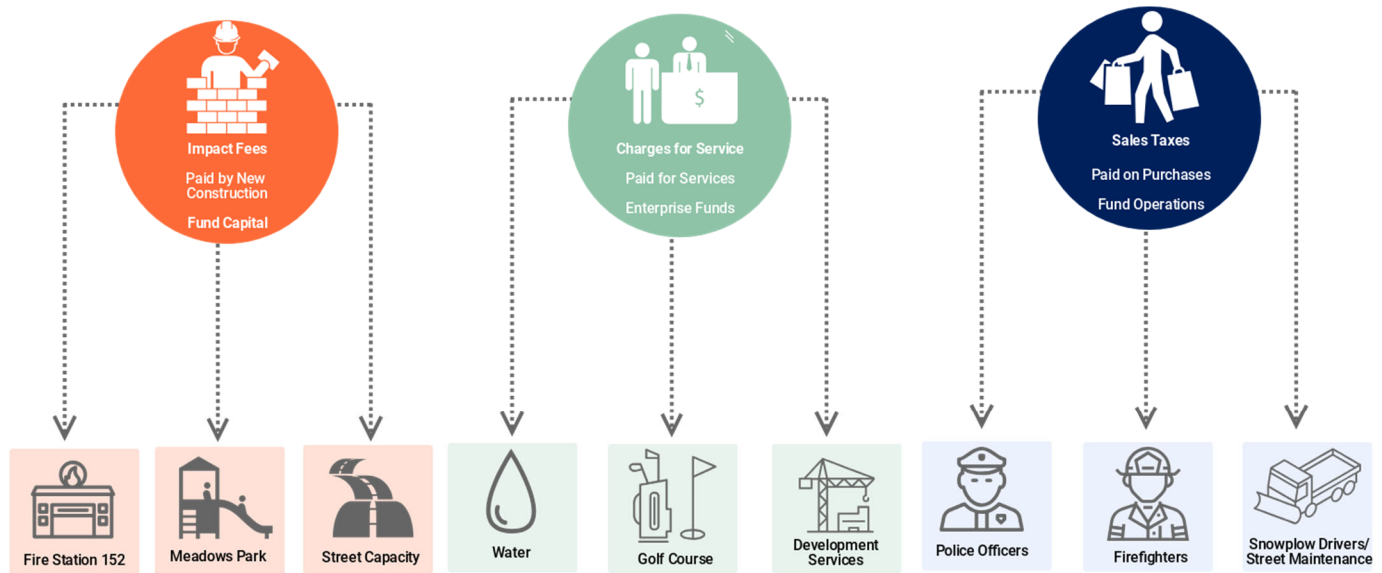


Financial Reporting

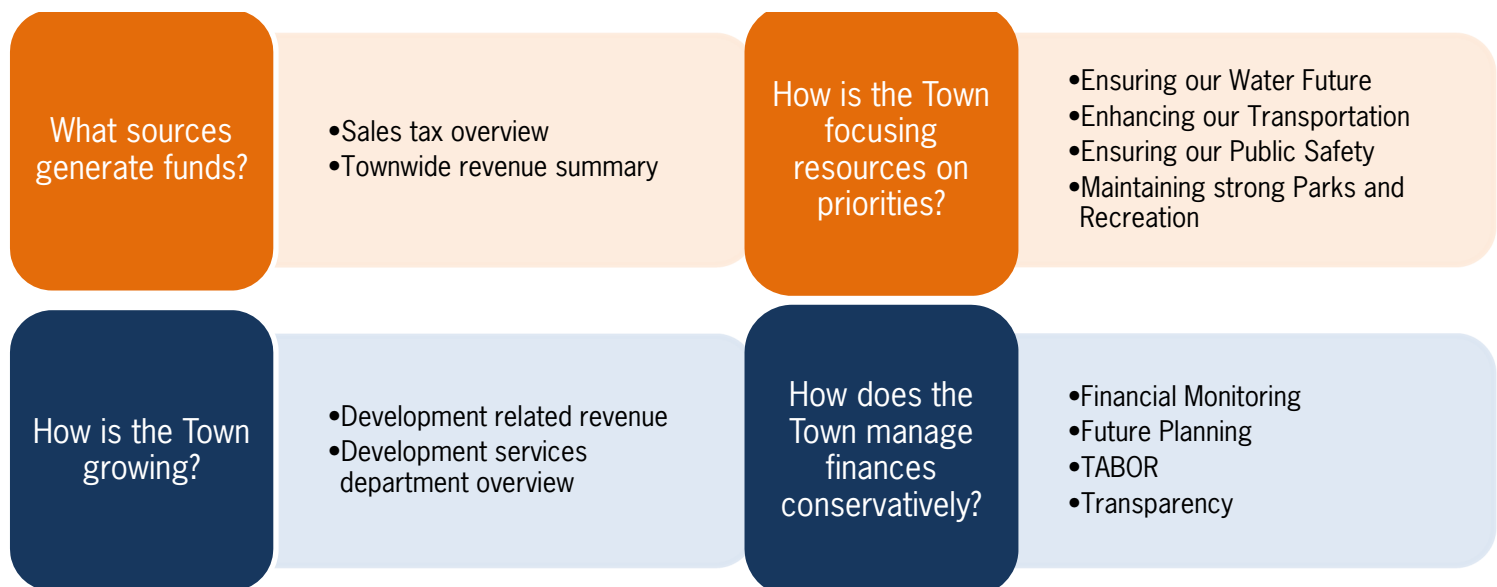
Town of Castle Rock financial management and reporting involves numerous complexities and requires the effort of Townwide departments and staff. This 2019 First Quarter Financial Review includes fund balance, revenue, expenditure, and reserve information by fund as well as on a Townwide perspective. 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, are represented below for reference.

Review of the Town's finance structure:



* 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 March 31, 2019 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. Year to date budget information in this report has been adjusted to reflect the seasonal nature of Town funds.



What sources generate funds?

Sales and property tax

- Town collected sales tax reported from taxable entities through February was 6.2 percent greater than 2018. Financial information in this report includes an estimated 4 percent increase for March sales tax since actual collection information is not available at this time. More 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 Outlet Mall, making up 52 percent of sales tax collections
- There were 4,490 active business licenses at the end of the first quarter, 47 percent of which are located in Castle Rock
- Property tax collections for 2019 reflect a mill levy assessment of 1.330, equaling 2018 and in accordance with a growth limitation of 5.5 percent in property tax revenue from the prior year as required by Town Charter

2015 - 2019 Sales v. Property Tax Collections
Period Ending March 31



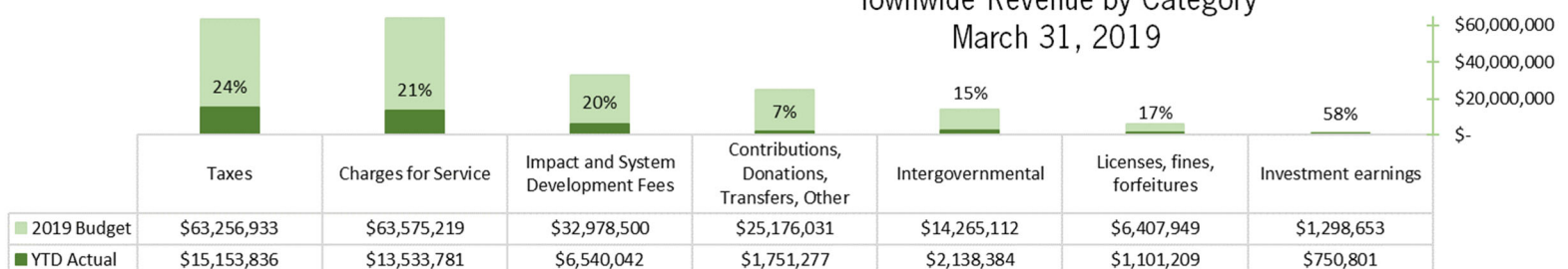
More detailed financial information, including the Town's various revenue sources, can be found in the schedules in Attachment A.

Townwide revenue

Tax revenues including sales, property, use, motor vehicle, and other taxes, make up 31 percent of the Townwide budget, with Town collected sales tax making 74 percent of the total tax revenue. However, several other revenue sources, such as water fees, support Town services. Through March 31st, Townwide revenues are under the seasonally adjusted budget by 2 percent.

The information below identifies types of revenue received by the Town, and the percentage of the annual budget for each category.

Townwide Revenue by Category
March 31, 2019

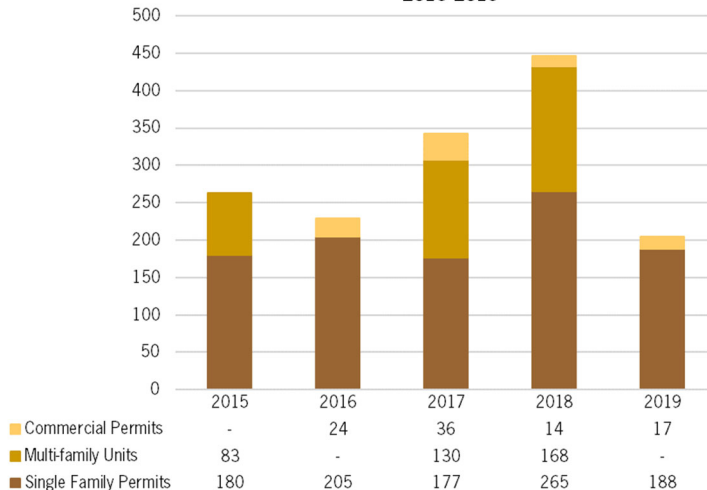


How is the Town growing?



The 2019 Budget for development-related revenue was based on 600 single family permits and 389 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.

First Quarter Building Permit Issuance
2015-2019



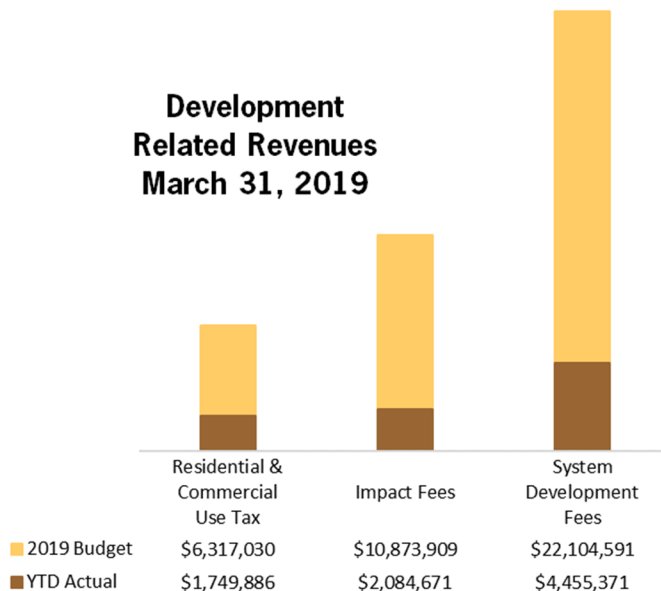
Permitting for 188 single family homes, 0 multi-family units and 17 commercial projects were issued in the first quarter of 2019. The chart to the left compares this information with previous years.

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

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.

Development Related Revenues
March 31, 2019



Actual development related revenue received varies based on type, size, valuation, tap size, and other factors. This chart displays the preliminary actual revenue received through March 31st for these fees. In total, year to date revenues are 21 percent of the annual budget.

The Development Services Department oversees development in Castle Rock. This department is funded partially in the General Fund, which is about 1 percent over the year to date budget. The Development Services Enterprise Fund is about 20 percent under the revenue budget due to the seasonality of building permit issuance. Expenditures are about 14 percent under the first quarter budget primarily due to personnel vacancies.

Development Services Enterprise Fund Expenses

YTD Actual
\$1,456,445

2019 Budget
\$6,408,075

How did the Town focus resources on priorities in 2019?



Ensuring our water future

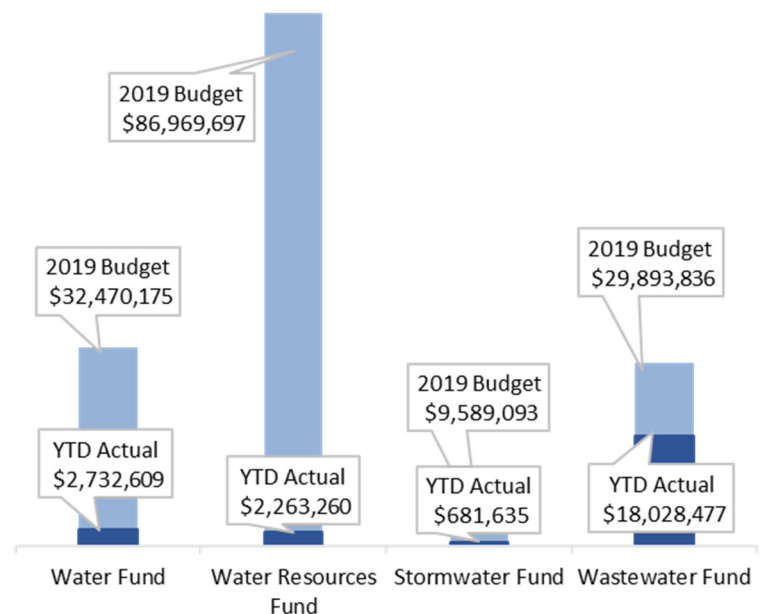
Castle Rock Water is comprised of four enterprise funds – Water, Water Resources, Stormwater, and Wastewater. Existing and new users alike support these funds. Revenues in these funds tend to be seasonal and are highly variable based on temperature and precipitation levels throughout the year. Expenditures in these funds include operational costs and significant capital projects to accommodate needs in our growing community. Capital expenditures make up 64 percent of the total Castle Rock Water annual expenditure budget. Capital expenditures are trending under budget due to the timing of the projects, with most taking place later in the year.

Significant Castle Rock Water projects planned for 2019 include:

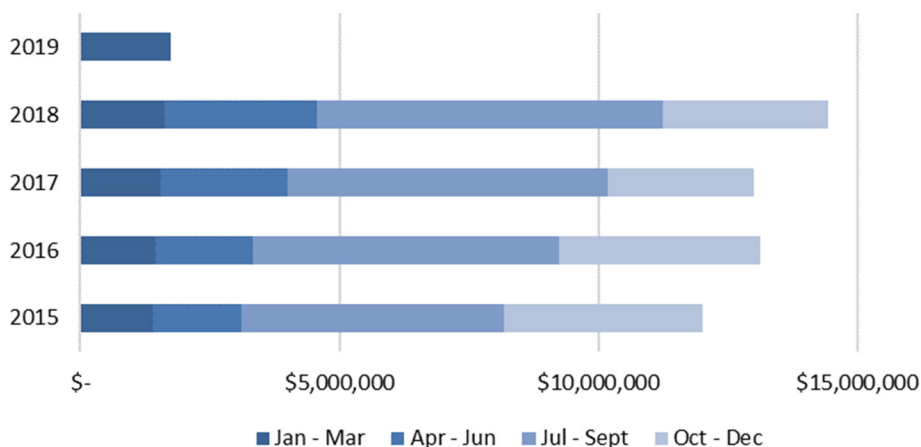
- Work on the Plum Creek Diversion Structure and Pump Station to capture more water supply
- Castle Rock's contribution to the Plum Creek Water Reclamation Authority expansion
- Ongoing renewable water initiatives as part of the WISE project
- Construction of Lanterns Wells to ensure the supply due to growth in the Lanterns community
- Design work for a new Castle Rock Water Administration and Customer Service Building
- Addition of treatment processes to the Plum Creek Water Purification Facility (PCWPF)

Total revenues for Castle Rock Water Funds combined are currently about 4 percent under budget for 2019 primarily due to System Development Fees. Operating expenditures are currently running 10 percent under budget, due to the timing of capital projects. In its entirety, the four Castle Rock Water Funds are under budget for 2019 by 37 percent.

Castle Rock Water Funds Expenditures as of March 31, 2019



2015-2019 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 services, with budgeted expenditures in the Transportation (generally 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 as appropriate and available. Transportation expenditures tend to be seasonal, related to construction seasons, for both maintenance and new construction. The timing and number of weather events affects snow-plowing operations.

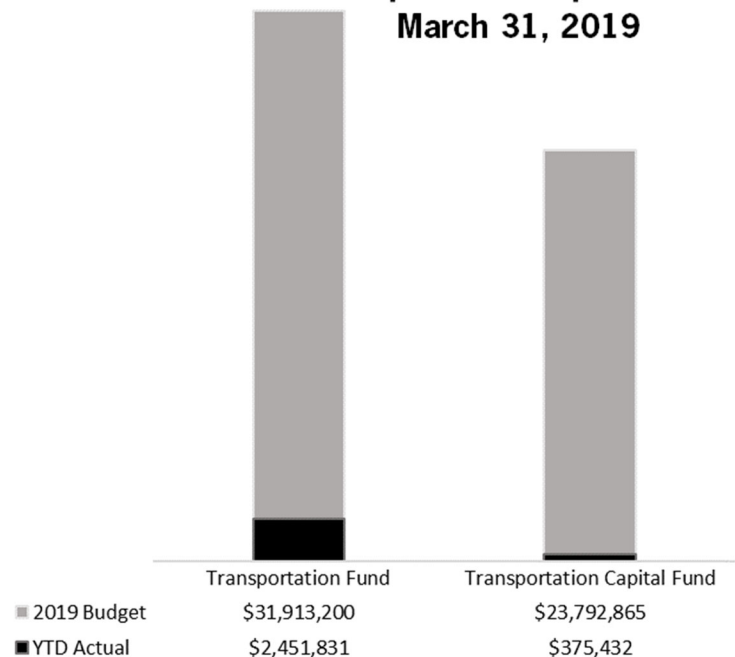
Through the first quarter, total expenditures in the Transportation Fund were 20 percent under the seasonally adjusted budget. Expenditures related to the annual pavement maintenance program will likely occur in the second and third quarters. The Transportation Capital Fund is approximately 18 percent under the seasonally adjusted first quarter budget. Projects that are underway and for which expenses will be incurred later in the year include improvements at Founders Parkway (State Highway 86) and Crowfoot Valley Road and an expansion of the Service Center.

Significant projects in 2019 include:

- Construction of improvements at Founders Parkway and Crowfoot Valley Road
- Construction of an addition and improvements at the Service Center
- Construction of improvements at Founders Parkway and Allen Way
- Design and acquisition of right of way related to a roundabout at Plum Creek Parkway and Gilbert Street and widening of Plum Creek Parkway to Eaton Way
- Design projects including a roundabout at Crowfoot Valley Road and Timber Canyon and a widening of Ridge Road

Transportation Fund revenues include sales tax, Highway User Tax Fund (HUTF), residential use tax, and other resources. Total Transportation Fund revenues are about 8 percent over the first quarter revenue budget. Transportation Capital Fund revenue, including impact fees for one-time capital, are about 12 percent under the year to date budget due to lower than projected building permit issuance.

Transportation Expenditures March 31, 2019



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

Did you know ...

The Public Works Department also manages the Town's Fleet Fund. This internal service fund maintains 390 vehicles and pieces of equipment. Staff evaluates and monitors vehicles to determine optimal replacement schedules. In 2019, a total of 4 new vehicles and 35 replacement vehicles are planned to be 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 through the first quarter are about 57 percent under the year to date budget due to the timing of vehicle purchase expenditures. Revenue in the Fleet Fund is about 3 percent over the year to date budget due to increased vehicle repair and maintenance revenue.

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. Growth-related capital expenses are included in the Police and Fire Capital Funds while Police Forfeiture funding is used for special projects only when revenue is received. Charts on this page represent the public safety operations based on 2019 first quarter financial information.



Public safety operations

Fire Department items planned within the 2019 Budget include:

- An additional administrative support position in the Administration Division
- Updates to the Emergency Operations Center
- Increases in Special Operations training funding and purchase of updated equipment for the Special Operations Division

General Fund Fire and Rescue expenditures are approximately 4 percent under the first quarter budget due to the timing of various software maintenance and training costs.

Castle Rock Police Department plans to add five new positions as approved in the 2019 budget including:

- Two Dispatchers
- Co-Responder Officer
- School Resource Officer
- Crime Analyst

Operating costs for the Police Department in the General Fund ended the year about 3 percent under the year to date budget due to the timing of software purchases.

Capital funds

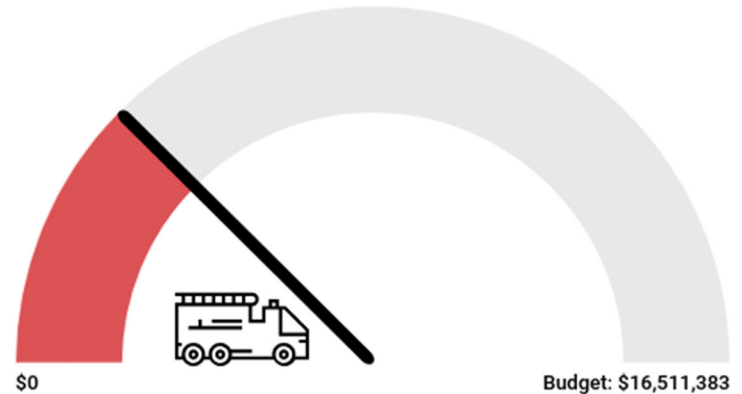
Capital expenditures related to growth for public safety are funded through the Fire Capital and Police Capital Funds. Impact fee revenue received from new development in Castle Rock funds these projects. The Fire Capital Fund is about 95 percent under the first quarter budget due to the timing of landscape work at Station 152. The Police Capital Fund is about 31 percent under the year to date expenditure budget due to a refund received in the first quarter.

Expenditures in both the Police Capital and Fire Capital Funds in 2019 are primarily related to ongoing interfund loan payments and transfers out to the Transportation Capital Fund to help fund an expansion of the Fleet bays that service Police and Fire vehicles. Additionally, Police is purchasing two additional patrol vehicles for 2019 to accommodate the additional approved positions.

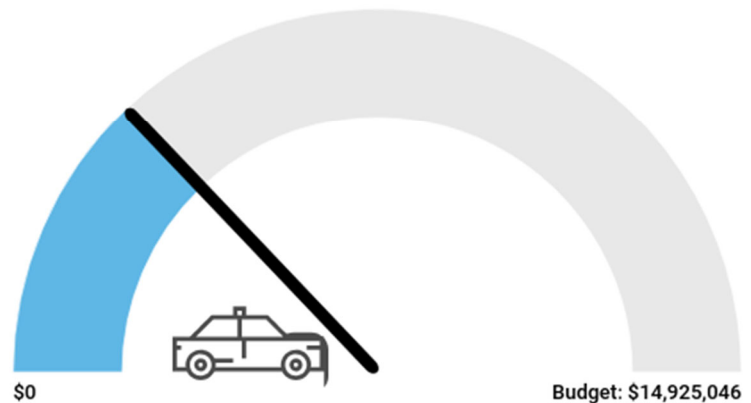
The Police Department receives forfeiture related revenue in a separate Police Forfeiture Fund from participation in cooperative efforts with state and federal law enforcement. There are no budgeted or actual revenues or expenditures in 2019.

Learn more about public safety financial performance, and view the detailed financial schedules as of March 31, 2019 in Attachment A – Schedules A, J, K, and L.

Public Safety General Fund Expenditures
March 31, 2019



● Fire & Rescue: \$4,110,054 YTD



● Police: \$3,845,924 YTD



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, M – P, S, and T.

Parks operations

The General Fund includes ongoing parks maintenance and operations with total 2019 funding of \$8,921,353. Currently the Parks General Fund is about 15 percent under budget, due to the timing of capital projects such as the installation of artificial turf at Metzler Park and the completion of a two mile extension of the East Plum Creek Trail. The extension of East Plum Creek Trail is supported by a \$1 million grant from Great Outdoors Colorado and approved sales tax funding.

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 and completion of Deputy Zack S. Parrish III Memorial Park that began construction in 2018 and is expected to be complete summer of 2019. The Parks and Recreation Capital Fund is current about 6 percent under budgeted expenditures through March. The Conservation Trust Fund, supported by state lottery proceeds, is about 42 percent under the year to date expenditure budget, due to timing of the use of shareback funds for park improvements in 2019.

Recreation

The Community Center Fund accounts for operations at the Recreation Center, MAC, and outdoor pools. Visits to the Recreation Center for the first quarter of 2019 total 73,645, a decrease of 2 percent compared to 2018, while MAC visits total 25,433, or an 11 percent decrease from 2018. Decreases for both are due to weather closures in early 2019.

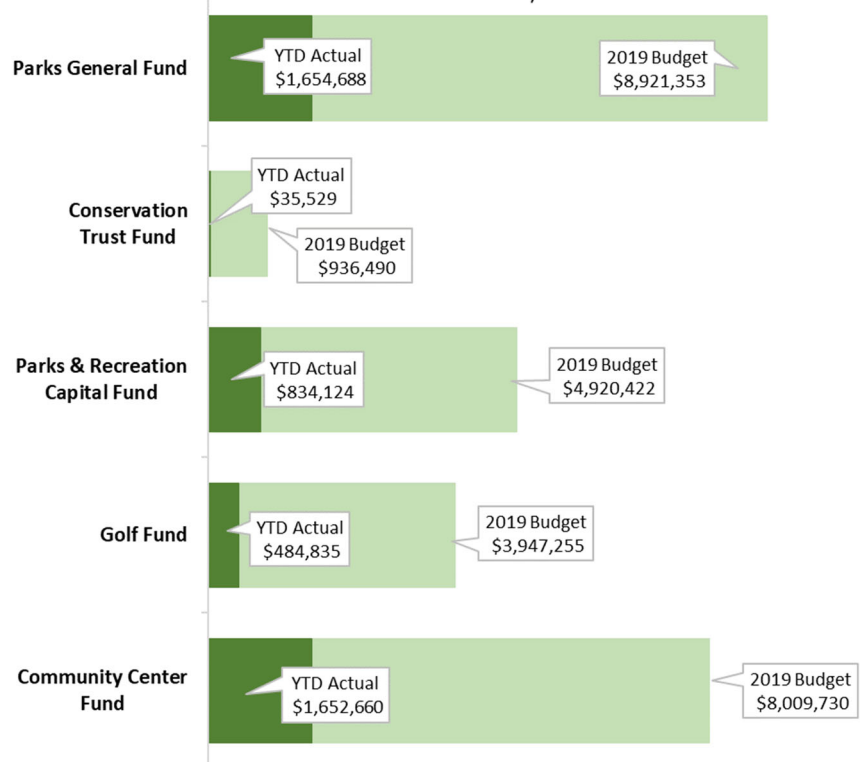
Current expenditures are 6 percent under the first quarter budget. Planned facility improvements in 2019 include:

- Refinishing of hardwood floors at the Recreation Center (gym, racquetball courts, fitness studio, and Panorama Hall).
- Addition of a new boarding system on the small indoor field at the MAC

Golf

The Golf Fund is an enterprise fund and expenditures are about 26 percent under year to date budget for 2019. For the first quarter of 2019, 637 rounds were played, a decrease of 71 percent from 2018. The significant decrease is due to unfavorable weather during the first quarter of 2019. The average revenue per player is about 23 percent higher in 2019 than the first quarter of 2018.

Parks & Recreation Expenditures As of March 31, 2019



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. This fund is about 95 percent under the first quarter expenditure budget, due to the timing of the Collaboration Campus incentive payment and other economic incentive payments. In addition, tax-increment funds from Downtown Castle Rock fund the Downtown Development Authority Tax Increment

Financing (DDA TIF) Fund are used to support improvements Downtown. The DDA TIF Fund is about 94 percent under the first quarter budget due to the timing of downtown project expenditures. Initiatives funded by these areas include:

Economic Development Fund (Attachment A – Schedule Q):

- Arapahoe Community College Collaboration Campus
- Murdoch's incentive agreement
- Solaray Pugs employment incentive agreement

DDA TIF Fund (Attachment A – Schedule R):

- Planning for downtown parking structure incentives

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 service contracts with the Castle Rock Museum and Senior Center. Expenses in the Philip S. Miller Trust are about 19 percent under the year to date budget for 2019. 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 when appropriate. No expenditures have occurred during the first quarter of 2019.



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. Expenses in Municipal Facilities are higher than year to date budget due to timing of payments for the completion of the Central Service Center, but is on track for the year. The General Long Term Planning Fund supports facility and asset maintenance. The fund is about 59 percent under budgeted expenditures through March due to timing of multiple facilities and IT related projects.

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.

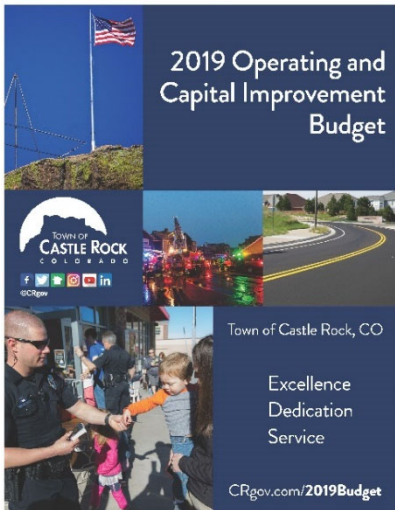
The Employee Benefits Fund serves to administer the Town's medical, dental and vision health benefit plans – including employee contributions, premium, and claim costs – and the employee wellness program, all in support of more than 500 benefited employees. The fund is 1 percent under the year to date expenditure budget.

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 quarterly reporting, Finance Department staff:

- Reviews line-item financial information each month
- Analyze performance compared to budget
- Reconciles Town accounts monthly
- Performs periodic audits to ensure accuracy and appropriate use of 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 2019 Budget was adopted on September 18, 2018, and is available at

CRgov.com/2019Budget. Planning for the 2020 Budget is underway and will include a

five-year balanced financial plan along with the five-year capital improvement program. This information is planned to be presented to Town Council in August and September.

The Town's investment earnings during the first quarter of 2019 are \$674 thousand with the Town's investment balance totaling \$188 million as of year-end. Based on preliminary year-end information, approximately 18 percent of total Town funds is unobligated. The majority of Town funds is reserved for specific purposes including operating reserves, catastrophic event reserves, future project funding, and others. The majority of investments reside in Local Government Investment Pools (31 percent) and U.S. Agencies (25 percent). Information about the Town's investments can be found in Attachment C.

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 preliminary 2018 information, the Town does not anticipate a TABOR surplus for the year. Final TABOR calculations are based on actual revenues and will be performed after completion of the Town's annual audit.

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.

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.