Excellence · Dedication · Service

Town of Castle Rock

FINANCIAL REPORT TO THE COMMUNITY
YEAR ENDED DECEMBER 31, 2016

CRgov.com/**Finance**

TOWN OF
CASTLE ROCK
COLORADO

Residents of Castle Rock,

The leadership of Your Town takes its financial responsibilities to the community very seriously – so much so that both the Town's vision and values statements reinforce the importance of those obligations. The Town prides itself on its conservative financial management, which has allowed for the continued provision of high-caliber community services – per continued strong community survey ratings – without any recent increases in sales or property taxes.

In 2016, the owner of a home valued at $300,000 paid only $35 in annual property tax to the Town. We believe that represents an excellent return on investment for the full range of general government services the Town provides by maximizing the community's investment through economic development efforts. Though revenues presently are robust, continued focus on core services remains essential in order for the Town's finances to remain sustainable through multiyear economic cycles.

The Town's current financial position remains strong, and thus we are proud to share with the community the Town's first ever Financial Report to the Community, for the year ended December 31, 2016. This report enhances the Town's efforts to provide transparent financial information to the Castle Rock community. It is our hope that you find this report accessible and educational. Additional information about the Town's financials, performance and more is available on the transparency portal at CRgov.com**/transparency**.

David L. Corliss
Town Manager

Trish Muller
Finance Director

Financial Highlights

- The Town's total net position – or net worth – increased by $62 million, or 7.4 percent, in 2016
- As of Dec. 31, 2016, the Town's governmental funds – those supported primarily by taxes – reported combined ending fund balances of $46.2 million – an increase of $2.9 million over 2015; the unassigned fund balance for the General Fund was $16.1 million, which consisted of cash reserves of $9.7 million and unappropriated funds of $6.4 million
- The Town's long-term liabilities totaled $123.3 million at the end of 2016; the decrease of $7.7 million, or 6 percent from 2015, was due to debt service payments and reducing debt due to refinancing
- In 2016, the Town refinanced about $50 million worth of long-term water bonds due to favorable market conditions. This led to a $22.7 million savings over the life of the financing, which will directly benefit Castle Rock Water customers. This – and a transportation refunding – causes the Town's debt and financing to appear high for 2016

About This Report

Popular Annual Financial Report

The purpose of this report – formally known as Popular Annual Financial Report – is to provide an overview of the financial position of the Town of Castle Rock, as fully reported in the Town's 200-page Comprehensive Annual Financial Report (CAFR). This report is not intended to be a substitute for the CAFR, which is available at CRgov.com**/FinancialReports**, and which in past years has received awards for outstanding financial reporting from the Government Finance Officers Association. Both reports are presented in accordance with Generally Accepted Accounting Principles.

About Your Town

Government Organization

The Town of Castle Rock is a home-rule municipality that operates under the Council/Manager form of government. Policy-making and legislative authority are vested with the Town Council, which consists of seven members elected by district on a nonpartisan basis. Councilmembers serve four-year terms and are limited to two consecutive terms in office. The Council selects a Mayor and Mayor Pro Tem every two years.

The Council is responsible for passing ordinances, adopting the budget, appointing boards and commissions and hiring the Town Manager, Town Attorney and Municipal Judge. The Town Manager is responsible for carrying out the policies and ordinances the Council approves; appointing the Town's department heads (subject to Council ratification); and overseeing the Town's operations.

2017-2018 Town Council

Strategic Priorities

Multiple public discussions occurred, before Town Council approved six key priorities for 2016. Progress on Town priorities is reported to the community quarterly at CRgov.com**/majorprojects**.

- Provide outstanding public health and safety services
- Secure the community's long-term renewable water future
- Create primary jobs, expand the tax base and improve the business climate
- Provide a safe transportation system, minimizing traffic congestion
- Provide an outstanding parks, recreation, trails and open space system
- Maintain community character and identity, with a particular focus on Downtown Castle Rock

Downtown Castle Rock

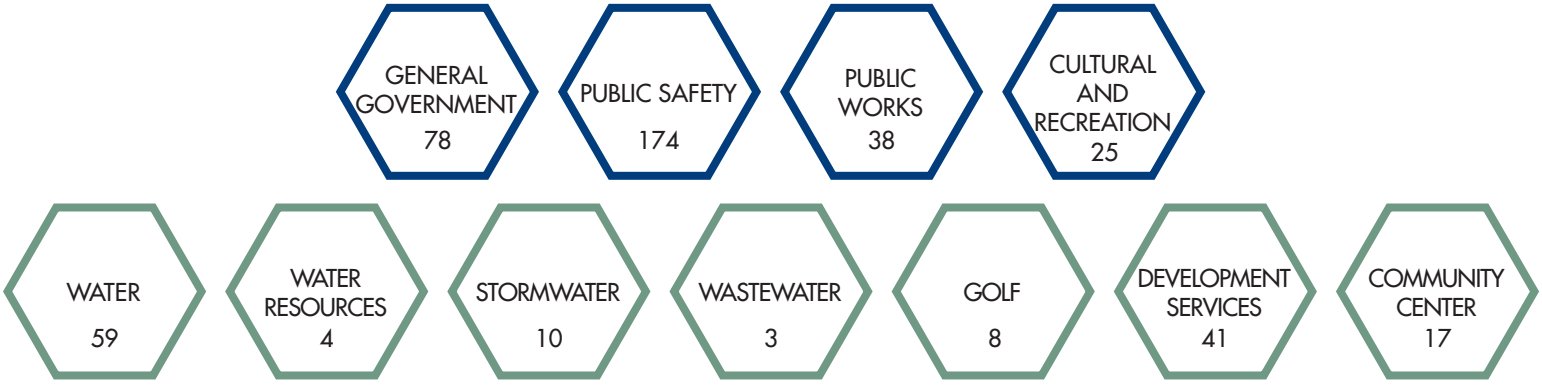
More About the Town

The Town's mission statement is, "Achieving the community vision through excellence, dedication and service."

Learn more about the Town and read our vision and values statements at CRgov.com**/HR**.

Town Functions

Town functions are divided between two groups of activities – governmental-type activities, in blue, and business-type activities, in green. Governmental-type activities are primarily funded by taxes, while business-type activities function more like a private business and are primarily funded by fees paid for those services. Below each activity is the number of full-time equivalent positions dedicated to the function.



What was Accomplished?

Following is a selection of the Town's top accomplishments from 2016, organized by key community priority:

Provide outstanding public health and safety services

- Improved the Town's fire risk rating (ISO) from 5 to 2, on a scale from 1-10, where 1 is best – this positively impacts property insurance rates for those in the community
- Led the implementation of a Countywide law enforcement strategy to help prevent domestic violence homicides
- Implemented body-worn cameras at Castle Rock Police to facilitate greater community trust and transparency
- Renovated the Police Department to accommodate present and future staff growth

Secure the community's long-term renewable water future

- Continued the WISE project as planned, with water delivery to Castle Rock set to begin in late 2017; and put under contract additional water rights and purchased the Box Elder well field as part of the long-term Alternative Source of Supply project, all within or below budget
- Refinanced water resources funding instruments, locking in a fixed interest rate of 2.5 percent, as compared to the previously budgeted 3.35 percent, resulting in potential savings of millions of dollars to Castle Rock Water customers
- Completed a major water court case that allowed the Town to pump more than 47 million gallons of renewable water from East Plum Creek in 2016 – and will allow much more in the coming years – at an economical cost

Create primary jobs, expand the tax base and improve the business climate

- Supported the opening of The Move office building and stores at the Promenade at Castle Rock, as well as the continued expansion of the Castle Rock Adventist Hospital campus
- Assisted in moving employment-based businesses to Town including iMotion, Infinity Labs, Master Magnetics, Mirage Dental and Vista Petroleum

Provide a safe transportation system, minimizing traffic congestion

- Opened Castle Rock Parkway/North Meadows Drive, improving traffic conditions at the north end of Town; and improved Plum Creek Parkway at Wilcox and Perry streets, improving traffic conditions at the south end of Town
- Continued upgrading the Town's traffic signal system, including the addition of signals at Founders Parkway and Black Pine Drive and at the entrance to the Ridge Road shopping center
- Invested $7 million in road maintenance projects, focused in 2016 on northern Castle Rock

Provide an outstanding parks, recreation, trails and open space system

- Opened phase two of Philip S. Miller Park, including the Amphitheater, Millhouse and Plaza, as well as the Wolfensberger Pedestrian Bridge, to connect the park to Ridgeline Open Space
- Renovated Butterfield Pool and improved Red Hawk Ridge Golf Course, including adding restrooms and concrete cart paths, which contributed to record revenue in the course's 17-year history

Maintain community character and identity, with a particular focus on Downtown Castle Rock

- Changed Town Code to require, instead of encourage, neighborhood meetings for annexation and zoning applications; and made public notice signs more readable
- Approved Riverwalk, a Downtown development with 228 residential units, 11,000 square feet of retail and 20,000 square feet of office space; and saw the construction of Mercantile Commons, with 12 residential units and 12,000 square feet of retail and office spaces

*More achievements are in the 2017 Adopted Budget, available at CRgov.com/**2017budget**.*

How are we Doing?

*Following is 2016 data regarding some of the performance goals the Town tracks. Additional performance information is in the 2017 Adopted Budget, available at CRgov.com/**2017budget**.*

Police Department response time

5 min, 53 sec
AVERAGE RESPONSE TIME

Goal | Result

5 min, 23 sec
CRPD RESPONSE TIME

Fire Department response time

7 min, 50 sec
TOTAL RESPONSE TIME

9 of 10 times is the goal

8.4 times is the result

Became the first water provider in Colorado to receive a Gold Award in the State's Pursuing Excellence in Drinking Water program due in large part to key performance indicators like:

- Maintaining a rate of one or fewer water quality complaints per 1,000 accounts
- Realizing fewer than three water distribution system breaks per 100 miles of pipe

Processed **768 new business licenses.**

Issued about **1,150 new residential permits** and commercial permits with a **value of about $65 million.**

Became the **110th agency in America** to earn accreditation from the **American Public Works Association.**

Maintained an overall condition index of 76 on primary streets, **exceeding the goal of 75.**

Experienced participation in Parks and Recreation programs and facility usage from nearly half of Castle Rock – **8,842 unique households** – including 77,225 senior visits and 300 residents-in-need who were served through free and low-cost programs.

Hosted **eight new events** in Downtown Castle Rock.

Held four community open houses regarding growth, and **graduated 26 residents** from the new Your Town Academy program, which provides education about Town operations.

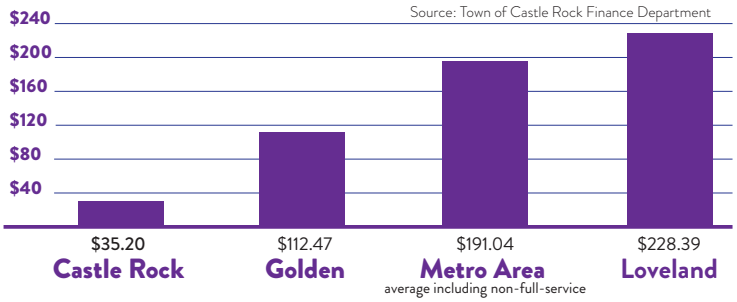
Received recognition from WalletHub as one of the **Best Small Cities in America.**

How do we Compare to our Neighbors?

With Town property taxes on a $300,000 home at only about $35 per year, Castle Rock provides services to the community at a great value. Here's a look at how the cost of living in Castle Rock compares to some of our neighbors.

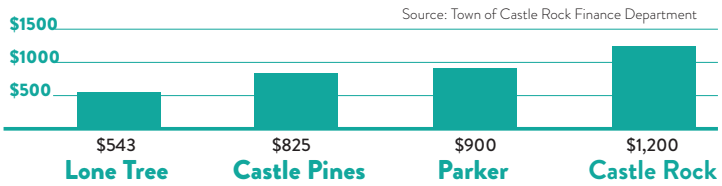
Property tax on a $300,000 home

This is the amount of municipal-only property tax on a home valued at $300,000 in other local full-service communities, which do not provide any services via special district. It's important to note that the lion's share of a resident's property tax payment goes to the local school district, the county and other special districts, and not to the municipality.



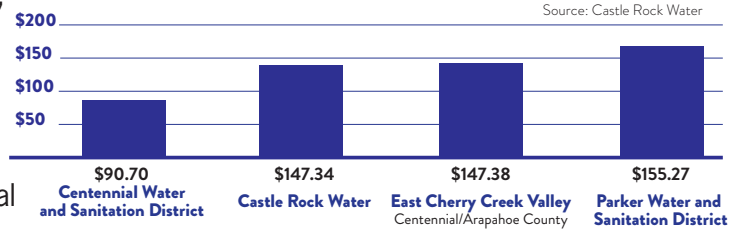
Sales tax on a $30,000 vehicle

Colorado residents pay sales tax on newly purchased vehicles in the community in which they live. This is the municipal sales tax that would be due in Douglas County communities on a vehicle valued at $30,000. In Castle Rock, the Town portion is 4% of the total 7.9% charged. The rest goes to the state (2.9%) and Douglas County (1%).



Typical summer water bill

This includes water, wastewater and stormwater for a typical single-family residence in these comparably sized districts. Actual bills vary based on water usage and the size of the property.



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Statement of Activities

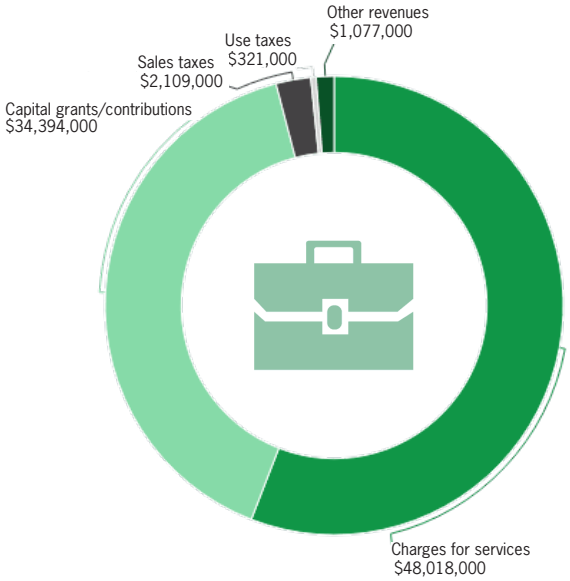
The Statement of Activities provides an illustration of the revenue received and spent by the Town during the year.

	2016	2015	2014	2013	2012
Revenues	$182,426,000	$155,976,000	$149,383,000	$130,959,000	$109,888,000
Expenses	$120,475,000	$111,858,000	$103,354,000	$92,720,000	$87,235,000
Change in net position	$61,951,000	$44,118,000	$46,029,000	$38,239,000	$22,653,000

Business-type activity revenues

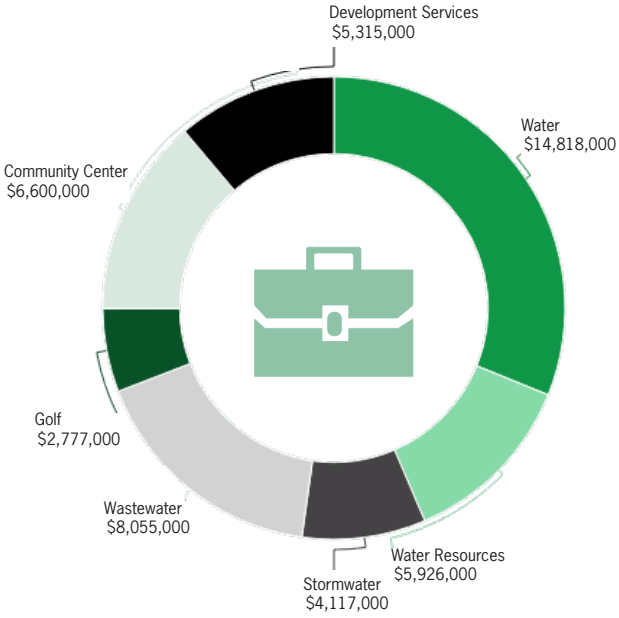
The chart at right reflects all revenues of the business-type, or "enterprise," funds, including impact fees and system development fees. These types of fees can only be used for growth-related costs, which primarily are the construction of infrastructure assets.

Charges for services include water rates paid by customers, building permit revenues and rates paid at the Recreation Center, Miller Activity Complex and Red Hawk Ridge Golf Course.



Business-type activity expenses

The Town maintains seven business-type funds. These funds account for functions such as water, long-term water (water resources), stormwater and wastewater, along with Development Services, golf and recreation (Community Center). Water services account for about 69 percent of all business-type expenses.



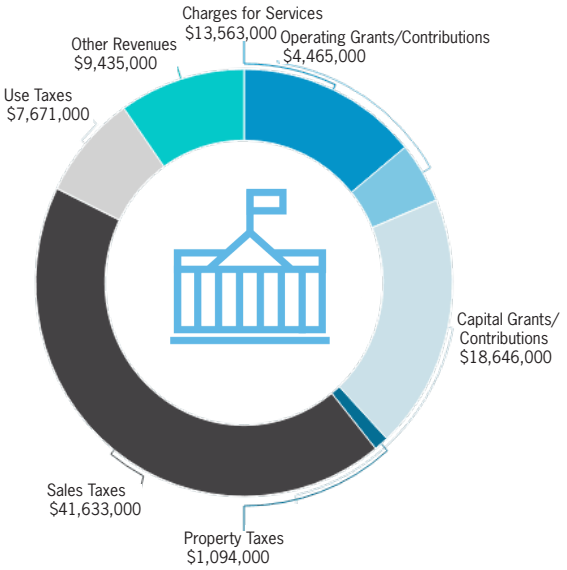
l Results

Governmental activity revenues

The chart at right shows governmental revenue activities by source. Sales taxes provide 43 percent of the total revenues for governmental activities. Program revenues – including charges for services, grants and contributions – provide 38 percent of revenues in the governmental activities. Only 1 percent of the governmental revenues are provided by property taxes.

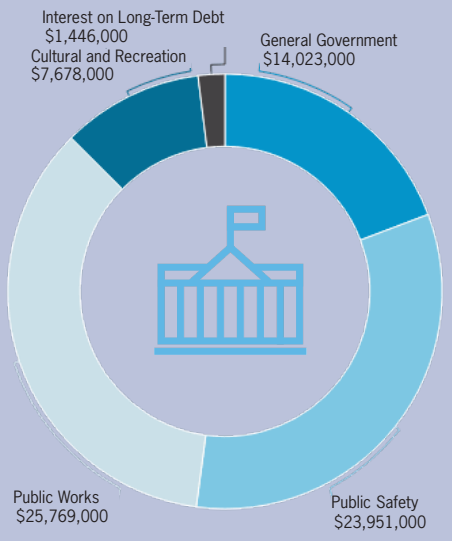
Governmental revenues increased the Town's net position by $23.6 million in 2016. Key elements of this increase were:

- Sales taxes increased by $3.1 million, or 8 percent
- Uses taxes increased by $2.6 million, or 52 percent



Governmental activity expenses by program

The Town maintains 15 governmental funds. These funds account for functions such as Municipal Court, Police, Fire and Rescue, Parks and Recreation, maintenance of roadways (Public Works) and general government support. Public safety services account for about 33 percent – and Public Works for just over 35 percent – of all governmental-type expenses.

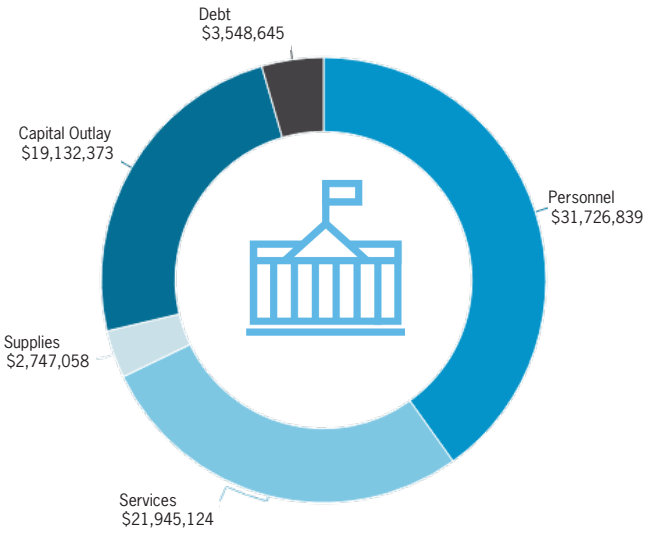


Governmental funds expenses by type*

Daily governmental functions include paying for operational costs such as salaries, supplies and services.

Governmental personnel costs for 2016 include 315 full-time equivalents – 55 percent who work to provide the Town's public safety services.

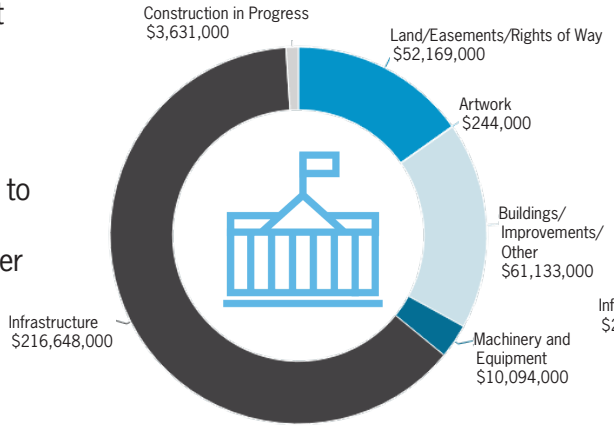
Services costs typically include utility and software costs, costs related to the Town's annual Pavement Maintenance Program and contracts with community service partners.

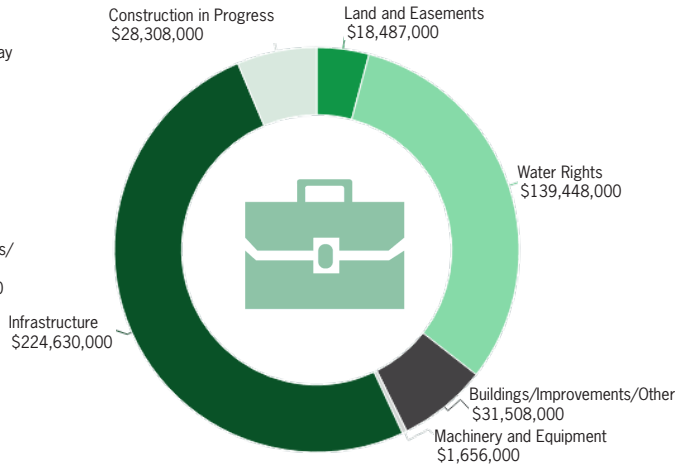


*Information presented on modified accrual budgetary basis

Capital assets (net of depreciation)

The Town had significant investments in infrastructure in 2016. These included the opening of Castle Rock Parkway, improvements to Philip S. Miller Park and the purchase of Box Elder Well Field to assist with the Town's long-term water requirements.



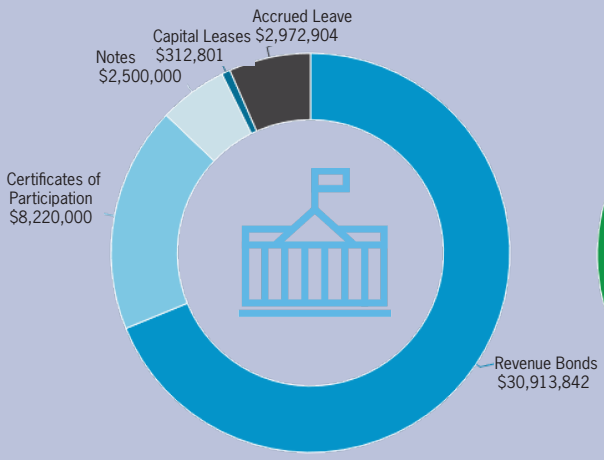


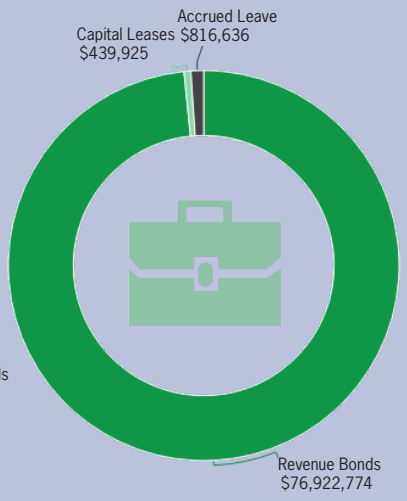
Outstanding debt

The Town's total long-term debt decreased by $7.8 million, or 6 percent, in 2016 due to scheduled debt payments, debt service payments and reducing debt due to refinancing.

The Town has no general obligation bonds outstanding.

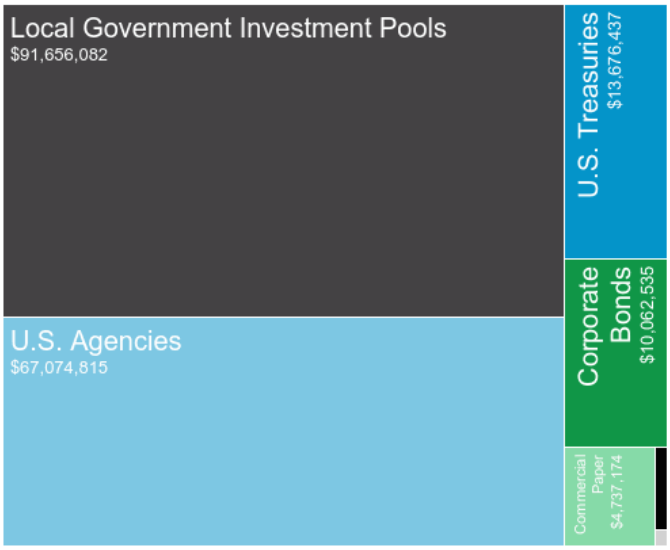
The credit position for Castle Rock is very strong, and its Aa2 rating is slightly above the U.S. city median of Aa3. The rating reflects a very healthy financial position, a considerable tax base and an affluent socioeconomic profile. It also incorporates a negligible pension liability and a manageable debt burden.





Investments

The Town maintains a conservative investment policy. The principal objectives include:

- Preservation and protection of capital
- Maintenance of sufficient liquidity
- Diversification to avoid unreasonable risk
- Attainment of adequate market rate of return
- Conformance with all stated regulations

In the graph, the black area represents money market funds, $503,696, and the gray area certificates of deposit, $100,000.