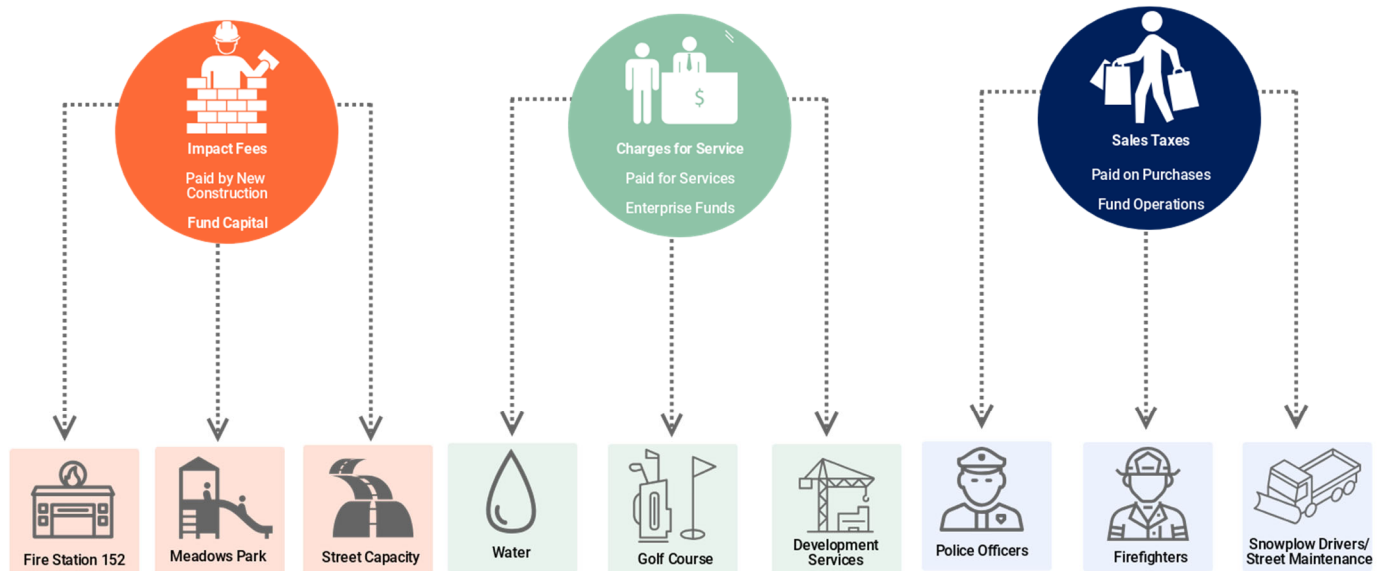


## Financial Reporting

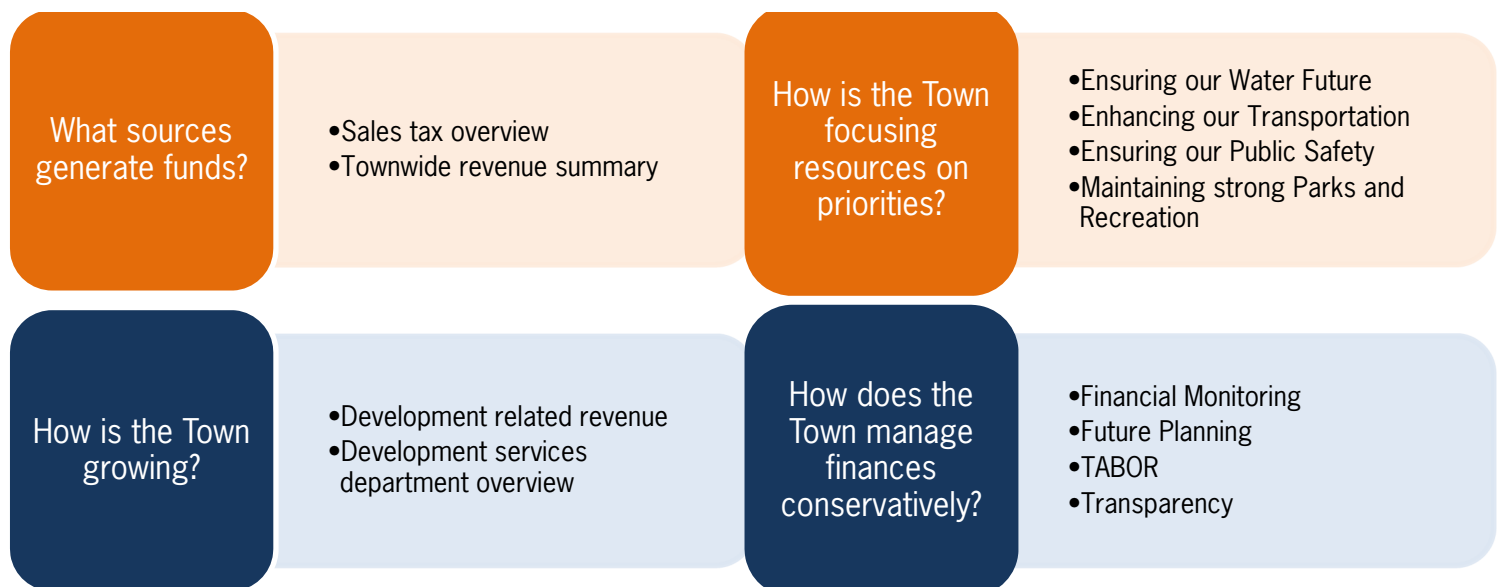
Town of Castle Rock financial management and reporting involves numerous complexities and requires the effort of Townwide departments and staff. This preliminary 2019 unaudited year-end financial review includes fund balance, revenue, expenditure, and reserve information by fund as well as on a Townwide 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 as of the end of 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. The financial information in this report is preliminary and unaudited, and may change from what is reflected here.



## What sources generate funds?

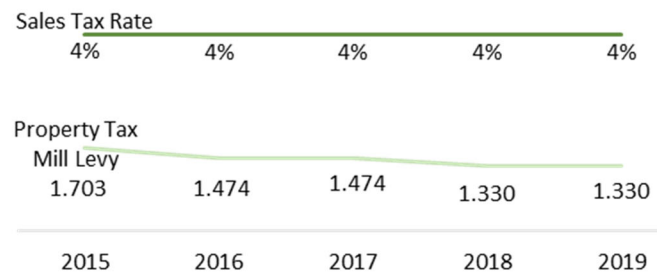
### Sales and property tax

- Town-collected sales tax received was 9.3% higher than 2018, including \$1.3 million in audit revenue
- The top three geographic areas for sales tax were Milestone/Metzler, Promenade, and the Outlet Mall, making up 52.3 percent of sales tax collections
- There were 5,206 active business licenses at the end of the year, 44 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



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

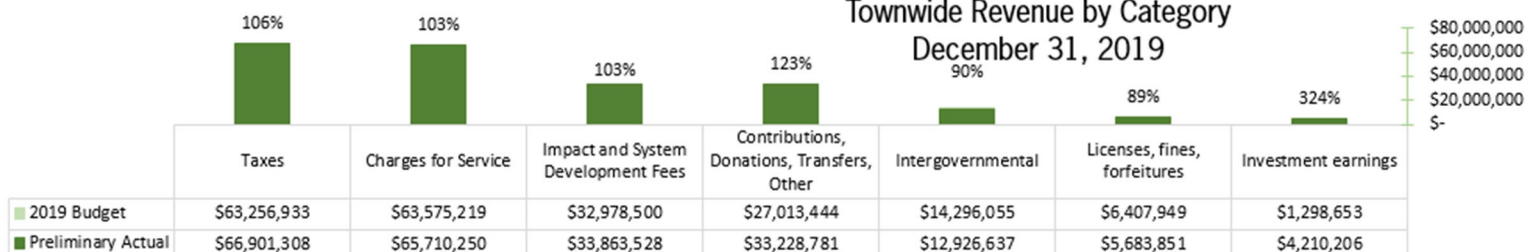


### Townwide revenue

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. For 2019, Townwide revenues exceeded budget by almost 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  
December 31, 2019

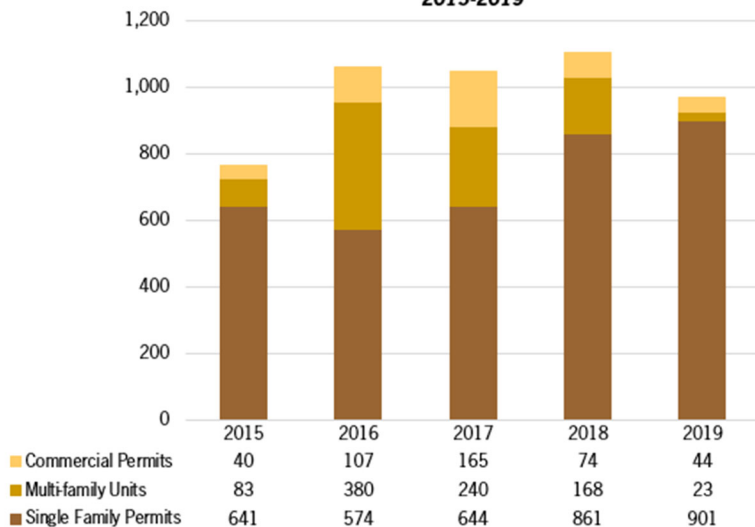


## How is the Town growing?



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, 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.

**Castle Rock Building Permit Issuance  
2015-2019**



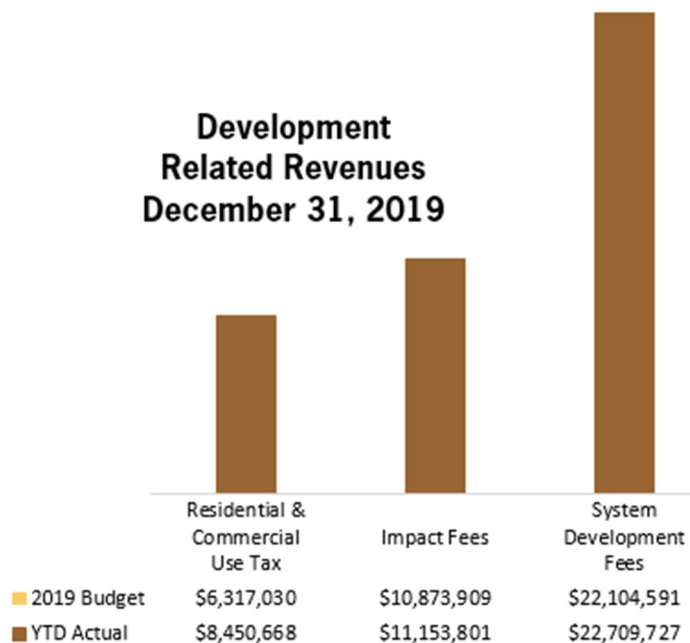
Total building permit issuance in 2019 included 901 single family homes, 23 multi-family units and 44 commercial projects. The chart to the left compares this information with previous years.

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.

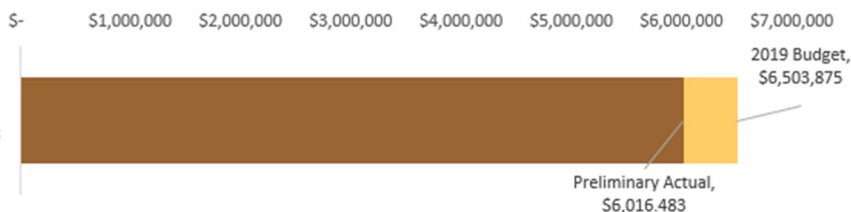
**Development  
Related Revenues  
December 31, 2019**



Actual development related revenue received varies based on type, size, valuation, tap size, and other factors. This chart displays the actual revenue received through December 31<sup>st</sup> for these fees. Total growth related revenues ended the year nearly 8 percent over the revenue budget.

The Development Services Department oversees development in Castle Rock. This department is funded partially in the General Fund, which ended the year 2 percent under budget. The Development Services Enterprise Fund was about 4 percent under the revenue budget due to the types of building permit issued. Expenditures ended the year about 7 percent under budget primarily due to personnel vacancies.

**Development Services  
Enterprise Fund Expenses**



## How did the Town focus resources on priorities in 2019?

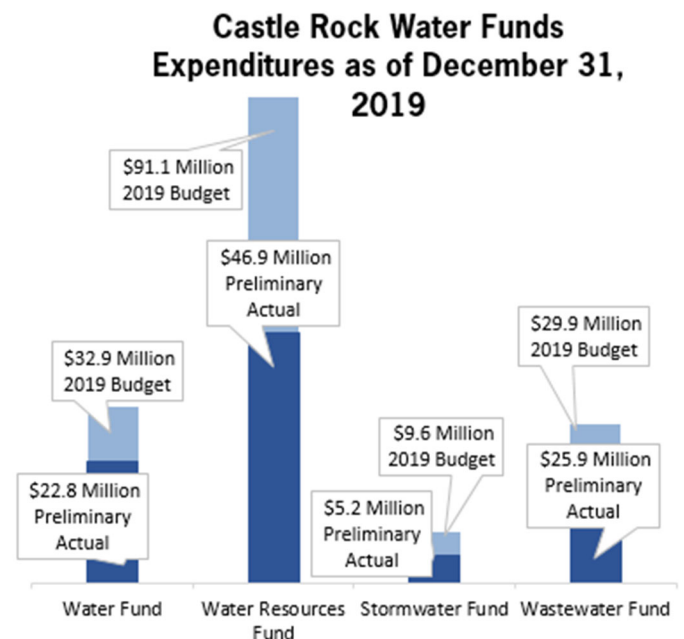


### Ensuring our water future

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 63 percent of the total Castle Rock Water annual expenditure budget. Capital expenditures are trending under budget due to the timing of the projects. A significant portion of unspent funds for the projects below will be carried forward to 2020.

Significant Castle Rock Water projects in 2019 include:

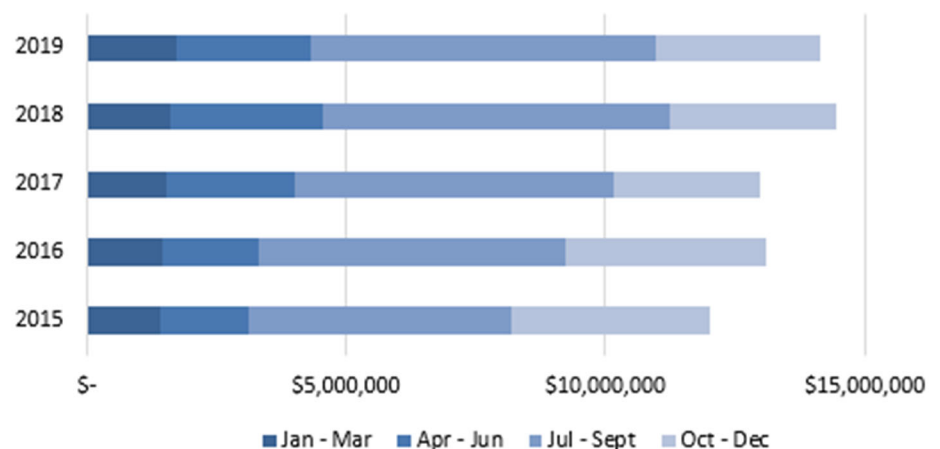
- Work on the Plum Creek Diversion Structure and Pump Station to capture more water supply
- Castle Rock's contribution to the Plum Creek Water Reclamation Authority expansion
- Ongoing renewable water initiatives as part of the WISE and Box Elder projects
- Construction of Lanterns Wells to ensure supply 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 were about 15 percent over budget through year end. Metered water sales finished under budget, but bulk water sales and water service charges exceeded the revenue budget. Operating expenditures finished at 13 percent under budget. Total expenses in the four Castle Rock Water Funds were under budget by 38 percent, primarily due to the timing of capital projects; such as new water supply wells, work on the Advanced Oxidation Facility, and sewer line work.

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

### 2015-2019 Metered Water Sales by Quarter





## Enhancing our transportation

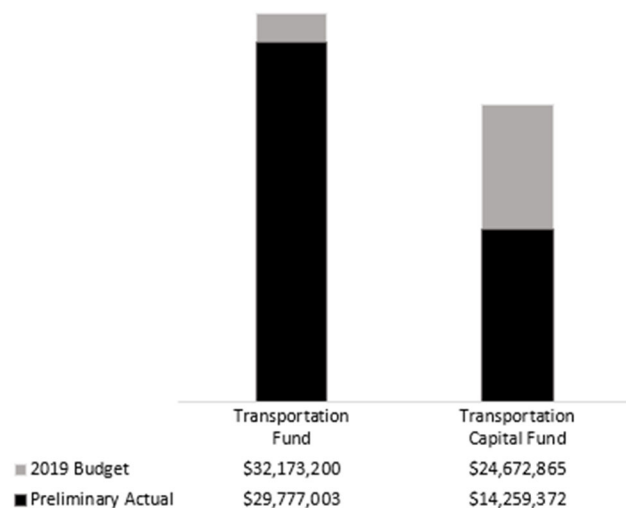
The Public Works Department manages Castle Rock transportation services, with budgeted expenditures in the Transportation (generally operational costs) and Transportation Capital funds (one-time growth related projects). The Transportation Fund supplements the capital fund to support the construction of growth-related projects as appropriate and available.

Total expenditures through the end of the year in the Transportation Fund were about 7 percent under budget. A portion of remaining capital budget is planned to be carried forward in the first budget amendment of 2020 in order to complete traffic signal system upgrades and other traffic safety improvement. The Transportation Capital Fund expenditures were approximately 42 percent under budget. Significant capital carryforward to 2020 in this fund includes Founders Parkway and Allen Way improvements, Founders Parkway and Crowfoot Valley Road improvements, and Plum Creek Parkway widening work.

### Significant projects in 2019 included:

- 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 Expenditures December 31, 2019



Transportation Fund revenues include sales tax, Highway

User Tax Fund (HUTF), residential use tax, and other resources. Total Transportation Fund revenues ended about 6 percent over the revenue budget. Transportation Capital Fund revenue, including impact fees for one-time capital, were about 5 percent under budget due to the timing of grant revenue for the Founders Parkway and Allen Way and Founders Parkway and Crowfoot Valley Road projects. This revenue is now expected to be received in 2020.

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 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 ended the year about 17 percent under budget due to several vehicle purchases that were delayed to future years. In addition, capital carryforward is included in the first budget amendment of 2020 to accommodate two vehicle purchases that were not received in 2019.

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 year end 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 ended about 3 percent under budget primarily due to the personnel vacancy savings and lower than expected software costs.

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

The Police Department in the General Fund ended the year about 1 percent under budget primarily due to personnel vacancy savings

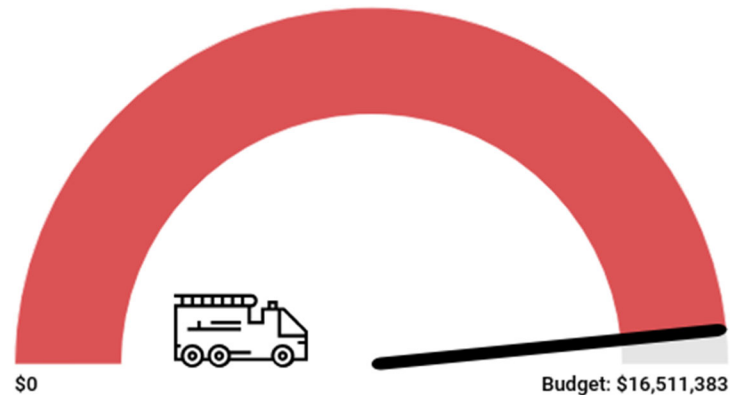
### Capital funds

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 were about 11 percent under budget due savings related to landscape work at Station 152. The Police Capital Fund ended the year 8 percent under budget due to the delay of a transfer out to the Fleet Fund for an additional vehicle. This transfer out is included in the first amendment to the 2020 Budget and will be completed this year.

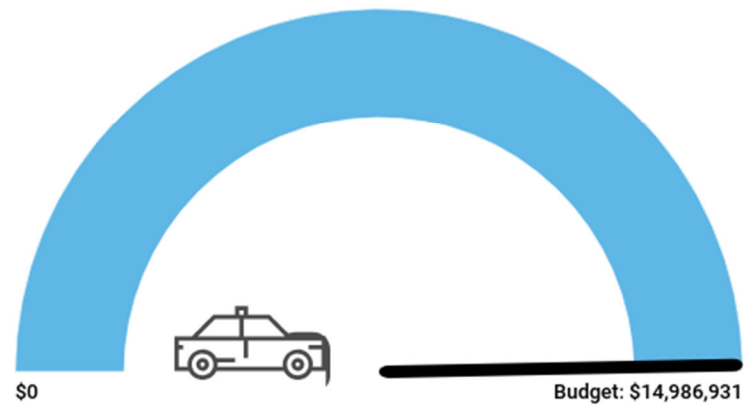
The Police Department receives forfeiture related revenue in a separate Police Forfeiture Fund from participation in cooperative efforts with state and federal law enforcement. There were no budgeted or actual revenues or expenditures in 2019.

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

**Public Safety General Fund Expenditures  
December 31, 2019**



● Fire & Rescue: \$15,991,196 Preliminary Actual



● Police: \$14,895,074 Preliminary Actual



## 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. Expenses in the Parks General Fund finished about 3 percent under budget for the year. The biggest capital project for the year was the extension of East Plum Creek Trail, which is supported by a \$1 million grant from Great Outdoors Colorado and voter 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 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 finished about 13 percent under budgeted expenditures for the year, primarily due to the future park planning at Cobblestone Ranch, which will be carried forward to 2020. The Conservation Trust Fund, supported by state lottery proceeds, finished about 64 percent under budget, due to timing of the use of capital projects being carried forward into 2020.

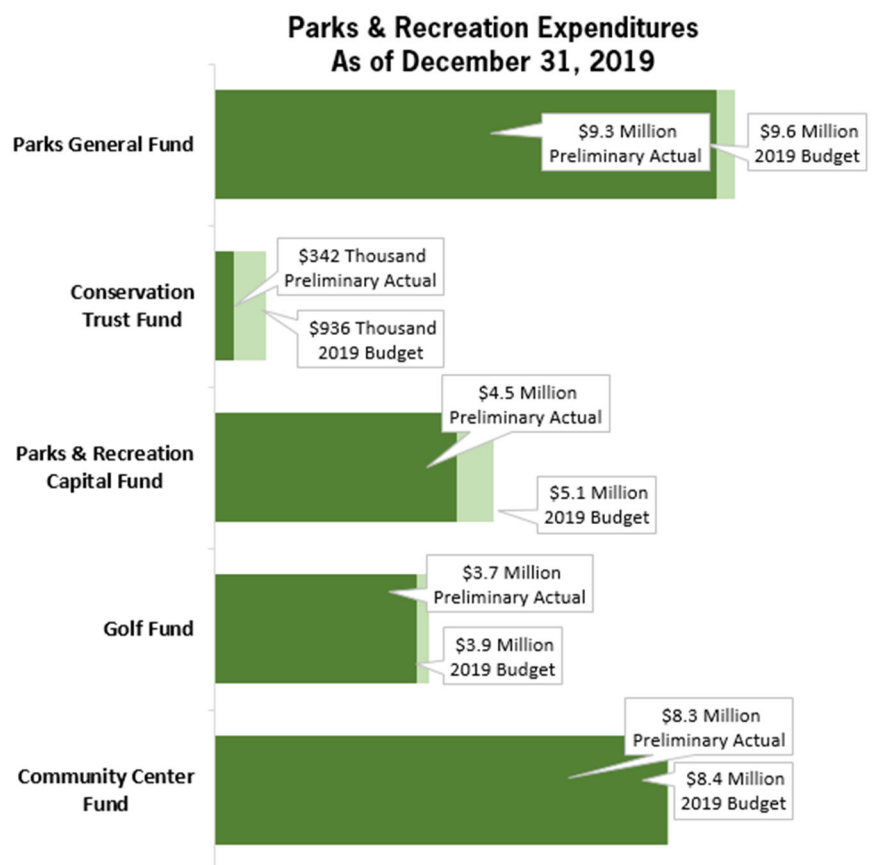
### Recreation

The Community Center Fund accounts for operations at the Recreation Center, MAC, and outdoor pools. Visits to the Recreation Center for the year total 237,274, a decrease of 4 percent compared to 2019, while MAC visits total 79,199, or a 28 percent decrease from 2018. Decreases for both are due to weather closures in early 2019.

Current expenditures for the Community Center Fund are at budget for the year.

### Golf

The Golf Fund is an enterprise fund and expenditures are about 6 percent under budget for the year. Capital expenses are under budget due to the lower than expected golf cart lease costs. 38,837 rounds were played throughout 2019, a decrease of about 3 percent from 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 ended the year about 46 percent under the expenditure budget, due to the timing of the second 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 was about 27 percent under budget due to the timing of downtown project expenditures. 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, provides 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 finished at 8 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 finished at about 4 percent under budget for the year.

### 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 finished about 25 percent under budget for the year, due to lower than estimated construction cost of the Central Service Center. The General Long Term Planning Fund supports facility and asset maintenance for General Fund departments. This fund finished about 31 percent under budgeted expenditures for the year, this is due to timing of multiple facilities and IT 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. Healthcare claims were anticipated to be over budget in 2019, so a budget amendment was done to cover costs. However, actual claim costs were lower than estimated for the final quarter of the year and the fund finished about 6 percent under budget for the year.

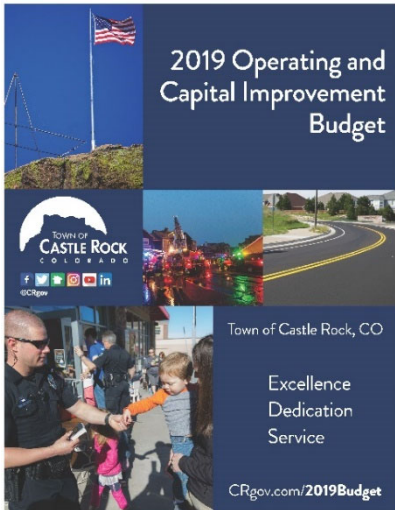
*For more financial information about this fund, see Attachment A – Schedule X.*



## 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
- 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](http://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 17<sup>th</sup> 2019 and is available at [Crgov.com/2020Budget](http://Crgov.com/2020Budget).

The Town's investment earnings through the end of 2019 were \$2.9 million with the Town's investment balance totaling \$182 million as of December 31. 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 preliminary year end information indicates that the Town will not experience a surplus for 2019.

### Transparency

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