,671,596
Excess (deficiency) of revenues over (under) expenditures	(568,863)	(3,927,229)	3,267,834	7,195,063
OTHER FINANCING SOURCES (USES)				
Transfers in	2,000,000	11,000,000	-	(11,000,000)
Transfers out	(1,020,149)	(15,020,149)	(3,862,829)	11,157,320
Total other financing sources (uses)	979,851	(4,020,149)	(3,862,829)	157,320
Net change in funds available	410,988	(7,947,378)	(594,995)	7,352,383
Funds available - January 1	2,853,495	16,746,779	16,746,779	-
Funds available - December 31	\$ 3,264,483	\$ 8,799,401	\$ 16,151,784	\$ 7,352,383

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

TOWN OF CASTLE ROCK, COLORADO

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2024

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) All appropriations lapse at year-end.

APPENDIX B

CERTAIN DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE AND THE INDENTURE

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."

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 2025, Evidencing Proportionate Interests in the Base Rentals and other Revenues under an Annually Renewable Lease Purchase Agreement, dated August 6, 2025, 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.

“Certificate of Completion” means the Certificate of Completion in substantially the form attached hereto as Exhibit F to be delivered by the Town Representative to the Trustee pursuant to Section 7.3 of the Lease.

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

“Completion Date” means the earlier of (a) August 6, 2028, or such later date established by the Town with the Approval of Special Counsel, or (b) any date on which the Certificate of Completion is delivered by the Town Representative to the Trustee pursuant to Section 7.3 of the Lease.

“Construction Fund” means the Construction Fund created under the Indenture.

“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.

“Costs of the Project” means all costs and expenses incurred in connection with the Project, including without limitation:

- (a) any costs paid or incurred for the acquisition of any real estate acquired as part of the Leased Property;
- (b) obligations paid, incurred or assumed for labor, materials and equipment in connection with the construction, acquisition, installation, equipping and improvement of the Project;
- (c) the cost of performance and payment bonds and of insurance of all kinds (including, without limitation, title insurance) that may be necessary or appropriate in connection with the Project;
- (d) the costs of engineering, architectural and other professional and technical services including obligations incurred or assumed for preliminary design and development work, test borings, soils tests, surveys, environmental review, estimates and plans and specifications;
- (e) administrative costs incurred in connection with the leasing of the Leased Property and the construction of the Project incurred prior to the Completion Date, including supervision of the construction, acquisition, installation and equipping as well as the performance of all of the other duties required by or consequent upon the construction, acquisition, installation and equipping of the Project, including, without limitation, costs of preparing and securing all Project Documents, architectural, engineering and other professional and technical fees, building permit fees, water tap fees, sanitary sewer and wastewater fees, legal fees and expenses, appraisal fees, independent inspection fees, auditing fees and advertising expenses in connection with the Project;
- (f) costs incurred in connection with the Certificates, including the initial compensation and expenses of the Trustee, legal fees and expenses, costs incurred in obtaining ratings from rating agencies, the premium for a qualified surety bond, if any, and accounting fees;
- (g) all costs which are required to be paid under the terms of any Project Contract;
- (h) any costs associated with the leasing of the Site pursuant to the Site Lease;
- (i) costs related to the preparation of the Site for construction of the Project, including, but not limited to, the costs of demolition and cleanup of any existing improvements on the Site and costs associated with the provision of sewer, water, gas, electricity and other infrastructure improvements and services to the Site;
- (j) payments to a reserve fund to the extent necessary to establish or maintain a reserve requirement, if any;
- (k) all other costs which are considered to be a part of the costs of the Project in accordance with generally accepted accounting principles and which will not adversely affect the

excludability from gross income for federal income tax purposes of the Interest Portion of Base Rentals due under this Lease and attributable to the Certificates, as evidenced by delivery of an Approval of Special Counsel; and

(l) any and all other costs necessary to effect the Trustee's leasing of the Site and the implementation and completion of the Project to the extent the same are permitted by the laws of the State of Colorado and will not adversely affect the excludability from gross income for federal income tax purposes of the Interest Portion of Base Rentals due under this Lease and attributable to the Certificates, as evidenced by delivery of an Approval of Special Counsel.

"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 14.1 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 August 6, 2025, 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, 2025.

“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 August 6, 2025, 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, equipping and improvement of a recreation center with associated amenities and supporting public improvements needed or desired in connection therewith.

“Project Contract” means any contract entered into before the Completion Date by the Town regarding the design, acquisition, construction, improvement or installation of any portion of the Project, including, without limitation, the design contracts between the Town and the design consultants, the construction contracts between the Town and the contractors, and any other contracts between the Town and anyone performing work or providing services in connection with the implementation and completion of the Project.

“Project Documents” means the following: (a) plans, drawings and specifications for the Project, when and as they are approved by the Town, including change orders, if any; (b) any necessary permits for the Project, including any building permits and certificates of occupancy; (c) the Project Contracts; (d) policies of title insurance, insurance policies required under the Project Contracts, including general liability, property damage and automobile, worker’s compensation and builders’ risk insurance policies in respect of the general contractor for construction of the Project and, on and after the Completion Date of the Project, insurance policies required under Article 9 of the Lease, including commercial general liability and public liability, property and worker’s compensation insurance policies, or certificates of insurance for any of such policies thereof, as required by the Lease; (e) contractor’s performance and payment bonds with respect to the Project; and (f) any and all other documents executed by or furnished to the Town or the Trustee in connection with the Project.

“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.

“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; (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 August 6, 2025, 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.

“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, 2059 (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, 2059. 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 \$72,410,000, 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 9.1 and 9.3 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, 2025. 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, 2049, except that the Renewal Term beginning on January 1, 2049 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 9.2 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 12 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 14.1 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 10 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 and Modification of the Leased Property

Maintenance. 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 has no responsibility in any of these matters or for the making any additions, modifications or replacements to the Leased Property.

Modifications of the Leased Property; Installation of Furnishings and Machinery of the Town. The Town is permitted to make 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 shall not demolish any portion of the improvements without the prior written consent of the Trustee.

Any additions, modifications and improvements to the Leased Property that are made by the Town shall be owned by the Trustee, subject to the terms of the Lease and the Indenture.

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 the Leased Property. All such machinery, equipment and other tangible property remains the sole property of the Town in which the Trustee shall not have any interest. However, title to any such machinery, equipment and other tangible property which becomes permanently affixed to the Leased Property, is required to be included under the terms of the Site Lease, the Lease and the Indenture, in the event that such Leased Property would be damaged or impaired by the removal of such machinery, equipment or other tangible property.

The Town also has the right to make substitutions to the Leased Property upon compliance with the provisions described in “Release and Substitution of Leased Property” below.

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 Town shall prepare and the Trustee shall release all or any portion of the Leased Property, and shall execute all documents necessary or appropriate to convey or reconvey or release 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 portion of the Leased Property to be released; (b) a certificate of the Town Representative certifying (i) that the disposition of the portion of the Leased Property to be released and the substitution therefor of the real property to be substituted for the portion of the Leased Property to be released (if any) will not materially adversely affect the ability of the Town to operate the Leased Property or to fulfill its obligations under this Lease; (ii) that any real property to be substituted for the portion of the Leased Property to be released will be useful in the operation of the Leased Property; and (iii) that the fair value of any real property to be substituted for the portion of the Leased Property to be released, as determined by the Board 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 copy of the resolution adopted pursuant to in clause (b)(iii); and (d) supplements and amendments to the Site Lease, the Lease and the Indenture and any other documents necessary to subject any real property to be substituted for the portion of the Leased Property to be released to the lien of the Indenture. 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 completion of the Project, 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 Board. 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 the Lease. If the Town insures 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 elects 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 property insurance.

In addition and upon completion of the Project, 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 heretofore or hereafter amended). Such insurance may contain deductibles and exclusions deemed reasonable by the Board. 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 on any public liability insurance.

Any casualty and property damage insurance policy required by the Lease shall be so written or endorsed as to make payments under such insurance policy payable to the Town and the Trustee. Each insurance policy provided for in the Lease shall contain a provision to the effect that the insurance company

shall not cancel the policy without first giving written notice thereof to the Town at least 30 days in advance of such cancellation. All insurance policies issued pursuant to the Lease, or 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 \$25,000, 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 Trustee shall agree to cooperate with the Town and the Town shall use its 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 (as confirmed in writing to the Trustee by the Town), 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 10.2 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

The Town has the option to purchase the Trustee's leasehold interest in the Leased Property, 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

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

Remedies on Default. Whenever any Event of Default has happened and is continuing beyond any applicable cure period, the Trustee may (subject to its rights and protections under the Indenture), 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:

(c) 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; or

(d) 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; or

(e) recover from the Town:

(i) the portion of Base Rentals and Additional Rentals, for which a specific Appropriation has been effected 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 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

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

Upon the occurrence of an Event of Nonappropriation, the Trustee shall be entitled to recover from the Town the amounts set forth in the Lease if the Town continues to occupy the Leased Property after December 31 of the Fiscal Year in which such Event of Nonappropriation occurs. 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).

Limitations on Remedies. The remedies in connection with an Event of Lease Default are limited as described in this paragraph. 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; Waivers

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 is cumulative and 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 impairs any such right or power or is to be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

Waiver. The Trustee may waive any Event of Lease Default under the Lease and its consequences. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach under the Lease. Payment of Base Rentals or Additional Rentals by the Town shall not constitute a waiver of any breach or default by the Trustee under the Lease.

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 11.2 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 10.2 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.

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, 2025 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, 2025 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 90 days after the execution and delivery of the Certificates shall be credited to the Base Rentals Fund or used to pay costs of the Project, as directed in writing by the Town Representative.

Construction Fund. The Construction Fund is created and established with the Trustee pursuant to the Indenture. Moneys on deposit in the Construction Fund shall be disbursed by the Trustee, upon the written direction of the Town Representative, to pay the Costs of the Project (as defined in the Lease) as set forth in the Lease.

Prior to the Completion Date, (i) all income earned from the investment of moneys in the Construction Fund will be retained in the Construction Fund; provided, however, income from the Construction Fund may be transferred to the Rebate Fund if required by the Indenture, and (ii) all such

income shall be reinvested or used for purposes of the Construction Fund until transferred, if applicable, as described in (a) and (b) below.

(a) Any moneys remaining in the Construction Fund on the Completion Date, except for amounts set aside by the Trustee to pay remaining Costs of the Project as provided in the Certificate of Completion (in form as provided in Exhibit D to the Lease) filed with the Trustee by the Town Representative, shall be transferred to the Base Rentals Fund and used for the purposes of such Fund.

(b) Any moneys held in the Construction Fund shall be invested by the Trustee in accordance with Article 5 of the Indenture.

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 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.

Provisions Concerning the Trustee

Liability of Trustee; Trustee's Use of Agents.

(a) The Trustee shall be liable only for its own negligence or willful misconduct. However, the Trustee shall not be liable for any error of judgment made in good faith, provided the Trustee was not negligent in ascertaining the pertinent facts.

(b) The Trustee may exercise any powers under the Indenture and perform any duties required of it through attorneys, agents, officers, receivers or employees, and shall be entitled to the advice or opinion of counsel concerning all matters involving the Trustee's duties under the Indenture, and may in all cases pay such reasonable compensation to all such agents, attorneys and receivers as may reasonably be employed in connection with the trusts of the Indenture. The Trustee may conclusively rely and act upon the opinion or advice of any attorney engaged by the Trustee in the exercise of reasonable care without liability for any loss or damage resulting from any action or omission taken in good faith reliance upon that opinion or advice. The Trustee shall not be liable for any loss or damage resulting from any action or omission taken by its agents, officers, receivers and employees to whom discretion or authority under the Indenture has been delegated by the Trustee, provided the Trustee's selection of or delegation to the agent, officer or employee was done with due care.

(c) The permissive right of the Trustee to do things enumerated in the Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful misconduct.

(d) The Trustee shall not be personally liable for any debts contracted or for damages to persons or to personal property injured or damaged, or for salaries or nonfulfillment of contracts during any period in which it may be in possession of or managing the Leased Property.

(e) The Trustee shall not be liable for actions taken at the direction of Owners pursuant to the provisions of Article 7 of the Indenture (described above in the sections entitled "Events of Indenture Default and Remedies," "Provisions Related to Legal Proceedings by Trustee and Rights of Certificate Owners" and "Application of Moneys in Event of Indenture Default").

(f) Any person hired by the Trustee to enforce Lease Remedies shall be considered the Trustee's agent for the purposes of the provisions described in Section 8.02 of the Indenture ("Liability of Trustee; Trustee's Use of Agents").

(g) The Trustee shall not be responsible for any recital in the Indenture or in the Certificates (except in respect to the execution of the Certificates on behalf of the Trustee), or for the recording or rerecording, filing or refiling of the Site Lease, the Lease or the Indenture or of any supplements thereto or instruments of further assurance or any financing statements (other than continuation statements) in connection therewith, or except as otherwise provided in the Site Lease, for insuring the Leased Property, or collecting any insurance moneys, or for the sufficiency of the security for the Certificates issued under the Indenture or intended to be secured thereby, or for the value of or title to the Leased Property, and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Town, except as provided in the Indenture; but the Trustee may require of the Town full information and advice as to the performance of the covenants, conditions and agreements aforesaid. The Trustee shall have no obligation to perform any of the duties of the Town under the Site Lease or the Lease; and the Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 5.01 of the Indenture.

(a) The Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof, or as to the validity or sufficiency of the Indenture or of the Certificates. The Trustee shall not be accountable for the use or application of any Certificates or the proceeds thereof or of any money paid to or upon the order of the Town under any provision of the Indenture, the Lease or the Site Lease. The Trustee shall not be accountable for the use of any proceeds of any Certificates authenticated and delivered to the Underwriter under the Indenture.

(b) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, or whenever in the administration of the Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action under the Indenture, the Trustee shall be entitled to conclusively rely upon a certificate signed on behalf of the Town by the Town Representative or such other person as may be designated for such purpose by resolution of the Board, as sufficient evidence of the facts therein contained, and prior to the occurrence of a default of which the Trustee has been notified as provided in Section 8.05 of the Indenture, or of which by said Section it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same.

(c) All moneys received by the Trustee shall, until used or applied or invested as provided in the Indenture, be held in trust in the manner and for the purposes for which they were received but need not be segregated from other funds except to the extent required by the Indenture or law. The Trustee shall not be under any liability for interest on any moneys received under the Indenture except that the Trustee is responsible for complying with the written investment direction of the Town.

(d) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(e) Notwithstanding anything contained in the Indenture, the Trustee shall have the right, but shall not be required, to demand in respect of the execution and delivery of any Certificates, the withdrawal of any cash, or any action whatsoever within the purview of the Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that required by the terms of the Indenture, as a condition of such action by the Trustee deemed desirable for the purpose of establishing the right of the Town to the execution and delivery of any Certificates, the withdrawal of any cash, or the taking of any other action by the Trustee.

(f) Notwithstanding any other provision of the Indenture, the Trustee shall not be required to advance any of its own funds in the performance of its obligations under the Indenture unless it has received assurances from the Owners of the Certificates or indemnity from the Owners of the Certificates satisfactory to it that it will be repaid. The Trustee shall not be required to give any bond or surety in respect to the execution of its trusts and powers hereunder.

(g) The Trustee shall have no responsibility with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the Certificates and shall have no responsibility for compliance with any state or federal securities laws in connection with the Certificates.

(h) Notwithstanding any other provision of the Indenture to the contrary, any provision relating to the conduct of, intended to provide authority to act, right to payment of fees and expenses, protection, immunity and indemnification to the Trustee, shall be interpreted to include any action of the Trustee, whether it is deemed to be in its capacity as Trustee, registrar, or Paying Agent.

Compensation. The Trustee shall be entitled to payment and reimbursement for its reasonable fees for its ordinary services rendered under the Indenture (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) and all advances, agent and counsel fees and other ordinary expenses for its services rendered under the Indenture as and when the same become due and all expenses reasonably and necessarily made or incurred by the Trustee in connection with such services as and when the same become due, as provided in the Lease. In the event that it should become necessary for the Trustee to perform extraordinary services, the Trustee shall be entitled to reasonable additional compensation therefor and to reimbursement for reasonable and necessary extraordinary expenses in connection therewith; provided that if such extraordinary services or extraordinary expenses are occasioned by the negligence or willful misconduct of the Trustee it shall not be entitled to compensation or reimbursement therefore. The Trustee shall be entitled to payment and reimbursement of the reasonable fees and charges of the Trustee as Paying Agent and as registrar for the Certificates.

Obligation to Act on Defaults. If any Event of Indenture Default shall have occurred and be continuing of which the Trustee has actual knowledge or notice, the Trustee shall exercise such of the rights and remedies vested in it by the Indenture and shall use the same degree of care and skill in its exercise as a prudent person would exercise or use in the circumstances in the conduct of his or her own affairs in exercising any rights or remedies or performing any of its duties under the Indenture; provided, that if in the opinion of the Trustee such action may tend to involve expense or liability, it shall not be obligated to take such action unless it is furnished with indemnity satisfactory to it.

Intervention by Trustee. In any judicial proceeding to which the Trustee or the Town is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of Owners of the Certificates, the Trustee may intervene on behalf of the Owners and shall do so if requested in writing by the Owners of at least 25% in aggregate principal amount of Outstanding Certificates and furnished indemnity. The rights and obligations of the Trustee are subject to the approval of a court of competent jurisdiction.

Environmental Matters. Any real property or interest in real property constituting any portion of the Trust Estate shall be subject to the following provisions: (a) the Trustee's responsibilities for any interest in real property constituting any portion of the Trust Estate, prior to an Event of Indenture Default, shall be performed as Trustee on behalf of the Owners of the Certificates without any duty to monitor or investigate whether the real property constituting any portion of the Trust Estate complies with environmental laws or is subject to any Hazardous Substance; (b) following an Event of Indenture Default, if the Trustee determines that the release, threatened release, use, generation, treatment, storage or disposal of any Hazardous Substance on, under or about real property constituting any portion of the Trust Estate gives rise to any liability or potential liability under any federal, State of Colorado, local or common law, or devalues or threatens to devalue such real property, the Trustee may, after being adequately indemnified pursuant to Section 8.01(d) of the Indenture, take whatever action is deemed necessary by the Trustee to address the threatened or actual releases of Hazardous Substances, or to bring about or maintain such real property's compliance with federal, State of Colorado, or local environmental laws and regulations. The Trustee has the right to take no action and, in such event no fiduciary duty exists which imposes any obligation for action with respect to the Trust Estate or any portion thereof if the Trustee determines to take no action for, including that any such action could adversely subject the Trustee to environmental or other liability for which the Trustee has not been adequately indemnified.

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 (the “Disclosure Certificate”) is executed and delivered by the Town of Castle Rock, Colorado (the “Issuer”) in connection with the authorization, execution, and delivery of the Lease Purchase Agreement, dated as of August 6 2025 (the “Lease”), between 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 2025, in the aggregate principal amount of \$72,550,000 (the “Certificates”). The Certificates are being issued pursuant to the Indenture of Trust, dated as of August 6, 2025 (the “Indenture”) executed 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 Indenture or parenthetically defined herein, which apply to any capitalized terms used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

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

“Dissemination Agent” shall mean any 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, 2025, 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 any. 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 the 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 (10) 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

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.

(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.

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) 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 Indenture or 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: August 6, 2025.

TOWN OF CASTLE ROCK, COLORADO

By: _____
Mayor

Approved as to form:

Michael J. Hyman, Town Attorney

EXHIBIT "A"

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Town of Castle Rock, Colorado
Name of Bond Issue: \$72,550,000 Certificates of Participation, Series 2025
Date of Issuance: August 6, 2025
CUSIP Number: 14848P ____

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Certificate dated 6, 2025. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____, _____

TOWN OF CASTLE ROCK, COLORADO

By: _____
Mayor

EXHIBIT “B”

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

\$72,550,000

Certificates of Participation, Series 2025

Evidencing Proportionate Interests in the Base Rentals and other Revenues under an Annually Renewable Lease Purchase Agreement dated as of August 6, 2025, 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 August 6, 2025, (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 August 6, 2025 (the “Lease”), between the Trustee, as lessor, and the Town, as lessee. Certificates of Participation, Series 2020, in the aggregate principal amount of \$72,550,000 (the “Certificates”), each dated August 6, 2025, are authorized under an Indenture of Trust, dated as of August 6, 2025 (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"), interest on the Certificates is not a specific item of tax preference for purposes of the federal alternative minimum tax, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations, and interest on the Certificates is excludable from Colorado taxable income and 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

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