Introduction
June 18, 2019

Citizens of the City and County of Denver,
Honorable Mayor,
Honorable Auditor,
Honorable Clerk and Recorder,
Honorable Members of City Council, and
Audit Committee

State law requires the City and County of Denver (City) to publish within seven months of the close of the fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is prepared by the Controller’s Office under the Department of Finance according to Article 2, Part 5 of the City’s Charter. Pursuant to the requirements, I hereby issue the Comprehensive Annual Financial Report (CAFR) of the City for the fiscal year ended December 31, 2018.

This report consists of management’s representations concerning the finances of the City. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City. To provide a reasonable basis for making those representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City’s financial statements in conformity with U.S. GAAP. Because the cost of internal controls should not outweigh their benefits, the City’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

BKD, LLP, a firm of licensed certified public accountants, has audited the City’s financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2018, are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering unmodified opinions on the City’s basic financial statements as of and for the year ended December 31, 2018. The independent Auditors’ report is presented as the first component of the financial section of this report.
The Report

The CAFR is presented in three sections:

- **The Introduction section** includes this letter of transmittal, Mayor, Auditor, District Attorney, Clerk and Recorder, and City Council introductions, the City’s organization chart, and certificates of achievement.

- **The Financial section** includes the report of the independent auditors, Management’s Discussion and Analysis (MD&A), the basic financial statements, including the government-wide financial statements comprised of the Statement of Net Position and the Statement of Activities and the accompanying notes to the financial statements. The Financial Section also includes the fund financial statements including the governmental funds financial statements, the proprietary funds financial statements, the fiduciary funds financial statements, the component units financial statements, and the combining individual funds financial statements for the nonmajor governmental funds and the internal service funds. Required supplementary information other than the MD&A is also included in the financial section.

- **The Statistical section** includes selected financial and demographic information, on a multi-year basis.

This transmittal letter is designed to complement the MD&A and should be read in conjunction with the MD&A.

This CAFR includes all funds of the City. The City provides a full range of services including: police and fire protection; the construction and maintenance of highways, streets and other infrastructure; and recreational activities and cultural events. The CAFR also includes the City’s component units, which are legally separate organizations and for which the City is financially accountable or whose relationship with the City is of a nature and significance that would cause the City’s financial statements to be incomplete were they not included.

The City maintains budgetary controls that have the objective of ensuring compliance with legal provisions embodied in the annual appropriated budget submitted by the Mayor and adopted by the City Council. All activities of the General Fund and Human Services special revenue fund are included in the annual appropriated budget except for capital outlay. Project-length budgets are adopted for the remaining special revenue funds and capital project funds. Budgetary control (the level at which expenditures and encumbrances cannot legally exceed the appropriated amount) is established at the department level within individual funds, except for special revenue and capital project funds, which are at the funded project level. Disbursements that would result in an overrun of funded project balances (budgets) are not released until additional appropriations are made available. At year-end, if additional monies have not been appropriated where needed, expenditures are properly reflected in the current period causing an over budget condition to exist.

In addition to the financial audit, the City undertakes a single audit in conformance with the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Audits. The results of this single audit, including a schedule of expenditures of federal awards, and the independent auditor’s reports on the City’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards, are available in the City’s separately issued single audit report.
City Profile

The City is located at the eastern base of the Rocky Mountains in the north-central part of Colorado, encompassing 154.63 square miles. The City is the capital of the state, and it is also the cultural, distribution, entertainment, financial, service and transportation hub of the Rocky Mountain region. With an elevation of 5,280 feet the “Mile High City” has a cool, dry, sunny climate that makes it a magnet for health seekers and those enjoying outdoor recreation all year round. In 2018, Denver had an estimated population of 716,492 for the core City and County. It is estimated that over 3 million people reside in the Denver metro area, which includes the suburban counties of Adams, Arapahoe, Boulder, Broomfield, Douglas and Jefferson. Denver was founded November 22, 1858, after a gold discovery at the confluence of Cherry Creek and the South Platte River. Town founder William H. Larimer, Jr. named the city for James W. Denver, Governor of Kansas Territory, of which east central Colorado was then a part.

Numerous gold discoveries sparked a mass migration of some 100,000 in 1859-1861, leading the federal government to establish Colorado Territory in 1861. The City was incorporated on November 7, 1861, by a special act of the first session of the Legislative Assembly of Colorado Territory. In 1867 the City became the Capital of Colorado Territory and remained the capital after Colorado became a state on August 1, 1876. Denver became a City and County with home rule when Article XX was added to the Colorado Constitution in 1902. The City’s charter was enacted on March 29, 1904 establishing a strong mayor/city council form of government and an independent, elected city auditor.

The mayor and 13-member council, elected in non-partisan elections govern the City. The Mayor is the chief executive, exercising all administrative and executive powers granted to the City, except as otherwise delegated by the City Charter. The legislative powers of the City are vested in the City Council. The City has an elected Auditor and an elected Clerk and Recorder. All elected officials’ terms are concurrent and last four years, and each position is subject to term limits of 12 years.

The Charter establishes an audit committee consisting of seven members; two members appointed by the Mayor, two members appointed by the City Council and two members appointed by the Auditor, with the Auditor as the Chair. The audit committee, among other things, is responsible for the selection and management of the external auditor. During the course of the annual city-wide audit the audit committee monitors the progress of the audit and discusses with the external auditor any matters related to the audit. The audit committee also accepts the results of the audit.

Regional Economic Conditions

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.
The City is the center of economic activity of the region, serving as a business, recreational, higher educational and cultural hub. Major features of the economy include the central business district, state capitol building, Denver International Airport, extensive library facilities, several professional sports teams, institutions of higher learning, and numerous museums and other cultural facilities.

The economy of the metropolitan area generally mirrors that of the state. As of February 2018, state unemployment was 3.00%. Colorado's unemployment rate is below the national average of 4.10% for 2018, according to the US Department of Labor.

Construction

The March 2019 OSPB Colorado Economic Perspective report states that nonresidential construction growth fell by 1.40% in 2018. The forecast projects a decline of construction growth of 3.30% in 2019. In 2018, U.S. housing permits grew by 2.60%, but are expected to decline by 1.50% in 2019.

Personal Income and Wages

The March 2019 OSPB Colorado Economic Perspective report shows that Colorado personal income growth is expected to have grown by 5.50% in 2018. Personal income growth is expected to slow by 4.90% in 2019 with an expected slowdown in employment growth due to tight labor market conditions and less in-migration.

Consumer Spending

Overall, consumer spending continues to increase according to the Colorado Office of State Planning and Budgeting (OSPB). Nationwide, retail trade grew by 5.00% in 2018 and is expected to increase by 4.30% in 2019. At the state level, OSPB shows Colorado’s sales tax collections grew by 4.80% in 2018 and they are projecting 5.20% growth in 2019. Denver’s sales and use tax revenue, which makes up half of the General Fund revenue stream, increased by 5.20% in 2018. The City anticipates that core sales and use tax revenue will grow approximately 4.00% in 2019.

City Financial Policies and Planning

The City, as with the rest of the nation and most of the world, experienced a significant recession in 2009, causing the largest decline in revenues since the 1930’s. Formal financial policies, as well as operating practices, have enabled the City to maintain core services and minimize the impact to citizens and employees wherever possible. Formal policies exist in areas such as balanced budgets, revenue diversification and use of one-time and unpredictable revenues, operating expenditures, reserves, investments, and debt.

Revenue Administration

The City’s main source of revenue for operating expenditures is sales and use tax, which makes up 51.30% of total General Fund revenues, including transfers in. This is less than the 70.00% average for most local governments in the region. In addition, the City reviews all fees, fines, and charges for services on a rotating basis to ensure they are meeting cost recovery goals. One-time and unpredictable revenues are spent on one-time costs, such as equipment replacement, or transferred to capital improvement funds for repair and rehabilitation projects.

Expenditure Administration

Expenditure budgets are carefully reviewed by both the implementing departments and the Budget and Management Office. Careful attention is paid to ensure departments are meeting projected vacancy savings and that excess budget is not transferred to non-personnel line items. For 2018, there was $26,500,000 in additional savings beyond the revised budget by year-end. The primary contributors to this unspent appropriation were significant position vacancies that resulted from a very competitive job market and unspent contingency.

Reserves

The City has multiple reserves in its General Fund to address budgetary shortfalls. A Contingency Reserve of no less than 2.00% of total estimated
expenditures, an Emergency Reserve mandated by the State Constitution equal to 3.00% of covered funds, and an unassigned Fund Balance target of 15.00% of total budgeted expenditures. The City’s budget policy concerning the use of reserves varies depending on the reserve type but generally limits the use of reserves to respond to revenue shortfalls, unanticipated expenditures, or severe economic downturn.

Debt Administration

The City’s debt policy establishes guidelines and parameters for the issuance and management of debt. The primary objectives of the policy are to ensure that debt is issued prudently and affordable. The Taxpayer’s Bill of Rights (TABOR) under the State Constitution requires the City to obtain voter approval prior to issuing any multi-year fiscal debt or obligations. Certain exceptions apply for refunding of outstanding bonds and debt issued by enterprises of the City. The City’s Charter further restricts general obligation bonded debt to 3.00% of the actual value of the taxable property within the City. General obligation water bonds issued by Denver Water are excluded from this limitation. At December 31, 2018, the City’s general obligation bonded debt of $737,991,000, net amounts reserved for debt service and subject to this restriction, was 13.80% of the $4,182,245,000, three-percent limitation amount, not including compound interest of the general obligation mini-bonds.

According to standard measures used by the primary credit rating agencies to assess debt (e.g. fund balance as a percent of operating expenses, debt-to-assessed ratios, debt per capital, etc.), the City’s level of direct debt obligations are considered moderate but manageable in comparison with similarly sized cities. Rating agencies cite the City’s strong financial management and prudent fiscal policies as credit strengths. As of December 31, 2018, the City is rated triple-A (AAA) by all three of the major rating agencies: Standard & Poor’s, Fitch, and Moody’s Investors Service.

Cash Management

The City’s Charter regulates the securities in which the City may invest its funds. Permissible investments under the Charter are obligations of the United States Government, its agencies, and sponsored corporations, prime bankers’ acceptances, prime commercial paper, certificates of deposit issued by banks and savings and loan institutions, local government investment pools, repurchase agreements, forward purchase agreements, security lending agreements, highly rated municipal securities, high grade corporate bonds, asset-backed securities, supranational debt obligations, federal agency collateralized mortgage obligations (CMO), federal agency mortgage pass through securities (MBS), money market funds that purchase only the types of securities specified herein, and other similar securities as may be authorized by ordinance. The City Council has adopted an ordinance authorizing the investment of City moneys in Resolution Funding Corporation (REFCORP) Securities, Forward Purchase Agreements, and Debt Service Reserve Fund Put Agreements, all of which are either issued by a U.S. Government Corporation or are collateralized by surety types already authorized by the Charter. The City is not permitted to leverage its investment portfolio.

The objectives of the City’s investment policy, in order of priority are to maintain principal, to ensure the availability of funds to meet obligations promptly, and to maximize yield on the investment portfolio. Bank deposits are either insured by federal deposit insurance or collateralized according to state law. Investments are held at a third-party bank in a safekeeping account in the City’s name.

Long-Term Financial Planning

The City has a six-year long-range capital planning process and document that is updated each year and helps drive annual capital funding decisions as well as periodic general obligation bond issues.
for larger investments. For operations, revenues are forecasted out for twenty years to account for planned changes to existing revenues, such as sunsetting revenues, and to project any future deficits between revenues and expenditures.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the year ended December 31, 2017. The Certificate of Achievement is a national award recognizing conformance with the highest standards for preparation of state and local government financial reports. To be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR. This report must satisfy both U.S. GAAP and applicable legal requirements. This was the thirty-eighth consecutive year that the city has received this award. A Certificate of Achievement is valid for one year only. We believe this 2018 CAFR continues to conform to the Certificate of Achievement program requirements and will submit it to the GFOA to determine its eligibility for another certificate.

Furthermore, the GFOA has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to City for its Popular Annual Financial Report (PAFR) for the fiscal year ending on December 31, 2017. The Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. To receive this award a government unit must publish a PAFR whose contents conform to program standards of creativity, presentation, understandability and reader appeal. This is the sixth year that the city has received this award. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

Additionally, GFOA presented a Distinguished Budget Presentation Award to the City for its annual budget for the fiscal year beginning January 1, 2018. To receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another year.

The preparation of this CAFR could not have been accomplished without the efficient and dedicated service of a highly qualified staff in the Controller’s Office. The Cash, Risk, and Capital Funding Division and the Budget and Management Office were also instrumental in the CAFR’s completion. Their cooperation and continued assistance is necessary and appreciated. I would like to thank all personnel who helped and contributed to the preparation of this report. I also want to acknowledge the thorough and professional way our independent auditors, BKD, LLP, conducted their audit.

Respectfully submitted,

Brendan Hanlon
Chief Financial Officer
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The City and County of Denver has seen unprecedented growth in recent years, offering residents, families, and communities new opportunities for success. We must continue working to ensure all residents, particularly our most vulnerable, have access to this prosperity. We are making equitable investments in our future to address critical needs across the city including housing, mobility, global climate change, and the city’s safety net.

**The Equity Platform**

Initiatives like the Neighborhood Equity and Stabilization Team (NEST) support residents and businesses in changing neighborhoods. Financial empowerment and resource centers will be expanded. Another initiative will bring city crews into neighborhoods to assess and address maintenance needs with residents. These efforts, in coordination with race and social justice training for city employees, will facilitate stronger connections between residents and city services.

**Affordable Housing**

In 2018, the city invested more money than in any previous year to deliver housing Denver families can afford: $40 million. Working with numerous partners, we are examining how Denver can utilize even more affordable housing tools, including land trusts, property acquisition, city-owned real estate, and more. The city is also expanding two of its most successful efforts: a supportive housing program for the chronically homeless, and Denver Day Works, which provides jobs for those experiencing homelessness.

**Transportation and Mobility**

Denver will accelerate the buildout of the city’s bicycle network by adding more miles of bike lanes. Public Works will boost delivery of bikes and will leverage a new approach of building out neighborhood bike networks that focus on connectivity for the residents and businesses in the area.

**Addressing Climate Change Locally**

In 2015, Mayor Hancock announced the city’s goal of reducing greenhouse gas emissions in Denver 80.00% by 2050. Denver is leading this effort by moving city facilities to 100.00% renewable electricity by 2025, with a community-wide target of 2030.

**Keeping our Safety Net Strong**

Beginning in April 2017, the city engaged with more than 100 partners to work together to identify a common vision for ending opioid addiction. From these meetings, the city developed a committee to develop strategies preventing drug misuse, improving treatment access and retention, and focusing on harm reduction.

Denver is truly a city on the rise. Our progress is best measured by the intangibles; what changes lives and what builds up people, like access to opportunity and equity among communities. Our residents are the city’s greatest strength, and these strategic investments are aimed to benefit the people of Denver, furthering the trajectory of this great city.

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**Mayor’s Cabinet and Chief of Staff**

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<tr>
<th>Name</th>
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<tr>
<td>Murphy Robinson</td>
<td>Deputy Mayor and Executive Director of General Services</td>
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<td>Brendan Hanlon</td>
<td>Executive Director of Finance</td>
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<td>Alan Salazar</td>
<td>chief of Staff</td>
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<td>Don Mares</td>
<td>Executive Director of Human Services</td>
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<td>Kristin Bronson</td>
<td>City Attorney</td>
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<td>Happy Haynes</td>
<td>Executive Director of Parks and Recreation</td>
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<td>Kim Day</td>
<td>Executive Director of Aviation</td>
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<td>Bob McDonald</td>
<td>Executive Director of Public Health and Environment</td>
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<td>Jill Jennings Golich</td>
<td>Executive Director of Community Planning and Development, Interim</td>
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<td>Eulois Cleckley</td>
<td>Executive Director of Public Works</td>
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<td>Ashley Milroy</td>
<td>Executive Director of Excise and Licenses</td>
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<td>Troy Ries</td>
<td>Executive Director of Public Safety</td>
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Timothy M. O’Brien is the Auditor for the City and County of Denver. Mr. O’Brien was elected Auditor in May 2015. Mr. O’Brien’s term will expire on the third Monday in July 2019.

Honorable Timothy M. O’Brien, CPA
Auditor

Beth McCann is the District Attorney for the Second Judicial District. The District Attorney is a state official. She is the chief law enforcement officer in the district and is responsible for prosecuting all felonies, misdemeanors, and serious traffic offenses arising in the district. Ms. McCann became District Attorney in January 2017; her current term will end January 8, 2021.

Honorable Beth McCann
District Attorney

Debra Johnson was elected Clerk and Recorder in July 2011. Ms. Johnson also serves as Public Trustee, City Clerk, and Ex-Officio Clerk of the City and County of Denver. Ms. Johnson’s term will expire on the third Monday in July 2019.

Honorable Debra Johnson
Clerk and Recorder
There are 13 city council members - 11 from equally-populated districts and two elected at-large. Council members, who must be 25 years of age, US citizens, and two-year Denver residents, are all elected at the same time every four years. All terms expire on the third Monday in July 2019.
The City and County of Denver is proud to have been recognized with an award for Outstanding Achievement for Excellence in Financial Reporting, Outstanding Achievement in Popular Annual Financial Reporting and the Distinguished Budget Presentation Award offered by the Government Finance Officers Association of the United States and Canada (GFOA).

Outstanding Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City and County of Denver for its Annual Report for the fiscal year ended December 31, 2017. The Certificate of Achievement is the highest form of recognition for excellence in state or local government financial reporting. The Certification of Achievement Program was established to encourage municipal governments to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

In order to be awarded a Certification of Achievement, a government unit must publish an easily-readable and efficiently-organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government’s financial picture, enhance an understanding of financial reporting by municipal governments and address user needs. A Certificate of Achievement is valid for a period of one year only.

Outstanding Achievement in Popular Annual Financial Reporting

The GFOA has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City and County of Denver for its Popular Annual Financial Report for the fiscal year ended December 31, 2017. The Award for Outstanding Achievement in popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal. An Award for Outstanding in Popular Annual Financial Reporting is valid for a period of one year only.

Distinguished Budget Presentation Award

The GFOA presented a Distinguished Budget Presentation Award to the City and County of Denver for its annual budget for the fiscal year beginning January 1, 2018. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as policy document, as an operations guide, as a financial plan, and as a communications device. This award is valid for a period of one year only.

The Distinguished Budget Presentation Awards Program is specifically designed to encourage state and local governments to prepare and issue budget documents of the highest quality. Top-quality documents are essential if citizens and others with an interest in a government’s finances are to be fully informed participants in the budget process. Better budget documents contribute to better decision making and enhanced accountability.

The Distinguished Budget Presentation Awards Program allows the public finance profession a welcome opportunity to recognize those governments that have, in fact, succeeded in preparing a high-quality budget document.