STATE OF COLORADO
LEGISLATIVE DEPARTMENT
GENERAL FUND

FINANCIAL AND COMPLIANCE AUDIT REPORT

YEARS ENDED
JUNE 30, 2019 AND 2018

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OFFICE OF THE STATE AUDITOR:

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REPORT TRANSMITTAL LETTER

To the Members of the Legislative Audit Committee
State of Colorado Legislative Department
Denver, Colorado

We have completed the financial statement audits of the General Fund of the Legislative Department as of and for the years ended June 30, 2019 and 2018. Our audits were conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We were engaged to conduct our audits pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct or cause to be conducted audits of all departments, institutions, and agencies of State government. The reports which we have issued as a result of this engagement are set forth in the table of contents which follows.

McGee, Hearne & Paiz, LLP

Fort Collins, Colorado
December 2, 2019

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STATE OF COLORADO
LEGISLATIVE DEPARTMENT

REPORT SUMMARY
YEARS ENDED JUNE 30, 2019 AND 2018

AUTHORITY

The audit of the State of Colorado (the "State") Legislative Department's (the "Department") General Fund for the fiscal years ended June 30, 2019 and 2018 was conducted pursuant to Section 2-3-103 of the Colorado Revised Statutes (C.R.S.), which authorizes the State Auditor to conduct or cause to be conducted audits of all institutions of the State.

STANDARDS

The audits were conducted in accordance with auditing standards generally accepted in the United States of America, as promulgated by the American Institute of Certified Public Accountants in the *Statements on Auditing Standards*, and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

PURPOSE AND SCOPE

The primary purpose of the engagement was to conduct financial and compliance audits of the Department, as of and for the fiscal years ended June 30, 2019 and 2018, in accordance with the standards described above. These standards require that the Contract Auditors plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement preparation.

As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, tests of the Department's compliance with certain provisions of laws, regulations, and contracts were performed, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

AUDITOR'S REPORTS

An independent auditor's report on the financial statements of the Department, dated December 2, 2019, has been issued, which states that the financial statements present fairly, in all material respects, the financial position of the General Fund of the Department as of June 30, 2019 and 2018, and the changes in its financial position and its budgetary comparison for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

A report on internal control over financial reporting and compliance and other matters based on the audits of financial statements performed in accordance with *Government Auditing Standards* dated December 2, 2019, has also been issued, which states that the results of the Contractor Auditor's tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

REQUIRED AUDITOR COMMUNICATIONS TO THE LEGISLATIVE AUDIT COMMITTEE

The Contract Auditors are required to communicate to the Legislative Audit Committee certain matters related to the conduct of the audits and to ensure that the Legislative Audit Committee receives additional information regarding the scope and results of the audits that may assist the Legislative Audit Committee in overseeing the financial reporting and disclosure process for which management is responsible. These matters have been communicated to the Legislative Audit Committee in this report and include, among other items, that no audit adjustments were required and that there were no difficulties encountered in performing the audits.

AGENCY DESCRIPTIONS
YEARS ENDED JUNE 30, 2019 AND 2018

GENERAL ASSEMBLY

Colorado's State Legislature is called the General Assembly. The Colorado Constitution grants the lawmaking power and thus, the public policy-making power of the State, to the General Assembly. There are 100 elected members serving as the Legislature – 35 senators and 65 representatives. As one of the three branches of State government, the Legislature includes the elected officials of the Senate and the House of Representatives (the "House") and support staff.

A candidate for the General Assembly must be at least 25 years old, a citizen of the United States, and a resident of the district he or she is seeking to represent for at least twelve months prior to the election. The terms of office of State senators are limited to two consecutive four-year terms, and State representatives are limited to four consecutive two-year terms, effective for terms beginning on or after January 1, 1991.

The Secretary of the Senate and the Chief Clerk of the House and their employees are responsible for the daily administration of each house including the preparation of daily calendars and journals, the preparation of floor amendments, the engrossing and enrolling procedures, the handling of messages to and from the Governor, communications between the two houses of the Legislature, and communications to the General Assembly from other State officers and departments; custody of documents and records of the two houses; and the maintenance of pay records for all personnel employed by the House and Senate.

JOINT BUDGET COMMITTEE

The six-member Joint Budget Committee (the "Committee") is the fiscal and budget review agency of the Colorado General Assembly. The Committee works year-round and has a full-time staff. The Committee studies the programs, management, operations, and fiscal needs of all State agencies. It reviews budget requests and holds hearings with agency managers. The Committee also reviews capital construction and controlled maintenance recommendations made by the Capital Development Committee.

Each year, the Committee introduces supplemental appropriations bills and the general appropriations bill, also known as the "Long Bill." The Long Bill narrative explains the recommendations that the Committee included in the Bill.

After each session, the Committee writes the appropriations report. This report explains legislative intent and gives program guidance to State agencies related to the budget.

The committee members include the Chairman of the House and Senate Appropriations Committees plus one majority and one minority member from each of these committees. The Committee elects a chairman and a vice-chairman, one from the Senate and one from the House. The elected chairman serves during the first regular session of the General Assembly and as vice-chairman during the second session. The elected vice-chairman serves as chairman during the second session.

AGENCY DESCRIPTIONS
YEARS ENDED JUNE 30, 2019 AND 2018

LEGISLATIVE COUNCIL

The Legislative Council Committee is an eighteen-member body comprised of six members of the Senate and six members of the House appointed by caucus leaders; and the six-member Executive Committee. The six-member Executive Committee of Legislative Council is comprised of the President of the Senate, the Speaker of the House of Representatives, and the majority and minority leaders of both houses.

The Legislative Council was created in 1953 to collect data, examine constitutional and statutory provisions and possible amendments, consider important issues of public policy, and prepare reports and other documents for presentation to the General Assembly.

The information-gathering function of the Legislative Council created a need for a continuing and permanent research staff to work for the General Assembly. To fulfill this function, the Legislative Committee employs a Director of Research who appoints professional, technical, clerical, and other employees necessary to perform the functions assigned. The responsibilities and functions of the staff may be grouped under six broad activities:

- Staffing interim and statutory committees
- Staffing committees of reference
- Responding to requests for research
- Preparing fiscal notes
- Providing revenue projections
- Performing other centralized support services, including accounting, compensation and information technology services

OFFICE OF THE STATE AUDITOR

The State Auditor is appointed by a majority vote of both houses of the General Assembly to serve for a term of five years. The State Auditor must be a certified public accountant licensed to practice in Colorado. The duties of the State Auditor are to conduct performance and financial audits of all State departments, institutions, and agencies of State government and to conduct special audits of any department, institution, or agency at the request of the Governor or a member of the General Assembly, upon a majority vote of the Legislative Audit Committee. In addition, the State Auditor examines all reports submitted to the office under the Local Government Audit Law, administers the Fraud Hotline, and conducts tax expenditure evaluations on a five-year cycle.

The eight-member Legislative Audit Committee consists of four members from the Senate appointed by the President, two from each major political party; and four members from the House appointed by the Speaker, two from each major political party.

AGENCY DESCRIPTIONS
YEARS ENDED JUNE 30, 2019 AND 2018

OFFICE OF LEGISLATIVE LEGAL SERVICES

The Committee on Legal Services consists of ten members of the General Assembly: the chairpersons of the Senate and House Judiciary Committees; four members from the Senate appointed by the President, two from each party; and four members from the House of Representatives appointed by the Speaker, two from each party. The Committee on Legal Services appoints a director who is an attorney-at-law. The director appoints a professional staff which includes attorneys-at-law and technical and clerical personnel to assist in the operation of the Office of Legislative Legal Services (the "Office").

Within the Office is the Revisor of Statutes (the "Revisor"). The Revisor and his or her staff prepare various legal publications.

The Office prepares the bills, resolutions, and memorials introduced in the General Assembly. Under joint rule, no bill may be introduced in either house unless first approved as to form by the Office. In addition, many amendments and all conference committee reports are prepared by the Office.

The Office, acting under the direction of the Committee on Legal Services, coordinates litigation involving the General Assembly. Staff attorneys assist retained counsel in the preparation of briefs and other legal research and writing.

The Office also reviews rules and regulations promulgated by executive agencies and all contracts for the Department.

REDISTRICTING COMMISSIONS

Colorado voters approved Amendments Y and Z to the Colorado Constitution in 2018. The amendments require two independent commissions, one each for congressional and state legislative redistricting. The 12 members of each commission are chosen by a three-judge panel from a pool of applicants. Legislative leadership is given a chance to provide input about eight commissioners chosen from the pool to represent the two major political parties. The three-judge panel chooses the final four commissioners from those applicants who are unaffiliated with a political party. Nonpartisan staff is responsible for creating and making public the commissioner applications, vetting the applicants, staffing the three-judge panels and the commissions, and drawing and amending maps based on constitutional parameters and feedback from the commissioners and the public. The redistricting commissions were not active during fiscal years 2019 or 2018.

INDEPENDENT AUDITOR'S REPORT

To the Members of the Legislative Audit Committee
State of Colorado Legislative Department
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the General Fund of the Legislative Department (the "Department") of the State of Colorado (the "State") as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of the Department as of June 30, 2019 and 2018, and the respective changes in its financial position and its budgetary comparison for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements of the Department are intended to present the financial position, the changes in the financial position, and the budgetary comparison of only that portion of the General Fund of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2019 and 2018, the changes in its financial position, and its budgetary comparison for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8 through 11, the Schedule of the Department's Proportionate Share of the Net Pension Liability on page 47, the Schedule of the Department's Pension Contributions on page 48, the Schedule of the Department's Proportionate Share of the Net OPEB Liability on page 49, the Schedule of the Department's OPEB Contributions on page 50, and the Notes to Required Supplementary Information on page 51 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Department's financial statements. The combining information and the other information, such as the Report Summary and Legislative Department Agency Descriptions, are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining information on pages 52 through 59 is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

The Report Summary on page 1 and the Legislative Department Agency Descriptions on pages 2 through 4 have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 2, 2019, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

McGee, Hearne & Paiz, LLP

Fort Collins, Colorado
December 2, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis of the State of Colorado (the "State") Legislative Department's (the "Department") General Fund financial performance is a required component of financial reporting under governmental accounting standards and was prepared by the Department's management. It is intended to provide an overview of the financial activities for the fiscal years ended June 30, 2019 and 2018, and it should be read in conjunction with the financial statements, which begin on page 12. These financial statements reflect the activities of six agencies: General Assembly, Joint Budget Committee, Legislative Council, Office of the State Auditor, Office of Legislative Legal Services, and the Redistricting Commissions, when active.

USING THIS REPORT

This financial report consists of financial statements for the fiscal years ended June 30, 2019 and 2018. The Balance Sheets provide comparative information on the Department's assets, liabilities, and fund balances for the current and previous fiscal years. The Statements of Appropriations, Revenues, Expenditures, and Changes in Fund Balance provide information on the current and previous fiscal years' appropriations, revenues, expenditures, other financing sources (uses), and beginning and ending fund balance. The Budgetary Comparison Statements reflect the initial budget amounts, the cumulative changes made throughout the course of each year of the biennium, the revised budget amounts, and the actual amounts received or expended. Finally, the notes to the financial statements contain a summary of significant accounting policies and more specific information about items in the financial statements.

DEPARTMENT FINANCIAL STATEMENTS

The Department's financial statements consist of fund financial statements and notes to the financial statements.

Fund Financial Statements. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Department uses to keep track of specific sources of funding and spending for a particular purpose. The Department currently has one principal operating governmental fund, the General Fund, which focuses on how money flows into and out of that fund and the balances left at year-end that are available for future spending.

The General Fund financial statements provide a detailed short-term view of the Department's operations and the services it provides that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Department's programs. The General Fund is reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash.

The General Fund financial statements can be found on pages 12 and 13 of this report.

The Department has an annual appropriated budget for its General Fund. Budgetary comparison statements have been provided on pages 14 through 17 to demonstrate compliance with these budgets.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 18 through 46 of this report.

SUPPLEMENTAL INFORMATION

The financial statements are followed by a section of supplemental information. Combining financial statements are presented for the unrestricted and committed funds within the General Fund.

FINANCIAL ANALYSIS

CONDENSED BALANCE SHEETS:

	2019	2018	2017
Total assets	$ 17,525,451	$ 16,015,104	$ 13,985,649
Total liabilities	4,711,201	5,050,340	4,481,126
Fund balance	$ 12,814,250	$ 10,964,764	$ 9,504,523

CONDENSED STATEMENTS OF APPROPRIATIONS, REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE:

	2019	2018	2017
Appropriations	$ 51,845,841	$ 49,945,361	$ 45,779,293
Revenues	1,394,321	1,175,794	536,074
Total appropriations and revenues	53,240,162	51,121,155	46,315,367
Total expenditures	51,884,392	47,458,851	47,073,483
Excess (deficiency) of appropriations and revenues over expenditures	1,355,770	3,662,304	(758,116)
Total other financing sources (uses)	493,716	(2,202,063)	(599,605)
Net change in fund balance	1,849,486	1,460,241	(1,357,721)
Fund balance, beginning of year	10,964,764	9,504,523	10,862,244
Fund balance, end of year	$ 12,814,250	$ 10,964,764	$ 9,504,523

The Department's General Fund includes activities committed for the following purposes: the Ballot Information Publication and Distribution Revolving Fund, the Legislative Expenses Cash Fund, the Youth Advisory Council Cash Fund, the Legislative Department Cash Fund, and the Legislative Interim Committee on School Finance Fund.

General Fund assets consist primarily of cash with the State Treasury and accounts receivable. Accrued salaries payable are the result of Senate Bill 03-197, which requires employee salaries to be paid on the last working day of each month, except that salaries for the month of June are paid on the first working day of July. House Bill 12-1246 eliminated the June payday shift for employees paid on a biweekly basis effective July 1, 2012.

During fiscal year 2019, the Department's total General Fund assets increased by $1,510,347 and General Fund liabilities decreased by $339,139, primarily due to the transfer of unexpended General Fund appropriations to the Legislative Department Cash Fund, as required by House Bill 12-1301 and the timing of vendor payments.

During fiscal year 2018, the Department's total General Fund assets increased by $2,029,455, and General Fund liabilities increased by $569,214, primarily due to the transfer of unexpended General Fund appropriations to the Legislative Department Cash Fund, as required by House Bill 12-1301 and the timing of vendor payments.

The Department's General Fund had total fund balances as follows: $12,814,250 at June 30, 2019, $10,946,764 at June 30, 2018, and $9,504,523 at June 30, 2017. The total fund balances include deficit unassigned balances due to salaries and related benefits being incurred but unpaid at fiscal year-end, as required by Senate Bill 03-197 and reflected in the accrued liabilities.

The Department's General Fund revenues for the year ended June 30, 2019 were $1,394,321, an increase of 18.59% from the year ended June 30, 2018, primarily due to an increase in interest income. General Fund expenditures for the year ended June 30, 2019 were $51,884,392, an increase of 9.3% over the year ended June 30, 2018, primarily due to a) an increase in compensation expenditures, including the $578,334 departmental allocation of Direct Distribution to the Public Employees' Retirement Association (PERA), as discussed in Notes 2.B. and 11; and b) an increase of $2.5 million in operating expenditures in the Ballot Information Publication and Distribution Revolving Fund because of the 2018 election year. Other financing uses decreased by $2,695,779, primarily due to the transfer in from History Colorado to the Department for the State Capitol renovation project in fiscal year 2019 and the non-budgetary transfer in of $578,334 from the Treasury to the Department for the departmental allocation of the direct distribution to PERA, as discussed in Notes 2.B. and 11. Building improvements of $2,271,657, which were primarily for the Old Supreme Court, were capitalized in the State's financial statements and transferred to the Department of Personnel and Administration.

The Department's General Fund revenues for the year ended June 30, 2018 were $1,175,794, an increase of 119.3% from the year ended June 30, 2017, primarily due to an increase in audit reimbursements. General Fund expenditures for the year ended June 30, 2018 were $47,458,851, an increase of 0.8% over the year ended June 30, 2017, primarily due to increases in compensation that were partially offset by a decrease of $2.1 million in operating expenditures in the Ballot Information Publication and Distribution Revolving Fund as 2017 was not an election year. Other financing uses increased by $1,602,458, primarily due to increases in reversion of non-augmenting revenue related to increases in the audit reimbursement revenue and the transfer to Department of Personnel and Administration for the State Capitol renovation project. Building improvements of $3,117,791 which were primarily for the State Capitol committee rooms, were capitalized in the State's financial statements and transferred to the Department of Personnel and Administration.

BUDGETARY HIGHLIGHTS

The Department's General Fund is primarily funded by appropriations from the State's General Fund. The appropriations are supplemented by augmenting revenue, as defined in the State's General Fund budget. Augmenting revenues include fees and charges for goods and services. House Bill 12-1301 requires unexpended General Fund appropriations to be transferred to the Legislative Department Cash Fund beginning in fiscal year 2012. Unspent augmenting revenue in the committed General Fund does not revert to the State and is available for fund-related expenditures in subsequent fiscal years.

FISCAL YEAR 2019 GENERAL FUND BUDGETARY HIGHLIGHTS

The Department's original General Fund appropriations were $51,305,311. The original budget was amended by six special bills. A budget rollforward to fiscal year 2020 of $31,272 was authorized by Senate Bill 19-094 to study the issues described in Section 2-2-1902, C.R.S. and create a new school finance funding formula. The Department's final General Fund appropriations for fiscal year 2019 were $51,845,841, which was a 3.8% increase from fiscal year 2018. Total General Fund budgetary expenditures were $51,090,061. The committed General Fund balance increased by $2,052,347 and unexpended cash fund and reappropriated fund appropriations of $111,300 reverted to the State's General Fund.

FISCAL YEAR 2018 GENERAL FUND BUDGETARY HIGHLIGHTS

The Department's original General Fund appropriations were $49,221,143. The original budget was amended by three special bills. A budget rollforward of $16,975 from fiscal year 2017 was also approved. The Department's final General Fund appropriations for fiscal year 2018 were $49,945,361, which was a 9.1% increase from fiscal year 2017. Total General Fund budgetary expenditures were $47,363,973. The committed General Fund balance increased by $1,555,119 and unexpended cash fund appropriations of $166,770 reverted to the State's General Fund.

OTHER CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

There are no currently known facts, decisions, or conditions that are expected to have a significant effect on the Department's financial position or results of operations.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Department's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to Natalie Mullis, Director, Legislative Council, 029 State Capitol Building, Denver, Colorado 80203.

FINANCIAL STATEMENTS

STATE OF COLORADO
LEGISLATIVE DEPARTMENT

BALANCE SHEETS
GENERAL FUND
June 30, 2019 and 2018

	2019	2018
ASSETS		
Cash	$ 17,216,402	$ 15,270,558
Accounts receivable	117,665	157,790
Interdepartmental receivables	42,895	469,089
Prepaid expenses	148,489	117,667
Total assets	$ 17,525,451	$ 16,015,104
LIABILITIES		
Accounts payable	$ 1,854,796	$ 2,474,052
Accrued liabilities	2,856,405	2,576,288
Total liabilities	4,711,201	5,050,340
(DEFICIT) FUND BALANCE		
Non-spendable, prepaids	148,489	117,667
Committed	15,511,761	13,459,414
Unassigned	(2,846,000)	(2,612,317)
Total fund balance	12,814,250	10,964,764
Total liabilities and fund balance	$ 17,525,451	$ 16,015,104

See Notes to Financial Statements.

STATE OF COLORADO
LEGISLATIVE DEPARTMENT

STATEMENTS OF APPROPRIATIONS, REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
Years Ended June 30, 2019 and 2018

	2019	2018
APPROPRIATIONS AND REVENUES		
Appropriations		
General Fund	$ 50,287,893	$ 48,297,492
Cash Fund and Reappropriated Funds	1,557,948	1,647,869
Total appropriations	51,845,841	49,945,361
Revenues		
Audit reimbursements	879,006	1,148,123
Interest income	512,051	21,997
Miscellaneous	2,710	3,035
Donations	554	2,639
Total revenues	1,394,321	1,175,794
Total appropriations and revenues	53,240,162	51,121,155
EXPENDITURES		
Compensation	36,541,269	32,967,677
Operating expenditures	7,652,810	5,307,682
Purchased services	3,730,958	4,484,149
Capital outlay	2,478,318	3,157,105
Travel and subsistence	1,481,037	1,542,238
Total expenditures	51,884,392	47,458,851
Excess of appropriations and revenues over expenditures	1,355,770	3,662,304
OTHER FINANCING SOURCES (USES)		
Operating transfers in (out)	1,484,022	(887,170)
Reversion of non-augmenting revenue	(879,006)	(1,148,123)
Reversion of cash/reappropriated funds appropriation	(111,300)	(166,770)
Total other financing sources (uses)	493,716	(2,202,063)
Net change in fund balance	1,849,486	1,460,241
Fund balance, beginning of year	10,964,764	9,504,523
Fund balance, end of year	$ 12,814,250	$ 10,964,764

See Notes to Financial Statements.

STATE OF COLORADO
LEGISLATIVE DEPARTMENT

BUDGETARY COMPARISON STATEMENT
GENERAL FUND (BUDGET BASIS)
Year Ended June 30, 2019

	Legislative Appropriations Bill	Long Appropriations Bill	Supplemental Appropriations
APPROPRIATIONS AND REVENUES			
Appropriations			
General Fund			
Cash Fund and Reappropriated Funds			
Total appropriations			
Revenues			
Audit reimbursements			
Interest income			
Miscellaneous			
Donations			
Total revenues			
Total appropriations and revenues			
EXPENDITURES BY APPROPRIATION			
General administration	$ 43,227,160	$ -	$ 398,786
Ballot analysis	-	1,300,000	-
Youth Advisory Council	25,000	-	-
Colorado Channel Authority	-	20,000	-
Property tax study	-	676,000	-
PERA amortization equalization disbursement	1,420,506	-	-
PERA supplemental amortization equalization disbursement	1,420,506	-	-
Maintenance of legislative space	-	2,659,056	-
Legal services	-	11,685	
Payments to Office of Information Technology	-	70,133	-
Workers' compensation	-	27,153	-
General liability / property insurance	-	27,458	-
CORE operations	-	39,785	-
State IT evaluation	-	-	141,744
Ballot Information Publication and Distribution Committed General Fund	-	-	-
Legislative Expenses Committed General Fund	-	-	-
Youth Advisory Council Committed General Fund	-	-	-
Legislative Department Committed General Fund	-	-	-
Legislative Interim Committee on School Finance Committed General Fund	380,869	-	-
Total expenditures by appropriation	46,474,041	4,831,270	540,530
Excess of appropriations and revenues over expenditures and transfers	(46,474,041)	(4,831,270)	(540,530)
OTHER FINANCING SOURCES (USES)			
Operating transfers in			
Reversion of non-augmenting revenue			
Reversion of cash/reappropriated funds appropriation			
Total other financing sources (uses)			
Net change in fund balance			
Fund Balance, beginning of year			
Fund Balance, end of year			

Transfers	Rollforward	Budget	Actual	Variance with Final Budget
		$ 50,287,893	$ 50,287,893	$ -
		1,557,948	1,557,948	-
		51,845,841	51,845,841	-
		-	879,006	879,006
		-	512,051	512,051
		-	2,710	2,710
		-	554	554
		-	1,394,321	1,394,321
		$ 51,845,841	$ 53,240,162	$ 1,394,321
$ 2,841,012	$ -	$ 46,466,958	$ 41,913,485	$ 4,553,473
-	-	1,300,000	-	1,300,000
-	-	25,000	-	25,000
-	-	20,000	-	20,000
-	-	676,000	668,668	7,332
(1,420,506)	-	-	-	-
(1,420,506)	-	-	-	-
-	-	2,659,056	2,659,056	-
-	-	11,685	11,685	-
-	-	70,133	70,133	-
-	-	27,153	27,153	-
-	-	27,458	27,458	-
-	-	39,785	39,785	-
-	-	141,744	141,744	-
-	-	-	2,540,473	(2,540,473)
-	-	-	25,070	(25,070)
-	-	-	25,028	(25,028)
-	-	-	2,851,490	(2,851,490)
-	-	380,869	88,833	292,036
-	-	51,845,841	51,090,061	755,780
-	-	-	2,150,101	2,150,101
		-	905,688	905,688
		-	(879,006)	(879,006)
		-	(111,300)	(111,300)
		-	(84,618)	(84,618)
		-	2,065,483	2,065,483
		-	13,459,414	13,459,414
		$ -	$ 15,524,897	$ 15,524,897

See Notes to Financial Statements.

STATE OF COLORADO
LEGISLATIVE DEPARTMENT

BUDGETARY COMPARISON STATEMENT
GENERAL FUND (BUDGET BASIS)
Year Ended June 30, 2018

	Legislative Appropriations Bill	Long Appropriations Bill	Supplemental Appropriations
APPROPRIATIONS AND REVENUES			
Appropriations			
General Fund			
Cash Fund and Reappropriated Funds			
Total appropriations			
Revenues			
Audit reimbursements			
Interest income			
Miscellaneous			
Donations			
Total revenues			
Total appropriations and revenues			
EXPENDITURES BY APPROPRIATION			
General administration	$ 40,900,044	$ -	$ 26,374
Ballot analysis	-	1,544,170	-
Cost of living analysis	-	250,000	-
Youth Advisory Council	25,000	-	-
Property tax study	-	660,000	-
PERA amortization equalization disbursement	1,335,047	-	-
PERA supplemental amortization equalization disbursement	1,335,047	-	-
Maintenance of legislative space	-	2,892,822	-
Legal services	-	4,369	-
Payments to Office of Information Technology	-	200,030	-
Workers' compensation	-	17,352	-
General liability / property insurance	-	23,173	-
CORE operations	-	34,089	-
State IT evaluation	-	-	300,000
Fort Lyons study rollforward	-	-	-
Ballot Information Publication and Distribution Committed General Fund	-	-	-
Legislative Expenses Committed General Fund	-	-	-
Youth Advisory Council Committed General Fund	-	-	-
Legislative Department Committed General Fund	-	-	-
Legislative Interim Committee on School Finance Committed General Fund	-		380,869
Total expenditures by appropriation	43,595,138	5,626,005	707,243
Excess of appropriations and revenues over expenditures and transfers			
OTHER FINANCING SOURCES (USES)			
Operating transfers out			
Reversion of non-augmenting revenue			
Reversion of cash/reappropriated funds appropriation			
Total other financing sources (uses)			
Net change in fund balance			
Fund Balance, beginning of year			
Fund Balance, end of year			

Transfers	Rollforward	Budget	Actual	Variance With Final Budget
		$ 48,297,492	$ 48,297,492	$ -
		1,647,869	1,647,869	-
		49,945,361	49,945,361	-
		-	1,148,123	1,148,123
		-	21,997	21,997
		-	3,035	3,035
		-	2,639	2,639
		-	1,175,794	1,175,794
		$ 49,945,361	$ 51,121,155	$ 1,175,794
$ 2,670,094	$ -	$ 43,596,512	$ 38,881,789	$ 4,714,723
-	-	1,544,170	-	1,544,170
		250,000	160,753	89,247
-	-	25,000	-	25,000
-	-	660,000	654,000	6,000
(1,335,047)	-	-	-	-
(1,335,047)	-	-	-	-
-	-	2,892,822	2,892,822	-
-	-	4,369	4,369	-
-	-	200,030	200,030	-
-	-	17,352	17,352	-
-	-	23,173	23,173	-
-	-	34,089	34,089	-
-	-	300,000	300,000	-
-	16,975	16,975	16,975	-
-	-	-	55	(55)
-	-	-	40	(40)
-	-	-	24,524	(24,524)
-	-	-	3,804,405	(3,804,405)
-	-	380,869	349,597	31,272
-	16,975	49,945,361	47,363,973	2,581,388
		-	3,757,182	-
		-	(887,170)	887,170
		-	(1,148,123)	1,148,123
		-	(166,770)	166,770
		-	(2,202,063)	2,202,063
		-	1,555,119	1,555,119
		-	11,904,295	11,904,295
		$ -	$ 13,459,414	$ 13,459,414

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018

Note 1. Definition of a Reporting Entity

The Legislative Department (the "Department") is a department of the State of Colorado (the "State"). The State is the oversight entity that has the responsibility for primary reporting of the Department's financial activities. The accompanying financial statements present only that portion of the State's financial position and activity which pertains to the Department. The Department's primary activities are included in the General Fund of the State's financial statements.

The Department consists of six agencies: General Assembly, Joint Budget Committee, Legislative Council, Office of the State Auditor, Office of Legislative Legal Services, and the Redistricting Commissions, when active.

Note 2. Summary of Significant Accounting Policies

The more significant accounting policies of the Department are described as follows:

A. Measurement focus, basis of accounting, and financial statement presentation

The Department does not meet the definition of a general-purpose government and, therefore, presents its financial statements on a fund basis. The Department is a department of the State; therefore, its financial activities are presented within the State's Comprehensive Annual Financial Report (the "CAFR"). The State's CAFR can be obtained at www.colorado.gov/pacific/osc/cafr.

Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, or 60 days thereafter, to pay liabilities of the current period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due and payable.

The financial activities of the Department are recorded in individual funds, each of which is deemed to be a separate accounting entity. The Department uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The General Fund is the principal operating fund of the Department. It accounts for all financial resources except those required to be accounted for in another fund. The General Fund includes five Committed General Funds and the Unrestricted General Fund.

B. Budgets

Expenditures of the Department are authorized under annual appropriations and supplemental appropriations made by the State General Assembly. The legislative appropriation is constitutionally limited to the unrestricted funds held by the State at the beginning of the year, as determined by the modified accrual basis of accounting.

The State Controller has the authority to approve the carryover of unexpended appropriations to the subsequent fiscal year under circumstances described in the State Fiscal Rules.

The budget for all funds is adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP), except expenditures for budgetary purposes exclude amounts for salaries and benefits incurred but unpaid at year-end. In addition, the legislation included in Senate Bill 18-200 [Section 24-51-414(1), C.R.S.], directed the State to provide $225 million in direct support to PERA on an annual basis beginning in Fiscal Year 2019. The Office of the State Controller allocated the Fiscal Year 2019 payment as an expenditure to each department of the State. The Department's allocation was $578,334, which was non-budgeted. In conjunction with the expense, the Department also recognized a non-budgetary transfer in from the Treasury in the same amount.

Budget to GAAP differences for General Fund expenditures for the fiscal years ended June 30, 2019 and 2018, respectively, are as follows:

	2019	2018
Total expenditures, GAAP basis	$ 51,884,392	$ 47,458,851
(Increase) in salaries incurred but unpaid	(215,997)	(94,878)
Non-budgeted departmental allocation of direct distribution to PERA	(578,334)	-
Total expenditures, budgetary basis	$ 51,090,061	$ 47,363,973

C. Cash

The cash balance at June 30, 2019 and 2018 represents the net year-end effect of transactions between the Department and the State's General Fund. A positive balance represents an excess of expenditures incurred but not paid over revenues earned but not collected. In other words, more revenue has been collected than expenditures paid at year-end. A negative balance represents an excess of revenues earned but not collected over expenditures incurred but not paid, or more expenditures have been paid than revenue collected at year-end.

The Department deposits cash with the Colorado State Treasurer as required by the Colorado Revised Statutes ("C.R.S."). The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. The State Treasury acts as a bank for all State agencies and institutions of higher education, with the exception of the University of Colorado. Monies deposited in the Treasury are invested until the cash is needed. As of June 30, 2019, the Department had cash on deposit with the State Treasurer of $17.2 million, which represented approximately 0.2% of the total $9,096.5 million fair value of investments in the State Treasurer's Pool. As of June 30, 2018, the Department had cash on deposit with the State Treasurer of $15.3 million, which represented approximately 0.2% of the total $7,763.2 million fair value of investments in the State Treasurer's Pool.

On the basis of the Department's participation in the Pool, the Department reports as an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains and losses included in "Interest Income" reflect only the change in fair value during the fiscal year. Additional information on the State Treasurer's Pool may be obtained from the State's CAFR.

D. Fund balance

Fund balance classifications are non-spendable and spendable.

Non-spendable fund balance consists of prepaid expenses. The General Fund non-spendable fund balance was $148,489 and $117,667 at June 30, 2019 and 2018, respectively.

Spendable fund balance is further segregated into categories based on the degree to which resources are constrained. The categorization, in part, is a result of the State's spending prioritization policy. When an expenditure is incurred that could be funded from either restricted or unrestricted sources, it is the State's general policy that unrestricted dollars are spent first. Within unrestricted sources, funding is allocated first from unassigned, then assigned, and then committed resources. However, in certain circumstances, restricted and/or committed resources are spent without regard to other available funding sources including transfers to fund indirect costs, to programs operating in the General Fund, and others.

Spendable fund balance classifications include:

- *Committed fund balance* consists of amounts constrained by the General Assembly, the State's highest level of decision-making authority, and is the default position for the majority of governmental funds, excluding the General Fund.

  The Department has the following five committed general funds:

  1. The *Ballot Information Publication and Distribution Revolving Fund* was created by Senate Bill 97-204 to pay the costs of publishing the text and title of each constitutional amendment and initiated or referred measure in every legal newspaper in the State, as required by Section 1-40-124, C.R.S., and to pay the costs of distributing the ballot information booklet as required by Section 1-40-124.5(2), C.R.S. Any monies credited to the revolving fund and unexpended at the end of any given fiscal year will remain in the fund. Monies in the revolving fund are continuously appropriated.

  2. The *Legislative Expenses Cash Fund* was created by House Bill 04-1369 to pay the compensation and expenses of any legal counsel retained by the Committee on Legal Services pursuant to Section 2-3-1001, C.R.S., and to pay any necessary expense of such actions and proceedings for which such legal counsel is retained. Senate Bill 05-157 amended the Statute to provide for payment of other qualified expenses from the fund. Senate Bill 07-223 amended the definition of other qualified expenses in the Statute. The Executive Committee of the Legislative Council may authorize payment of expenses relating to legislative aides, expenses relating to the upkeep and furnishings of space occupied by the Department, and expenses relating to electronic voting equipment in the chambers of the Senate and the House of Representatives, if the amount of monies to be so expended is not needed in the foreseeable future for compensation and expenses of legal counsel. Monies in the fund are continuously appropriated.

  3. The *Youth Advisory Council Cash Fund* was created by House Bill 08-1157 for the purpose of providing for the direct and indirect costs associated with the Youth Advisory Council. The Youth Advisory Council was created to examine, evaluate, and discuss the issues, interests, and needs affecting Colorado youth now and in the future, and to formally advise and make recommendations to elected officials regarding those issues. The fund consists of any monies appropriated to the fund, gifts, grants, and donations. Any monies credited to the fund and unexpended at the end of any given fiscal year will remain in the fund.

4. The *Legislative Department Cash Fund* was created by House Bill 09-1348 to pay for expenses of the Department. The fund is comprised of monies the Department accepts as gifts, grants, or donations from private and public sources and any other monies appropriated to the fund. Any monies credited to the fund and unexpended at the end of any given fiscal year will remain in the fund. House Bill 10-1210 established the redistricting account within the Department Cash Fund, to pay for the expense of redistricting the congressional and State legislative districts in the state. House Bill 12-1301 requires unexpended General Fund appropriations to the Department to be transferred to the Department Cash Fund.

5. The *Legislative Interim Committee on School Finance Fund* was created by House Bill 17-1340 and extended by Senate Bill 19-094 to study the issues described in Part 19 of Article 2 of Title 2 and create a new school finance funding formula. For the years ended June 30, 2019 and 2018, the General Assembly appropriated $380,869 to the Department from the *State Public School Fund*, created in Section 22-54-114(1), C.R.S., to pay the costs incurred by the Legislative Interim Committee on School Finance. Any unexpended balance of monies appropriated by the general assembly prior to July 1, 2019 is further appropriated to Legislative Council for the 2019-2020 State fiscal year.

The committed fund balances at June 30, 2019 and 2018, respectively, are as follows:

	2019	2018
Ballot Information Publication and Distribution Revolving Fund	$ 1,508,144	$ 2,661,494
Legislative Expenses Cash Fund	202,411	219,017
Youth Advisory Council Cash Fund	7,744	7,039
Legislative Department Cash Fund	13,470,154	10,540,592
Legislative Interim Committee on School Finance Fund	323,308	31,272
Total committed fund balances	$ 15,511,761	$ 13,459,414

- *Unassigned fund balance* is the residual category in the General Fund. At June 30, 2019 and 2018, the General Fund had an unassigned deficit fund balance of $2,846,000 and $2,612,317, respectively. The deficit fund balance is due to prepaid expenses and salaries and benefits being incurred but unpaid at fiscal year-end as discussed in Note 3. The Department received the appropriation to pay those salaries and benefits on July 1 of the following year.

Note 3. Accrued Salaries and Benefits

Senate Bill 03-197 requires employee salaries to be paid on a monthly basis as of the last working day of the month, except that salaries for the month of June shall be paid on the first working day of July. The salaries and benefits earned, but unpaid, were $2,710,647 and $2,494,650 as of June 30, 2019 and 2018, respectively. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements.

Note 4. Appropriations and Revenue

The Department's primary funding source consists of an appropriation from the State's General Fund. This appropriation is supplemented by appropriations from cash funds and transfers from other agencies within the State. The cash funds appropriated to the Department are from sales of publications. Transfers from other agencies are called reappropriated funds. These funds are exempt from the Taxpayer's Bill of Rights (TABOR) calculations, discussed in Note 6. Unspent appropriations for cash and reappropriated funds revert to the State's General Fund. House Bill 12-1301 requires unexpended General Fund appropriations to the Department to be transferred to the Legislative Department Cash Fund.

The Department's appropriation for the years ended June 30, 2019 and 2018 specified that $90,000 of revenue earned by the sale of bill copies was available for expenditure by the General Assembly. The Department appropriation for the years ended June 30, 2019 and 2018 also specified that audit reimbursements of $961,299 and $927,000, respectively, were available for expenditure by the Office of the State Auditor. Receipts in excess of that amount were not available for expenditure. In addition, the Department appropriation for the year ended June 30, 2019 specified that $125,780 reappropriated from the General Assembly to the Legislative Council Staff was available for use in the first class printing of House and Senate bills and other legislative products, as described in Section 24-70-203(1)(a), C.R.S.

Miscellaneous revenue for the years ended June 30, 2019 and 2018 consists of reimbursements in excess of $961,299 and $927,000, respectively, for audit services performed by the Office of the State Auditor for certain non-State-appropriated activities of the State, interest income, and other miscellaneous amounts. House Bill 13-1039 requires miscellaneous revenues, with certain exceptions, to be deposited in the Department Cash Fund.

Note 5. Audit Contracts

The Office of the State Auditor contracts with private firms to perform audits of various State agencies and authorities. In situations where the State agency or authority is required by law to pay for audit costs, the Office of the State Auditor acts as agent and offsets the amounts paid to the private firms by the amounts reimbursed by the auditee agency or authority. The reimbursement for fiscal years June 30, 2019 and 2018 was $2,345,727 and $2,170,936, respectively. These amounts are not reflected in audit reimbursements in the accompanying financial statements.

As of June 30, 2019 and 2018, the Office of the State Auditor had contract commitments of $1,049,394 and $474,773, respectively, with independent certified accountants (and/or non-accounting firms) to perform audit and consulting services.

Note 6. Tax, Spending, and Debt Limitations

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which added a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue, and debt limitations.

Subsequent to 1993, revenue in excess of the State's "spending limit" must be refunded unless voters approve the retainage of such excess revenue. TABOR generally requires voter approval for any new tax, tax increases, and new debt.

TABOR does not affect the Department's fiscal year 2019 and 2018 financial statements; however, the limitations contained in TABOR may impact future financial activity of the State and the Department.

Note 7. Related-Party Transactions

As a department of the State, the Department receives many services from other State agencies, many of which are not billed to the Department. The most significant of these are accounting support and review services provided by the Office of the State Controller to the Chief Financial Officer for the Legislative Council.

Note 8. Operating Leases

The Department has several operating leases for equipment and pays rent for the Capitol complex building space used by Department service agencies. Total operating lease expense for the fiscal years ended June 30, 2019 and 2018 amounted to $2,751,779 and $2,970,298, respectively. Future minimum commitments for the Capitol complex lease do not exceed one year.

Operating leases for equipment expire October 2019 through November 2023. The future minimum annual minimum lease payments are as follows:

Year ending June 30,	
2020	$ 91,562
2021	90,219
2022	39,610
2023	21,553
2024	8,980
	$251,924

Note 9. Capital Assets

Pursuant to the provisions of GASB Statement No. 34, the Department's capital assets are reported only in the State's financial statements. In addition, these capital assets are depreciated over their estimated useful lives, but depreciation expense is also reported only in the State's financial statements.

Capital assets are stated at historical cost. Donated capital assets are stated at their estimated fair value on the date donated. Capital assets are recorded as expenditures in the year of acquisition. The capitalization criterion for capital assets is $5,000 for furniture, equipment, and software. Capital assets are depreciated using the straight-line method over the estimated useful lives of the related assets, which range from 3 years to 15 years.

The following is a summary of changes in the Department's capital assets to be included in the governmental activities in the State's financial statements:

	Equipment	Software	Buildings[1]	Construction in Progress	Total
Cost:					
Balance, July 1, 2017	$ 2,120,860	$ 221,860	$ -	$ 546,041	$ 2,888,761
Additions	310,997	-	3,117,791	274,359	3,703,147
Deletions	(158,851)	(30,000)	(3,117,791)	(546,042)	(3,852,684)
Balance, June 30, 2018	2,273,006	191,860	-	274,358	2,739,224
Additions	346,957	-	2,271,657	55,928	2,674,542
Deletions	(19,390)	-	(2,271,657)	(274,359)	(2,565,406)
Balance, June 30, 2019	2,600,573	191,860	-	55,927	2,848,360
Accumulated Depreciation:					
Balance, July 1, 2017	(1,637,514)	(221,860)	-	-	(1,859,374)
Additions	(262,244)	-	-	-	(262,244)
Deletions	158,851	30,000	-	-	188,851
Balance, June 30, 2018	(1,740,907)	(191,860)	-	-	(1,932,767)
Additions	(274,130)	-	-	-	(274,130)
Deletions	19,390	-	-	-	19,390
Balance, June 30, 2019	(1,995,647)	(191,860)	-	-	(2,187,507)
Total capital assets, net, June 30, 2019	$ 604,926	$ -	$ -	$ 55,927	$ 660,853

[1] Building improvements were capitalized in the State's financial statements and transferred to the Department of Personnel and Administration.

Note 10. Long-Term Obligations

Pursuant to the provisions of GASB Statement No. 34, the Department's compensated absences accruals are reported only in the State's financial statements. These expenses are also reported only in the State's financial statements.

The Department has a policy that allows employees to accumulate unused vacation benefits and sick leave up to certain maximums. Compensated absences are recognized as current salary costs only when paid. As such, none of the accrued vacation or sick leave benefits would normally be liquidated with expendable available financial resources.

The following is a summary of changes in the Department's compensated absences to be included in the governmental activities in the State's financial statements:

Balance, July 1, 2017	$ 2,343,971
Additions	341,485
Reductions	(50,316)
Balance, June 30, 2018	2,635,140
Additions	468,330
Reductions	(155,896)
Balance, June 30, 2019	$ 2,947,574
Due within one year	$ 127,122

Note 11. Defined Benefit Pension Plan

Plan description: Eligible employees of the Department are provided with pensions through the State Division Trust Fund (the "SDTF"), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association (PERA). Plan benefits are specified in Section 24-51, C.R.S. *et seq*., administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the Federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available CAFR that can be obtained at www.copera.org/investments/pera-financial-reports.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.* The bill was signed into law by Governor Hickenlooper on June 4, 2018. A full copy of the bill can be found online at www.leg.colorado.gov.

Brief descriptions of some of the major changes to plan provisions required by SB 18-200 for the SDTF are listed below.

- Increases employer contribution rates for the SDTF by 0.25% on July 1, 2019.
- Increases employee contribution rates for the SDTF by a total of 2% (to be phased in over a period of three years starting on July 1, 2019).
- As specified in Section 24-51-413, C.R.S., the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. The Department's allocation was $578,334 for the year ended June 30, 2019.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the State, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.
- Expands eligibility to participate in the PERA DC Plan to certain new members of the State Division hired on or after January 1, 2019, who are classified State College and University employees. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the SDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

Benefits provided: PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at Sections 24-51-602, 604, 1713, and 1714, C.R.S.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100% of highest average salary and also cannot exceed the maximum benefit allowed by Federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers, waiving rights to any lifetime retirement benefits earned. If eligible, a member may receive a match of either 50% or 100% on eligible amounts, depending on when contributions were remitted to PERA, the date employment was terminated, whether five years of service credit has been obtained, and the benefit structure under which contributions were made.

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases ("AI") for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers ("CPI-W") for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lesser of an annual increase of 1.5% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve ("AIR") for the SDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1% based on the parameters specified in Section 24-51-413, C.R.S. Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions: Eligible employees, the Department and the State are required to contribute to the SDTF at a rate set by Colorado Statute. The contribution requirements for the SDTF are established under Section 24-51-401, C.R.S *et seq.* and Section 24-51-413, C.R.S. Employee contribution rates for the period of July 2017 through June 2020 are summarized in the table below:

	Fiscal Year 2018		**Fiscal Year 2019**		**Fiscal Year 2020**	
	CY2017	CY2018		CY2019		CY2020
	7/1/2017 through 12/31/2017	1/1/2018 through 6/30/2018	7/1/2018 through 12/31/2018	1/1/2019 through 6/30/2019	7/1/2019 through 12/31/2019	1/1/2020 through 6/30/2020
Employee contribution rate[1]	8.00%	8.00%	8.00%	8.00%	8.75%	8.75%

[1]Rates are expressed as a percentage of salary, as defined in Section 24-51-101(42), C.R.S.

The employer contribution requirements for all Legislative employees are summarized in the table below:

	Fiscal Year 2018		Fiscal Year 2019		Fiscal Year 2020	
	CY2017	CY2018		CY2019		CY2020
	7/1/2017 through 12/31/2017	1/1/2018 through 6/30/2018	7/1/2018 through 12/31/2018	1/1/2019 through 6/30/2019	7/1/2019 through 12/31/2019	1/1/2020 through 6/30/2020
Employee contribution rate[1]	10.15%	10.15%	10.15%	10.15%	10.40%	10.40%
Amount of employer contribution apportioned to the Health Care Trust Fund[1,2]	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%
Amount apportioned to the SDTF[1]	9.13%	9.13%	9.13%	9.13%	9.38%	9.38%
Amortization of Equalization Disbursement (AED)[1,3]	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED)[1,3]	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Total employer contribution rate to the SDTF[1]	19.13%	19.13%	19.13%	19.13%	19.38%	19.38%

[1]Rates are expressed as a percentage of salary, as defined in Section 24-51-101(42), C.R.S.
[2]As specified in Section 24-51-208(1)(f), C.R.S.
[3]As specified in Section 24-51-411, C.R.S.

As specified in Section 24-51-413, C.R.S., the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. The Department's allocation of the direct distribution was $578,334 for the year ended June 30, 2019.

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the Department is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the Department were $5,098,285 and $4,125,602 for the years ended June 30, 2019 and June 30, 2018, respectively.

Pension-related liabilities, expense, and deferred outflows of resources and deferred inflows of resources: Pursuant to the provisions of GASB Statement No. 68, the Department's pension liabilities, pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions are reported only in the State's financial statements.

At June 30, 2019, the Department reported a liability of $83,842,468 for its proportionate share of the net pension liability. The net pension liability for the SDTF was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll forward the total pension liability to December 31, 2018. The Department's proportion of the net pension liability was based on the Department's contributions to the SDTF for the calendar year 2018, relative to the total contributions of participating employers and the State as a nonemployer contributing entity for participating employers of the SDTF that are outside of the State's financial reporting entity. At December 31, 2018, the Department's proportion was 0.737%, which was an increase of 0.012% from its proportion measured as of December 31, 2017.

At June 30, 2018, the Department reported a liability of $145,090,066 for its proportionate share of the net pension liability. The net pension liability for the SDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The Department's proportion of the net pension liability was based on Department's contributions to the SDTF for the calendar year 2017, relative to the total contributions of participating employers to the SDTF. At December 31, 2017, the Department's proportion was 0.725%, which was an increase of 0.026% from its proportion measured as of December 31, 2016.

For the years ended June 30, 2019 and 2018, the Department reported pension expense of $(1,993,598) and $35,700,766, respectively.

At June 30, 2019 and 2018, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	**$ 2,397,614**	**$ -**
Changes of assumptions	**4,414,732**	**43,294,956**
Net difference between projected and actual earnings on pension plan investments	**4,234,995**	**-**
Changes in proportionate share of contributions	**2,216,363**	**39,453**
Contributions subsequent to the measurement date	**2,470,130**	**-**
	$ 15,733,834	**$ 43,334,409**

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,262,292	$ -
Changes of assumptions	25,193,168	-
Net difference between projected and actual earnings on pension plan investments	-	5,464,605
Changes in proportionate share of contributions	2,397,461	36,366
Contributions subsequent to the measurement date	2,203,995	-
	$ 32,056,916	$ 5,500,971

Amounts of $2,470,130 and $2,203,995 as of June 30, 2019 and 2018, respectively, reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be reported as a reduction in the net pension liability in the years ended June 30, 2020 and 2019, respectively.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be reported in pension expense as follows:

Year ended June 30,	
2020	$ (13,720,938)
2021	(18,877,006)
2022	208,046
2023	2,319,193

Actuarial assumptions: The total pension liability in the December 31, 2017 and 2016 actuarial valuations was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50 - 9.17%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate in the December 31, 2017 actuarial valuation	4.72%
Discount rate in the December 31, 2016 actuarial valuation	5.26%
Post-retirement benefit increases:	
PERA benefit structure hired prior to January 1, 2017; and DPS benefit structure (automatic)	2.0% compounded annually
PERA benefit structure hired after December 31, 2006 (ad hoc, substantively automatic)	Financed by the annual increase reserve

The revised assumptions shown below were reflected in the rollforward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to January 1, 2007; and DPS benefit structure (automatic)	0% through 2019 and 1.5% compounded annually thereafter
PERA benefit structure hired after December 31, 2006 (ad hoc, substantively automatic)	Financed by the annual increase reserve

A discount rate of 4.72% was used in the rollforward calculation of the total pension liability from December 31, 2016 to December 31, 2017.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70% factor applied to male rates and a 55% factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

Males:	Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73% factor applied to rates for ages less than 80, a 108% factor applied to rates for ages 80 and above, and further adjustments for credibility.
Females:	Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78% factor applied to rates for ages less than 80, a 109% factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90% of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016 valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as the October 28, 2016 actuarial assumptions workshop, and were adopted by the PERA Board during the November 18, 2016 Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the SDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30-Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non-U.S. Equity - Developed	18.55%	5.20%
Non-U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non-U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Bonds	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Discount rate: The discount rate used to measure the total pension liability was 7.25% and 4.72% at December 31, 2018 and 2017, respectively. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include current and estimated future Amortization Equalization Disbursement (“AED”) and Supplemental Amortization Equalization Disbursement (“SAED”), until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- As specified in law, the State will provide an annual direct distribution of $225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per Statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. At December 31, 2018, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections. At December 31, 2017, as the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- At December 31, 2018, benefit payments and contributions were assumed to be made at the middle of the year. At December 31, 2017, benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods as of December 31, 2018, the projection test indicates that the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount determination does not use the municipal bond index rate and, therefore, the discount rate is 7.25%. As of the prior measurement date of December 31, 2017, the long-term expected rate of return on plan investments of 7.25% and the municipal bond index rate of 3.43% were used in the discount rate determination resulting in a discount rate of 4.72%, 2.53% lower compared to the current measurement date as of December 31, 2018.

Based on the above assumptions and methods as of December 31, 2017, the projection test indicates that the SDTF's fiduciary net position was projected to be depleted in 2038 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on pension plan investments was applied to periods through 2038 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer, was applied to periods on and after 2038 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43%, resulting in a discount rate of 4.72%. As of the prior measurement date of December 31, 2016, the long-term expected rate of return on plan investments of 7.25% and the municipal bond index rate of 3.86% were used in the discount rate determination resulting in a discount rate of 5.26%, 0.54% higher compared to the discount rate of 4.72% as of December 31, 2017.

Sensitivity of the Department's proportionate share of the net pension liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	2019		
	1% Decrease (6.25%)	**Current Discount Rate (7.25%)**	**1% Increase (8.25%)**
Proportionate share of the net pension liability	**$ 104,230,620**	**$ 83,842,468**	**$ 66,592,230**

Sensitivity of the Department's proportionate share of the net pension liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 4.72%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.72%) or 1-percentage-point higher (5.72%) than the current rate:

	2018		
	1% Decrease (3.72%)	Current Discount Rate (4.72%)	1% Increase (5.72%)
Proportionate share of the net pension liability	$ 180,502,460	$ 145,090,066	$ 116,018,659

Pension plan fiduciary net position: Detailed information about the SDTF's fiduciary net position is available in PERA's CAFR, which can be obtained at www.copera.org/investments/pera-financial-reports.

Note 12. Other Retirement Plans

Defined Contribution Retirement Plan (the "PERA DC Plan")

Plan Description: Employees of the State who were hired on or after January 1, 2006 and employees of certain community colleges that were hired on or after January 1, 2008 who were eligible to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the SDTF or the Defined Contribution Retirement Plan (the "PERA DC Plan"). The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Section 24-51-15, C.R.S. *et seq*., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA's CAFR as referred to above.

Funding Policy: All participating employees in the PERA DC Plan and the Department are required to contribute a percentage of the participating employees' PERA-includable salary to the PERA DC Plan. The employee and employer contribution rates for the period July 2017 through June 2020 are summarized in the tables below:

	7/1/2017 through 6/30/2019	7/1/2019 through 6/30/2020
Employer Contribution Rates[1]	8.00%	8.75%
Employer Contribution Rates[1]	10.15%	10.40%

[1] Rates are expressed as a percentage of salary, as defined in Section 24-51-101(42), C.R.S.

Additionally, the employers are required to contribute AED and SAED to the SDTF as follows:

	Employer Contribution Rates[1]
Amortization of Equalization Disbursement (AED)[2]	5.00%
Supplemental Amortization Equalization Disbursement (SAED)[2]	5.00%
Total employer contribution rate to the SDTF[1]	10.00%

[1] Rates are expressed as a percentage of salary, as defined in Section 24-51-101(42), C.R.S.

[2] Specified in Section 24-51-411, C.R.S.

Contribution requirements are established under Section 24-51-1505, C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50% vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10%. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.80 as adopted by the PERA Board of Trustees in accordance with Section 24-51-204, C.R.S. As a result, forfeitures do not reduce pension expense.

The Department made contributions to the PERA DC Plan totaling $460,780 and $437,001 during the years ended June 30, 2019 and 2018, respectively.

Voluntary Investment Program (the "PERAPlus 401(k) Plan")

Plan description: Employees of the Department who are also members of the SDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Section 24-51-14, C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available CAFR which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding policy: The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Section 24-51-1402, C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings.

Note 13. Other Postemployment Benefits (OPEB)

In 2018, the State implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB.

Plan description: Eligible employees of the Department are provided with OPEB through the Health Care Trust Fund (the "HTCF"), a cost-sharing multiple-employer defined benefit OPEB fund administered by PERA. The HCTF is established under Section 24-51-12, C.R.S., as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Section 24-51-12, C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available CAFR that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided: The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans; however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (the "DPS HCTF"). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

Section 24-51-1202, C.R.S. *et seq*. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA benefit structure: The maximum service-based premium subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, Section 24-51-1206(4), C.R.S. provides an additional subsidy. According to the Statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

Contributions: Pursuant to Section 24-51-208(1)(f), C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02% of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Department is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Department were $240,958 and $219,957 for the years ended June 30, 2019 and 2018, respectively.

OPEB-related liabilities, expenses, and deferred outflows of resources and deferred inflows of resources: Pursuant to the provisions of GASB Statement No. 75, the Department's OPEB liabilities, expenses, deferred outflows of resources, and deferred inflows of resources are reported only in the State's financial statements.

At June 30, 2019, the Department reported a liability of $3,231,286 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2018. The Department proportion of the net OPEB liability was based on the Department contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF. At December 31, 2018, the Department proportion was 0.238%, which was an increase of 0.005% from its proportion measured as of December 31, 2017.

At June 30, 2018, the Department reported a liability of $3,033,468 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2017. The Department proportion of the net OPEB liability was based on Department contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF. At December 31, 2017, the Department proportion was 0.233%, which was an increase of 0.011% from its proportion measured as of December 31, 2016.

For the years ended June 30, 2019 and 2018, the Department reported OPEB expense of $303,923 and $264,003, respectively.

At June 30, 2019 and 2018, the Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	**$ 11,728**	**$ 4,919**
Changes of assumptions	**22,667**	**-**
Net difference between projected and actual earnings on OPEB plan investments	**18,582**	**-**
Changes in proportionate share of contributions	**170,094**	**-**
Contributions subsequent to the measurement date	**131,706**	**-**
	$ 354,777	**$ 4,919**

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 14,346	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	50,749
Changes in proportionate share of contributions	133,893	-
Contributions subsequent to the measurement date	117,516	-
	$ 265,755	$ 50,749

Amounts of $131,706 and $117,516 as of June 30, 2019 and 2018, respectively, reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be reported as a reduction in net OPEB liability in the years ended June 30, 2020 and 2019, respectively.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be reported in OPEB expense as follows:

Year ended June 30,	
2020	$ 46,516
2021	46,516
2022	46,521
2023	59,422
2024	18,543
2025	634

Actuarial assumptions: The total OPEB liability in the December 31, 2017 and 2016 actuarial valuations was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	5.00%
Medicare Part A premiums	3.25% for 2018; in the December 31, 2017 actuarial valuation, gradually rising to 5.00% in 2025
Medicare Part A premiums	3.00% for 2017; in the December 31, 2016 actuarial valuation, gradually rising to 4.25%

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

The actuarial assumptions used in the December 31, 2017 and the December 31, 2016 valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as the October 28, 2016 actuarial assumptions workshop, and were adopted by the PERA Board during its November 18, 2016 Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age 65 or older, and who are not eligible for premium–free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

	Members without Medicare Part A	
	Cost	Premiums
Medicare Plan:		
Self-Funded Medicare Supplement Plans	$ 736	$ 367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
UnitedHealthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is $422 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age 65 or older, and who are not eligible for premium–free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

	Members without Medicare Part A
	Cost
Medicare Plan:	
Self-Funded Medicare Supplement Plans	$ 289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
UnitedHealthcare Medicare HMO	400

All costs are subject to the health care cost trend rates, as discussed below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017 and 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability as of December 31, 2018 are summarized in the table below:

	PERACare Medicare Plans	Medicare Part A Premiums
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability at December 31, 2017 are summarized in the table below:

	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70% factor applied to male rates and a 55% factor applied to female rates.

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73% factor applied to rates for ages less than 80, a 108% factor applied to rates for ages 80 and above, and further adjustments for credibility.

Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78% factor applied to rates for ages less than 80, a 109% factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90% of the RP-2014 Disabled Retiree Mortality Table.

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF at December 31, 2018 and 2017:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 and 2017 plan years.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF at December 31, 2017:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- The percentages of PERACare enrollees who attain age 65 and older and are assumed to not quality for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will quality for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.

- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees who qualify for the "Not Part A Subsidy" but have not reached age 65 were revised to more closely reflect actual experience.
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30-Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non-U.S. Equity - Developed	18.55%	5.20%
Non-U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non-U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Bonds	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Sensitivity of the Department's proportionate share of the net OPEB liability to changes in the health care cost trend rates: The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	2019		
	1% Decrease in Trend Rates	**Current Trend Rates**	**1% Increase in Trend Rates**
PERACare Medicare trend rate	**4.00%**	**5.00%**	**6.00%**
Initial Medicare Part A trend rate	**2.25%**	**3.25%**	**4.25%**
Ultimate Medicare Part A trend rate	**4.00%**	**5.00%**	**6.00%**
Proportionate share of the net OPEB liability	**$3,142,058**	**$3,231,286**	**$3,333,915**

	2018		
	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Proportionate share of the net OPEB liability	$2,950,006	$3,033,468	$3,133,993

Discount rate: The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018 and December 31, 2017 measurement dates.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. At December 31, 2017, for future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- At December 31, 2018, benefit payments and contributions were assumed to be made at the middle of the year. At December 31, 2017, benefit payments and contributions were assumed to be made at the end of the month.

Based upon the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%.

Sensitivity of the Department's proportionate share of the net OPEB liability to changes in the discount rate: The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	2019		
	1% Decrease (6.25%)	**Current Discount Rate (7.25%)**	**1% Increase (8.25%)**
Proportionate share of the net OPEB liability	**$ 3,615,528**	**$ 3,231,286**	**$ 2,902,795**

	2018		
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$ 3,410,572	$ 3,033,468	$ 2,711,600

OPEB plan fiduciary net position: Detailed information about HCTF's fiduciary net position is available in PERA's CAFR, which can be obtained at www.copera.org/investments/pera-financial-reports.

Note 14. Risk Management

The State currently self-insures its agencies, officials, and employees for the risks of losses to which they are exposed. These losses include general liability, motor vehicle liability, and workers' compensation. The Risk Management Fund is a part of the State's General Fund and is used for claims adjustment, investigation, defense, and authorization for the settlement and payment of claims or judgments against the State except for employee medical claims. Property claims are not self-insured; rather, the State has purchased insurance. The State insures its property through a combination of self-insurance and commercial insurance carriers.

Colorado employers are liable for occupational injuries and diseases of their employees. Benefits are prescribed by the Workers' Compensation Act of Colorado for medical expenses and loss of wages resulting from job-related disabilities. The State utilizes the services of Broadspire to administer its plan. The State reimburses Broadspire for the current cost of claims paid and related administrative expenses.

The Department participates in the Risk Management Fund. Agency premiums are based on an assessment of risk exposure and historical experience. Liabilities are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Additional information is included in the State's CAFR, which can be found at https://www.colorado.gov/pacific/osc/cafr.

Note 15. Commitments and Subsequent Events

During the year ended June 30, 2019 and subsequent to year-end, the Department entered into contracts of approximately $1,095,000 for services to design and renovate the Legislative Services building, which will be funded by State appropriations.

Subsequent to year-end, the Department entered into a contract in the amount of approximately $976,000 for the printing and distribution of the 2019 ballot information booklet, also known as the Blue Book, as required by Article V, Section 1 (5.5) of the Colorado Constitution and Section 1-40-124.5, C.R.S. The contract expires on June 30, 2020.

The Department has evaluated subsequent events through December 2, 2019, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements, other than those noted above.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF COLORADO
LEGISLATIVE DEPARTMENT

SCHEDULE OF THE DEPARTMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last 6 Fiscal Years*

	Department's proportion of the net pension liability	Department's proportionate share of the net pension liability	Department's covered payroll	Department's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2014	0.637213%	$ 56,762,749	$ 16,352,815	347.11%	61.08%
2015	0.655749%	61,683,132	17,566,389	351.14%	56.84%
2016	0.688378%	72,493,353	19,027,811	380.99%	56.11%
2017	0.698981%	128,389,826	19,796,430	648.55%	42.59%
2018	0.724799%	145,090,066	21,159,818	685.69%	43.20%
2019	0.736839%	83,842,468	22,233,828	377.09%	55.11%

** The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. This schedule is to be built prospectively until it contains ten years of data.*

See Notes to Required Supplementary Information.

STATE OF COLORADO
LEGISLATIVE DEPARTMENT

SCHEDULE OF THE DEPARTMENT'S PENSION CONTRIBUTIONS
Last 6 Fiscal Years*

	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	$ 2,711,069	$ 2,711,069	$ -	$ 16,931,486	16.01%
2015	3,130,302	3,130,302	-	18,504,271	16.92%
2016	3,452,890	3,452,890	-	19,386,123	17.81%
2017	3,608,889	3,608,889	-	20,549,066	17.56%
2018	4,125,602	4,125,602	-	21,566,135	19.13%
2019	5,098,285	5,098,285	-	23,627,552	21.58%

** This schedule is to be built prospectively until it contains ten years of data.*

See Notes to Required Supplementary Information.

STATE OF COLORADO
LEGISLATIVE DEPARTMENT

SCHEDULE OF THE DEPARTMENT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Last 3 Fiscal Years*

	Department's proportion of the net OPEB liability	Department's proportionate share of the net OPEB liability	Department's covered payroll	Department's proportionate share of the net OPEB liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2017	0.222729%	$ 2,887,757	$ 19,796,430	14.59%	20.07%
2018	0.233416%	3,033,468	21,159,818	14.34%	21.25%
2019	0.237500%	3,231,286	22,233,828	14.53%	20.52%

** The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. This schedule is to be built prospectively until it contains ten years of data.*

See Notes to Required Supplementary Information.

STATE OF COLORADO
LEGISLATIVE DEPARTMENT

SCHEDULE OF THE DEPARTMENT'S OPEB CONTRIBUTIONS
Last 3 Fiscal Years*

	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered payroll	Contributions Contributions as a percentage of covered payroll
2017	$ 209,558	$ 209,558	$ -	$ 20,549,066	1.02%
2018	219,957	219,957	-	21,566,135	1.02%
2019	240,958	240,958	-	23,627,552	1.02%

** This schedule is to be built prospectively until it contains ten years of data.*

See Notes to Required Supplementary Information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Years Ended June 30, 2019 and 2018

Note 1. Pension Commitment

Changes in benefit terms: There were no changes in benefit terms effective for the December 31, 2018 or 2017 measurement periods for pension compared to the prior years.

Changes in assumptions: Effective for the December 31, 2018 measurement period, the assumed investment rate of return of 7.25% was used as the discount rate, rather than using the blended rate of 4.72%. Effective for the December 31, 2017 measurement period, the discount rate was lowered from 5.26% to 4.72%.

Note 2. OPEB Commitment

Changes in benefit terms: There were no changes in benefit terms effective for the December 31, 2018 measurement period for OPEB compared to the prior year.

Changes in assumptions: Effective for the December 31, 2018 measurement period, the initial and ultimate Medicare Part A trend rates were increased from 3.00% and 4.25%, respectively, to 3.25% and 5.00%, respectively.

SUPPLEMENTARY INFORMATION

STATE OF COLORADO
LEGISLATIVE DEPARTMENT

COMBINING BALANCE SHEET
GENERAL FUND - UNRESTRICTED
Year Ended June 30, 2019

	General Assembly	Joint Budget Committee	Legislative Council	Office of the State Auditor	Office of Legislative Legal Services	Total General Fund - Unrestricted
ASSETS						
Cash	$ 152,435	$ 279	$ 45,237	$ 991,269	$ 229,749	$ 1,418,969
Accounts receivable	-	-	-	117,665	-	117,665
Interdepartmental receivables	-	-	-	42,895	-	42,895
Prepaid expenses	-	-	55,355	79,998	-	135,353
Total assets	$ 152,435	$ 279	$ 100,592	$ 1,231,827	$ 229,749	$ 1,714,882
LIABILITIES						
Accounts payable	$ 38,371	$ 279	$ 84,783	$ 1,220,763	$ 224,928	$ 1,569,124
Accrued liabilities	788,555	164,419	684,038	694,210	525,183	2,856,405
Total liabilities	826,926	164,698	768,821	1,914,973	750,111	4,425,529
(DEFICIT) FUND BALANCES						
Non-spendable, prepaids	-	-	55,355	79,998	-	135,353
Unassigned	(674,491)	(164,419)	(723,584)	(763,144)	(520,362)	(2,846,000)
Total (deficit) fund balances	(674,491)	(164,419)	(668,229)	(683,146)	(520,362)	(2,710,647)
Total liabilities and (deficit) fund balances	$ 152,435	$ 279	$ 100,592	$ 1,231,827	$ 229,749	$ 1,714,882

STATE OF COLORADO
LEGISLATIVE DEPARTMENT

COMBINING BALANCE SHEET
GENERAL FUND - UNRESTRICTED
Year Ended June 30, 2018

	General Assembly	Joint Budget Committee	Legislative Council	Office of the State Auditor	Office of Legislative Legal Services	Total General Fund - Unrestricted
ASSETS						
Cash	$ 146,113	$ 1,984	$ 16,941	$ 919,233	$ 161,819	$ 1,246,090
Accounts receivable	-	-	-	157,790	-	157,790
Interdepartmental receivables	-	-	-	469,089	-	469,089
Prepaid expenses	-	-	51,142	66,525	-	117,667
Total assets	$ 146,113	$ 1,984	$ 68,083	$ 1,612,637	$ 161,819	$ 1,990,636
LIABILITIES						
Accounts payable	$ 86,939	$ 325	$ 60,173	$ 1,608,604	$ 152,957	$ 1,908,998
Accrued liabilities	648,448	160,611	642,302	651,439	473,488	2,576,288
Total liabilities	735,387	160,936	702,475	2,260,043	626,445	4,485,286
(DEFICIT) FUND BALANCES						
Non-spendable, prepaids	-	-	51,142	66,525	-	117,667
Unassigned	(589,274)	(158,952)	(685,534)	(713,931)	(464,626)	(2,612,317)
Total (deficit) fund balances	(589,274)	(158,952)	(634,392)	(647,406)	(464,626)	(2,494,650)
Total liabilities and (deficit) fund balances	$ 146,113	$ 1,984	$ 68,083	$ 1,612,637	$ 161,819	$ 1,990,636

STATE OF COLORADO
LEGISLATIVE DEPARTMENT

COMBINING STATEMENT OF APPROPRIATIONS, REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND - UNRESTRICTED
Year Ended June 30, 2019

	General Assembly	Joint Budget Committee	Legislative Council	Office of the State Auditor	Office of Legislative Legal Services	Total General Fund - Unrestricted
APPROPRIATIONS AND REVENUES						
Appropriations						
General Fund	$ 18,965,467	$ 2,015,188	$ 12,192,779	$ 9,736,675	$ 7,377,784	$ 50,287,893
Cash Fund and Reappropriated Funds	90,000	-	125,780	961,299	-	1,177,079
Total appropriations	19,055,467	2,015,188	12,318,559	10,697,974	7,377,784	51,464,972
Revenues						
Audit reimbursements	-	-	-	879,006	-	879,006
Total revenues	-	-	-	879,006	-	879,006
Total appropriations and revenues	19,055,467	2,015,188	12,318,559	11,576,980	7,377,784	52,343,978
EXPENDITURES						
Compensation	10,986,195	2,001,593	8,606,975	8,484,788	6,461,718	36,541,269
Operating expenditures	3,768,660	22,902	628,426	384,186	155,970	4,960,144
Purchased services	784,811	-	918,634	1,278,350	322,327	3,304,122
Capital outlay	-	-	11,504	-	55,928	67,432
Travel and subsistence	1,370,906	3,050	33,563	28,481	44,531	1,480,531
Total expenditures	16,910,572	2,027,545	10,199,102	10,175,805	7,040,474	46,353,498
Excess of appropriations and revenues over expenditures	2,144,895	(12,357)	2,119,457	1,401,175	337,310	5,990,480
OTHER FINANCING SOURCES (USES)						
Operating transfers in (out)	(2,151,070)	6,890	(2,121,036)	(557,909)	(393,046)	(5,216,171)
Reversion of non-augmenting revenue	-	-	-	(879,006)	-	(879,006)
Reversion of cash/reappropriated funds appropriation	(79,042)	-	(32,258)	-	-	(111,300)
Total other financing sources (uses)	(2,230,112)	6,890	(2,153,294)	(1,436,915)	(393,046)	(6,206,477)
Net change in fund balance	(85,217)	(5,467)	(33,837)	(35,740)	(55,736)	(215,997)
(Deficit) fund balance, beginning of year	(589,274)	(158,952)	(634,392)	(647,406)	(464,626)	(2,494,650)
(Deficit) fund balance, end of year	$ (674,491)	$ (164,419)	$ (668,229)	$ (683,146)	$ (520,362)	$ (2,710,647)

STATE OF COLORADO
LEGISLATIVE DEPARTMENT

COMBINING STATEMENT OF APPROPRIATIONS, REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND - UNRESTRICTED
Year Ended June 30, 2018

	General Assembly	Joint Budget Committee	Legislative Council	Office of the State Auditor	Office of Legislative Legal Services	Total General Fund - Unrestricted
APPROPRIATIONS AND REVENUES						
Appropriations						
General Fund	$ 18,191,075	$ 1,940,846	$ 11,713,726	$ 9,459,629	$ 6,992,216	$ 48,297,492
Cash Fund and Reappropriated Funds	90,000	-	250,000	927,000	-	1,267,000
Total appropriations	18,281,075	1,940,846	11,963,726	10,386,629	6,992,216	49,564,492
Revenues						
Audit reimbursements	-	-	-	1,148,123	-	1,148,123
Total revenues	-	-	-	1,148,123	-	1,148,123
Total appropriations and revenues	18,281,075	1,940,846	11,963,726	11,534,752	6,992,216	50,712,615
EXPENDITURES						
Compensation	9,633,585	1,916,607	7,794,808	7,761,066	5,861,611	32,967,677
Operating expenditures	4,052,674	17,413	487,062	390,231	153,951	5,101,331
Purchased services	719,543	-	1,019,468	1,673,642	256,847	3,669,500
Travel and subsistence	1,426,856	3,227	35,212	36,557	39,870	1,541,722
Total expenditures	15,832,658	1,937,247	9,336,550	9,861,496	6,312,279	43,280,230
Excess of appropriations and revenues over expenditures	2,448,417	3,599	2,627,176	1,673,256	679,937	7,432,385
OTHER FINANCING (USES)						
Operating transfers (out)	(2,384,435)	(11,013)	(2,562,412)	(585,373)	(669,137)	(6,212,370)
Reversion of non-augmenting revenue	-	-	-	(1,148,123)	-	(1,148,123)
Reversion of Cash/Reappropriated Funds appropriation	(77,523)	-	(89,247)	-	-	(166,770)
Total other financing (uses)	(2,461,958)	(11,013)	(2,651,659)	(1,733,496)	(669,137)	(7,527,263)
Net change in fund balance	(13,541)	(7,414)	(24,483)	(60,240)	10,800	(94,878)
(Deficit) fund balance, beginning of year	(575,733)	(151,538)	(609,909)	(587,166)	(475,426)	(2,399,772)
(Deficit) fund balance, end of year	$ (589,274)	$ (158,952)	$ (634,392)	$ (647,406)	$ (464,626)	$ (2,494,650)

STATE OF COLORADO
LEGISLATIVE DEPARTMENT

COMBINING BALANCE SHEET
GENERAL FUND - COMMITTED
June 30, 2019

	Ballot Information Publication and Distribution Revolving Fund	Legislative Expenses Cash Fund	Youth Advisory Council Cash Fund	Legislative Department Cash Fund	Legislative Interim Committee on School Finance Fund	Total General Fund - Committed
ASSETS						
Cash	$ 1,511,144	$ 202,411	$ 7,744	$ 13,752,826	$ 323,308	$ 15,797,433
Prepaid expenses	-	-	-	13,136	-	13,136
Total assets	$ 1,511,144	$ 202,411	$ 7,744	$ 13,765,962	$ 323,308	$ 15,810,569
LIABILITIES						
Accounts payable	$ 3,000	$ -	$ -	$ 282,672	$ -	$ 285,672
Total liabilities	3,000	-	-	282,672	-	285,672
FUND BALANCES						
Non-spendable, prepaids	-	-	-	13,136	-	13,136
Committed	1,508,144	202,411	7,744	13,470,154	323,308	15,511,761
Total fund balances	1,508,144	202,411	7,744	13,483,290	323,308	15,524,897
Total liabilities and fund balances	$ 1,511,144	$ 202,411	$ 7,744	$ 13,765,962	$ 323,308	$ 15,810,569

STATE OF COLORADO
LEGISLATIVE DEPARTMENT

COMBINING BALANCE SHEET
GENERAL FUND - COMMITTED
June 30, 2018

	Ballot Information Publication and Distribution Revolving Fund	Legislative Expenses Cash Fund	Youth Advisory Council Cash Fund	Legislative Department Cash Fund	Legislative Interim Committee on School Finance Fund	Total General Fund - Committed
ASSETS						
Cash	$ 2,661,494	$ 219,017	$ 15,158	$ 10,981,963	$ 146,836	$ 14,024,468
Total assets	$ 2,661,494	$ 219,017	$ 15,158	$ 10,981,963	$ 146,836	$ 14,024,468
LIABILITIES						
Accounts payable	$ -	$ -	$ 8,119	$ 441,371	$ 115,564	$ 565,054
Total liabilities	-	-	8,119	441,371	115,564	565,054
FUND BALANCES						
Committed	2,661,494	219,017	7,039	10,540,592	31,272	13,459,414
Total fund balances	2,661,494	219,017	7,039	10,540,592	31,272	13,459,414
Total liabilities and fund balances	$ 2,661,494	$ 219,017	$ 15,158	$ 10,981,963	$ 146,836	$ 14,024,468

STATE OF COLORADO
LEGISLATIVE DEPARTMENT

COMBINING SCHEDULE OF APPROPRIATIONS, REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND - COMMITTED
June 30, 2019

	Ballot Information Publication and Distribution Revolving Fund	Legislative Expenses Cash Fund	Youth Advisory Council Cash Fund	Legislative Department Cash Fund	Legislative Interim Committee on School Finance Fund	Total General Fund - Committed
APPROPRIATIONS AND REVENUES						
Appropriations						
Cash Fund and Reappropriated Funds	$ -	$ -	$ -	$ -	$ 380,869	$ 380,869
Total appropriations	-	-	-	-	380,869	380,869
Revenues						
Interest income	87,123	8,464	733	415,731	-	512,051
Miscellaneous revenue	-	-	-	2,710	-	2,710
Donations	-	-	-	554	-	554
Total revenues	87,123	8,464	733	418,995	-	515,315
Total appropriations and revenues	87,123	8,464	733	418,995	380,869	896,184
EXPENDITURES						
Operating expenditures	2,518,498	70	2,874	171,224	-	2,692,666
Purchased services	21,975	25,000	21,648	269,380	88,833	426,836
Capital outlay	-	-	-	2,410,886	-	2,410,886
Travel and subsistence	-	-	506	-	-	506
Total expenditures	2,540,473	25,070	25,028	2,851,490	88,833	5,530,894
Excess (deficiency) of revenues over expenditures	(2,453,350)	(16,606)	(24,295)	(2,432,495)	292,036	(4,634,710)
OTHER FINANCING SOURCES						
Operating transfers in	1,300,000	-	25,000	5,375,193	-	6,700,193
Total other financing sources	1,300,000	-	25,000	5,375,193	-	6,700,193
Net change in fund balance	(1,153,350)	(16,606)	705	2,942,698	292,036	2,065,483
Fund Balance, beginning of year	2,661,494	219,017	7,039	10,540,592	31,272	13,459,414
Fund Balance, end of year	$ 1,508,144	$ 202,411	$ 7,744	$ 13,483,290	$ 323,308	$ 15,524,897

STATE OF COLORADO
LEGISLATIVE DEPARTMENT

COMBINING SCHEDULE OF APPROPRIATIONS, REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GENERAL FUND - COMMITTED
June 30, 2018

	Ballot Information Publication and Distribution Revolving Fund	Legislative Expenses Cash Fund	Youth Advisory Council Cash Fund	Legislative Department Cash Fund	Legislative Interim Committee on School Finance Fund	Total General Fund - Committed
APPROPRIATIONS AND REVENUES						
Appropriations						
Cash Fund and Reappropriated Funds	$ -	$ -	$ -	$ -	$ 380,869	$ 380,869
Total appropriations	-	-	-	-	380,869	380,869
Revenues						
Interest income	8,431	1,051	169	12,346	-	21,997
Miscellaneous revenue	-	-	-	3,035	-	3,035
Donations	-	-	2,300	339	-	2,639
Total revenues	8,431	1,051	2,469	15,720	-	27,671
Total appropriations and revenues	8,431	1,051	2,469	15,720	380,869	408,540
EXPENDITURES						
Operating expenditures	55	40	4,625	201,631	-	206,351
Purchased services	-	-	19,383	445,669	349,597	814,649
Capital outlay	-	-	-	3,157,105	-	3,157,105
Travel and subsistence	-	-	516	-	-	516
Total expenditures	55	40	24,524	3,804,405	349,597	4,178,621
Excess (deficiency) of revenues over expenditures	8,376	1,011	(22,055)	(3,788,685)	31,272	(3,770,081)
OTHER FINANCING SOURCES (USES)						
Operating transfers in	1,544,170	-	25,000	4,643,200	-	6,212,370
Operating transfers (out)	-	-	-	(887,170)	-	(887,170)
Total other financing sources (uses)	1,544,170	-	25,000	3,756,030	-	5,325,200
Net change in fund balance	1,552,546	1,011	2,945	(32,655)	31,272	1,555,119
Fund Balance, beginning of year	1,108,948	218,006	4,094	10,573,247	-	11,904,295
Fund Balance, end of year	$ 2,661,494	$ 219,017	$ 7,039	$ 10,540,592	$ 31,272	$ 13,459,414

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Members of the Legislative Audit Committee
State of Colorado Legislative Department
Denver, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the General Fund of the Legislative Department (the "Department") of the State of Colorado (the "State"), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Department's financial statements, and have issued our report thereon dated December 2, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Department's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McGee, Hearne & Paiz, LLP

Fort Collins, Colorado
December 2, 2019

COMMUNICATION WITH
THOSE CHARGED WITH GOVERNANCE
AT THE CONCLUSION OF THE AUDIT

To the Members of the Legislative Audit Committee
State of Colorado Legislative Department
Denver, Colorado

We are pleased to present this report related to our audits of the financial statements of the State of Colorado (the "State") Legislative Department (the "Department") General Fund as of and for the years ended June 30, 2019 and 2018. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Department's financial reporting process.

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication with Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audits, as well as observations arising from our audits that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

<u>Our Responsibilities with Regard to the Financial Statement Audits</u>

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in the Office of the State Auditor's arrangement letters dated May 15, 2019 and June 4, 2018. Our audits of the financial statements do not relieve management or those charged with governance of their responsibilities which are also described in that letter.

<u>Overview of the Planned Scope and Timing of the Financial Statement Audits</u>

We have discussed with the Office of the State Auditor the planned scope and timing of our audits and our identification of and planned audit response to significant risks of material misstatement.

<u>Accounting Policies and Practices</u>

- *Accounting Policies and Practices*: Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Department are described in Note 2 to the financial statements.
- *Adoption of, or Change in, Accounting Policies*: Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Department. The Department did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period.

In 2018, the State implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. The objective of GASB Statement No. 75 is to present the recognition of the liability that resembles the current unfunded accrued liability for postemployment benefits other than pensions. As the Department presents only fund level financial statements, this liability is not required to be recognized in the Department's financial statements. However, the Department elected to disclose its proportionate share of the State's OPEB balances in Note 13 and the Required Supplementary Information to the financial statements.

- *Significant or Unusual Transactions*: We did not identify any significant transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. Following is a description of the methods used to account for an unusual transaction:

  During the 2018 Legislative Session, the Governor signed into law Senate Bill 200, which requires the State to make an annual distribution of $225 million directly to the Public Employees' Retirement Association (PERA) beginning in Fiscal Year 2019 until the unfunded liabilities of the State, Judicial, Denver Public Schools, and Schools Division Trusts are 100% funded.

  PERA allocated the distribution among the different Trusts based on the ratio of covered payroll of each Trust to total covered payroll for all of the Trusts in total. The amount allocated to the State Division Trust Fund was then allocated to all PERA-affiliated employers across the primary government of the State's financial reporting entity, including the Department.

  In May 2019, the Office of the State Controller in consultation with PERA, developed an allocation methodology for the distribution to be treated as additional employer contributions. An amount of $578,334 was allocated to the Department and is included in compensation expenditures within the financial statements. In conjunction with the expense, the Department also recognized a non-budgetary transfer in from the Treasury in the same amount.

- *Management's Judgments and Accounting Estimates*: Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. There were no areas where it was necessary for management to form significant accounting estimates in connection with the preparation of the financial statements.

  However, the Department has elected to disclose its proportionate share of the State's pension and OPEB balances in Notes 11 and 13 and the Required Supplementary Information to the financial statements. This information was prepared by the Department's management using the memos and templates provided by the State's Office of the State Controller (the "OSC"). We evaluated the amounts reported in the notes and Required Supplementary Information to the financial statements, noting they appeared reasonable based on the information provided by the OSC.

- *Financial Statement Disclosures*: Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Department's financial statements relate to:

  1. The disclosure of the Department's proportionate share of the net pension liability in Note 11.
  2. The disclosure of the Department's proportionate share of the net OPEB liability in Note 13.

  The financial statement disclosures are neutral, consistent, and clear.

Audit Adjustments

There were no audit adjustments made to the original trial balances presented to us to begin our audits.

Uncorrected Misstatements

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audits, or significant disclosures to be included in the financial statements.

Consultation with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

We generally discuss a variety of matters with management each year, including the application of accounting principles and auditing standards and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Department's auditors.

In addition, following is a description of a significant issue arising from the audits that was discussed with management:

> The Department operates within two governmental funds of the State – the General Fund and the Public Buildings Trust Fund (a special revenue fund). Given the minimal amount of financial activity in the special revenue fund, it was determined that the audit of the Department would only occur with respect to its General Fund activity.

Significant Difficulties Encountered in Performing the Audits

We did not encounter any significant difficulties in dealing with management during the audits.

Significant Written Communications Between Management and Our Firm

We have requested certain representations from management that are included in the management representation letter dated December 2, 2019.

This report is intended solely for the information and use of the Legislative Audit Committee and management, and is not intended to be, and should not be, used by anyone other than these specified parties. However, upon release by the Legislative Audit Committee, this report is a public document.

McGee, Hearne & Paiz, LLP

Fort Collins, Colorado
December 2, 2019