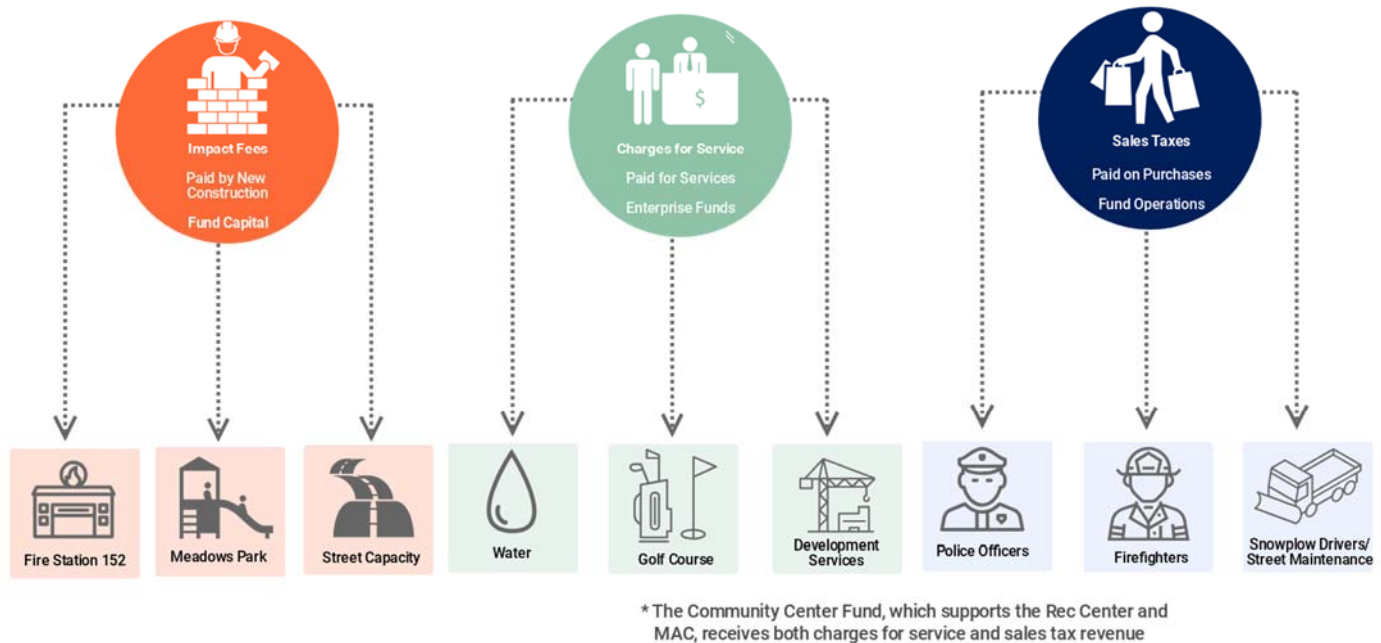


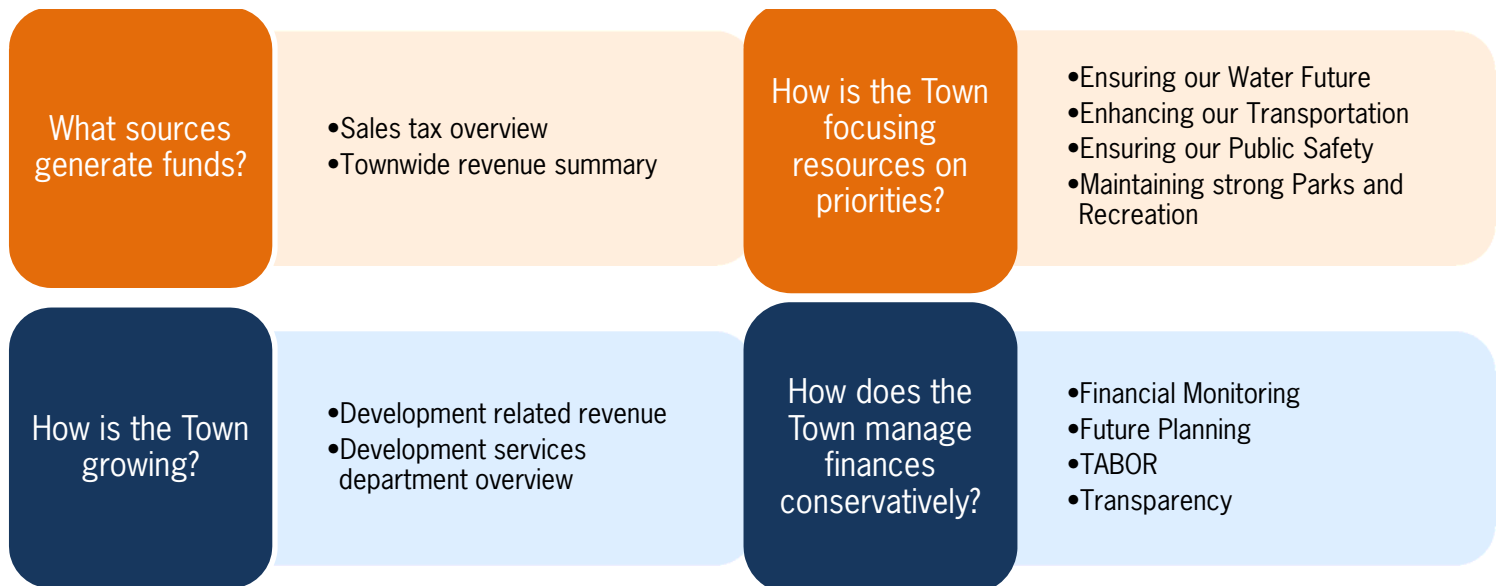
Financial Reporting

Town of Castle Rock financial management and reporting involves numerous complexities and requires the effort of Townwide departments and staff. This quarterly financial review includes fund balance, revenue, expenditure, and reserve information by fund as well as on a Townwide perspective. The Town's budget includes 24 different funds with a variety of revenue sources, of which, some have restrictions for how the funds can be spent. The Town's revenue sources, and their respective uses, is represented below for reference.

Review of the Town's finance structure:



The following pages provide a summary of the Town's financial performance at this point in the year categorized as shown below, 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.

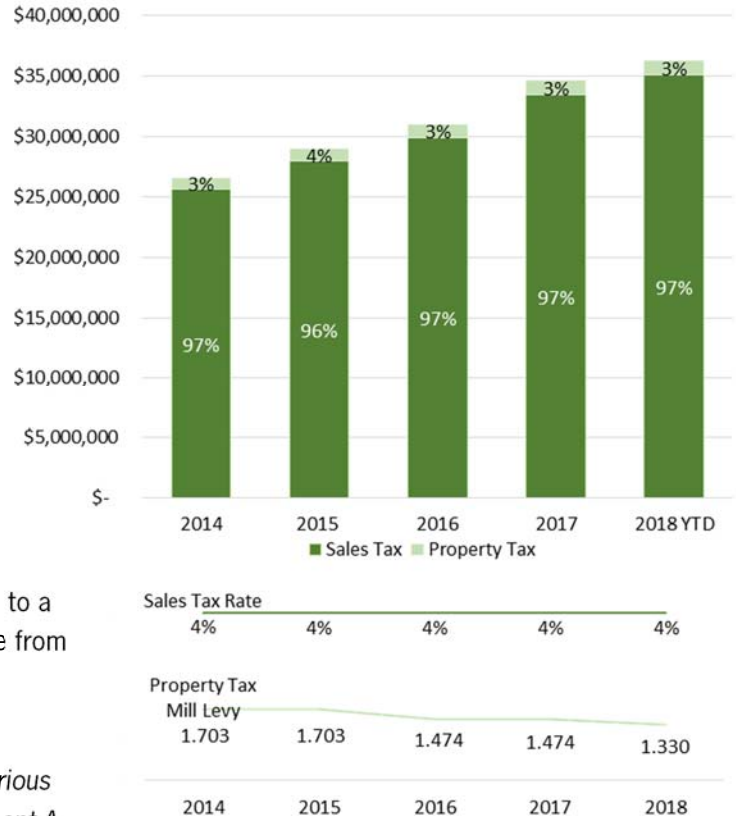


What sources generate funds?

Sales and property tax

- Gross sales tax collections are 5.4 percent greater than January-August 2017, with September estimated at 4.5 percent greater
- Sales tax revenue in 2018 is projected to be 4.5 percent over 2017 totals
- The top three areas for sales tax are Milestone/Metzler, Outlet Mall, and Promenade, making up 55 percent of sales tax collections
- There are 4,600 active business licenses at this time, 50 percent of which are located in Castle Rock
- Property tax collections for 2018 reflect a mill levy assessment of 1.330, reduced from the 2017 mill due to a growth limitation of 5.5 percent in property tax revenue from the prior year as required by Town Charter

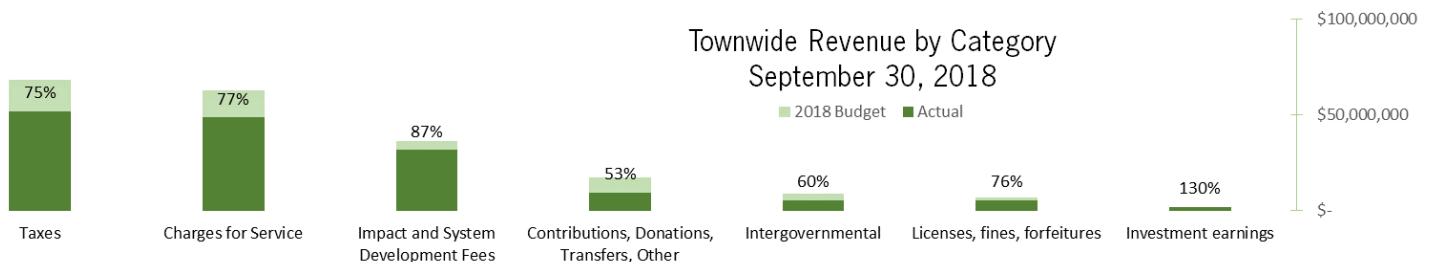
Jan - Sept Sales & Property Tax Collections



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

Townwide revenue

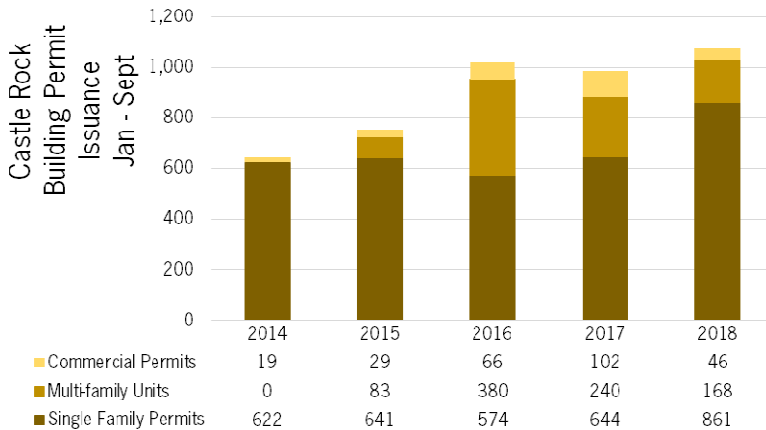
Tax revenues including sales, property, use, motor vehicle, and other taxes, make up 34 percent of the Townwide budget, with sales tax making 75 percent of the total tax revenue. However, several other revenue sources support Town services. As of September 30, 2018, Townwide revenues are at 76 percent of the annual budgeted amount. **The information below identifies types of revenue received by the Town, and the percentage of budget that has been collected at this point in the year.**



How is the Town growing?



The 2018 Budget for development-related revenue is based on 700 single family permits and 634 multi-family units. Actual development revenue received by fund varies based on size, type, value, and water needs of the specific project. The expected number of single family, multifamily, commercial, and other development permits issued determine budget amounts for growth related revenues such as impact fees, building use tax and (water) tap fees.

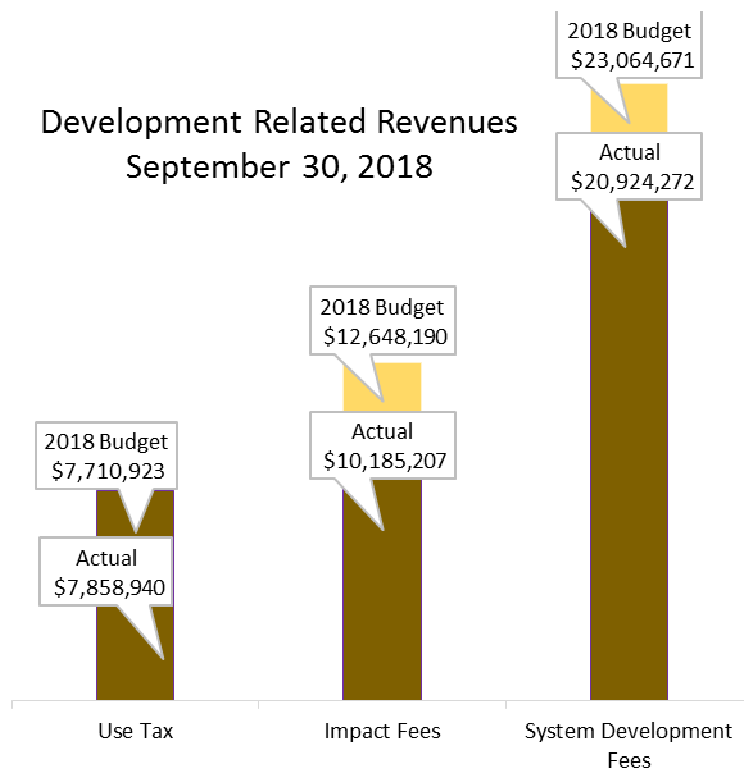


Impact fees, system development fees, and use tax collections are at roughly 90 percent of the amended budget for 2018.

The Finance Department closely monitors development related revenues and is estimating 990 single family and 372 multi-family units to be permitted in 2018.

Revenues earned from development in Castle Rock are used to help fund growth related projects across the Town.

Development Related Revenues September 30, 2018



Building use tax is levied at 4 percent on materials used in construction and is received into the Transportation, Transportation Capital, General Long Term Planning, and Community Center Funds.

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.

As identified in this chart, these revenue sources are trending well through the third quarter – these revenues combined are at 90 percent of the annual budget at this point in the year. Based on updated projections, development related revenues are expected to finish the year over budget by 17 percent.

The Development Services Department oversees development in Castle Rock. This department is funded partially in the General Fund, which has utilized 68 percent of the annual budget at this point in the year and is estimated to be under budget by about 3 percent at the end of 2018. The Development Services enterprise fund is projected to be 11 percent under budget for the year due to personnel savings and has utilized only 63 percent of the annual expenditure budget as of September 30, 2018 as shown in the following information.

Development Services Enterprise Fund Expenses

YTD Actual \$4,403,572

2018 Budget \$7,018,743

How is the Town focusing resources on priorities in the third quarter?



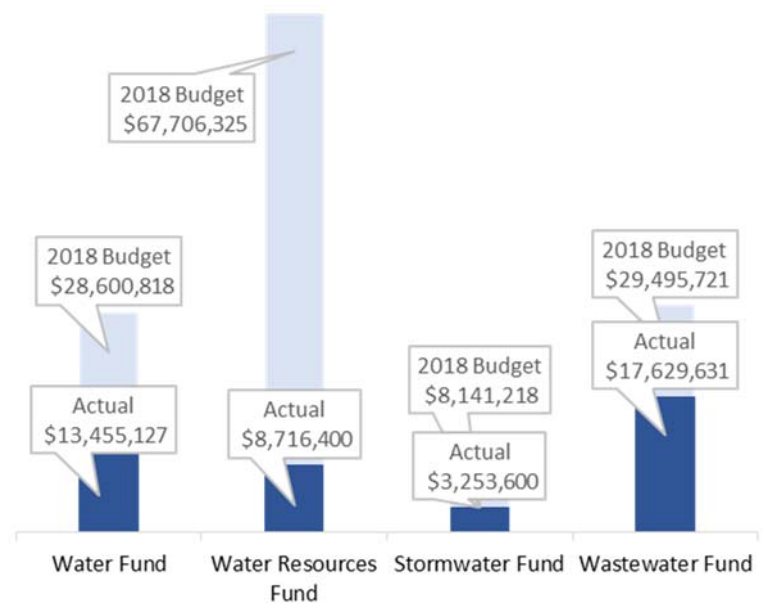
Ensuring our water future

Castle Rock Water is comprised of four enterprise funds – Water, Water Resources, Stormwater, and Wastewater. Existing and new users alike support these funds. Revenues in these funds tend to be seasonal and are highly variable based temperature and precipitation levels throughout the year. Expenditures in these funds include operational costs and significant capital projects to accommodate needs in our growing community. Capital expenditures make up 70 percent of the total Castle Rock Water expenditure budget, of which \$22,073,679 has been expended for 2018. Estimates indicate that capital expenditures will be 49 percent under budget, with most of the unspent funds planned to carry forward to 2019.

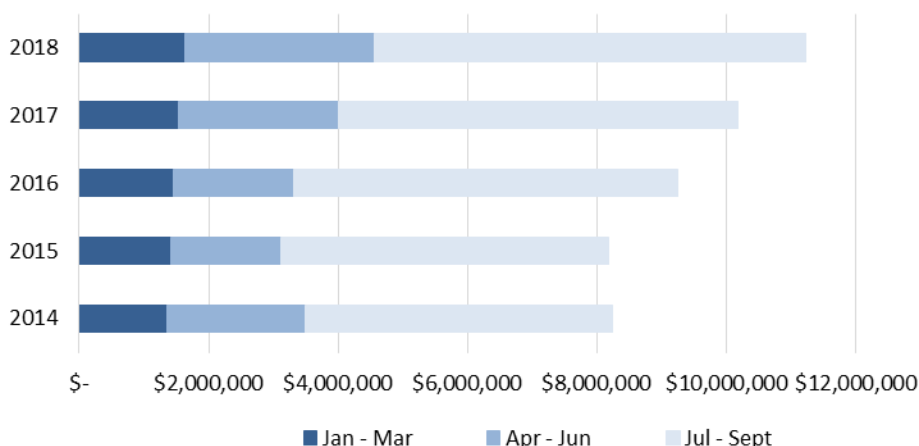
Significant projects for Castle Rock Water in 2018 include:

- Installation of a pipeline and pump station from the diversion structure the Town purchased on Plum Creek in 2017
- Advanced water treatment capability at the Plum Creek Water Purification Facility
- Continued funding for the Chatfield Reallocation project
- Ongoing renewable water initiatives as part of the WISE project
- Redrilling of two wells in the Plum Creek neighborhood
- Continued work on stream and tributary stabilizations at McMurdo Gulch, Hangmans Gulch, and Douglas Lane tributary
- Construction of two additional wells at the Lanterns development and in the Castlewood Ranch neighborhood

Castle Rock Water Funds Expenditures as of September 30, 2018



Jan - Sept Metered Water Sales



Total revenues for Castle Rock Water Funds combined are about 10 percent over budget through September, and operating expenditures are tracking 21 percent under the year to date budget. Currently, each of the water funds is considered to be on track for the year and are expected to be under budget by the end of the year.

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 services, with budgeted expenditures in the Transportation (operational costs) and Transportation Capital funds (one-time projects). The Transportation Fund supplements the capital fund to support the construction of growth-related projects as appropriate and available. Transportation expenditures tend to be seasonal, related to construction seasons, for both maintenance and new construction. The timing of weather events affect snow-plowing operations.

Through the third quarter, total expenditures include \$16 million in Transportation Fund costs and \$2.1 million in one-time capital costs and debt within the Transportation Capital Fund. Actual expenditures for the Transportation Fund are 60 percent of the annual budget at this point in the year and 11 percent within the Transportation Capital fund budget. Current yearend estimates indicate that the Transportation Fund will be under budget by about 9 percent. The Transportation Capital Fund is estimated to end the year about 43 percent under budget, with significant capital projects planned to be carried forward to 2019.

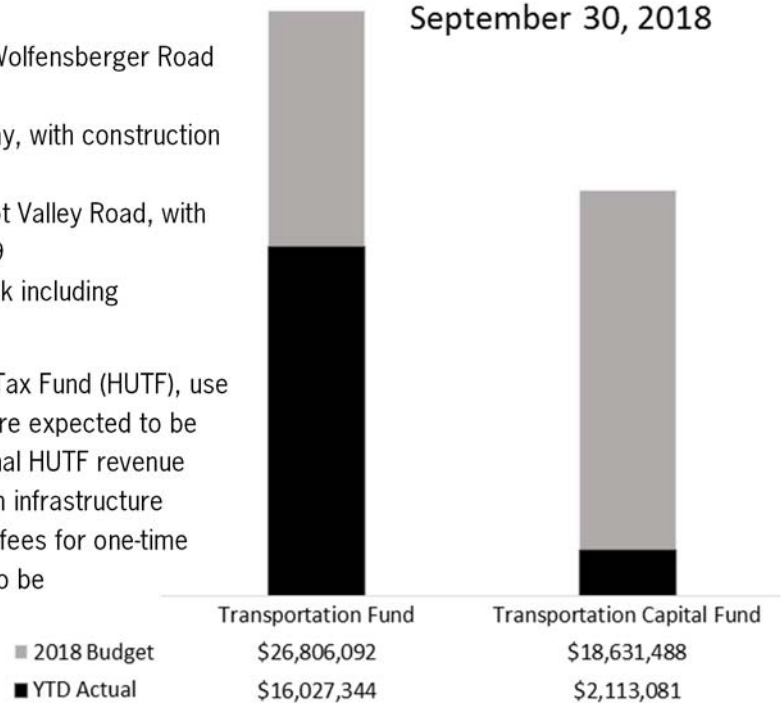
Significant progress to date includes:

- Construction of a roundabout at Plum Creek Parkway and Wolfensberger Road is planned to be complete by the end of the year
- Design of improvements at Founders Parkway and Allen Way, with construction funding planned to be carried forward to 2019
- Design of improvements at Founders Parkway and Crowfoot Valley Road, with construction funding planned to be carried forward to 2019
- Pavement maintenance in The Meadows area of Castle Rock including reconstructions

Transportation Fund revenues include sales tax, Highway User Tax Fund (HUTF), use tax, and other resources. Total Transportation Fund revenues are expected to be over budget by 8 percent by the end of the year due to additional HUTF revenue related to a recent state bill dedicating funding to transportation infrastructure projects. Transportation Capital fund revenue, including impact fees for one-time capital expenditures is 55 percent to budget and is estimated to be under budget by 15 percent due to project contributions for Founders/Allen and Founders/Crowfoot intersections.

See schedules G and H in Attachment A for more detailed financial information for transportation.

Transportation Expenditures September 30, 2018



Did you know ...

The Public Works Department also manages the Town's Fleet Fund. That fund maintains 390 vehicles and pieces of equipment. Staff evaluates and monitors vehicles to determine optimal replacement schedules. In 2018, a total of 5 new vehicles and 23 replacement vehicles are planned to be purchased.

As of September 30, the Fleet Fund has expended 85 percent of budgeted funds and is expected to be under budget by 7 percent at year-end. Savings are attributed to lower than anticipated vehicle costs. Transfers into the Fleet Fund from other funds make up the majority of revenue.

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



Ensuring our public safety

Police and Fire and Rescue services operate out of the General Fund. Growth-related expenses are included in the Fire and Police Capital Funds while Police Forfeiture funding is used for special projects when revenue is received. Charts on this page represent the public safety operations at this point in the year.



Public safety operations

Fire Station 152 serving southern Castle Rock, including Crystal Valley, opened in August 2018:

- Twelve new personnel hired
- Equipment purchased to get up and running such as uniforms, fire engines, breathing apparatuses, bunker gear, and search and rescue gear

General Fund Fire and Rescue expenditures are currently at 69 percent of the annual budget at this point in the year and will likely finish about 5 percent under budget by the year-end.

Castle Rock Police Department added five new positions as approved in the 2018 budget including:

- Two Dispatchers
- Special Ops Sergeant
- Community Service Officer
- Public Information Officer

Operating costs for the Police Department in the General Fund are at 76 percent of the annual budget as of September and are expected to finish the year at the annual budget amount.

Looking forward

Capital expenditures vary throughout the year based on project timing. Impact fee revenue received from new development in Castle Rock funds these projects. Town staff considers the Police and Fire funds on target at this point in the year and estimates the Police Capital Fund to end the year at the annual expenditure budget and the Fire Capital Fund to end the year about 9 percent under budget due to Station 152 construction savings.

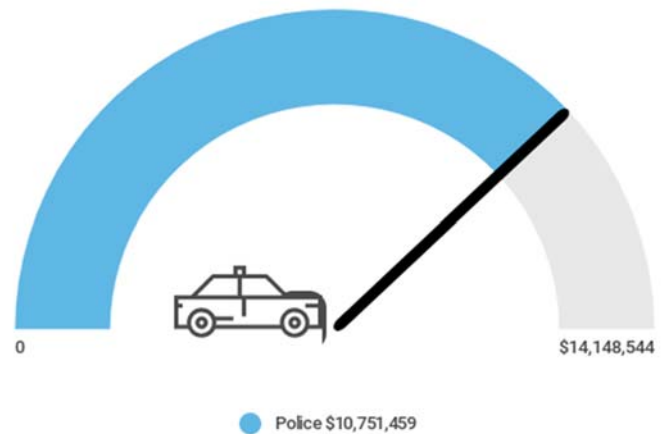
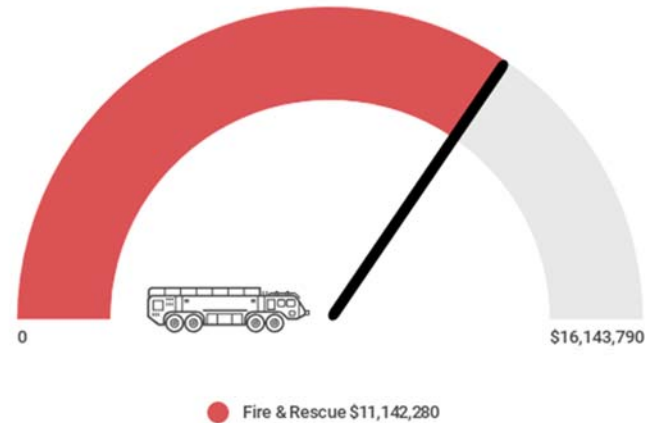
Police and Fire Capital Fund projects in 2018 include:

- Construction of Fire Station 152
- Renovation of the south building at the Public Safety Training Campus
- Interfund loan payments related to previous building projects

The Police Department receives forfeiture related revenue from participation in cooperative efforts with state and federal law enforcement. There are no budgeted revenues or expenditures planned for 2018.

Learn more about public safety financial performance, and view the detailed financial schedules as of September 30, 2018, in Attachment A – Schedules A, J, K, and L.

Public Safety General Fund Expenditures
September 30, 2018





Maintaining strong parks and recreation

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

Detailed financial information for Parks and Recreation can be found in Attachment A – Schedules A and M - P.

Parks operations

The General Fund includes ongoing parks maintenance and operations with total 2018 funding of \$7,017,810. This area is under budget by 6 percent at this point in the year, and staff expects it to remain under by 26 percent at the end of the year due to timing of the one-time completion of a 2-mile extension of the East Plum Creek Trail. A \$1 million grant from Great Outdoors Colorado supports this project, with remaining resources provided by approved sales tax funding for trail improvements.

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, including the planned construction of a new neighborhood park in The Meadows in 2018. Based on the timing of this project and debt service payments, the capital fund has only utilized 28 percent of the \$6,063,850 budget for the year. The Conservation Trust Fund, supported by state lottery proceeds, has used 80 percent of the \$940,054 budget including a contribution of \$600,000 to the neighborhood park in The Meadows. The Conservation Trust Fund is projected to be under budget by 3 percent for the year, while the Parks and Recreation Capital Fund is expected to be about 26 percent under budget due to actual timing of planned projects.

Recreation

The Community Center Fund accounts for operations at the Recreation Center, MAC and outdoor pools. Visits to the Recreation Center year-to-date total 187,837, a decrease of 17 percent compared to last year, while MAC visits total 84,218, or 1 percent lower than last year.

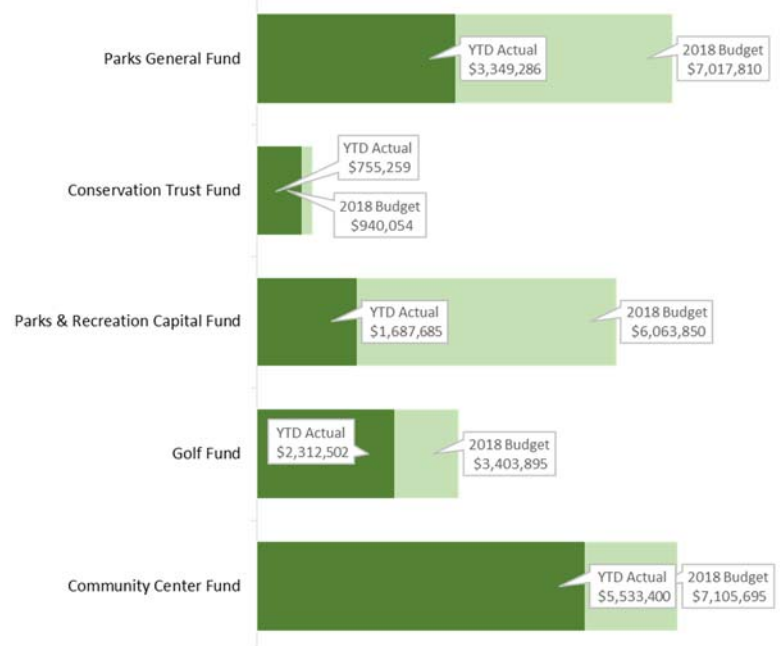
Total expenditures to-date are 78 percent of the annual budget and are estimated to be slightly under budget for the year. Planned improvements at various facilities in 2018 include:

- Resurfacing the Leisure Pool at the Recreation Center
- HVAC maintenance, replacing windows with broken seals, and painting the gym ceiling and walls at the Recreation Center
- Replacement of the boiler at Butterfield Crossing Pool
- Planning for a new boarding system on the small indoor field at the MAC

Golf

The golf course enterprise fund is about 3 percent over budget for the year. Strong revenues prevail, with 33,796 rounds played through September, an increase of 7 percent over last year. User fees – highly seasonal based on weather conditions throughout the year – support this fund entirely. Staff projects the Golf Fund to surpass the revenue budget by 5 percent and remain under budgeted expenditures by 2 percent at the end of the year.

Parks & Recreation Expenditures
As of September 30, 2018



Other Town funds and initiatives

In addition to the specific priorities shown previously, 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 uses the Economic Development Fund, supported by commercial building use tax to focus on priorities of creating primary employment jobs, expanding the tax base, and maintaining an outstanding business climate. In addition, tax-increment funds from Downtown Castle Rock fund the Downtown Development Authority Tax Increment Financing (DDA TIF) Fund used to support improvements Downtown. Initiatives funded by these areas include:

Economic Development Fund (Attachment A – Schedule Q):

- Arapahoe Community College Collaboration Campus
- Murdoch's incentive agreement
- Dorsey Pictures employment incentive agreement
- SRP Companies employment incentive agreement

DDA TIF Fund (Attachment A – Schedule R):

- Riverwalk North and South development incentives
- Redesign of Festival Park, completed in 2018

Community character



Funding from the Philip S. Miller Trust, received into the Philip S. Miller Trust (Attachment A - Schedule S) 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, and fund the service contracts with the Castle Rock Museum and Senior Center. 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 as well as for purchasing artwork when appropriate.



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 uses impact fee revenue received from new development to support facility growth. The General Long Term Planning Fund helps keep up with facility and asset maintenance.

Projects in that fund this year include replacement of artificial turf at Metzler Park, replacement of the Town's telephone system, and updates to Town Hall. Both funds are on track.

Find detailed financial information about the Municipal Facilities Capital Fund in Attachment A – Schedule V and about the General Long Term Planning Fund in Attachment A – Schedule W.

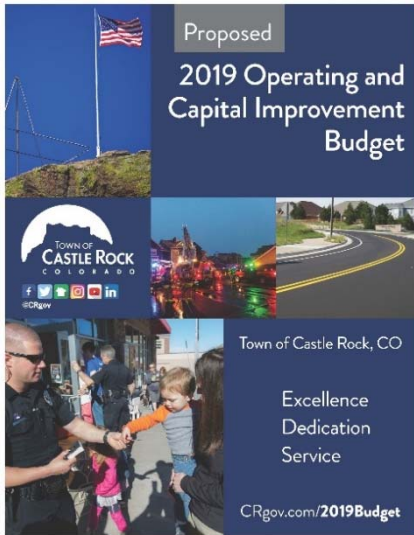
The Employee Benefits Fund serves to administer the Town's medical, dental and vision health benefit plans – including employee contributions, premium, and claim costs – and the employee wellness program, all in support of more than 500 benefited employees. Medical and prescription claim activity in 2018 is trending higher than budget, and staff continues to monitor actual fund activity. Estimates place this fund slightly under budget at the end of the year.

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



Financial monitoring

In addition to this quarterly report, 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 Town funds

Future planning and investments

Long-term financial planning is incorporated into Town decision-making and included in the Town's budget process. Each year, the Town adopts a one-year budget and approves a three-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 Town's investment earnings through the third quarter of 2018 are \$1.8 million which is less than a percent of the Town's total investment balance of \$197 million. The majority

of investments coming from Local Government Investment Pools (38 percent) and U.S. Agencies (24 percent). *Information about the Town's investments can be found in Attachment C.*

The 2019 Budget was approved on Sept. 18, 2018, and is available at CRgov.com/2019Budget.

TABOR

Revenue collections are monitored throughout the year and compared with TABOR revenue limits. In 2016, Town Council directed staff to manage revenues to stay within the limit to the extent possible. Based on 2018 projections, the Town does not anticipate a TABOR surplus. Actual revenues will determine the Town's final TABOR position. Final TABOR calculations are performed after completion of the Town's annual audit.

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.

Transparency

The Town's financial information is available for review on the Town's Transparency Portal (CRgov.com/transparency). The Financial Information section includes:

- Annual budgets, including previous years
- Financial reporting
- Check and vendor listings
- Pay table information
- Unclaimed property
- Stale-dated checks

For questions about Town financial information, please contact finance@CRgov.com