



# *Popular Annual Financial Report*

*Fiscal Year Ending December 31, 2018*

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***Prepared by: The Douglas County Finance Department  
A Member of the Government Finance Officers  
Association of the United States and Canada***

***To View Douglas County Government's Financial  
Reports online, go to:***

***[https://www.douglas.co.us/government/departments/  
finance/financial-reports/](https://www.douglas.co.us/government/departments/finance/financial-reports/)***



## **Douglas County Citizens,**

It is the County's goal to ensure that you are kept up to date and informed on the County's financial position. Your confidence in us is directly related to the transparent and accurate availability of financial information. Therefore, it is with pride that we present to you, the citizens, the Popular Annual Financial Report (PAFR). The PAFR provides citizens with an opportunity to learn more about the County's finances and financial position. By reading this report, you are taking a step towards understanding and participating in Douglas County's financial future.

This report includes condensed and simplified information taken directly from the audited 2018 Comprehensive Annual Financial Report (CAFR). It is important for you to know that the information in this report is unaudited and is presented on a non-GAAP (Generally Accepted Accounting Principles) basis. The financial information presented represents only the County's governmental funds. It excludes proprietary and fiduciary fund information. The financial information provided is condensed and does not provide the financial statements and note disclosures required by GAAP. The CAFR is a more detailed and complete financial presentation which is prepared in conformity with GAAP and was audited by the County's independent auditors and received an unmodified (clean) audit opinion.

We would like to thank you for your partnership and commitment to ensuring that Douglas County remains a great place to live. Your quality of life is the most important outcome of our work. We are committed to the diligent management of financial affairs to ensure the County's long-term financial health. We feel that together, we have established a strong financial foundation that will sustain the quality of life deserved by our citizens. Through continued diligence, and hard work, we are optimistic and extremely positive about the future of Douglas County.

## **Douglas County**

### **Commissioners**



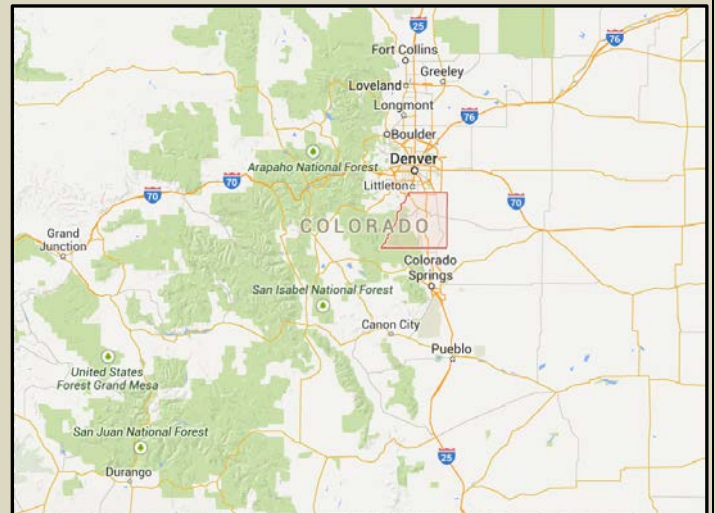
**Lora Thomas, Roger Partridge, Diane Holbert**

The three-member Board of County Commissioners (BOCC) serves as the legislative, policy-making, and administrative body governing the unincorporated areas of Douglas County. The commissioners are elected at large from one of three geographical districts and serve staggered four-year terms (term-limited to two terms). Their goals are; to keep citizen's safe, keep them moving and to keep our economy growing. To protect the County's natural resources and to protect the most vulnerable of our citizens.

The Board is officially charged with the responsibility of providing adequate budget appropriations to fund statutory functions, as well as responding to the service needs of the citizens. The Board is required to adopt a final budget by December 15<sup>th</sup> of each year. The adopted budget becomes the County's annual financial plan and mechanism to control spending while giving you the help you need, when you need it.

## **Douglas County**

Douglas County was formed in 1861 as one of the sixteen original Colorado counties. The County covers 843 square miles along the I-25 corridor between Denver and Colorado Springs. Most of the residents live in urban designated areas, such as unincorporated Highlands Ranch, the city of Lone Tree, the city of Castle Pines, and the towns of Castle Rock (county seat), Parker, and Larkspur. The County has a population of about 358,000; representing an increase of approximately 3.5% over the previous year. The County provides a wide range of services that include law enforcement, public safety, planning and zoning, parks and open space, highways and streets, culture and recreation, public health and human services, elections, and general administrative services.



**Map of Colorado (With DC Inset)**

### **Interesting Facts**

- Douglas County encompasses approximately 843 square miles, of which 63,037 acres are permanently protected land through the Douglas County Open Space Program. Recreational areas include more than 146,000 acres of Pike National Forest, Roxborough State Park, Castlewood Canyon State Park and The Chatfield State Recreation Area.
- For the fourth year in a row, Douglas County ranks in the top ten happiest Counties in the United States.





# Board of County Commissioners Core Priorities



## GOVERN WITH EXCELLENCE

Reflecting community values through fiscal responsibility, transparency and accountability to safeguard the quality of life for all generations.



**Governmental Fund Summary  
Statement of Revenues & Expenditures  
Fiscal Year End December 31, 2018**

**Revenue**

	2018	2017	2016
Property Tax	\$140,294,815	\$123,502,383	\$123,197,582
Sales and Use Tax	68,433,816	65,200,095	60,563,754
Ownership Tax	14,939,485	13,563,582	11,440,794
Other Taxes	87,277	266,462	188,883
Licenses and Permits	8,923,133	9,172,963	9,435,287
Intergovernmental	41,411,682	41,064,067	39,434,801
Charges for Services	24,471,319	22,737,321	21,435,800
Fines and Forfeits	1,039,891	1,206,361	1,271,134
Interest on Investments	5,864,794	2,904,597	2,790,962
Miscellaneous	7,368,738	6,953,155	7,045,496
<b>Total Revenue</b>	<b>\$312,834,950</b>	<b>\$286,570,986</b>	<b>\$276,804,493</b>

**Expenditures**

	2018	2017	2016
General Government	\$59,625,160	\$54,857,715	\$55,182,608
Judicial	9,328,036	9,045,957	8,769,470
Public Safety	70,593,614	64,557,865	59,857,520
Highways and Streets	68,624,550	64,011,607	70,831,516
Sanitation	102,491	83,029	86,074
Human Services	30,599,286	30,530,951	28,939,814
Culture and Recreation	9,282,091	8,461,940	7,851,587
Conservation of Natural Resources	804,703	384,934	405,877
Economic Development	1,357,854	1,179,756	1,383,934
Developmental Disabilities	6,475,400	5,623,880	5,377,533
Community Services	426,780	221,643	256,568
Capital Outlay	55,233,503	35,305,559	31,851,666
Debt Service	4,562,700	4,568,751	4,572,611
<b>Total Expenditures</b>	<b>\$317,016,168</b>	<b>\$278,833,587</b>	<b>\$275,366,778</b>
Other Financing Sources/(Uses) *	\$802,463	\$589,233	\$1,568,853
<b>Net Change in Fund Balance</b>	<b>\$(3,378,755)</b>	<b>\$8,326,632</b>	<b>\$3,006,568</b>

\*Other Financing Sources/ (Uses) include items such as sale of assets, debt proceeds, transfers, etc.

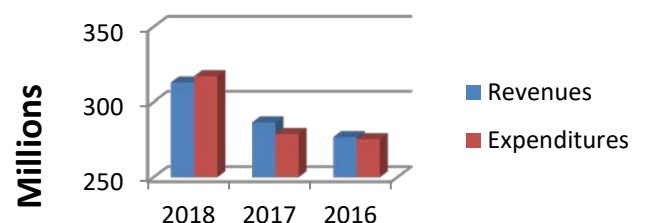
**Explaining the Statement of Revenues & Expenditures**

The Statement of Revenues and Expenditures provides a detailed account of all revenues and expenditures for governmental operations in Douglas County.

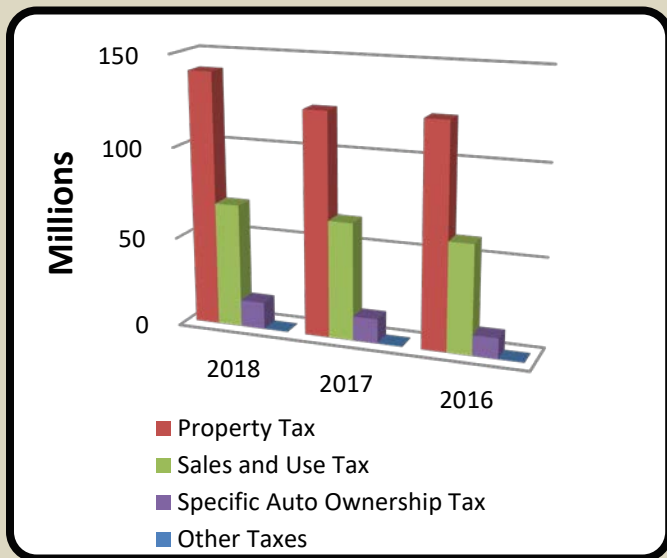
This chart reports aggregate revenues and expenditures for all of Douglas County's 21 governmental funds. (General, Road and Bridge, Human Services, Law Enforcement Authority, Road Sales and Use Tax, Justice Center Sales and Use Tax, Infrastructure Fund, Open Space Sales and Use Tax, Parks Sales and Use Tax, Conservation Trust, Developmental Disabilities, Sheriff's Forfeiture, Deputy Sheriff's Association, Lincoln Station LID, Solid Waste Disposal, Woodmoor Mountain GID, Rocky Mountain High Intensity Drug Trafficking Area, Debt Service, Capital Expenditures, LID Capital Construction, and Capital Replacement Funds). This chart is presented on a non-GAAP basis. More detailed GAAP basis financial statements can be found in the County's CAFR.

Revenues represent dollars received and expenditures are the cost of providing services to the citizens of Douglas County. The three-year history of revenues and expenditures show that both have increased. Revenues increased \$36.0 million (13.0%) from 2016 to 2018. The largest increase, \$17.1 million (13.9%) was due to the reappraisal of property values in 2017, affecting the Property Taxes collected in 2018. Sales and Use Tax revenue also continued to increase due to Douglas County's strong economy. The large (30.6%) increase in Ownership taxes is due to a 2017 correction made by the State regarding the way auto ownership taxes are charged.

Expenditures have increased \$41.6 million (15.1%) over the same period. Capital Outlay increased \$23.4 million (73.4%) from 2016 to 2018. The County was able to purchase the 2,038-acre Sandstone Ranch property through its Open Space Sales and Use Tax Fund in 2018. There is a \$10.7 million (17.9%) increase in the category of Public Safety. Resources continue to be dedicated to Public Safety through the hiring of new deputies and annual adjustments to base salaries help us remain competitive in local markets.



### Douglas County Colorado Tax Revenue by Source



### Tax Revenues

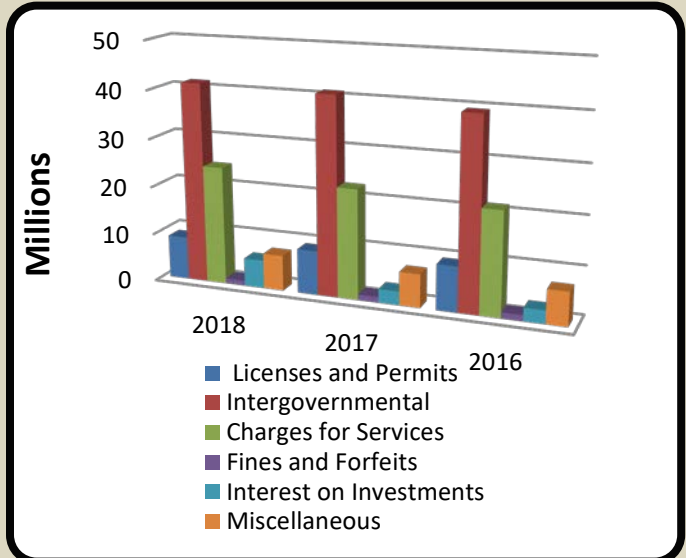
Douglas County's governmental revenues totaled \$312,834,950 in 2018, and 71.5% of the total revenue was generated through tax collections.

**Property taxes** – These are the largest source of revenue for the County at \$140.3 million and are used to help offset general government expenses such as the construction/maintenance of roads and bridges within the County, various community service programs and most of the patrol functions within the Sheriff's Office through the dedicated Law Enforcement Authority property tax.

**Sales and use taxes** - Douglas County collects a sales tax of one cent (1.0%) on each dollar spent in the County. This provided the County with \$68.4 million in revenue in 2018. All sales tax collections are voter approved and restricted to a specific use. 0.40% can only be used to support road maintenance or improvements, 0.43% for the operation, construction and maintenance of the Robert A. Christensen Justice Center and 0.17% is dedicated to the purchase and maintenance of open space and parks within the County.

**Auto ownership taxes** - The County collected an additional \$14.9 million in specific ownership taxes which is allocated to the Road and Bridge Fund and the Law Enforcement Authority Fund to support the public's safety while travelling on Douglas County Roads.

### Douglas County Colorado Additional Revenue Sources



### Additional Revenue Sources

**Licenses and Permits** – Revenues collected for the issuance of various licenses and permits such as building, roofing, and electrical permits, marriage licenses, handgun permits, etc.

**Intergovernmental** – The County received \$41.4 million through various state and federal grant programs in 2018. These funds are received from other governments for financing the day-to-day costs of specific programs. The largest portion of this revenue source (56.0%) is used to support the County's Health and Human Services programs.

**Charges for Services** – These are fees charged to County customers. The largest collector of this type of revenue is the County Clerk for the recording of documents, the issuance of motor vehicle registrations/titles, (for which the State of Colorado pays the County a set rate of \$4.00 per registration), in addition to others. The County Treasurer also collects a significant portion of this revenue through fees charged to other governments for the collection and subsequent distribution of their property taxes. The Sheriff's department also collects charges for housing inmates from other jurisdictions.

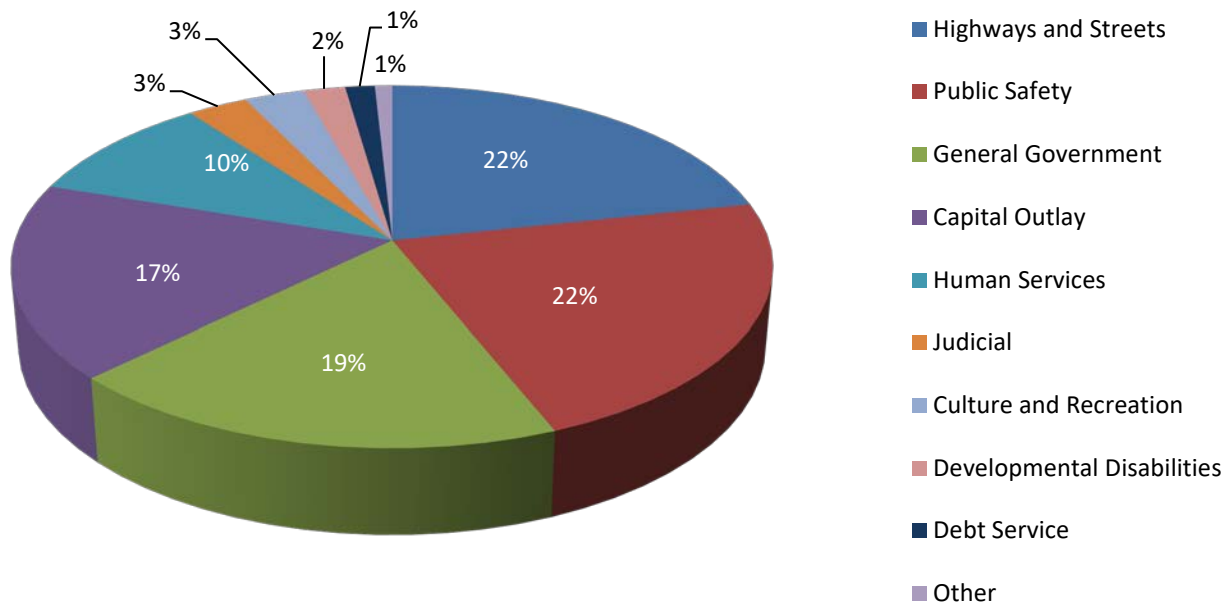
**Fines and Forfeits** – These are fines collected through the Court system for traffic fines, handicapped parking fines, liquor license fines, DUI fines, etc.

**Interest on Investments** – Income derived from the investment of County funds in securities allowed by the County’s investment policy. Investment earnings are dependent on market conditions and the cash available for investment.

**Miscellaneous** – This category includes revenues received that are not otherwise categorized, such as refunds, reimbursements, donations, recycling revenue, etc.



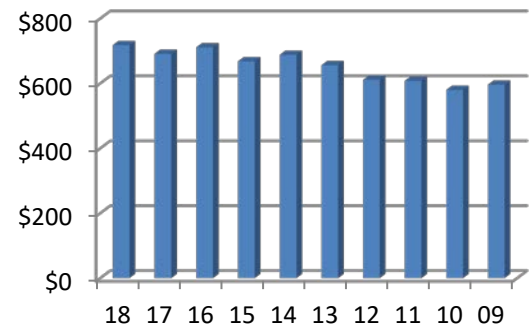
### **2018 Douglas County Expenditures**



### **Expenditures**

In 2018, the County provided a wide range of services; law enforcement and public safety, judicial services, planning and zoning regulations, parks and open space maintenance, highway and street maintenance, cultural and recreational opportunities, public health and human services as well as general governmental administrative services at a cost to our citizens of approximately \$718 per person. At the end of 2018 the County employed 1,223 individuals, whose common goal is to provide the highest level of service to our community in the most cost-effective manner possible.

### **Expenditures Per Capita over Ten Years**





**Highways and Streets** – Expenditures in this category support the construction and maintenance of roads and bridges located in the County.

**Public Safety** – Expenditures for the Sheriff’s Office Administration, Patrol, Investigations, Detentions, the County Court, and the Coroner’s Office.

**General Government** – Expenditures incurred by administrative departments such as the Board of County Commissioners, County Manager, Elections, Assessor, Treasurer, Human Resources, Budget, Finance, County Attorney, Information Technology and Facilities.

**Capital Outlay** – Expenditures used to acquire or upgrade capital assets. Capital assets include property, buildings, equipment and infrastructure (e.g. roads and bridges) with a cost of \$5,000 or more and a useful life of more than one year.

**Health and Human Services** – Expenditures associated with providing various public assistance programs and welfare activities.

**Judicial** – The cost to the County for their portion of the expenses related to the 18th Judicial District Attorney, an elected official responsible for the prosecution of all criminal case filings. The County shares the 18<sup>th</sup> Judicial District costs with Arapahoe, Elbert, and Lincoln Counties based on population.

**Culture and Recreation** – Expenditures used for the maintenance and administrative functions of the County’s open space, parks, fairground facilities and the County fair.

**Developmental Disabilities** – These expenditures, which are supported by a 1 mill property tax approved by voters in 1996, must be used for the benefit of County citizens with developmental disabilities and their families.

**Debt Service** – Expenditures incurred to pay the outstanding debt obligations held by the County.

**Other** – This includes expenditures not otherwise listed above such as sanitation, economic development, natural resources and veteran’s services.



The County spent \$55.2 million in capital outlay in 2018. The 2,038-acre open space property, known as Sandstone Ranch, was purchased for \$18.7 million. \$8.8 million was spent to complete construction at the Regional Crime Lab, \$1.6 million was used to complete a portion of the Front Range Trail as it passes through Douglas County and \$1.9 million was used in 2018 for phase 2 improvements to Daniels Park Road. Additionally, over \$12.0 million was spent to expand/replace county fleet vehicles and equipment.

The County continues to use its strong financial position to partner with other local governments to complete large transportation projects which will ultimately benefit Douglas County citizens. During the last three years, the County has partnered with Town of Castle Rock, City of Lone Tree, Town of Parker, the Colorado Department of Transportation (CDOT) and other entities to facilitate the construction of multiple transportation improvements. During 2018, sections of County Line Road were improved at a cost to the County of \$2.0 million. Phase 2 of improvements to Daniels Park Road were completed for a total multi-year cost of almost \$4.0 million. Additionally, over \$31 million of 2018 fund balance was committed to the widening and improvement of US Highway 85.

As with any service organization, salaries and benefits are the largest operating expense. It is important to the County to maintain a competitive market-based, pay for performance compensation package for the employees that provide services to, and keep our citizens safe. To remain competitive in the improving economy, an average merit increase of 3.5% led to increased operating expenditures. Operating expenses also increased due to the continued trend of steadily increasing medical insurance costs.

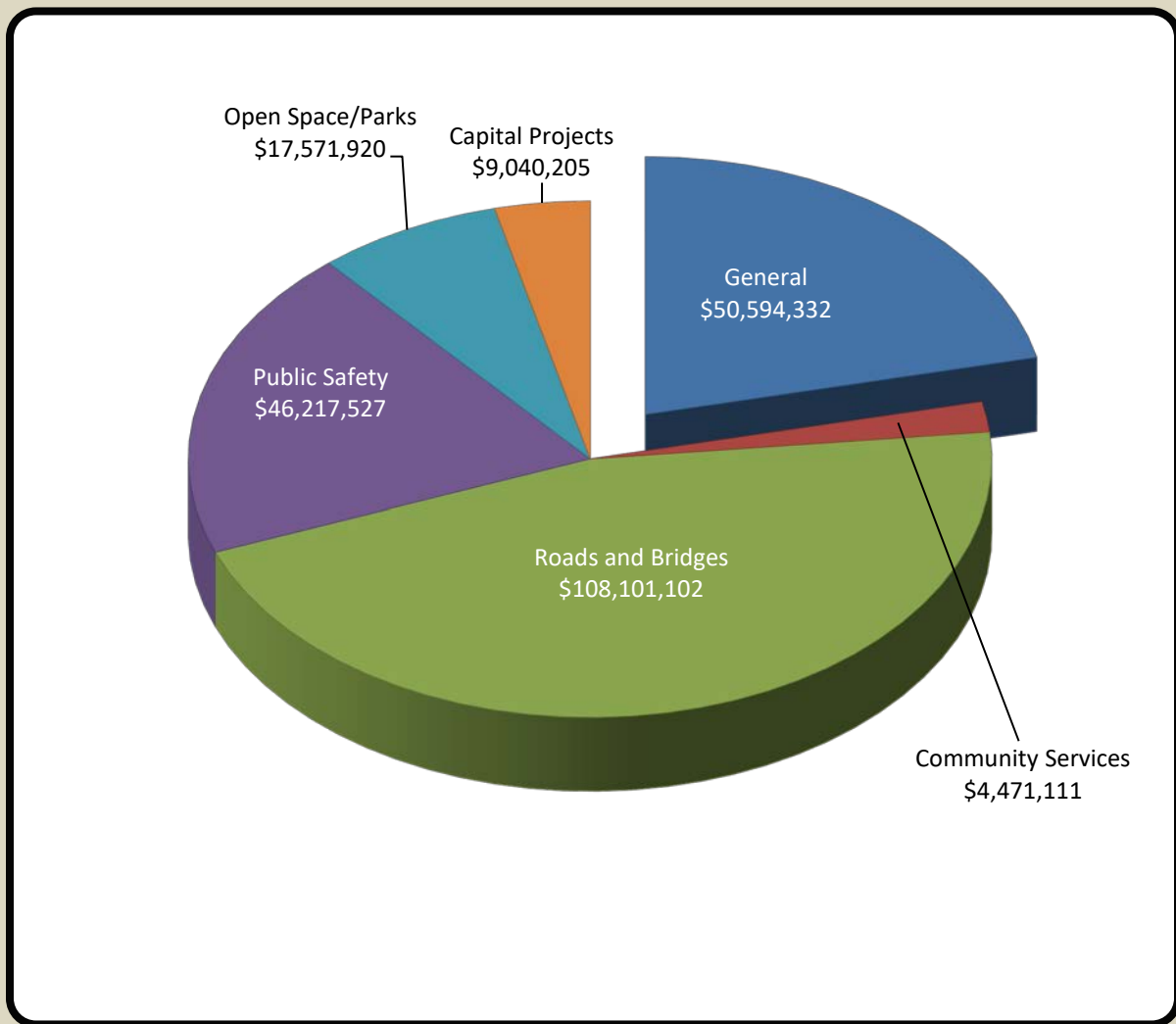


### **Fund Balance: What is it and why is it important?**

Fund Balance is the difference between what the County owns (assets) and what the County owes (liabilities) in each fund.

There are several reasons why it is important to maintain an adequate fund balance. Fund balance is a critical factor in the County's ability to plan and budget for necessary improvements to, and the growth of, the infrastructure needed to provide residents with the services they need. The County's fund balance also provides funds for unforeseen expenses or emergencies. Fund balance reduces the need for short-term borrowing by assuring sufficient cash flow. Finally, fund balance demonstrates financial stability, which enhances the County's bond rating and keeps debt issuance costs lower should the need arise to issue debt to fund large projects/improvements. County governmental funds combined have a fund balance of \$236.0 million. Fund balances in all funds, except the General Fund, are already dedicated for a specific use due to restrictions on the revenue collected by those funds or by the fund. The graph below details the total fund balance by function.

### **2018 Total Douglas County Governmental Fund Balance: \$235,996,197**



The County's chief operating fund is the General Fund, which accounts for all revenues and expenditures applicable to the general operations of the government. Revenues in this fund are derived primarily from property taxes.

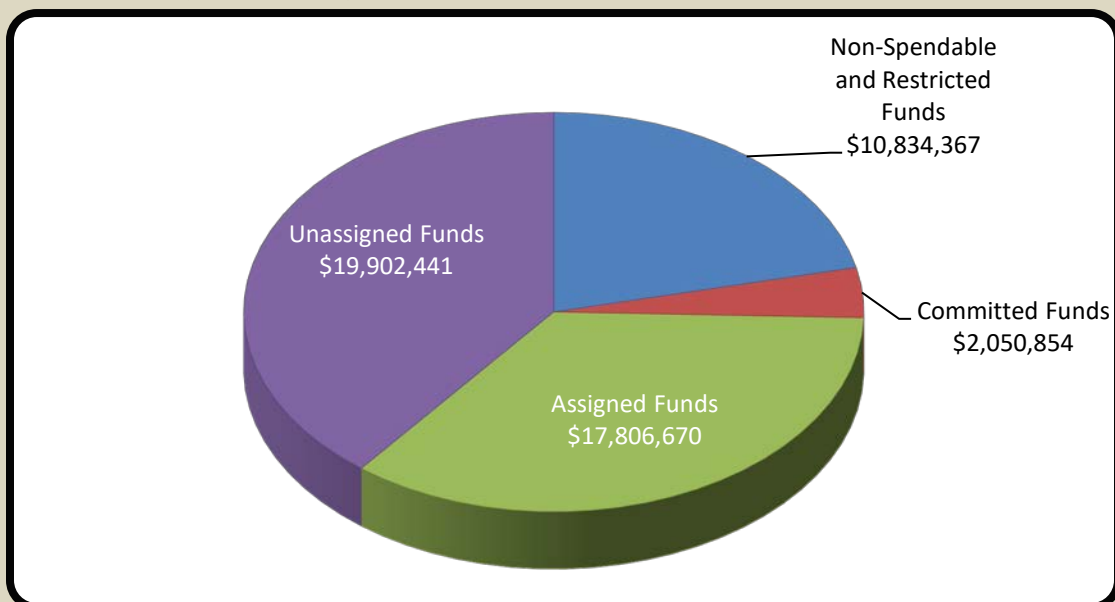
Throughout the year, the fund balance in the County's general fund is monitored to assure that adequate levels are maintained to mitigate risks and provide back up for possible revenue shortfalls. The Government Finance Officers Association (GFOA) recommends, at a minimum, general purpose governmental funds should maintain an available fund balance of **no less** than two months (17%) of general fund operating expenses. Per the 2019 budget this amount equates to \$23.7 million.

On December 31<sup>st</sup>, 2018 the General Fund had a total fund balance of \$50.6 million, a decrease of \$14.8 million from 2017. \$10.8 million of the total fund balance is either non-spendable (prepaid expenses and inventories) or restricted by entities outside of the County (e.g. state, federal grant funds, TABOR emergency requirements). An additional \$2.1 million has already been committed to various projects through executed contracts or purchase orders already approved by the Board of County Commissioners. This leaves \$17.8 million of assigned funds and \$19.9 million of unassigned funds.

The assigned portion of the General Fund balance includes \$6.3 million which is immediately utilized on January 1<sup>st</sup>, 2019 to cover budgeted General Fund expenditures which exceed the 2019 budgeted revenues. Assigned fund balance also includes \$1.2 million in smaller previously approved purchase orders and \$1.4 million for planned project expenditures. The remaining \$28.8 million in assigned/unassigned fund balance can be used in emergencies and to facilitate new projects and/or partnering efforts in the future. The strong fund balances in Douglas County can be attributed to conservative budget practices and careful planning for the future.



### **2018 Douglas County General Fund Balance Breakdown \$50,594,332**



For more details on Budget, Revenues, Expenditures and Fund Balance, please refer to the Analyze Douglas County Open Data Portal, which is located here: <http://douglasco.finance.socrata.com/#!/dashboard>



## **Douglas County Debt**

Douglas County's current total bonded debt is \$13.6 million (interest included).

The County's current revenue bond debt is dedicated to road improvement (\$1.6 million), and open space/parks, (\$12.0 million). These are special revenue obligations secured by pledged revenues from voter approved sales and use tax. We have leveraged this debt by using it to gain funding from partners, such as the Colorado Department of Transportation (CDOT) and Great Outdoors Colorado (GOCO). The Highway 85/C-470 flyover, Ridgeway Road, and Greenland Ranch projects, are all excellent examples of leveraging these dollars. GOCO has provided almost \$40.1 million in grants to Douglas County since 1995.

In March 2017, Fitch Ratings (a national rating agency) affirmed the Douglas County long-term issuer default rating of AA+ with a stable outlook. In the Fitch press release, they noted the following factors as affecting their assessment.

- Douglas County's notable expenditure flexibility.
- Douglas County's low long-term liability burden.
- Strong financial resilience and budget management practices.

Douglas County has no general obligation debt and no outstanding certificates of participation.

<b>Revenue Bonds</b>	<b>Final Maturity</b>	<b>Total Debt Year End 2017</b>	<b>New Debt</b>	<b>Debt Payments</b>	<b>Total Debt Year End 2018</b>
Open Space	2020	\$5,944,700	-	\$1,982,900	\$3,961,800
Open Space	2022	<u>\$9,054,644</u>	<u>-</u>	<u>\$1,000,900</u>	<u>\$8,053,744</u>
		\$14,999,344	-	\$2,983,800	\$12,015,544
Road Improvement	2019	<u>\$3,143,800</u>	<u>-</u>	<u>\$1,578,600</u>	<u>\$1,565,200</u>
<b>Total Revenue Bonds</b>		<u><b>\$18,143,144</b></u>	<u><b>-</b></u>	<u><b>\$4,562,400</b></u>	<u><b>\$13,580,744</b></u>
<b>Capital Lease</b>	2020	\$1,102,725	-	\$ 367,575	\$ 735,150



## **Financial Reporting Awards**

The Government Finance Officers Association (GFOA), founded in 1906, represents public finance officials throughout the United States and Canada. The GFOA's mission is to enhance and promote the professional management of governmental financial resources by identifying, developing, and advancing fiscal strategies, policies and practices for the public benefit. The GFOA has established several highly regarded professional recognition programs to encourage and assist state and local governments of all types and sizes to improve the quality of their financial management and to recognize their achievement.

### **Certificate for Achievement for Excellence in Financial Reporting**

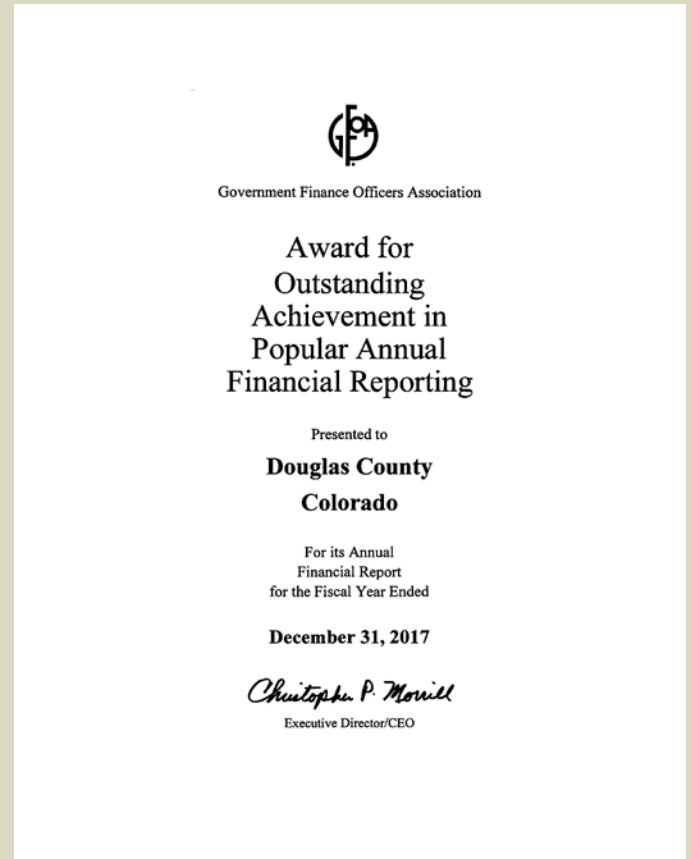
– The GFOA awarded Douglas County Government a certificate for achievement for excellence in financial reporting for its Comprehensive Annual report for the fiscal year ended December 31, 2017. The County has received this prestigious award each year for over a quarter of a century. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal regulations. A certification is valid for a period of one year only. The finance department believes that the 2018 comprehensive annual financial report continues to meet the Certification of Achievement Program's requirements and we have submitted it to the GFOA to determine its eligibility for another certificate.

### **Award for Outstanding Achievement in Popular Annual Financial Reporting**

– The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Douglas County Government 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 conformity with the highest standards for preparation of state and local government popular reports.

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 Achievement in Popular Financial Reporting is valid for a period of one year only. We believe our 2018 report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.



## **2018 Douglas County Demographics and Economic Statistics**

### **Top 5 Employers**

Douglas County School District	6,283
Charles Schwab	4,200
Echostar Communications	2,520
Centura Health	1,500
HealthOne: Sky Ridge Medical	1,340

Population	358,000
Douglas County Employees	1,223
Personal Income Per Capita	\$75,480
Unemployment Rate	3.4%
Public School Enrollment	67,597

### **Clerk and Recorder**

Elections Supported	31
Registered Voters	250,585

### **Public Safety**

Calls for Service	142,289
Total Crimes Reported	14,054
Number of Bookings	7,364
Autopsies Performed	169

### **Culture and Recreation**

Trail Usage-Visitors	569,352
Open Space Preserved (Acres)	63,037

### **County Assessor**

Parcels Assessed	148,969
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### **Human Services**

Clients Served (households)	3,166
Citizens Receiving Food Commodities	10,546

## **Long Term Financial Planning**

The County currently projects revenues, expenditures and available fund balances for five-year periods to enable strategic planning opportunities and anticipate potential future challenges. No arbitrary balancing entries are made to artificially balance the current or subsequent year's budgets. The County distinguishes between and matches one-time revenues with one-time expenditures and ongoing revenues with ongoing expenditures. This best practice is a key to helping ensure the future financial stability of the County. The Board of County Commissioner's (BOCC) adopted policy manual specifically states that with respect to strategic planning for projects, services, and activities with a fiscal impact, the County Manager may not jeopardize either the programmatic or the fiscal integrity of County Government.

The budget process in the County follows a sound and balanced approach and aligns with the BOCC goals of personal and public safety, transportation, community services, economic foundations and natural resources and uses the following guiding principles:

- Avoid raising fees or taxes.
- Rely upon realistic revenue forecasts.
- Maintain stable reserves.
- Improve the quality of services provided to our community.
- Budget for one year, manage for two and plan for five years.
- Match on-going revenues with on-going expenditures.

The 2019 approved budget is \$421.1 million for all funds. This includes \$185.3 million for ongoing operating expenditures; \$4.6 million to pay debt obligations; \$174.4 million for one-time initiatives and \$32.0 million for federal and state funded expenditures. The 2019 budget also includes \$24.8 million for self-funded insurance funds.



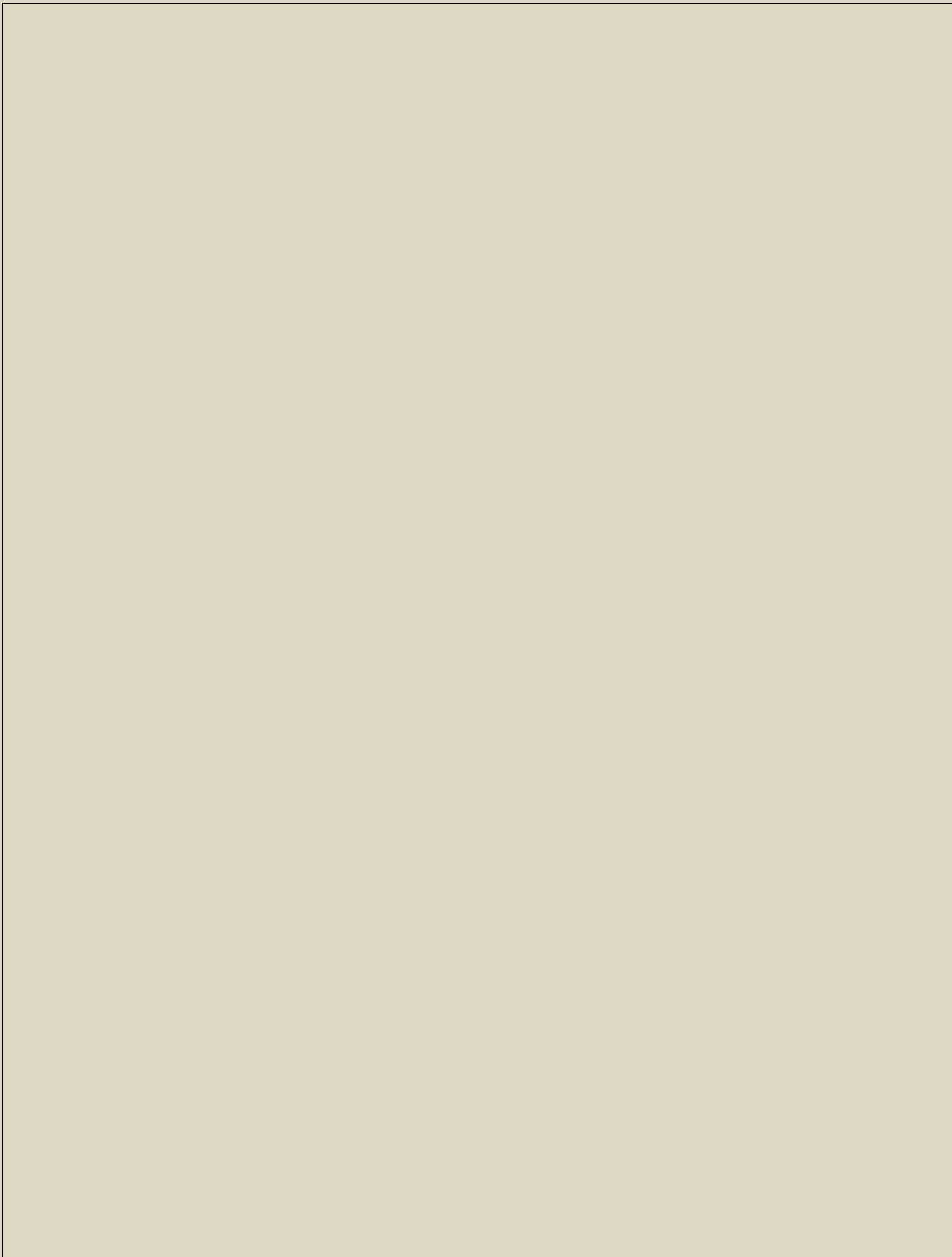
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