

Excellence · Dedication · Service

Town of Castle Rock, Colorado

FINANCIAL REPORT TO THE COMMUNITY
FOR THE YEAR ENDED DECEMBER 31, 2017



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 2017, the owner of a home valued at \$373,254 paid only \$39.61 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 Financial Report to the Community, for the year ended December 31, 2017. 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, CPA
Finance Director

Financial Highlights

- The Town’s total net position – or net worth – increased by \$53.2 million, or 5.9 percent, in 2017
- As of Dec. 31, 2017, the Town’s governmental funds – those supported primarily by taxes – reported combined ending fund balances of \$52.3 million – an increase of \$6.1 million over 2016; the unassigned fund balance for the General Fund was \$14.3 million, which consisted of cash reserves of \$10.5 million and unappropriated funds of \$3.8 million
- The Town’s long-term liabilities totaled \$118.4 million at the end of 2017; the decrease of \$4.9 million, or 4 percent from 2016, was due to debt service payments.

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.

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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 currently 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 2017. 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

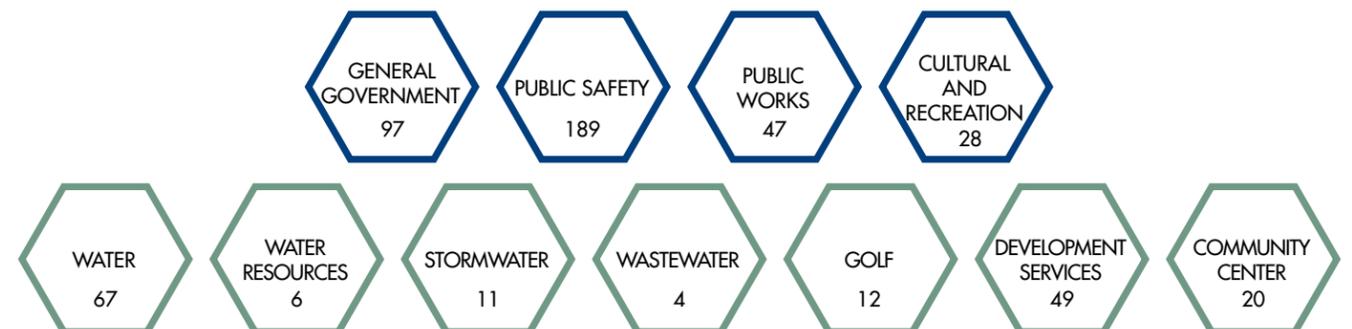
More About the Town

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.



Downtown Castle Rock



Castle Rock, Colorado

What Was Accomplished?

Following is a selection of the Town's top accomplishments from 2017, organized by key community priority:



Ensuring our public safety

- Broke ground on Fire Station 152 in Crystal Valley; and earned international re-accreditation, which only 0.8% of fire agencies in the United States have achieved and maintained
- Added positions and equipment in Police and Fire
- Attained state re-accreditation through the Colorado Association of Chiefs of Police; and implemented an enhancement to the established strategy to reduce domestic violence homicides



Ensuring our water future

- Substantially completed the WISE project, with water delivery to Castle Rock set to begin in spring 2018; started construction on Chatfield Reservoir, with water storage planned for 2020; and purchased additional water rights as part of the long-term Alternative Source of Supply project, all within or below budget
- Moved forward on the Plum Creek water reuse/diversion project; successfully acquired United Water assets, including a diversion, small reservoir and pipeline to the South Platte; and started design of water plant upgrades
- Completed a diversion on East Plum Creek at our Water Purification Facility, which allowed for the pumping and treating of record amounts of renewable water



Maintaining strong Parks and Recreation

- Opened the reimagined Festival Park



Enhancing our transportation

- Completed pavement restoration on Coachline Road and Emerald Drive, as well as general pavement maintenance in southern Castle Rock
- Constructed a roundabout at Third and Perry streets Downtown and an additional left turn lane from U.S. Highway 85 turning west onto Meadows Parkway
- Updated the Town's 20-year transportation plan



Enhancing our historic Downtown

- Construction started on Riverwalk – a development that will flank Sellars Gulch west of Festival Park. It will bring 228 residential units, 11,000 square feet of retail and 20,000 square feet of office space and is expected to open in late 2018
- Completed a Downtown Parking Study, an outcome of which was the formation of a new team to focus on related issues, including code adjustments, policy implementation and other parking enhancements



Managing growth

- Adopted the Town's 2030 Comprehensive Master Plan
- Implemented a new impact fee and Development Services fee schedule



Pursuing economic development

- Approved an agreement to help bring a new college campus to Castle Rock, in a partnership among Arapahoe Community College, Douglas County Schools, Castle Rock Economic Development Council, the Town and Colorado State University
- Approved a financial agreement for the Miller's Landing development, which will help remediate an old landfill and bring amenities to the northwest corner of Plum Creek Parkway and Interstate 25



Managing Town fiscal obligations

- Completed the 2017 Community Survey; affirmed 2018 strategic priorities; and adopted the 2018 Budget



Implementing voter-approved Town Charter changes

- Residents voted to change the Town Charter to have an at-large Mayor and six Town Council districts

More achievements are in the 2018 Budget, available at CRgov.com/2018budget.

How Are We Doing?

Following is 2017 data regarding some of the performance goals the Town tracks. Additional performance information is in the 2018 Budget, available at CRgov.com/2018budget.



Police Department response time



Fire Department response time



Continued to be one of only two water providers to receive and/or maintain Gold Award status in the State's Pursuing Excellence in Drinking Water program due in large part to advanced, industry-leading operating procedures like:

- Leading in water conservation, with the community's support, having some of the lowest per person water usage rates in the State
- Realizing fewer than three water distribution system breaks per 100 miles of pipe



Processed 708 new business licenses.

In 2017, the Town issued permits for 1,264 new residential units (862 single family and 402 multi-family) and 129 new commercial permits.



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



Experienced participation in Parks and Recreation programs and facility usage from more than half of Castle Rock – 12,771 unique households – including 84,391 senior visits and 400 residents-in-need served through free and low-cost programs.

What does it cost to run the Town, and how are those costs paid?

The Town is legally required to adopt an annual budget and cannot spend more than the total appropriated amount. An independent auditor reviews the Town's financial statements each year. The most recent audit for 2017 yielded no adjustments nor comments. In fact, the Town was awarded for excellence in finance reporting and for having a distinguished budget presentation.

What financial resources are available for the Town of Castle Rock?

- 35%** **Taxes:** Sales tax, building use tax – a sales-type tax on construction materials – motor vehicle taxes and property taxes are anticipated to bring in about \$68 million to the Town in 2018.
- 32%** **Charges for service:** Water fees, building permit fees, golf green fees and Recreation Center and MAC user fees are another major revenue source, at an estimated \$62.3 million for 2018.
- 18%** **System development and impact fees:** These fees – collected on new construction to help ensure the Town's levels of service can be maintained as growth continues – were increased starting in 2017. The Town anticipates collecting \$35.7 million in these fees in 2018.
- 15%** **Other:** Other sources of Town revenue include revenue from other governments; license and permit revenue; contributions and donations; and franchise fee revenue, among others. These other sources of revenue are anticipated to bring in \$29.5 million to the Town in 2018.

\$195.5 million is the total amount of revenue the Town anticipates receiving in 2018.

Complete financial information can be found at CRgov.com/transparency. Choose "Financial Information" on the menu.

What are the expenses for running the Town of Castle Rock?

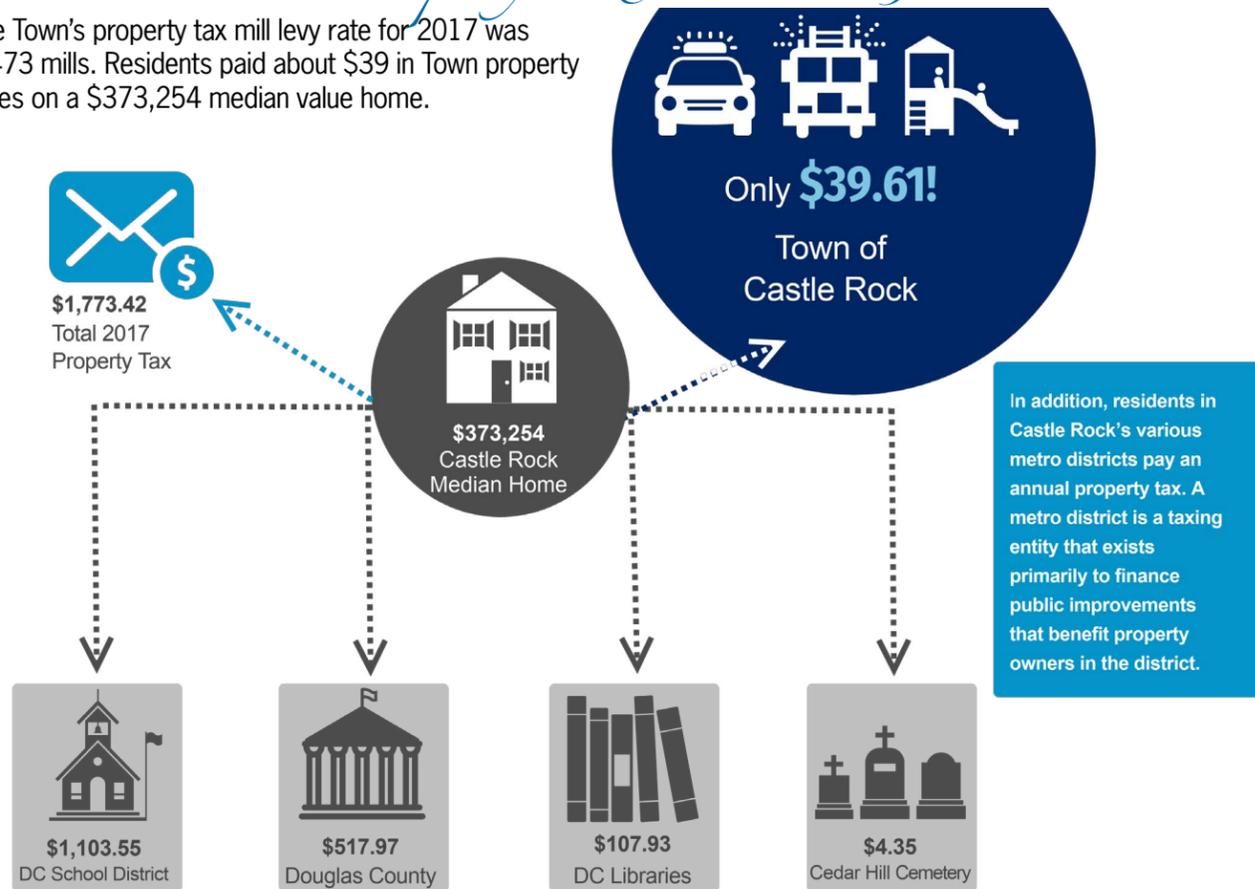
- 42%** **Capital:** Capital expenses including long-term water investments; transportation capacity and maintenance projects; and the addition of Fire Station 152 are expected to cost \$102.3 million in 2018.
- 25%** **Personnel:** Providing salary and benefits for the Town's nearly 540 full-time staff members is expected to cost about \$58.9 million in 2018.
- 22%** **Services and other:** Other initiatives, including the Town's Pavement Maintenance Program and various other service and maintenance needs, are expected to cost \$53.7 million in 2018.
- 11%** **Other:** Other expenses include financing-related costs, as well as the costs of supplies needed to deliver Town services. These other expenses are expected to cost \$26.3 million in 2018.

\$241.2 million is the total amount of expenses the Town anticipates having in 2018.

The \$45.7 million difference between expenditures and revenue is due to the planned use of reserves for capital projects. The Town is able to accomplish these projects because it has intentionally saved money for them in previous years.

Where Do Your Property Tax Dollars Go?

The Town's property tax mill levy rate for 2017 was 1.473 mills. Residents paid about \$39 in Town property taxes on a \$373,254 median value home.



Financial Terminology Explained

Asset: a resource with economic value that the Town owns

Business-type activities: include water, water resources, stormwater and wastewater utilities, a golf course, a community center (recreation) and development services. These activities rely to a significant extent on fees and charges for services.

Governmental activities: reflect most of the Town's services including: general government, public safety (police and fire), public works (transportation and streets) and culture and recreation (parks and open space), which are normally supported by taxes and intergovernmental revenues

Liabilities: claims against the Town's assets

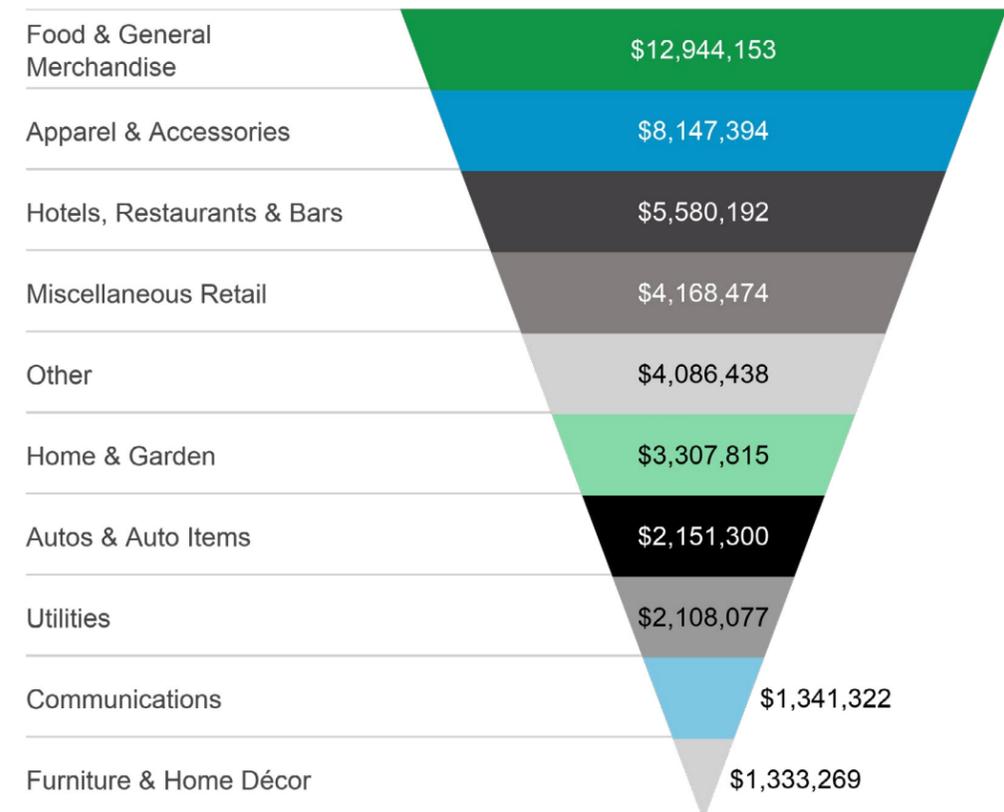
Net position: the difference between assets and liabilities – in this case, the Town's net worth

Who Are the Top Ten Employers?

Company	Rank	Percentage of Total Town Employment
Douglas County School District	1	8%
Douglas County	2	8%
Castle Rock Homes / Keller Williams	3	4%
Castle Rock Adventist Medical Campus	4	4%
Town of Castle Rock	5	4%
Wal-Mart	6	3%
King Soopers	7	3%
Kohl's	8	1%
Brookside Inn Post Acute Care & Rehab	9	1%
Sam's Club	10	1%

Source: Castle Rock Economic Development Council (Castle Rock EDC)

Which Industries Generate the Most Sales Tax?



Source: Town of Castle Rock Sales Tax Department

Financial Results

Statement of Activities

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

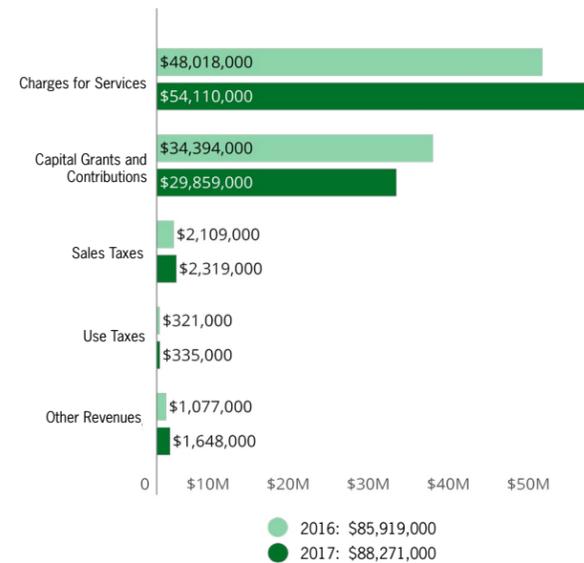
	2017	2016	2015	2014	2013
Revenues	\$183,874,000	\$182,426,000	\$155,976,000	\$149,383,000	\$130,959,000
Expenses	\$130,675,000	\$120,475,000	\$111,858,000	\$103,354,000	\$92,720,000
Change in net position	\$53,199,000	\$61,951,000	\$44,118,000	\$46,029,000	\$38,239,000



Business-type activity revenues

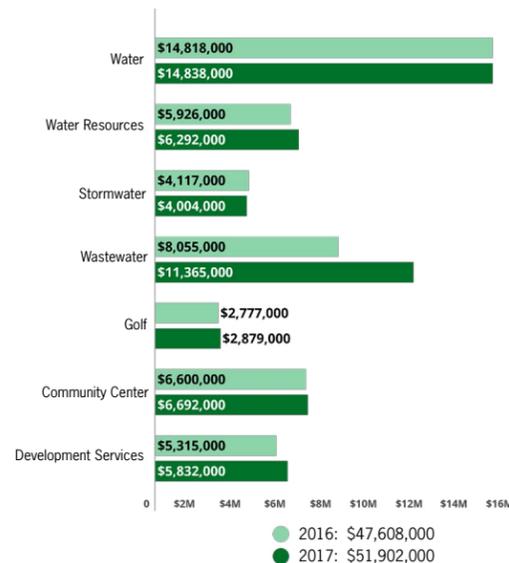
The chart at right reflects all revenues of the business-type, or “enterprise,” funds, including impact fees and system development fees. These types of fees can only be used for growth-related costs, which primarily are the construction of infrastructure assets.

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. The \$2.3 million (3%) increase in business-type activity revenues from 2016 can be attributed to continued residential and commercial development and the resulting increased demand for services within the Town.



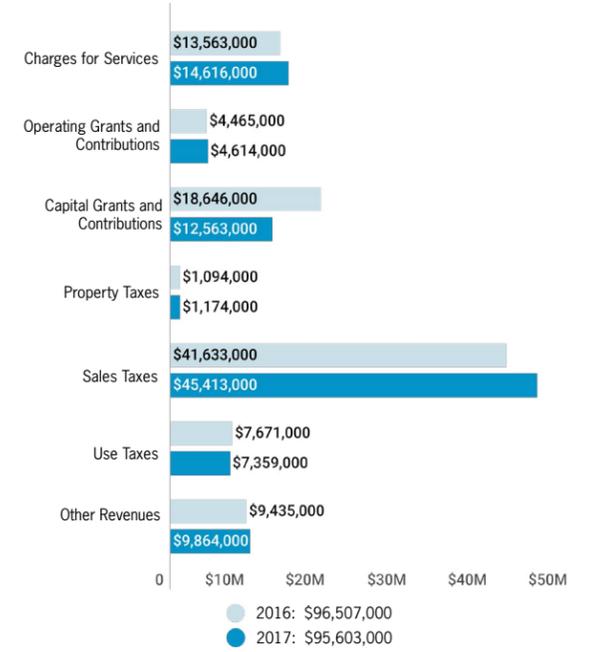
Business-type activity expenses

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 70 percent of all business-type expenses. The \$4.3 million (9%) increase in business-type activity expenses from 2016 is due to an increase in operations costs and depreciation related to continued investment in capital assets.



Governmental activity revenues

The chart at right shows governmental revenue activities by source. Sales taxes provide 47.50 percent of the total revenues for governmental activities. Program revenues – including charges for services, grants and contributions – provide 33 percent of revenues in the governmental activities. Only 1 percent of the governmental revenues are provided by property taxes. The \$0.9 million (1%) reduction in governmental activity revenues from 2016 is primarily due to a reduction in developer contributed assets (\$16.8 million in 2016 versus \$12.1 million in 2017) offset with an increase in sales tax revenue of \$3.8 million due to an expanded commercial base and a strong economy.



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 34 percent – and Public Works for just over 35 percent – of all governmental-type expenses. The \$5.9 million (8%) increase in governmental activity expenses from 2016 resulted primarily from depreciation related to continued investment in capital assets (\$1.3m), personnel costs (\$2.5m) and increase to service and supply costs.

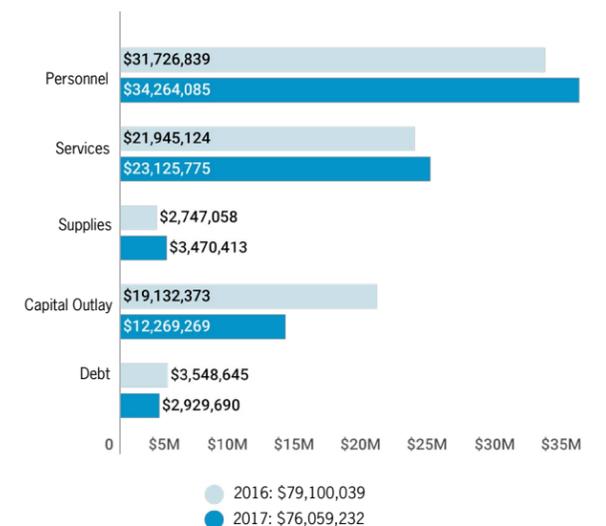


Governmental funds expenses by type*

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

Governmental personnel costs for 2017 include 361 full-time equivalents – 53 percent who work to provide the Town’s public safety services.

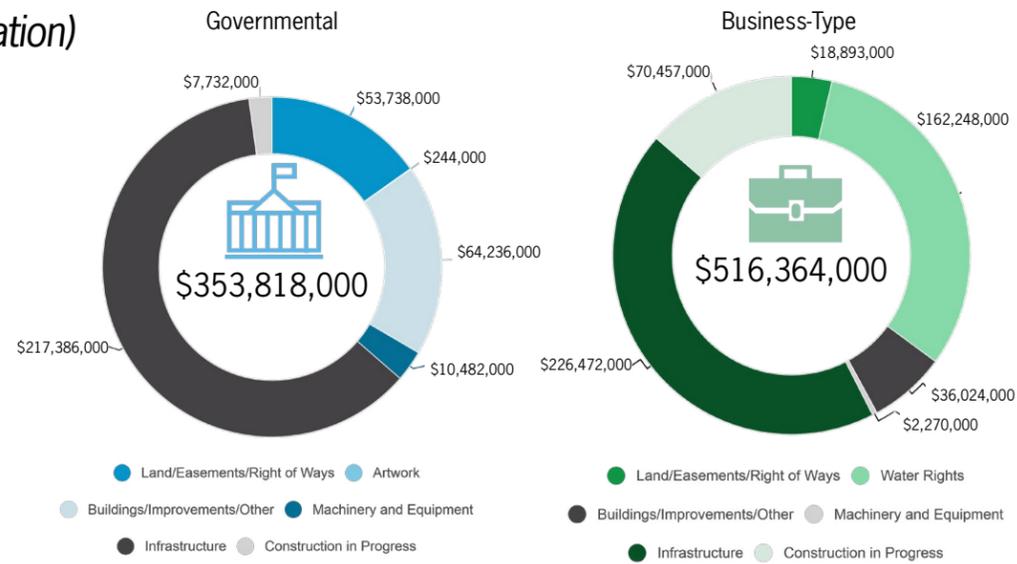
Services costs typically include utility and software costs, costs related to the Town’s annual Pavement Maintenance Program and contracts with community service partners.



*Information presented on modified accrual budgetary basis

Capital assets (net of depreciation)

The Town had significant investments in infrastructure in 2017. Major capital asset events included the acquisition of additional water rights and storage, design and construction of transportation projects, expansion of the Town Hall building, purchase of a Public Safety Training Facility, the initial construction of a future fire station and reimagining the downtown Festival Park.

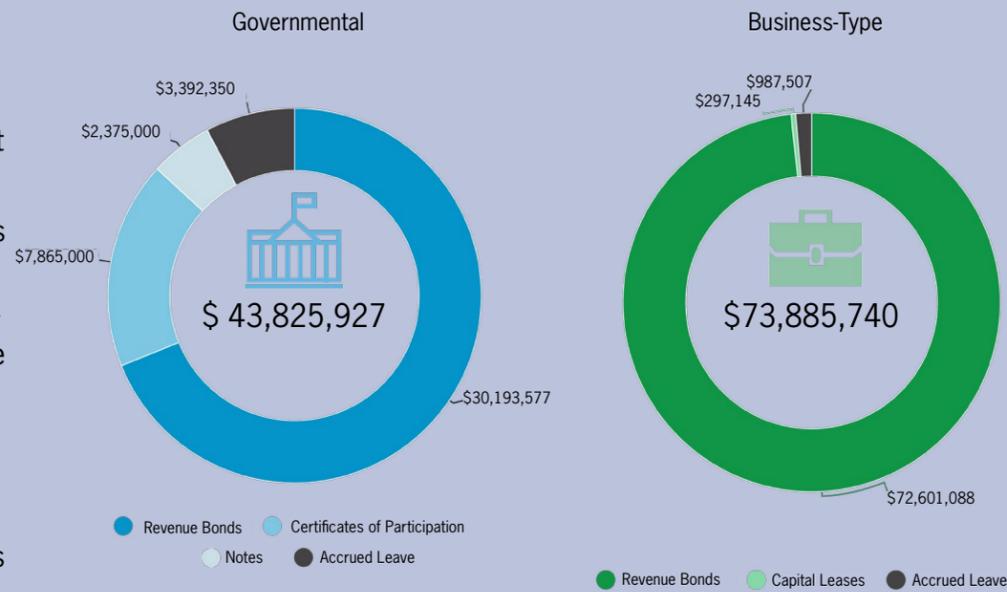


Outstanding debt

The Town's total long-term debt decreased by \$5.4 million, or 4 percent, in 2017 due to scheduled debt service payments.

The Town has no general obligation bonds outstanding.

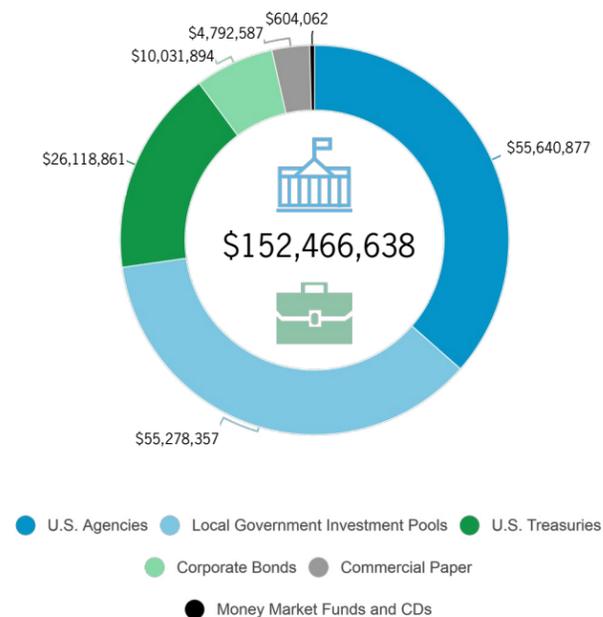
The credit position for Castle Rock is very strong, and its Aa2 rating is slightly above the U.S. city median of Aa3. The rating reflects a very healthy financial position, a considerable tax base and an affluent socioeconomic profile. A strong credit rating makes the Town more attractive to potential investors and potentially secures more favorable rates when issuing debt.



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.



Town Hall Expansion

Demographics

Year	Estimated Population
2008	46,261
2009	47,034
2010	48,150
2011	49,949
2012	51,573
2013	54,238
2014	56,645
2015	59,189
2016	62,188
2017	65,520

Median Home Value
\$373,254

Median Household Income
\$93,153



Castle Rock at Dusk

Sources: US Census Bureau, Castle Rock Economic Development Council (EDC), Town of Castle Rock and Douglas County Community Development Department



Town of Castle Rock
Finance Department
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Castle Rock, Colorado 80104

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