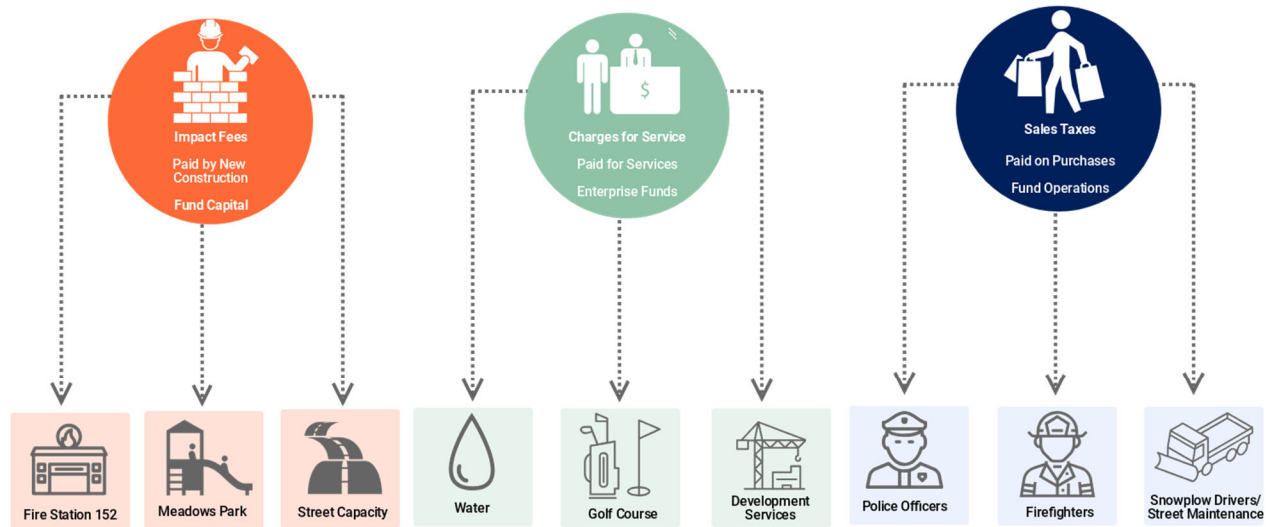


### Financial Reporting

Town of Castle Rock financial management and reporting involves numerous complexities and requires Townwide effort of departments and staff. This 2022 Year End Financial Review includes revenue, expenditure, fund balance, and reserve information by fund as well as on a Townwide perspective. The Town's budget includes 26 different funds with a variety of revenue sources, of which, several have restrictions for how the funds can be spent. The Town's revenue sources, and their respective uses, are represented below for reference.

### Review of the Town's finance structure:

For a review of the Town's Finance Structure- watch this [video](#)



\* The Community Center Fund, which supports the Rec Center and MAC, receives both charges for service and sales tax revenue

The following pages provide a summary of the Town's financial performance through 2022 year end and detailed financial schedules in Attachment A, Sales Tax collections by category and geographic area in Attachment B, and the Town's investment summary in Attachment C.

#### What sources generate funds?

- Sales tax overview
- Townwide revenue summary

#### How is the Town focusing resources on priorities?

- Ensuring our Water Future
- Enhancing our Transportation
- Ensuring our Public Safety
- Maintaining strong Parks and Recreation

#### How is the Town growing?

- Development related revenue
- Development services department overview

#### How does the Town manage finances conservatively?

- Active Financial Monitoring
- Future Planning
- TABOR
- Transparency

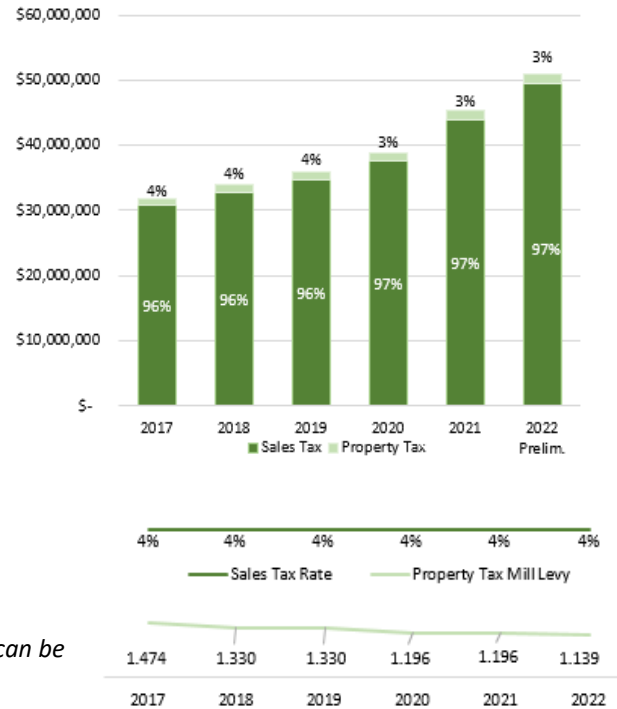
### What sources generate funds?

#### Sales and property tax

- Town collected sales tax reported from taxable entities through December 31, 2022 was 13 percent greater than 2021. Information related to historical, geographical, and industry sales tax collections can be found in Attachment B
- The top three geographic areas for sales tax were Milestone/Metzler, Promenade, and the Out of State, making up about 49 percent of sales tax collections
- The top three industries for sales tax remittance in 2022 includes food and general merchandise, miscellaneous retail, and restaurants and bars, making up approximately 56 percent of sales tax collections
- There were 5,682 active business licenses at the end of 2022, 37 percent of which are located in Castle Rock
- Property tax collections for 2022 reflect a mill levy assessment of 1.139

Detailed financial information, including the Town's various revenue sources, can be found in the schedules in Attachment A.

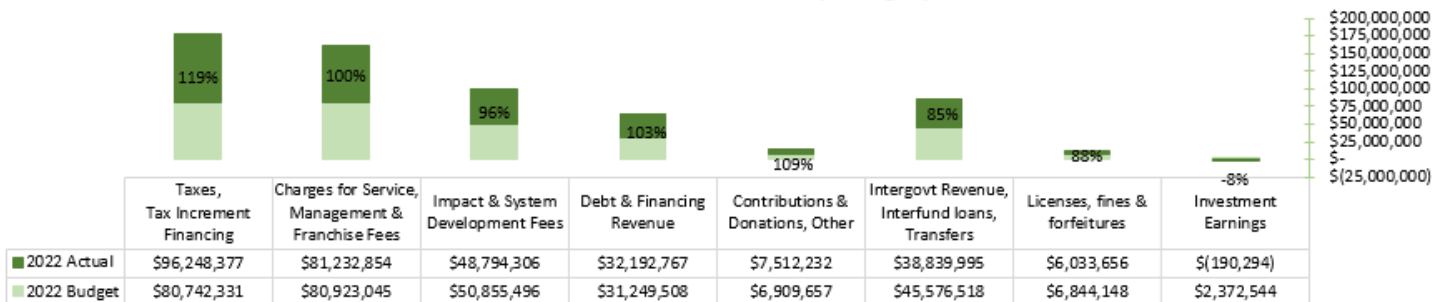
General Fund Sales vs. Property Tax Collections  
Period Ending December 31, 2022



### Townwide Revenue

Tax revenues including sales, property, use, motor vehicle, and other taxes, make up about 30 percent of the Townwide 2022 revenue budget, with Town collected sales tax making 75 percent of the total tax revenue budget. However, there are several other revenue sources, such as water fees, that support Town services. Through the end of the year, Townwide revenues are over the budget by 3 percent due a new stronger than expected sales tax collections and building permit activity.

2022 Townwide Revenue By Category

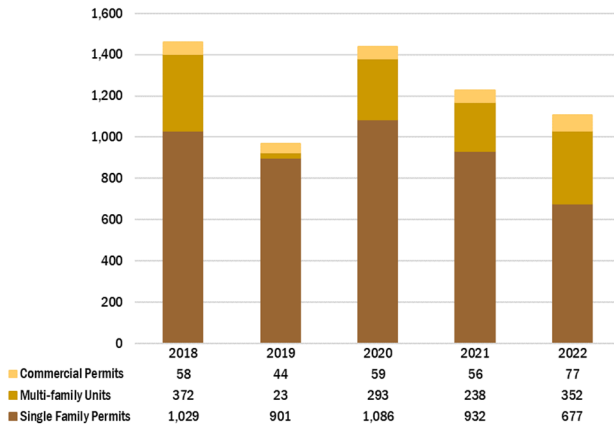


### How is the Town Growing?



Revenues earned from development in Castle Rock are generally used to help fund growth related projects across the Town. The 2022 Budget for development-related revenue was based on 800 single family permits, 220 multi-family units, and square footage estimates for about 20 commercial projects. The expected number of single family, multi-family, commercial, and other development permits issued determine budget amounts for growth related revenues such as impact fees, system development fees, building use tax and (water) tap fees. Actual development revenue received by fund varies based the number and type of permits issued and the size, type, value, and water needs of the specific project. The Town issued 677 single family permits, 352 multi-family permits, and 77 commercial projects permits in 2022.

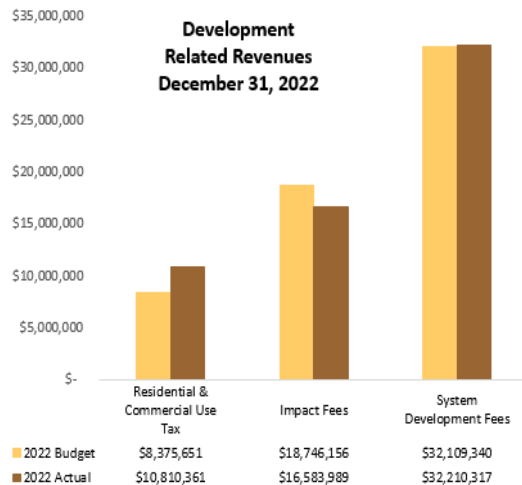
Through Q4 Building Permit Issuance  
2018-2022



**Building use tax** is levied at 4 percent on materials used in construction. Residential use tax is received into the Transportation, Transportation Capital, General Long-Term Planning, and Community Center Funds while commercial use tax is received into the Economic Development Fund.

**Impact fees and system development fees** are charged as part of the building permit process and fund needs related to growth including Municipal Facilities, Parks and Recreation, Fire, Police, Transportation, and Castle Rock Water. For 2022, single family and multi-family permits are finishing the year under budget.

Actual development related revenue received varies based on type, size, valuation, tap size, and other factors. This chart displays the actual revenue received in 2022 for these fees. Use tax, impact fees, and system development fees all did not meet expectations for 2022 due to lower than estimated licenses and permits. These fees and taxes are one-time revenues for capital expenditures as they do not support reoccurring expenses.



The Development Services Department oversees development in Castle Rock. This department is funded partially in the General Fund and General Fund expenses are 28 percent under budget for 2022. The Development Services Enterprise Fund's revenue is 17 percent under budget for the year, largely due to the lower than estimated inspections fees and operating grants. The Development Services Fund expenditures are 11 percent under budget for the year.

### Development Services Enterprise Expenses

#### Development Services Enterprise Expenses

2022 Actual	2022 Budget
\$7,352,641	\$8,202,278

To see more detailed financial information about Development Services, please see Schedules A and B in Attachment A.

### How is the Town focusing resources on priorities in 2022?



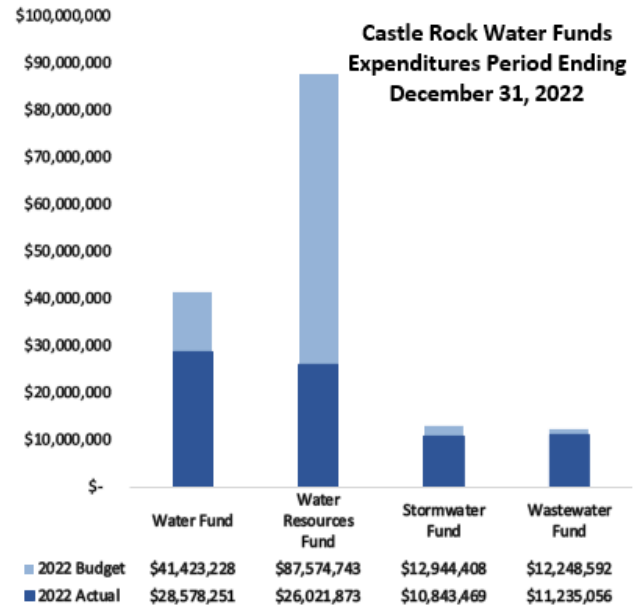
#### Ensuring our water future

Castle Rock Water is comprised of four enterprise funds – Water, Water Resources, Stormwater, and Wastewater. Existing and new users support these funds. Revenues in these funds are seasonal and highly variable based on temperature and precipitation throughout the year. Expenditures in these funds include operational costs and significant capital projects to accommodate infrastructure maintenance and needs in our growing community. Capital expenditures make up 64 percent of the total Castle Rock Water annual expenditure budget.

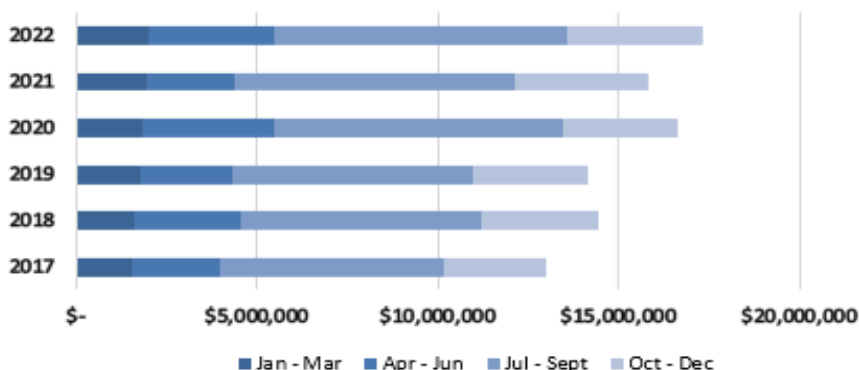
For 2022, total revenues for Castle Rock Water Funds combined are 1 percent over budget. In early 2022, a water bond of \$30 million in revenue was issued for use of capital projects. Total expenses in the four Castle Rock Water Funds are 51 percent under budget for 2022, due to timing of multiple water capital projects, listed below. Many capital projects take multiple years to complete due the timing of the project or the size and scope of the project.

Significant 2022 Castle Rock Water projects include:

- Plum Creek to Rueter-Hess Pipeline work
- Continued WISE infrastructure
- Water rights acquisition
- Castle Rock Reservoir upgrades
- Cherry Creek Basin infrastructure work
- Multiple stream stabilization projects
- Sewer line rehabilitation throughout the Town
- Continued infrastructure work within the Craig and Gould neighborhood



#### 2017-2022 Metered Water Sales by Quarter



*To see more detailed financial information about Castle Rock Water, please see Schedules C-F in Attachment A.*



### Enhancing our transportation

The Public Works Department manages Castle Rock transportation infrastructure, with budgeted expenditures in the Transportation (general operational costs) and Transportation Capital funds (one-time growth related projects). The Transportation Fund supplements the capital fund to support the construction of growth-related projects when appropriate and funds are available. Transportation expenditures tend to be seasonal, related to construction seasons for both maintenance and new construction. The Transportation Capital Fund received ARPA (American Rescue Plan Act) Funds to help the town with road needs, the Town plans to use this revenue to fund the Ridge Road and Plum Creek Parkway widening project.

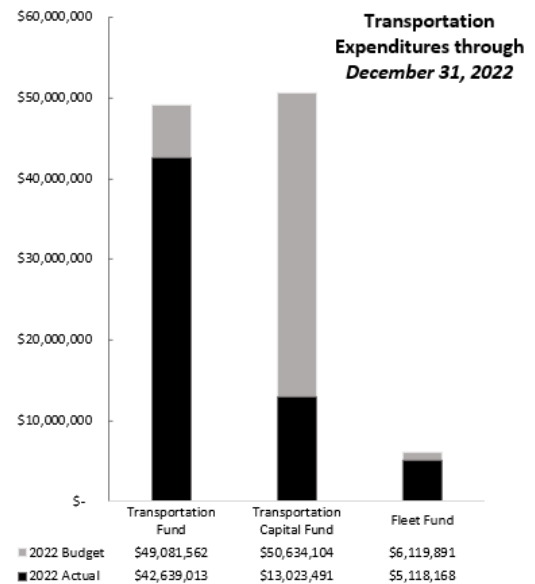
Total expenditures for 2022 in the Transportation Fund were 13 percent under year seasonally adjusted budget. The Transportation Capital Fund expenditure are approximately 74 percent under budget, both are due to capital projects timing listed below.

#### Significant ongoing projects include:

- Crystal Valley interchange
- Craig and Gould North improvements
- 5<sup>th</sup> street widening
- Ridge Road widening
- Plum Creek widening
- Improvements at Highway 86 and 5<sup>th</sup> Street
- Plum Creek and Crystal Valley roundabout

Transportation Fund revenues include sales tax, Highway User Tax, residential use tax, and other resources. Total Transportation Fund revenues ended 17 percent over budget while the Transportation Capital Fund revenues ended 21 percent under budget due to lower than anticipated residential building use tax revenue and impact fee. (See *schedules G and H in Attachment A for more detailed financial information for transportation.*)

The Parking Fund was created in 2020 to fulfill the Town's obligation to fund 308 public parking spaces within the Encore parking garage and other future town parking projects. This fund is overseen by the Finance Department. For 2022, this fund is 71 percent under budget for revenue and is under budget by 30 percent for expenditures. See *schedules Y in Attachment A for more detailed financial information.*



### Did you know ...

The Public Works Department also manages the Town's Fleet Fund. This internal service fund maintains 486 vehicles and pieces of equipment. Annually staff evaluates and monitors vehicles to determine optimal replacement schedules. In 2022, 6 new vehicles and 15 replacement vehicles were purchased and placed into service. Funds are accumulated from user departments over time to pay for vehicle replacements while capital funds are typically used for the initial purchase of a new vehicle. Fleet Fund expenditures are 16 percent under the 2022 budget, largely due to availability of vehicles to purchase. Revenue in the Fleet Fund is about 3 percent under the 2022 budget.

To see more detailed information about the Fleet Fund, see Schedule I of Attachment A.



### Ensuring our public safety

The Police and Fire departments operate within the General Fund while growth-related Police and Fire capital expenses are included in the Police and Fire Capital Funds. Replacement items for public safety are expensed out of the General Long Term Planning Fund (GLTP). The newly created TABOR Fund will provide funding for future public safety projects. Police Forfeiture funding is periodically used when revenue is received or for approved expenditures. Charts on this page represent safety operations within the General Fund based on 2022 financial information.

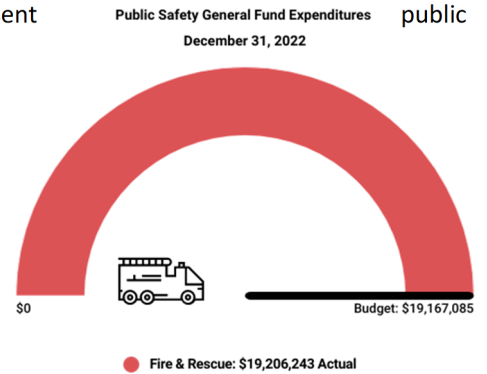
#### Public safety operations



The Fire Department items within the 2022 Budget include:

- Replacement of bay doors at stations 154 and 155 out of GLTP

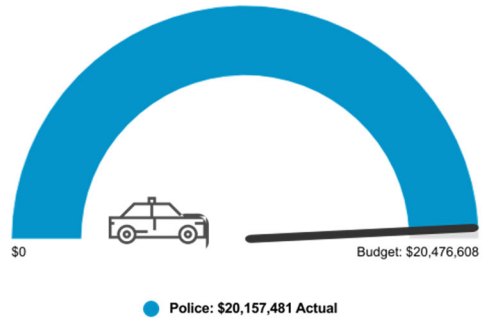
General Fund Fire and Rescue expenditures ended 0.3% percent over the 2022 budget.



Castle Rock Police Department 2022 Budget includes funding for:

- Renovation of Police Headquarters from the TABOR Fund

General Fund operating expenditures for the Police Department are about 2 percent under the 2022 budget.



#### Capital funds

Capital expenditures related to growth for public safety are funded through the Fire Capital and Police Capital Funds using impact fee revenue received from new development in Castle Rock. Expenses in Fire Capital are 5 percent under the 2022 budget. Expenses in the Police Capital Fund are 46 percent under the 2022 budget. This is primarily due to the timing of the Police Headquarters project and delay in ordering new Police vehicles.

The Police Department occasionally receives forfeiture related revenue in a separate Police Forfeiture Fund from participation in cooperative efforts with state and federal law enforcement. Only interest revenue was received and no expenditures occurred in 2022.

*Learn more about public safety financial performance, and view the detailed financial schedules as of December 31st, 2022 in Attachment A – Schedules A, J, K, and L.*



Fire Station 155



Castle Rock Police Department



### Maintaining strong parks and recreation

Castle Rock Parks and Recreation oversees Town open space, developed parks, Red Hawk Ridge Golf Course, the Miller Activity Complex (MAC), Recreation Center, outdoor pools, and special events. Budgets for these areas are included in multiple funds discussed below. Various revenues including sales tax, user fees, statewide lottery distributions, Douglas County shareback funds and grants, as available and awarded, support Parks and Recreation.

### Parks projects

Parks and Recreation also utilizes Conservation Trust and Parks and Recreation Capital funds for projects. The capital fund can only be used for growth-related projects. Projects include design of a new neighborhood park. The Parks and Recreation Capital Fund ended 26 percent under the 2022 budget due to expenditure timing of the Plum Creek North. The Conservation Trust Fund, supported by state lottery proceeds, is 45 percent under the 2022 budget due to timing of multiple park improvements (Bison Park, Butterfield Park, Mitchell Gulch Park) that are planned throughout town.

In 2021 Castle Rock citizens approved a new Lodging Tax for 2022. The town started to collect the new tax during the first quarter of 2022 and finished revenue 6 percent over budget for the year. Lodging Tax expenses finished the year 80 percent under the 2022 budget due to timing of various projects such as the Town entry way sign project.

### Parks operations

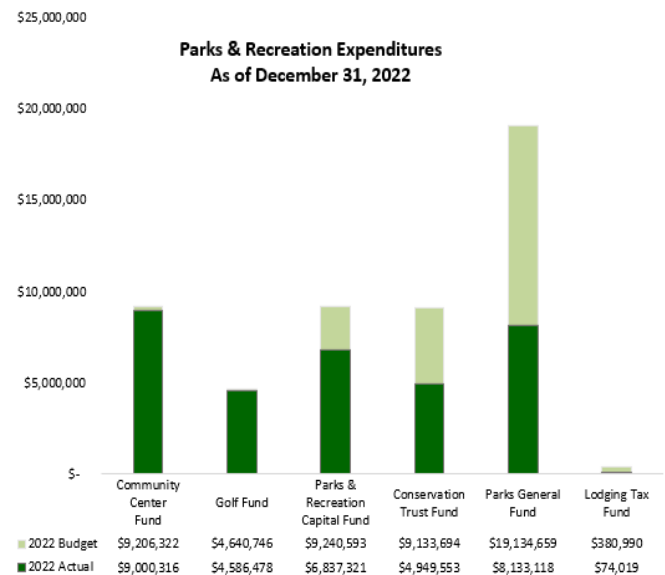
The General Fund includes ongoing parks maintenance and operations. Parks General Fund ended 57 percent under budget due to timing of projects.

### Recreation

The Community Center Fund accounts for operations at the Recreation Center, MAC, and outdoor pools. Visits to the Recreation Center for 2022 totaled 309,474, an increase of 52 percent compared to 2021, while MAC visits totaled 211,455, an increase of 49 percent from 2021. For 2022, expenditures ended 2 percent under budget.

### Golf

The Golf Fund is an enterprise fund that does not receive tax revenue. For 2022, expenditures are 1 percent under budget. In 2022 Red Hawk Ridge experienced the highest rounds in history with 48,062, which is an increase of 6 percent from 2021.



*Detailed financial information for Parks and Recreation can be found in Attachment A-Schedules A, M, N, O, P, and Q.*

### Other Town funds and initiatives

In addition to the specific priorities previously discussed, the Town manages other funds that help support economic development, community character, long-term municipal facility funding, and employee benefits. These funds support Town Council direction and responsible long-term Town management.

#### Supporting economic development



The Town's Economic Development Fund is supported by commercial building use tax and focuses on creating primary employment jobs, expanding the tax base, and maintaining an outstanding business climate in Town. Economic Development Fund revenue is 250 percent over the 2022 budget due to higher anticipated Commercial Use Tax. Expenditures are 40 percent under the 2022 budget due to timing of payments on incentives. Tax-increment funds (TIF) from Downtown Castle Rock fund the Downtown Development Authority Tax Increment Financing Fund (DDA TIF) which is used to support downtown improvements. The DDA TIF Fund revenue is 34 percent over budget due to increased building/growth and business activity in the Downtown area. Expenditures are 44 percent under budget due to the timing of downtown project expenditures. Current initiatives funded by these areas include:

##### *Economic Development Fund (Attachment A – Schedule R):*

- Murdoch's incentive agreement (completed 2022)
- In and Out and Kolbe Striping incentive agreements

##### *DDA TIF Fund (Attachment A – Schedule S):*

- Encore/Downtown parking garage maintenance
- Riverwalk payments
- Mercantile

#### Community character



Funding from the Philip S. Miller Trust, received into the Philip S. Miller Trust (*Attachment A - Schedule T*) and the Public Art (*Attachment A - Schedule U*) funds, supports, and maintains Castle Rock's character. Philip S. Miller Trust funds support special events managed by Parks and Recreation, provide non-profit grant funding, produce annual fireworks displays at Independence Day and Starlighting events (weather permitting), and fund service contracts with the Castle Rock Museum and Senior Center. Revenue in the Philip S. Miller Trust is 2 percent over the 2022 budget and expenditures are 7 percent under budget. The Town utilizes the Public Art Fund for the annual Art Encounters program that leases new artwork on an annual basis for display around the community and for purchasing artwork.



*Art Frame by the Rec Center*

#### Town facility and employee support

An important part of ongoing Town management consists of supporting Town facilities and employees. As the Town grows, the need for facility space grows. The Municipal Facilities Capital Fund (*Attachment A – Schedule V*) uses impact fee revenue received from new development to support facility growth. Revenues are 18 percent under budget in 2022 due to permit activity and no expenses were budgeted in 2022. Expenses are 28 percent under budget due to the Town Hall renovation, which these funds will be carried forward to 2023. The General Long-Term Planning Fund (*Attachment A – Schedule W*) supports general Town facility and asset replacement. Revenue in the fund is 18 percent under budget in 2022 due to lower than expected investment earnings and transfers in. Expenditures finished the year 52 percent under budget due to the timing of public safety replacement and building maintenance work.

The Employee Benefits Fund serves to administer the Town's medical, dental, and vision health benefit plans – including employee contributions, premium, and claim costs – and the employee wellness program, all in support of more than 574 benefited employees. Revenue budget fund is 14 percent under, which is mainly due to lower than expected employee contributions and position vacancies. Expenditures are about 17 percent under budget due to claims activity. *For more financial information about this fund, see Attachment A – Schedule X.*



### How does the Town manage finances conservatively?

The Town continually works to manage Town finances conservatively and ensure that taxpayer funds are prudently expended in support of Town priorities. This multifaceted effort includes:

- Ongoing monitoring of revenues and expenditures
- Taxpayer Bill of Rights (TABOR) assessment
- Future budgeting and long-term planning
- Financial transparency



#### Financial monitoring

In addition to quarterly reporting, Finance Department staff:

- Reviews line-item financial information each month
- Analyzes performance compared to budget
- Reconciles Town accounts monthly
- Performs periodic audits to ensure accuracy and appropriate use of funds
- Collaborates with departments to manage expenses

#### Future planning and investments

Long-term financial planning is incorporated into Town decision-making and is included in the Town's budget process. Each year, the Town adopts a one-year budget and approves a five-year balanced financial plan and five-year capital improvement program. The longer-term plans guide future decision-making and are based on projected available resources. The 2022 Budget was adopted by Town Council on December 7, 2021 and can be found at [crgov.com/3350/2022-Budget](https://crgov.com/3350/2022-Budget).

Total Townwide investment earnings during for 2022 are at a loss of \$566,011 with \$3,283,168 in Townwide interest and \$3,849,179 in market change losses due to the change in the fair market value of the Town's securities. Information about the Town's investments can be found in Attachment C. Please note that while the market change shows unrealized loss on investments, the Town's policy is to hold investments to maturity. The Town rarely sells these instruments and typically holds to maturity, which allows the unrealized loss to diminish as the investment approaches maturity. Also, this information may vary from other report investment information due to timing differences between budget and cash investment reporting.

#### TABOR

Voters approved a temporary, 10-year timeout of the State's TABOR revenue restriction, to allow the Town to use any "excess" funds through 2030 solely for police, fire and roads. This is especially important to the Town's ability to construct the needed interchange at Interstate 25 and Crystal Valley Parkway. In 2022 the Town has a TABOR surplus of approximately \$11 million. This is a preliminary number and may change. These surplus funds will be used for public safety and roads over the next few years.

#### Transparency

The Town's financial information is available for review on the Town's Transparency Portal ([CRgov.com/transparency](https://crgov.com/transparency)).

The Financial Information section includes:

- Annual budgets, including previous years
- Capital fund reporting (impact fees)
- Financial reporting
- Check and vendor listings
- Pay table information
- Unclaimed property
- Stale-dated check

#### Did you know ...

The Taxpayers Bill of Rights (TABOR), Amendment X of the Colorado Constitution, restricts the Town's revenue collection. Amendment X specifically and significantly addresses the following issues:

- 1) imposes revenue limits
- 2) requires elections for tax changes and increases or new bonded debt
- 3) requires emergency reserves, and
- 4) prohibits multiple fiscal year financial obligations.

For questions about Town financial information, please contact [finance@CRgov.com](mailto:finance@CRgov.com)