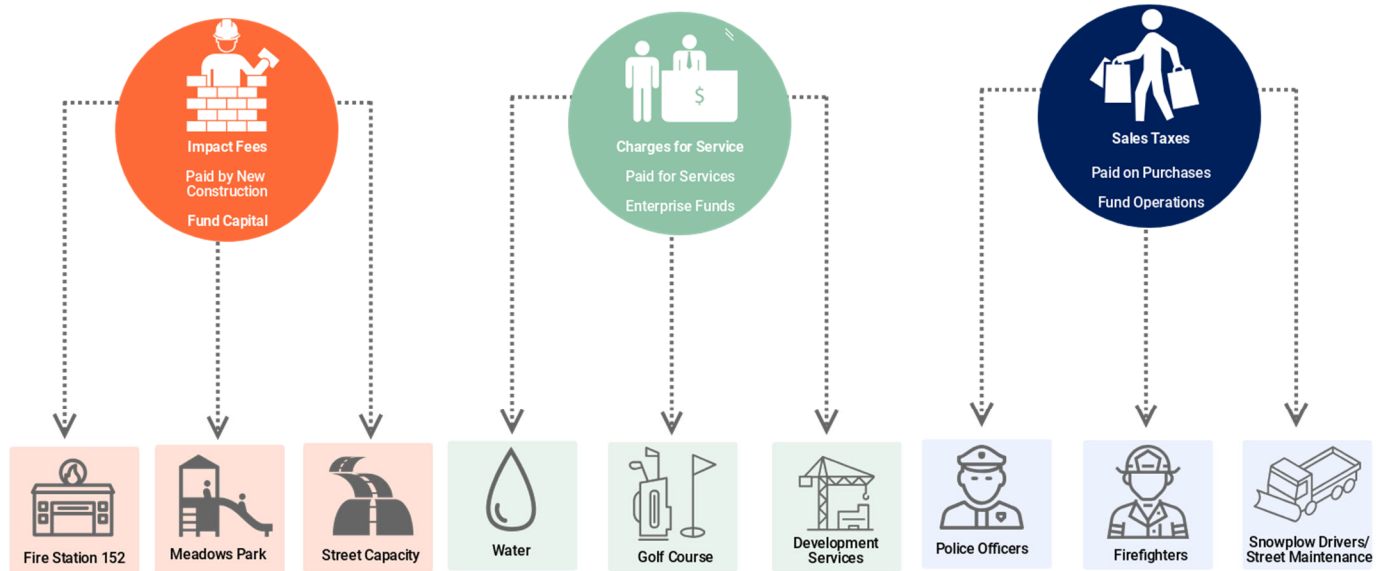


Financial Reporting

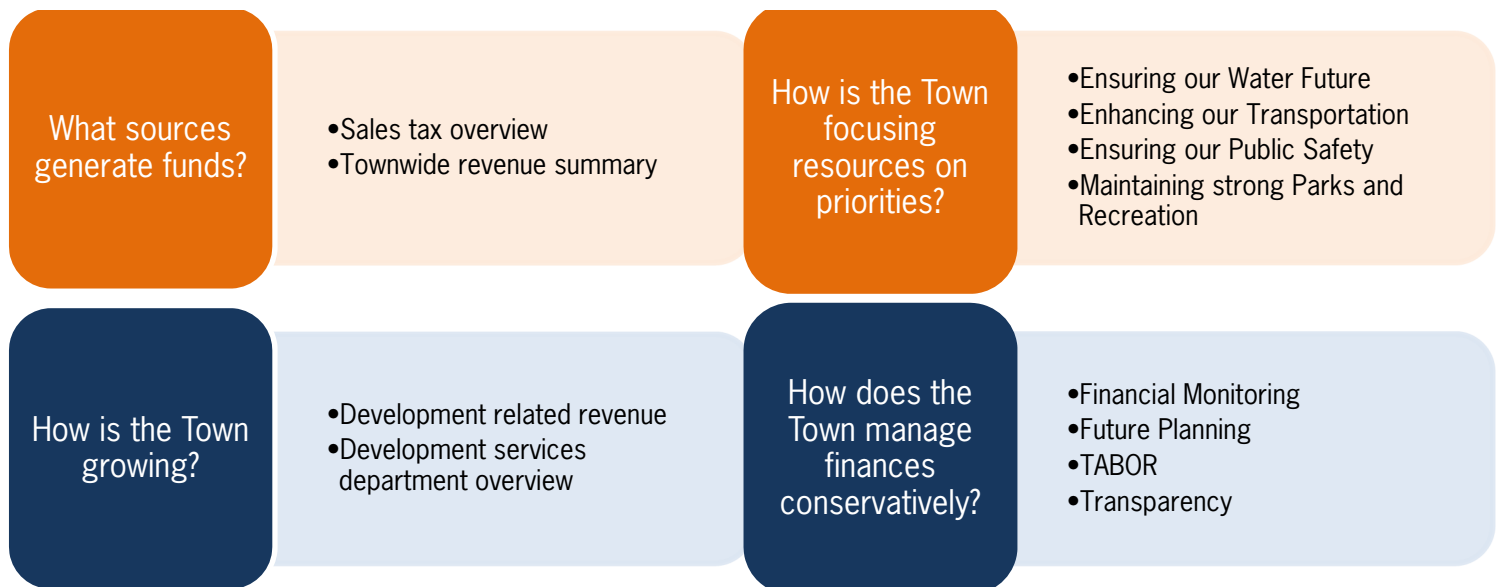
Town of Castle Rock financial management and reporting involves numerous complexities and requires the effort of Townwide departments and staff. This 2019 Third Quarter Financial Review includes fund balance, revenue, expenditure, and reserve information by fund as well as on a Townwide perspective. 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 September 30, 2019 and year end estimate amounts 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.

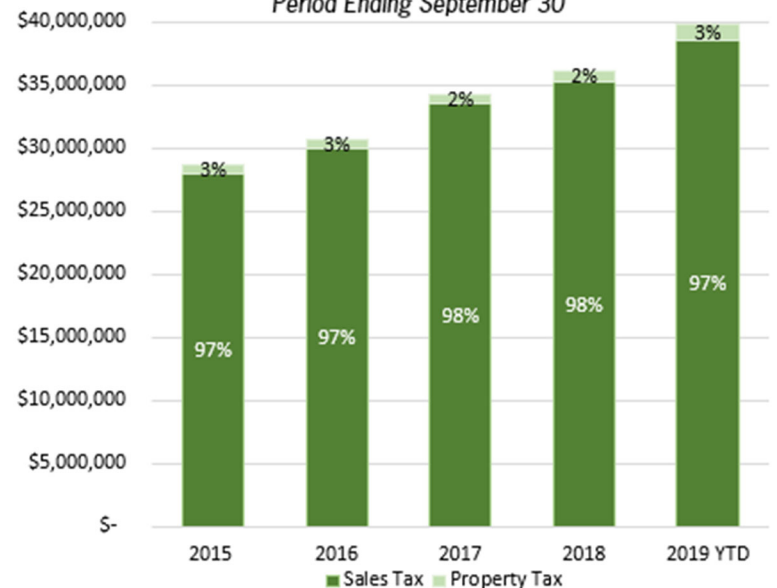


What sources generate funds?

Sales and property tax

- Town collected sales tax reported from taxable entities through August was 10 percent greater than the same period in 2018, partially due to increased audit revenue. Financial information in this report includes an estimated 4.5 percent increase for September sales tax since actual collection information is not available at this time. Sales Tax is estimated to be 4.5% over budget at year end. 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 45.3 percent of sales tax collections
- There were 5,171 active business licenses at the end of the third quarter, 45 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 September 30



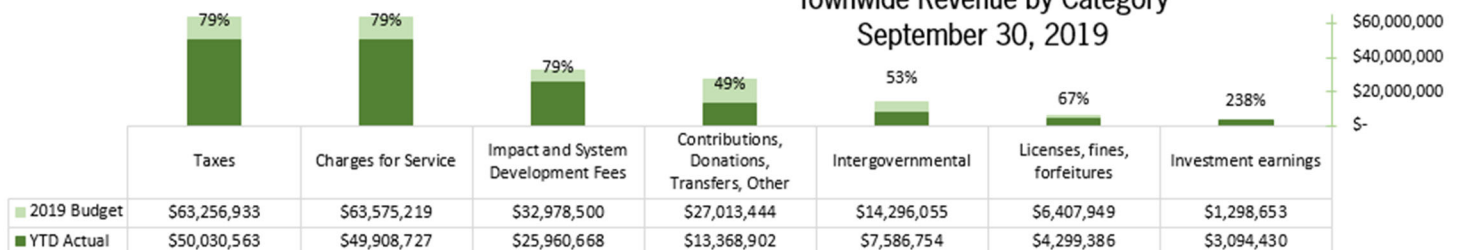
Detailed financial information, including the Town's various revenue sources, can be found in the schedules in Attachment A.

Townwide revenue

Tax revenues including sales, property, use, motor vehicle, and other taxes, make up about 30 percent of the Townwide budget, with Town collected sales tax making about 77 percent of the total tax revenue. However, several other revenue sources, such as water fees, support Town services. Through September 30th, Townwide revenues are over the seasonally adjusted budget by about 7 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
September 30, 2019

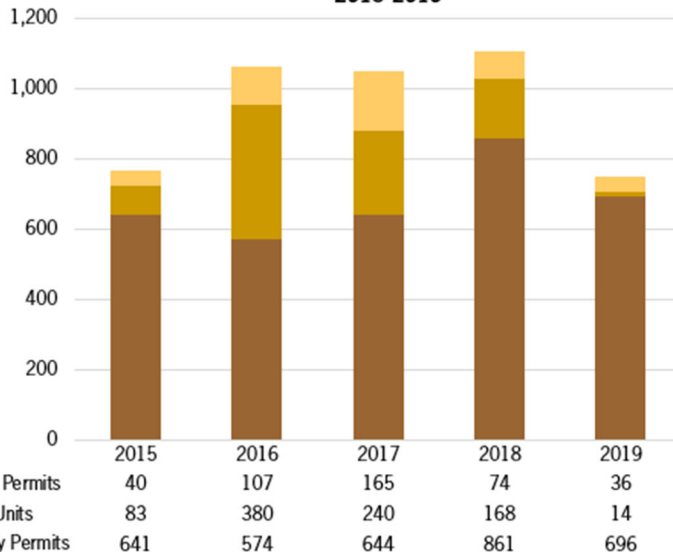


How is the Town growing?



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, system development fees, building use tax and (water) tap fees.

Third Quarter Building Permit Issuance 2015-2019



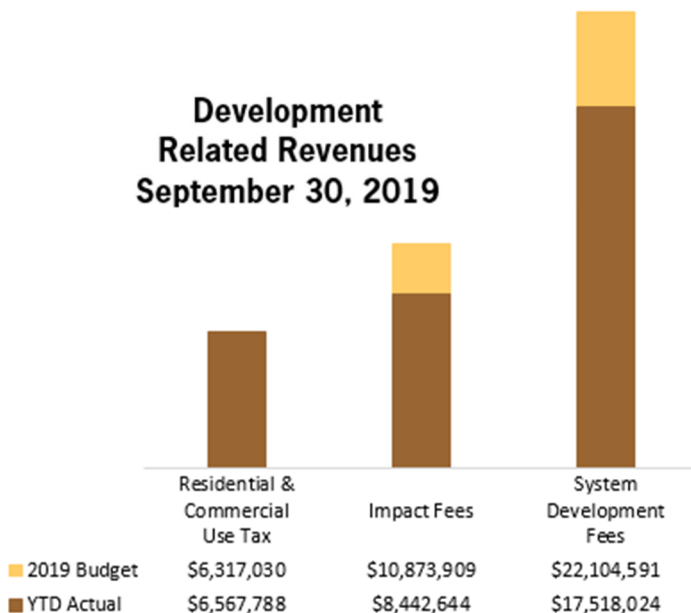
Permitting for 696 single family homes, 14 multi-family units and 36 commercial projects was issued through the third quarter of 2019. The chart to the left compares this information with previous years.

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 September 30, 2019



Actual development related revenue received varies based on type, size, valuation, tap size, and other factors. This chart displays the actual revenue received through September 30th for these fees. Total growth related revenues are at 83 percent of the annual budget and are estimated to be about 2 percent over budget at year end.

The Development Services Department oversees development in Castle Rock. This department is funded partially in the General Fund, which is estimated to be 1 percent under budget by year end. The Development Services Enterprise Fund is estimated to be about 5 percent under the revenue budget due to the types of building permit issuance. Expenditures are about 10 percent under the third quarter budget primarily due to personnel vacancies. This fund is currently expected to be about 6 percent under budget by year end.

Development Services Enterprise Fund Expenses

YTD Actual
\$4,471,382

2019 Budget
\$6,503,875

How is the Town focusing 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 63 percent of the total Castle Rock Water annual expenditure budget. Capital expenditures are trending under budget due to the timing of the projects.

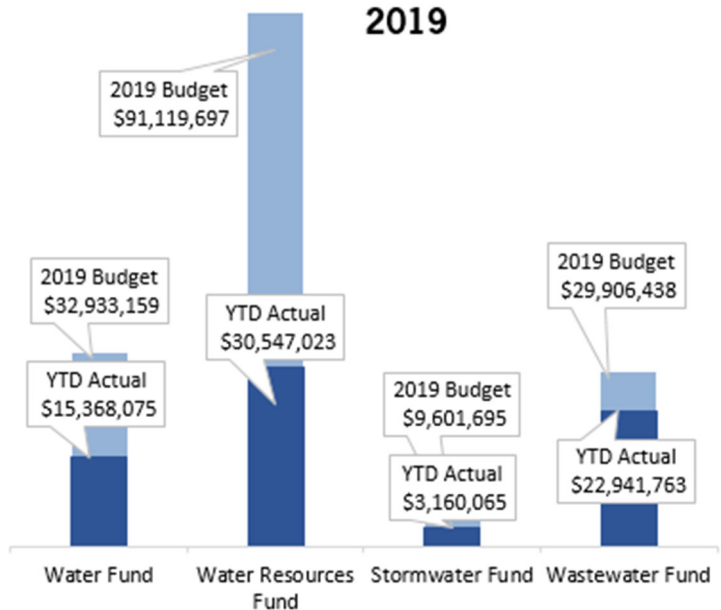
Significant ongoing Castle Rock Water projects in 2019 include:

- 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 and Box Elder projects
- Construction of Lanterns Wells to ensure supply due to growth in the Town
- Design work for a new Castle Rock Water Administration and Customer Service Building
- Construction of a reuse line to Red Hawk Ridge Golf course

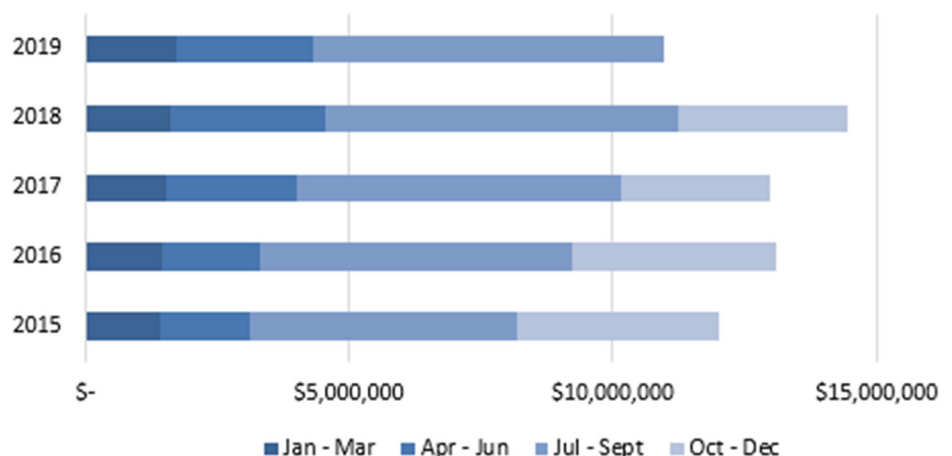
Total revenues for Castle Rock Water Funds combined are currently about 11 percent over budget through September, and are expected to end the year about 4 percent over the revenue budget. Metered water sales are currently trending under budget, but bulk water sales and water service charges are exceeding the revenue budget. Operating expenditures are currently running 17 percent under budget. Total expenses in the four Castle Rock Water Funds are under budget through September by 40 percent, primarily due to the timing of capital projects. All funds combined are estimated to be 28 percent under budget by year end.

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

Castle Rock Water Funds Expenditures as of September 30, 2019



2015-2019 Metered Water Sales by Quarter





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.

Through the third quarter, total expenditures in the Transportation Fund were about 31 percent under the seasonally adjusted budget. Additional expenditures related to completion of multiple projects are likely to occur in the fourth quarter. Expenditures for this fund are expected to be about 1 percent under budget at year end. The Transportation Capital Fund expenditures are approximately 57 percent under the seasonally adjusted budget through September, and estimated to be 7 percent under budget by year end.

Significant ongoing projects in 2019 include:

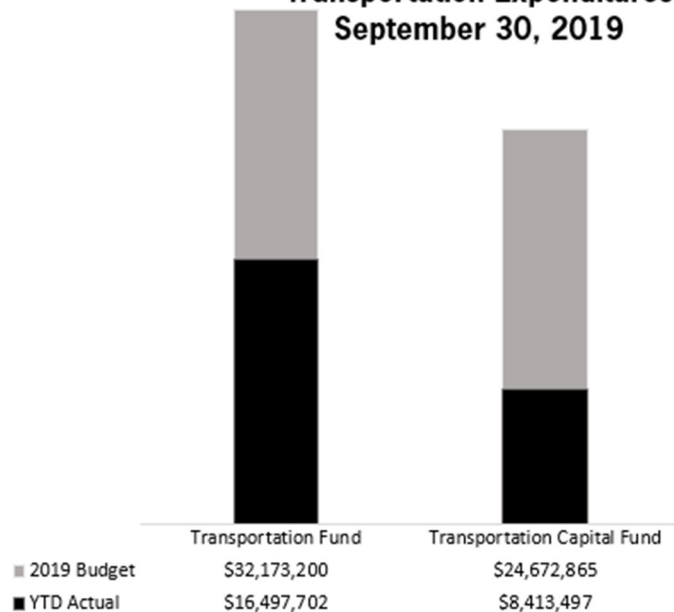
- Construction of improvements at Founders Parkway and Crowfoot Valley Road
- Construction of an addition and improvements at the Public Works Service Center
- Construction of improvements at Founders Parkway and Allen Way
- Design and acquisition of right of way related to a roundabout at Plum Creek Parkway and Gilbert Street and widening Plum Creek Parkway to Eaton Way
- Right of way property acquisition related to widening 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 10

percent over the third quarter revenue budget and expected to be 3 percent over budget at year end. Transportation Capital Fund revenue, including impact fees for one-time capital, are about 7 percent over the year to date budget due to residential building use tax revenue and investment earnings. The Transportation Capital Fund is expected to be about 3 percent under the revenue budget at year end.

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

Transportation Expenditures September 30, 2019



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 third quarter are about 18 percent under the year to date budget due to the timing of vehicle purchase expenditures that are expected to be complete by the end of the year. Expenditures in this fund are expected to be about 18 percent under budget at year end.

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 public safety operations based on 2019 third quarter financial information.



Public safety operations

Fire Department items within the 2019 Budget include:

- A Division Chief of Logistics position
- 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 about 6 percent under the third quarter budget primarily due to the personnel vacancy savings. This area is estimated to be about 3 percent under the expenditure budget at year end.

Castle Rock Police Department added five new positions as approved in the 2019 budget including:

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

In addition, one School Resource Officer position is requested as part of the second amendment to the 2019 Budget. Operating costs for the Police Department in the General Fund are about 1 percent under the year to date budget due to personnel vacancy savings and are expected to be about 1 percent under budget at the end of the year.

Capital funds

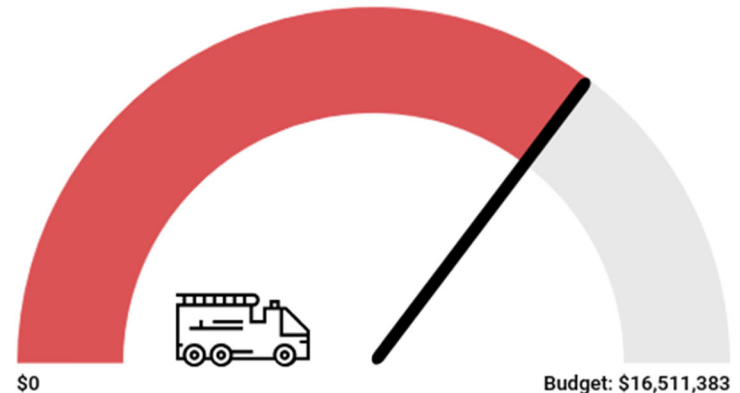
Capital expenditures related to growth for public safety are funded through the Fire Capital and Police Capital Funds. Impact fee revenue received from new development in Castle Rock pays for these projects. Expenses in the Fire Capital Fund are about 12 percent under the third quarter budget due to the timing of landscape work at Station 152. The Police Capital Fund is nearly at year to date expenditure budget. Expenses in both funds are estimated to be at budget at year end.

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.

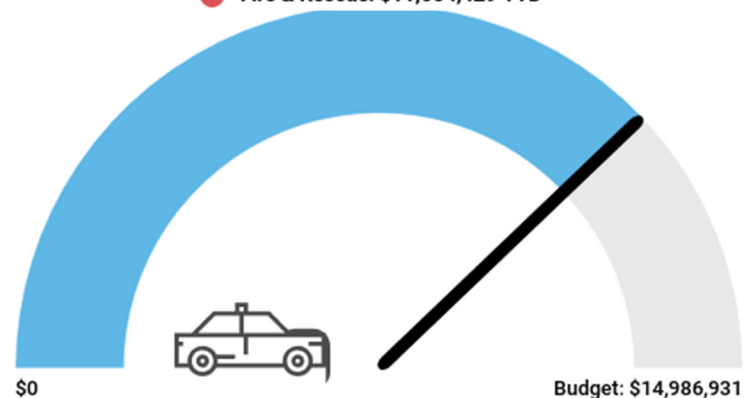
The Police Department receives forfeiture related revenue in a separate Police Forfeiture Fund from participation in cooperative efforts with state and federal law enforcement. There are currently no budgeted or actual revenues or expenditures in 2019.

Learn more about public safety financial performance, and view the detailed financial schedules as of September 30, 2019 in Attachment A – Schedules A, J, K, and L.

Public Safety General Fund Expenditures
September 30, 2019



● Fire & Rescue: \$11,654,429 YTD



● Police: \$11,349,556 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 a total 2019 budget of \$9,596,353. Currently expenses in the Parks General Fund are about 3 percent over the year to date budget, due to the timing of 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 general fund expenses are estimated to be 3 percent under budget by end of the year.

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 completion of Deputy Zack S. Parrish III Memorial Park that began construction in 2018 and design of a new neighborhood park for 2020. The Parks and Recreation Capital Fund is about 4 percent under budgeted expenditures through September and is expected to end the year at budget. The Conservation Trust Fund, supported by state lottery proceeds, is about 18 percent under the year to date expenditure budget, due to timing of the use of shareback funds for park improvements in 2019. The Conservation Trust Fund expenses are estimated to be 52 percent under budget by the end of the year due to a project that will be carry forward to 2020.

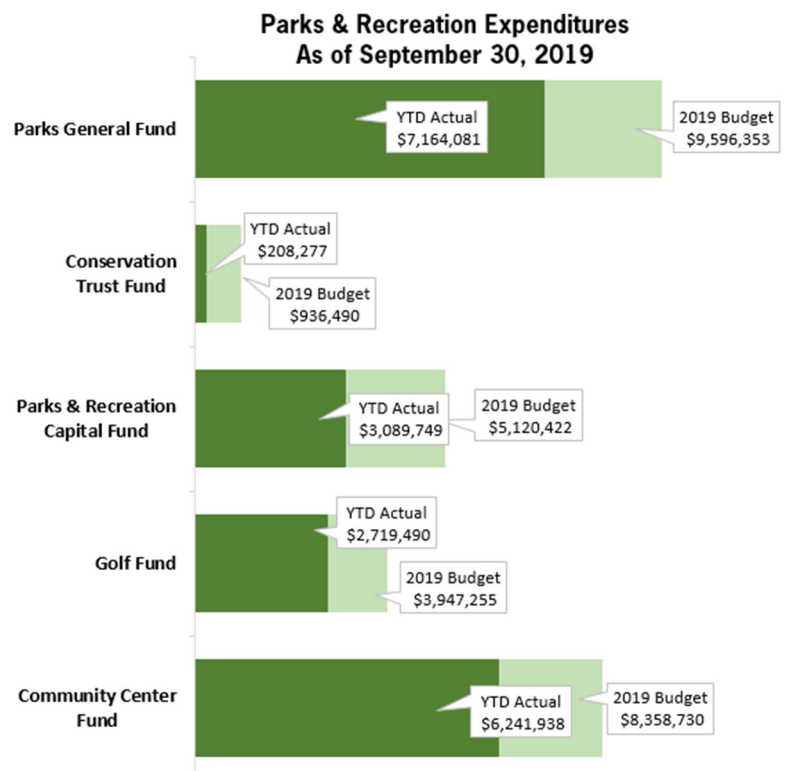
Recreation

The Community Center Fund accounts for operations at the Recreation Center, MAC, and outdoor pools. Visits to the Recreation Center thru September 2019 total 184,265, a decrease of 2 percent compared to 2018, while MAC visits total 63,272, or a 25 percent decrease from 2018. Decreases for both are due to weather closures in early 2019.

Current expenditures are 16 percent over the year to date budget due to seasonal timing of Community Center programs and personnel. The fund's expenses are estimated to be about 1 percent under budget by year end.

Golf

The Golf Fund is an enterprise fund and expenditures are about 11 percent over year to date budget for 2019 due to the seasonality of the fund. Expenses in the Golf Fund are estimated to be 3 percent under budget by the end of the year. Through the third quarter of 2019, 35,002 rounds were played, an increase of about 4 percent from the same period in 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. This fund is about 32 percent under the third quarter expenditure budget, due to the timing of the second Collaboration Campus incentive payment and other economic incentive payments. Expenditures in this fund are estimated to be at budget by year end. 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 40 percent under the third quarter budget due to the timing of downtown project expenditures. The DDA TIF Fund is estimated to be about 2 percent under the expenditure budget by year end. Current 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
- Mercantile Commons and Riverwalk 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 25 percent over the year to date budget for 2019, due to timing of special events, and are estimated to be 3 percent under budget for the year. 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. Expenditures in this fund are about 17 percent over the year to date budget due to timing of the art being placed and is estimated to be at budget by year end.

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 5 percent under year to date budget and is expected to end the year at budget. The General Long Term Planning Fund supports facility and asset maintenance for General Fund departments. This fund is about 14 percent under budgeted expenditures through September due to timing of multiple facilities and IT related projects and is estimated to be about 6 percent under budget by year end.

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.

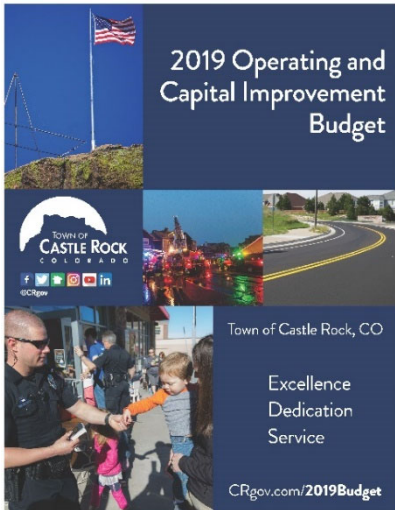
The Employee Benefits Fund serves to administer the Town's medical, dental and vision health benefit plans – including employee contributions, premium, and claim costs – and the employee wellness program, all in support of more than 500 benefited employees. An additional \$900,000 is included for medical and prescription claim costs in the requested third budget amendment and included in this report. The fund is about 5 percent under the adjusted year to date budget. Expenditures in this fund are expected to be 3 percent under the amended budget by year end.

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



2019 Budget Cover

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
- Collaborates with departments to manage expenses

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, approves a five-year balanced financial plan beginning in 2020, 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. The 2020 Budget, 2020-2024 Five-Year Balanced

Financial Plan, and 2020-2024 Five-Year Capital Improvement Program were adopted by Council on September 17th 2019.

The Town's investment earnings through the first three quarters of 2019 are \$2.2 million with the Town's investment balance totaling \$177 million as of September 30. Based on preliminary year-end estimate information, approximately 23 percent of total Town funds are 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 (29 percent) and U.S. Agencies (28 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 audited information, the Town did not experience a TABOR surplus for 2018. Staff continues to monitor the Town's TABOR position throughout the year and will determine the Town's actual status based on annual revenue information for 2019.

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
- Capital fund reporting (impact fee)
- 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.