

**STATE OF COLORADO
LEGISLATIVE DEPARTMENT
GENERAL FUND**

FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 2021 AND 2020

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REPORT TRANSMITTAL LETTER

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

We have completed the financial statement and compliance audits of the General Fund of the State of Colorado (the State) Legislative Department as of and for the years ended June 30, 2021 and 2020. 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 that we have issued as a result of this engagement are set forth in the table of contents that follows.

McGee, Hearne & Paiz, LLP

Fort Collins, Colorado

January 28, 2022

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STATE OF COLORADO LEGISLATIVE DEPARTMENT

REPORT SUMMARY (UNAUDITED) YEARS ENDED JUNE 30, 2021 AND 2020

AUTHORITY, PURPOSE AND SCOPE

The Office of the State Auditor of the State of Colorado (the State) engaged McGee, Hearne & Paiz, LLP (MHP) to conduct financial and compliance audits of the State of Colorado Legislative Department's (the Department) General Fund for the fiscal years ended June 30, 2021 and 2020 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 departments of the State.

MHP performed the 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.

The purpose and scope of the audits were to:

- Express an opinion on the financial statements of the Department as of and for the years ended June 30, 2021 and 2020. This includes a report on internal control over financial reporting and compliance and other matters based on the audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Perform tests of the Department's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, as it relates to financial reporting.
- Perform audit work to evaluate the Department's progress in implementing prior audit recommendations.

AUDIT OPINION

MHP expressed an unmodified opinion on the Department's financial statements as of and for the years ended June 30, 2021 and 2020.

SUMMARY OF AUDIT FINDINGS, RECOMMENDATIONS, AND PROGRESS IN IMPLEMENTING PRIOR YEAR AUDIT RECOMMENDATIONS

There were no audit recommendations for the year ended June 30, 2019.

A material weakness in internal control over financial reporting was identified for the year ended June 30, 2020. The Department partially implemented recommendation 2020-001, and for the year ended June 30, 2021, the deficiency was classified as a significant deficiency; however, it also resulted in an instance of noncompliance considered material to the financial statements.

A summary of our recommendations and responses from the Department can be found in the following Recommendation Locator section of this report.

The Disposition of Prior Audit Findings and Recommendations is located on page 14.

STATE OF COLORADO LEGISLATIVE DEPARTMENT
RECOMMENDATION LOCATOR (UNAUDITED)
YEAR ENDED JUNE 30, 2021

The following table presents the recommendation from the June 30, 2021 audit:

Recommendation Number	Page Numbers	Recommendation Summary	Response	Implementation Date
2021-001	9-10	<p>The Legislative Department should improve its internal controls over quarterly and fiscal year-end financial reporting by:</p> <p>A. Documenting and implementing the procedures necessary to prepare the Office of the State Controller's (OSC) required quarterly reports and the Department's annual financial statements and related supporting documentation to ensure consistent, accurate, and timely reporting of the information to the OSC and external auditors.</p> <p>B. Ensuring that a documented review of all financial information by a person who is not the preparer occurs prior to submission to the OSC and the external auditors.</p>	Agree	April 2022
			Agree	June 2022

STATE OF COLORADO LEGISLATIVE DEPARTMENT
RECOMMENDATION LOCATOR (UNAUDITED)
YEAR ENDED JUNE 30, 2020

The following table presents the recommendation from the June 30, 2020 audit. During our audit for the year ended June 30, 2021, we performed testing to determine the Department's implementation of management's corrective action plan in response to the finding, and the results of that testing are noted on page 14.

Recommendation Number	Page Numbers	Recommendation Summary	Response	Implementation Date
2020-001	13	<p>The Legislative Department should improve its internal controls over fiscal year-end financial reporting by:</p> <ul style="list-style-type: none"> A. Documenting the procedures and related supporting documentation necessary to prepare the Office of the State Controller (OSC) required exhibits and the related standalone financial statements to ensure consistent, accurate, and timely reporting of the information to the OSC and the external auditors. B. Implementing a documented review of all exhibits to be submitted to the OSC by a person who is not the preparer of the exhibit. C. Ensuring that all staff involved in the preparation and review processes established through Part B of this recommendation receive adequate training to ensure the exhibits are accurate and comply with the OSC submission requirements. D. Providing sufficient cross-training of accounting personnel in regard to the key preparation and review controls related to the exhibits, so that in the event of turnover or unexpected leaves of absence, the controls will continue to operate as designed. 	Agree	June 2021
			Agree	August 2021
			Agree	April 2021
			Agree	June 2021

STATE OF COLORADO LEGISLATIVE DEPARTMENT

AGENCY DESCRIPTIONS (UNAUDITED) YEARS ENDED JUNE 30, 2021 AND 2020

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 12 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 the Senate.

JOINT BUDGET COMMITTEE

The Joint Budget Committee (the Committee) is the fiscal and budget review agency for the State and comprises six members of the 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; 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 subsequently serves as Vice Chairman during the second session, and the elected Vice Chairman subsequently serves as Chairman during the second session.

LEGISLATIVE COUNCIL

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.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

AGENCY DESCRIPTIONS (UNAUDITED) YEARS ENDED JUNE 30, 2021 AND 2020

The Legislative Council Committee is an 18-member body comprising six members of the Senate, six members of the House, and the six-member Executive Committee. The Executive Committee, which comprises the President of the Senate, the Speaker of the House, and the majority and minority leaders of both houses, is the governing body of the Legislative Branch.

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 was established in the State's Constitution and serves as the State's independent, external 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 and 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 Office of the State Auditor examines all reports submitted by local governments 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).

OFFICE OF LEGISLATIVE LEGAL SERVICES

The Committee on Legal Services consists of 10 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 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.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

AGENCY DESCRIPTIONS (UNAUDITED) YEARS ENDED JUNE 30, 2021 AND 2020

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 two amendments – Amendments Y and Z – to the Colorado Constitution in 2018, which established and required two separate independent commissions for congressional and State legislative redistricting. Each commission comprises 12 members who are chosen by a three-judge panel from a pool of applicants. Legislative leadership is given an opportunity to provide input on eight of the members who are selected 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.

The commissions have nonpartisan staff who are 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 active during fiscal year 2021, but not in fiscal year 2020.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

SCHEDULE OF FINDINGS YEARS ENDED JUNE 30, 2021 AND 2020

This schedule should be read in conjunction with the 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* found on pages 72 and 73. We identified one finding related to each of the two fiscal years covered by the audit, which are described on the following pages and are numbered with the fiscal year to which they relate.

2021-001: Accounting Controls – Timeliness of Quarterly Reports and Presentation of Financial Information for Audit

The Legislative Department's (Department) financial activity is managed through two separate and distinct accounting processes and personnel. Specifically, the Office of the State Auditor (OSA) maintains accounting internal controls and records separate from accounting internal controls and records for the remaining five agencies of the Department, which are maintained by the Legislative Council Staff (LCS). For financial reporting purposes, the OSA's Controller provides accounting records to the LCS's Controller, who is responsible for preparing the Department's financial statements and reporting the quarterly and annual financial statement information for the Department as a whole to the Office of the State Controller (OSC).

The quarterly financial reports to be submitted to the OSC include financial information such as explanations for abnormal balances, out of balance funds, and over-expended accounts, as well as certifications related to the performance of payroll reconciliations and information technology access reviews. Timely and accurate financial reporting is vital for the proper functioning of state government. Such financial information must be available for decision making and planning purposes.

The financial statement information is required to be accurate, submitted on a timely basis, and representative of the Department's financial information for the fiscal year. The financial statement information is provided to the external auditors who subject it to testing in order to ensure the Department's and the State's overall aggregate financial statement reporting is complete and accurate, and conforms to statutory requirements.

What was the purpose of our audit work and what work was performed? (Context)

The purpose of the audit work was to determine whether the Department had adequate internal controls in place over, and complied with, applicable requirements related to its financial accounting and reporting processes for Fiscal Year 2021. As part of our audit, we performed testing of the Department's internal controls over various financial processes, and assessed the Department's control environment related to the timely and accurate submission of required quarterly reports, annual financial statements, and various financial information requested for audit. We specifically reviewed the submission documentation for all eight quarterly reports submitted by the Department to the OSC for Fiscal Year 2021.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

SCHEDULE OF FINDINGS YEARS ENDED JUNE 30, 2021 AND 2020

During the audit, we also evaluated the Department's progress in implementing our prior audit recommendations. In our Fiscal Year 2020 audit, we recommended that the Department improve its internal controls over fiscal year-end financial reporting by (a) documenting the procedures and related supporting documentation necessary to prepare the OSC-required exhibits and the related standalone financial statements to ensure consistent, accurate, and timely reporting of the information to the OSC and the external auditors; (b) implementing a documented review of all exhibits to be submitted to the OSC by a person who is not the preparer of the exhibit; (c) ensuring that all staff involved in the preparation and review process established through part (b) of this recommendation receive adequate training to ensure the exhibits are accurate and comply with OSC submission requirements; and (d) providing sufficient cross-training of accounting personnel in regard to the key preparation and review controls related to the exhibits, so that in the event of turnover or unexpected leaves of absence, the controls will continue to operate as designed. The Department agreed to implement these recommendations between April and August 2021.

How were the results of the audit work measured? (Criteria)

State Statute [Section 24-30-204(2), C.R.S.] requires all State departments to "submit a quarterly report of financial information to the OSC no later than 30 days after the last day of each fiscal quarter." However, the due dates established by the OSC were as follows: quarter 1 due by November 6, 2020, quarter 2 due by February 12, 2021, quarter 3 due by May 14, 2021, and quarter 4 due by September 1, 2021.

State Statute [Section 24-30-204(1), C.R.S.] requires that Department financial statements be submitted to the OSC no later than August 25, 2021, subject to any extensions that may be granted by the OSC. The OSC extended this due date to September 8, 2021.

The OSC's Fiscal Procedures Manual (Manual) [Chapter 1, Section 3.3, *State of Colorado Accounting Organization Objectives*, and Section 3.7a, *State of Colorado Accounting Organization Shared Responsibilities*] requires State departments to "establish internal controls for their departments" in order to "maintain an internal control environment that enhances sound business practices, clearly defines roles, responsibilities, and accountability, and provides for the prevention and detection of fraudulent activity." This includes maintaining internal controls over the preparation of financial information for submission to the OSC per the requirements of the Manual.

What problems did the audit work identify? (Condition)

As a result of our audit work, we identified the following issues:

- None of the LCS's four quarterly financial reports were submitted by the OSC's due dates, ranging from four to 56 days late.
- The Department's annual financial statements were submitted to the OSC by the LCS on September 15, 2021, which was seven days after the extended submission due date of September 8, 2021. After the Department submitted its annual financial statements to the OSC and to the auditors, the Department identified several errors in the financial statements. For example, there were adjustments of approximately \$1.2 million that affected revenues and transfers with no impact to fund balance. The financial statement errors were corrected on November 3, 2021.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

SCHEDULE OF FINDINGS YEARS ENDED JUNE 30, 2021 AND 2020

- The auditor experienced difficulties in obtaining information for the audit in a timely manner. For example, the audit was originally scheduled to begin on September 13, 2021; however, it was delayed two weeks to September 27, 2021, as documents requested for audit had not been provided by the first day of fieldwork. An audit document request listing was provided to the Department on June 11, 2021, wherein the final fieldwork items were requested by September 13, 2021. Requested documents from the LCS were provided September 15, 2021 through October 29, 2021.

Why did these problems occur? (Cause)

Overall, we determined that the Department had not fully implemented our Fiscal Year 2020 audit recommendations to improve its internal controls over fiscal year-end financial reporting. Specifically we found that the Department had not established and documented procedures to ensure the timely and accurate completion and submission of the Department's quarterly reports and financial statements to the OSC. We also determined that the Department had not established a timely review process over its annual financial statements prior to submission to the OSC and for audit. However, we did determine that the Department participated in the training facilitated by the OSC during Fiscal Year 2021 and began cross-training its accounting personnel.

Why do these problems matter? (Effect)

A lack of adequate internal controls, including a lack of an adequate and timely review process, resulted in different versions of the financial statements being reviewed internally compared to the versions presented to the OSC and for audit. Furthermore, the Department was out of compliance with statutory requirements for quarterly and annual reporting. GASB Concept Statement No. 1 states that, "If financial reports are to be useful, they must be issued soon enough after the reported events to affect decisions. Timeliness alone does not make information useful, but the passage of time usually diminishes the usefulness that the information otherwise would have had."

Classification of finding: Significant deficiency

This finding relates to prior audit recommendation 2020-001.

Recommendation 2021-001

The Legislative Department (Department) should improve its internal controls over quarterly and fiscal year-end financial reporting by:

- A. Documenting and implementing the procedures necessary to prepare the Office of the State Controller's (OSC) required quarterly reports and the Department's annual financial statements and related supporting documentation to ensure consistent, accurate, and timely reporting of the information to the OSC and external auditors.
- B. Ensuring that a documented review of all financial information by a person who is not the preparer occurs prior to submission to the OSC and the external auditors.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

**SCHEDULE OF FINDINGS
YEARS ENDED JUNE 30, 2021 AND 2020**

Management's response (unaudited) (Views of responsible officials and corrective action plan):

A. Agree. Implementation Date: April 2022.

We have already compiled materials via cross-training sessions for year-end processes and quarterly diagnostic reporting training with our staff accountants. These materials will be instrumental in the timely assembly of a fiscal year-end and quarterly financial reporting procedural manual. Our procedural manual will incorporate step action processes and any relevant references from the OSC's Fiscal Procedures Manual. In addition, the Legislative Council Staff's (LCS) Controller will utilize the OSC's deadline calendar to make sure all deadlines are met by incorporating self-imposed deadlines at least three days prior to the OSC deadlines that will allow for thorough review, corrections, and unforeseen circumstances.

B. Agree. Implementation Date: June 2022.

Our staff accountants have been trained and will take part in the yearly open/close training and review put on by the OSC, to serve as reviewers of quarterly and year-end reporting materials and calculations. Also, the Office of the State Auditor's (OSA) Controller and the LCS Controller will work closely together to use quality control measures prior to the submission of the financial statements to the OSC and external auditors. As we did with the exhibits this year, we will utilize our email system to document the review process from the LCS Controller sending the documents, the LCS staff/senior accountant and/or the OSA Controller acknowledging the review and listing any corrections or questions for the LCS Controller. The LCS Controller will also send any corrected document in question or explanation/clarification to any questions back to the reviewer for a final approval indicating it is ready for submission to the OSC or external auditors. Any physical review of documents needing to be submitted will be documented with the reviewer physically signing and dating the cover or first page of the document.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

SCHEDULE OF FINDINGS YEARS ENDED JUNE 30, 2021 AND 2020

2020-001: Accounting Controls – Inaccurate Preparation and Timeliness of Financial Statements and Exhibit J

The Department's financial activity is managed through two separate and distinct accounting processes and personnel. Specifically, the OSA maintains accounting internal controls and records separate from the remaining five agencies of the Department, which are maintained by Legislative Council Staff (LCS). For financial reporting purposes, the OSA's Controller provides accounting records to LCS's Controller, who is ultimately responsible for preparing the Department's financial statements and for reporting the financial statement information for the Department as a whole to the Office of the State Controller (OSC) through exhibit submissions.

The financial statements and exhibits are required to be accurate, submitted on a timely basis, and representative of the Department's financial information for the fiscal year. The financial statements and exhibits are provided to the external auditors who subject them to testing in order to ensure the State's overall aggregate financial statement reporting is complete and accurate.

What was the purpose of our audit work and what work was performed? (Context)

The purpose of the audit work was to determine whether the Department had adequate internal controls in place over, and complied with, applicable requirements related to its financial accounting and reporting processes for Fiscal Year 2020.

As part of our audit, we performed testing of the Department's internal controls over various financial processes, including the Department's preparation of its Fiscal Year 2020 financial statements and Exhibit J, *Financial Statement Report*. The OSC requires state departments that prepare separate standalone financial statements to prepare the Exhibit J, which requires departments to reconcile the financial statements to Colorado Operations Resource Engine (CORE), the State's accounting system. Our testing included comparing the Department's financial statements to the Exhibit J and the related supporting documentation to determine whether the Department prepared the financial statements and the Exhibit J accurately and in accordance with the OSC's *Fiscal Procedures Manual* (Manual).

How were the results of the audit work measured? (Criteria)

The Manual [Chapter 1, Section 3.3, *State of Colorado Accounting Organization Objectives*, and Section 3.7a, *State of Colorado Accounting Organization Shared Responsibilities*] requires state departments to "establish internal controls for their departments" in order to "maintain an internal control environment that enhances sound business practices, clearly defines roles, responsibilities, and accountability, and provides for the prevention and detection of fraudulent activity." This includes maintaining internal controls over the preparation of applicable exhibits for submission to the OSC per the requirements of the Manual.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

SCHEDULE OF FINDINGS YEARS ENDED JUNE 30, 2021 AND 2020

The Exhibit J is required to be prepared and submitted to the OSC by departments that prepare separately issued financial statements, such as the Department. The Exhibit J is used to reconcile the Department's account balances contained in CORE to the Department's financial statements. State Statute [Section 24-30-204, C.R.S.] requires that department financial statements be submitted annually to the OSC no later than August 25, 2020, subject to any extensions that may be granted by the OSC; the OSC requires departments to submit their financial statements and related notes to the OSC with the Exhibit J. The Department's final Fiscal Year 2020 reporting due date for the Exhibit J, after OSC-provided extensions, was September 2, 2020.

The Department is also responsible for preparing its standalone financial statements and related note disclosures in compliance with generally accepted accounting principles (GAAP). Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, requires that investments be measured at fair value.

What problems did the audit work identify? (Condition)

The Department's June 30, 2020 cash balances on deposit with the State Treasurer, as reported in its Fiscal Year 2020 financial statements, were understated by \$542,621 due to the Department's failure to record an adjustment to increase its fiscal year-end pooled cash and investment balances from the cost basis to fair market value. The Department also reported the incorrect cash balances to the OSC on its financial statements and Exhibit J. Further, the Department submitted its financial statements and Exhibit J to the OSC on September 14, 2020, which was 12 days after the required submission date. We also experienced delays in receiving requested supporting documentation for purposes of testing the accuracy and completeness of the financial statements and the Exhibit J.

Why did these problems occur? (Cause)

In November 2019, the Department experienced turnover in LCS's Controller position, who is tasked with the review of financial activity entered in CORE by the accounting staff, preparation of the Department's financial statements, and submission of all exhibits to the OSC, including the Exhibit J. Although the Department filled the position after two months, the Department lacked documented procedures for the position and provided only minimal training to the new Controller related to financial statement and Exhibit J preparation. Further, the Department does not have a process in place for cross-training of these processes among staff. The Department also did not have a supervisory review process in place over preparing the financial statements and exhibits during Fiscal Year 2020 or sufficient controls to ensure they were completed and submitted to the OSC in a timely manner.

Why do these problems matter? (Effect)

A lack of sufficient internal controls, including a lack of an adequate and timely review process, ultimately threatens the integrity of the State's financial statements by potentially affecting the accuracy and completeness of the financial reporting information contained in the financial statements and accompanying notes necessary for compliance with GAAP.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

SCHEDULE OF FINDINGS YEARS ENDED JUNE 30, 2021 AND 2020

Classification of finding: Material weakness

This finding does not apply to a prior audit recommendation.

Recommendation 2020-001

The Legislative Department (Department) should improve its internal controls over fiscal year-end financial reporting by:

- A. Documenting the procedures and related supporting documentation necessary to prepare the Office of the State Controller's (OSC) required exhibits and the related standalone financial statements to ensure consistent, accurate, and timely reporting of the information to the OSC and the external auditors.
- B. Implementing a documented review of all exhibits to be submitted to the OSC by a person who is not the exhibit preparer.
- C. Ensuring that all staff involved in the preparation and review processes established through Part B of this recommendation receive adequate training to ensure the exhibits are accurate and comply with the OSC submission requirements.
- D. Providing sufficient cross-training of accounting personnel in regard to the key preparation and review controls related to the exhibits, so that in the event of turnover or unexpected leaves of absence, the controls will continue to operate as designed.

Management's response (unaudited) (Views of responsible officials and corrective action plan):

- A. Agree. Implementation Date: June 2021.
We have already discussed the assembly of a fiscal year-end financial reporting procedural manual. The Controller will assemble the manual to cover year-end processes for closing the fiscal year and the preparation of the correlating financial statements.
- B. Agree. Implementation Date: August 2021.
The Controller will present and review all exhibits with the Legislative Council Director prior to the submission deadline. A reviewed and signed copy by the Legislative Council Director will be kept on file with our year-end close files.
- C. Agree. Implementation Date: April 2021.
In order to ensure the exhibits are accurate and comply with OSC submission requirements, the Controller will document attendance to the open and close training facilitated by the OSC each year. The Controller's active participation in this yearly training will ensure that there is an understanding of any newly implemented requirements, and will also give an opportunity to clarify any areas of uncertainty in producing the department's exhibits.
- D. Agree. Implementation Date: June 2021.
In conjunction with recommendation A, the accounting staff will begin cross-training on key processes outlined in the new procedural manual.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

DISPOSITION OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS YEARS ENDED JUNE 30, 2021 AND 2020

The following table presents the recommendation from the June 30, 2020 audit and the disposition for each of the recommendation parts as of June 30, 2021:

Recommendation Number	Recommendation Summary	Disposition
2020-001	<p>The Legislative Department should improve its internal controls over fiscal year-end financial reporting by:</p> <ul style="list-style-type: none">A. Documenting the procedures and related supporting documentation necessary to prepare the OSC-required exhibits and the related standalone financial statements to ensure consistent, accurate, and timely reporting of the information to the OSC and the external auditors.B. Implementing a documented review of all exhibits to be submitted to the OSC by a person who is not the preparer of the exhibit.C. Ensuring that all staff involved in the preparation and review processes established through part B of this recommendation receive adequate training to ensure the exhibits are accurate and comply with the OSC submission requirements.D. Providing sufficient cross-training of accounting personnel in regard to the key preparation and review controls related to the exhibits, so that in the event of turnover or unexpected leaves of absence, the controls will continue to operate as designed.	<p>Partially implemented. See current-year finding 2021-001.</p> <p>Partially implemented. See current-year finding 2021-001.</p> <p>Implemented.</p> <p>Partially implemented. See current-year finding 2021-001.</p>



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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, 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 Management's Discussion and Analysis on pages 18 through 21, the Schedule of the Department's Proportionate Share of the Net Pension Liability on page 57, the Schedule of the Department's Pension Contributions on page 58, the Schedule of the Department's Proportionate Share of the Net OPEB Liability on page 59, the Schedule of the Department's OPEB Contributions on page 60, and the Notes to Required Supplementary Information on pages 61 through 63 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 other information, such as the Report Summary and Agency Descriptions, are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining information on pages 64 through 71 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, the Recommendation Locator on pages 2 and 3, and the Agency Descriptions on pages 4 through 6 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 January 28, 2022, 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

January 28, 2022

STATE OF COLORADO LEGISLATIVE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020

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, 2021 and 2020, and it should be read in conjunction with the financial statements, which begin on page 22. 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, 2021 and 2020. The Balance Sheets – General Fund 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 – General Fund 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 – General Fund 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 22 and 23 of this report.

The Department has an annual appropriated budget for its General Fund. Budgetary comparison statements have been provided on pages 24 through 27 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 28 through 56 of this report.

STATE OF COLORADO LEGISLATIVE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020

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 – GENERAL FUND

	June 30		
	2021	2020	2019
Total assets	\$ 21,088,215	\$ 19,983,202	\$ 17,525,451
Total liabilities	5,850,454	4,991,273	4,711,201
Fund balance	\$ 15,237,761	\$ 14,991,929	\$ 12,814,250

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

	June 30		
	2021	2020	2019
Appropriations	\$ 54,896,111	\$ 56,629,663	\$ 51,845,841
Revenues	1,100,185	1,603,160	1,394,321
Total appropriations and revenues	55,996,296	58,232,823	53,240,162
Total expenditures	54,285,904	53,876,314	51,884,392
Excess of appropriations and revenues over expenditures	1,710,392	4,356,509	1,355,770
Total other financing (uses) sources	(1,464,560)	(2,178,830)	493,716
Net change in fund balance	245,832	2,177,679	1,849,486
Fund balance, beginning of year	14,991,929	12,814,250	10,964,764
Fund balance, end of year	\$ 15,237,761	\$ 14,991,929	\$ 12,814,250

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.

STATE OF COLORADO LEGISLATIVE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020

General Fund assets consist primarily of cash with the State Treasury. Accrued liabilities consist primarily of salaries payable resulting from 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 2021, the Department's total General Fund assets increased by \$1,105,013 and General Fund liabilities increased by \$859,181, primarily due to the transfer of unexpended General Fund appropriations to the Legislative Department Cash Fund, as required by House Bill 12-1301 and increased salaries for elected officials and State legislators, as required by Section 2-2-307(1)(b), C.R.S.

During fiscal year 2020, the Department's total General Fund assets increased by \$2,457,751 and General Fund liabilities increased by \$280,072, primarily due to the transfer of unexpended General Fund appropriations to the Legislative Department Cash Fund, as required by House Bill 12-1301 and increased salaries for elected officials and State legislators, as required by Section 2-2-307(1)(b), C.R.S.

The Department's General Fund had total fund balances as follows: \$15,237,761 at June 30, 2021, \$14,991,929 at June 30, 2020, and \$12,814,250 at June 30, 2019. The total fund balances include deficit unassigned balances due to salaries and related benefits being incurred but unfunded at fiscal year-end, but paid with the following year's appropriations, as required by Senate Bill 03-197, and reflected in accrued liabilities.

The Department's General Fund revenues for the year ended June 30, 2021 were \$1,100,185, a decrease of 31% from the year ended June 30, 2020, primarily due to an increase in investment (loss) in fiscal year 2021. General Fund expenditures for the year ended June 30, 2021 were \$54,285,904, an increase of 0.76% over the year ended June 30, 2020, primarily due an increase of \$1.5 million in operating expenditures in the Ballot Information Publication and Distribution Revolving Fund resulting from the publication of a larger Ballot Information Booklet (Blue Book) for the 2020 election year. Other financing uses decreased by \$714,270, primarily due to a reduction in total appropriations and revenues, reducing the funds available to transfer out during fiscal year 2021.

The Department's General Fund revenues for the year ended June 30, 2020 were \$1,603,160, an increase of 15.0% from the year ended June 30, 2019, primarily due to an increase in investment income. General Fund expenditures for the year ended June 30, 2020 were \$53,876,314, an increase of 3.8% over the year ended June 30, 2019, primarily due to (a) an increase in compensation expenditures for elected officials and State legislators, as discussed above; and (b) a decrease in operating expenditures in the Ballot Information Publication and Distribution Revolving Fund resulting from the publication of a smaller Ballot Information Booklet (Blue Book) for the 2019 election year. Other financing uses increased by \$2,672,546, primarily due to the transfer from History Colorado to the Department for the State Capitol renovation project in fiscal year 2019, which was a one-time transfer. Building improvements of \$161,196, 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.

STATE OF COLORADO LEGISLATIVE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020

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 2021 GENERAL FUND BUDGETARY HIGHLIGHTS

The Department's General Fund appropriations for fiscal year 2021 were \$54,896,111, which was a 3.06% decrease from fiscal year 2020. The original budget decreased by \$897,190 through various special bills in fiscal year 2021. This is primarily due to the suspension of the Public Employees' Retirement Association Direct Distribution appropriation in fiscal year 2021. Total General Fund budgetary expenditures were \$54,233,784. The committed General Fund balance increased by \$212,077 and unexpended Cash Fund and Reappropriated Fund appropriations of \$93,403 reverted to the State's General Fund.

FISCAL YEAR 2020 GENERAL FUND BUDGETARY HIGHLIGHTS

The Department's General Fund appropriations for fiscal year 2020 were \$56,629,663, which was a 9.2% increase from fiscal year 2019. The original budget increased by \$459,878 through various special bills in fiscal year 2020. A budget rollforward to fiscal year 2021 of \$24,000 was authorized by House Bill 20-1423 for new member orientation of the Legislative Council. Total General Fund budgetary expenditures were \$53,677,908. The committed General Fund balance increased by \$2,376,086 and unexpended Cash Fund and Reappropriated Fund appropriations of \$134,403 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, 2021 and 2020

	2021	2020
ASSETS		
Cash	\$ 20,430,695	\$ 19,032,160
Accounts Receivable	173,555	393,120
Interdepartmental Receivables	326,409	401,839
Prepaid Expenses	157,556	156,083
Total assets	\$ 21,088,215	\$ 19,983,202
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 2,247,692	\$ 1,757,910
Accrued liabilities	3,602,762	3,233,363
Total liabilities	5,850,454	4,991,273
Fund balance:		
Non-spendable, prepaids	157,556	156,083
Committed	18,099,924	17,887,847
Unassigned	(3,019,719)	(3,052,001)
Total fund balance	15,237,761	14,991,929
Total liabilities and fund balance	\$ 21,088,215	\$ 19,983,202

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, 2021 and 2020

	2021	2020
Appropriations and Revenues		
Appropriations:		
General Fund	\$ 53,660,489	\$ 55,173,745
Cash Fund and Reappropriated Funds	1,235,622	1,455,918
Total appropriations	54,896,111	56,629,663
Revenues:		
Audit reimbursements	1,251,246	823,265
Investment (loss) income	(244,137)	775,545
Miscellaneous	93,076	4,189
Donations	-	161
Total revenues	1,100,185	1,603,160
Total appropriations and revenues	55,996,296	58,232,823
Expenditures		
Compensation	40,485,048	40,115,406
Operating expenditures	7,259,538	5,710,578
Purchased services	4,068,022	4,478,906
Capital outlay	1,010,191	1,871,068
Travel and subsistence	1,463,105	1,700,356
Total expenditures	54,285,904	53,876,314
Excess of appropriations and revenues over expenditures	1,710,392	4,356,509
Other Financing (Uses)		
Operating transfers (out)	(119,911)	(1,221,162)
Reversion of non-augmenting revenue	(1,251,246)	(823,265)
Reversion of Cash/Reappropriated Funds appropriation	(93,403)	(134,403)
Total other financing (uses)	(1,464,560)	(2,178,830)
Net change in fund balance	245,832	2,177,679
Fund Balance, beginning of year	14,991,929	12,814,250
Fund Balance, end of year	\$ 15,237,761	\$ 14,991,929

See Notes to Financial Statements.

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STATE OF COLORADO LEGISLATIVE DEPARTMENT

BUDGETARY COMPARISON STATEMENT – GENERAL FUND (BUDGET BASIS) Year Ended June 30, 2021

	Legislative Appropriations Bill	Long Appropriations Bill	Bills Adjusting Initial Appropriations
Appropriations and Revenues			
Appropriations:			
General Fund			
Cash Fund and Reappropriated Funds			
Total appropriations			
Revenues:			
Audit reimbursements			
Investment income			
Miscellaneous			
Donations			
Total revenues			
Total appropriations and revenues			
Expenditures by Appropriation			
General administration	\$ 46,904,517	\$ -	\$ (897,190)
Ballot analysis	-	1,600,000	-
Cost-of-living analysis	-	-	-
Youth Advisory Council	-	-	-
Colorado Channel Authority	-	-	-
Property tax study	-	676,000	-
PERA Amortization Equalization Disbursement	1,594,343	-	-
PERA Supplemental Amortization Equalization Disbursement	1,594,343	-	-
SB 19-203 PERA Direct Distribution	660,409	-	-
Maintenance of legislative space	-	2,570,330	-
Legal services	-	7,205	-
Payments to Office of Information Technology	-	-	-
Workers' compensation	-	35,107	-
General liability/property insurance	-	53,627	-
CORE operations	-	48,420	-
Ballot Information Publication and Distribution Committed General Fund	-	-	-
Legislative Expenses Committed General Fund	-	-	-
Youth Advisory Council Committed General Fund	25,000	-	-
Legislative Department Committed General Fund	-	-	-
Legislative Interim Committee on School Finance Committed General Fund	-	-	-
Total expenditures by appropriation	50,778,612	4,990,689	(897,190)
(Deficiency) excess of appropriations and revenues over expenditures and transfers	\$ (50,778,612)	\$ (4,990,689)	\$ 897,190

Other Financing (Uses)

Operating transfers (out)
Reversion of non-augmenting revenue
Reversion of Cash/Reappropriated Funds appropriation
Total other financing (uses)
Net change in fund balance

Fund Balance, beginning of year

Fund Balance, end of year

See Notes to Financial Statements.

Transfers	Rollforward	Budget	Actual	Variance with Final Budget
		\$ 53,660,489	\$ 53,660,489	\$ -
		1,235,622	1,235,622	-
		<u>54,896,111</u>	<u>54,896,111</u>	<u>-</u>
		- 1,251,246	1,251,246	1,251,246
		- (244,137)	(244,137)	(244,137)
		- 93,076	93,076	93,076
		<u>-</u>	<u>-</u>	<u>-</u>
			1,100,185	1,100,185
		<u>54,896,111</u>	<u>55,996,296</u>	<u>1,100,185</u>
\$ 3,849,095	\$ 24,000	49,880,422	49,252,870	627,552
-	-	1,600,000	1,600,000	-
-	-	-	-	-
-	-	-	-	-
-	-	676,000	676,000	-
(1,594,343)	-	-	-	-
(1,594,343)	-	-	-	-
(660,409)	-	-	-	-
-	-	2,570,330	2,535,555	34,775
-	-	7,205	7,205	-
-	-	-	-	-
-	-	35,107	35,107	-
-	-	53,627	53,627	-
-	-	48,420	48,420	-
-	-	-	-	-
-	-	-	-	-
-	-	25,000	25,000	-
-	-	-	-	-
-	-	-	-	-
-	24,000	<u>54,896,111</u>	<u>54,233,784</u>	<u>662,327</u>
\$ -	\$ (24,000)		1,762,512	1,762,512
		- (119,911)	(119,911)	(119,911)
		- (1,251,246)	(1,251,246)	(1,251,246)
		<u>- (93,403)</u>	<u>(93,403)</u>	<u>(93,403)</u>
		<u>- (1,464,560)</u>	<u>(1,464,560)</u>	<u>(1,464,560)</u>
		<u>- 297,952</u>	<u>297,952</u>	<u>297,952</u>
		<u>-</u>	<u>17,900,982</u>	<u>17,900,982</u>
		<u>\$ -</u>	<u>\$ 18,198,934</u>	<u>\$ 18,198,934</u>

STATE OF COLORADO LEGISLATIVE DEPARTMENT

BUDGETARY COMPARISON STATEMENT – GENERAL FUND (BUDGET BASIS) Year Ended June 30, 2020

	Legislative Appropriations Bill	Long Appropriations Bill	Bills Adjusting Initial Appropriations
Appropriations and Revenues			
Appropriations:			
General Fund			
Cash Fund and Reappropriated Funds			
Total appropriations			
Revenues:			
Audit reimbursements			
Investment income			
Miscellaneous			
Donations			
Total revenues			
Total appropriations and revenues			
Expenditures by Appropriation			
General administration	\$ 47,464,228	\$ -	\$ 459,878
Ballot analysis	-	1,400,000	-
Cost-of-living analysis	-	250,000	-
Youth Advisory Council	25,000	-	-
Property tax study	-	676,000	-
PERA Amortization Equalization Disbursement	1,575,417	-	-
PERA Supplemental Amortization Equalization Disbursement	1,575,417	-	-
SB 19-203 PERA Direct Distribution	693,846	-	-
Maintenance of legislative space	-	2,387,783	-
Legal services	-	13,995	-
Payments to Office of Information Technology	-	-	-
Workers' compensation	-	30,204	-
General liability/property insurance	-	65,621	-
CORE operations	-	36,274	-
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	-	-	-
Total expenditures by appropriation	<u>51,333,908</u>	<u>4,859,877</u>	<u>459,878</u>
(Deficiency) excess of appropriations and revenues over expenditures and transfers	<u>\$ (51,333,908)</u>	<u>\$ (4,859,877)</u>	<u>\$ (459,878)</u>

Other Financing (Uses)

Operating transfers (out)
Reversion of non-augmenting revenue
Reversion of Cash/Reappropriated Funds appropriation
Total other financing (uses)
Net change in fund balance

Fund Balance, beginning of year

Fund Balance, end of year

See Notes to Financial Statements.

Transfers	Rollforward	Budget	Actual	Variance with Final Budget
		\$ 55,173,745	\$ 55,173,745	\$ -
		1,455,918	1,455,918	-
		<u>56,629,663</u>	<u>56,629,663</u>	<u>-</u>
		-	823,265	823,265
		-	775,545	775,545
		-	4,189	4,189
		-	161	161
		<u>-</u>	<u>1,603,160</u>	<u>1,603,160</u>
		<u>56,629,663</u>	<u>58,232,823</u>	<u>1,603,160</u>
\$ 3,844,680	\$ (24,000)	51,744,786	46,702,003	5,042,783
-	-	1,400,000	-	1,400,000
-	-	250,000	250,000	-
-	-	25,000	-	25,000
-	-	676,000	676,000	-
(1,575,417)	-	-	-	-
(1,575,417)	-	-	-	-
(693,846)	-	-	-	-
-	-	2,387,783	2,353,783	34,000
-	-	13,995	13,995	-
-	-	-	-	-
-	-	30,204	30,204	-
-	-	65,621	65,621	-
-	-	36,274	36,274	-
-	-	-	830,565	(830,565)
-	-	-	25,090	(25,090)
-	-	-	21,062	(21,062)
-	-	-	2,490,687	(2,490,687)
-	-	-	182,624	(182,624)
-	(24,000)	<u>56,629,663</u>	<u>53,677,908</u>	<u>2,951,755</u>
\$ -	\$ 24,000	-	4,554,915	4,554,915
		-	(1,221,162)	(1,221,162)
		-	(823,265)	(823,265)
		-	(134,403)	(134,403)
		-	(2,178,830)	(2,178,830)
		-	2,376,085	2,376,085
		<u>-</u>	<u>15,524,897</u>	<u>15,524,897</u>
\$ -	\$ 17,900,982	\$ 17,900,982	\$ 17,900,982	\$ 17,900,982

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

Note 1. Definition of 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:

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 Annual Comprehensive Financial Report (ACFR). The State's ACFR can be obtained at www.colorado.gov/pacific/osc/acfr.

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.

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.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies, *Continued*

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 (SB) 18-200 [Section 24-51-414(1), Colorado Revised Statutes (C.R.S.)] directed the State to provide \$225 million in direct support to the Public Employees' Retirement Association (PERA) on an annual basis beginning in fiscal year 2019. The Office of the State Controller did not allocate the fiscal year 2021 payment as an expenditure to each department of the State per House of Representatives (the House) Bill (HB) 20-1379.

Budget to GAAP differences for General Fund expenditures for the fiscal years ended June 30 are as follows:

	2021	2020
Total expenditures, GAAP basis	\$ 54,285,904	\$ 53,876,314
(Increase) in salaries incurred but unpaid	(52,120)	(198,406)
Total expenditures, budgetary basis	\$ 54,233,784	\$ 53,677,908

Cash: The cash balance at June 30, 2021 and 2020 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 its cash with the Colorado State Treasurer as required by 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. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2021, the Department had cash on deposit with the State Treasurer of \$20.4 million, which represented approximately 0.11% of the total \$17,744.6 million fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2020, the Department had cash on deposit with the State Treasurer of \$19.0 million, which represented approximately 0.2% of the total \$9,633.8 million fair value of investments in the Pool.

On the basis of the Department's participation in the Pool, the Department reports 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's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year. Additional information on investments of the State Treasurer's Pool may be obtained in the State's ACFR for the year ended June 30, 2021.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies, *Continued*

Fund balance: Fund balance classifications are non-spendable and spendable, as follows:

Non-spendable fund balance: Non-spendable fund balance consists of prepaid expenses. The General Fund non-spendable fund balance was \$157,556 and \$156,083 at June 30, 2021 and 2020, respectively.

Spendable fund balance: 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, programs operating in the General Fund, and others.

Spendable fund balance classifications include:

- **Committed fund balance:** 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 SB 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 HB 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. SB 05-157 amended the Colorado State Statute to provide for payment of other qualified expenses from the fund. SB 07-223 amended the definition of other qualified expenses in the Colorado State 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 HB 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.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies, *Continued*

4. The Legislative Department Cash Fund was created by HB 09-1348 to pay for expenses of the Department. The fund comprises 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. HB 10-1210 established the redistricting account within the Legislative Department Cash Fund to pay for the expense of redistricting the congressional and State legislative districts in the State. HB 12-1301 requires unexpended General Fund appropriations to the Department to be transferred to the Legislative Department Cash Fund.
5. The Legislative Interim Committee on School Finance Fund was created by HB 17-1340 and extended by SB 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 year ended June 30, 2019, 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 the Legislative Council for the 2019-2020 State fiscal year. For the year ended June 30, 2021, the Legislative Interim Committee on School Finance was not reauthorized.

The committed fund balances at June 30 are as follows:

	2021	2020
Ballot Information Publication and Distribution Revolving Fund	\$ 1,242,278	\$ 2,166,227
Legislative Expenses Cash Fund	183,726	186,092
Youth Advisory Council Cash Fund	13,430	12,500
Legislative Department Cash Fund	16,513,088	15,375,626
Legislative Interim Committee on School Finance Fund	147,402	147,402
 Total committed fund balances	 \$ 18,099,924	 \$ 17,887,847

- Unassigned fund balance: Unassigned fund balance is the residual category in the General Fund. At June 30, 2021 and 2020, the General Fund had an unassigned deficit fund balance of \$3,019,719 and \$3,052,001, 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 the accrued salaries and benefits on July 1 of the following year.

Note 3. Accrued Salaries and Benefits

SB 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 \$2,961,174 and \$2,909,053 as of June 30, 2021 and 2020, respectively. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO 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, as discussed in Note 6. Unspent appropriations for Cash and Reappropriated Funds revert to the State's General Fund. HB 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, 2021 and 2020 specified that \$90,000 of revenue earned by the sale of bill copies was available for expenditure by the General Assembly in each year. In addition, the Department appropriation for the years ended June 30, 2021 and 2020 specified that \$125,780 and \$375,780, respectively, reappropriated from the General Assembly to the Legislative Council was available for use in the first-class printing of House and Senate bills and other legislative products in each year, as described in Section 24-70-203(1)(a), C.R.S. Also, the Department appropriation for the year ending June 30, 2022 specified that \$250,000 reappropriated from the Department of Education to the Legislative Council was available for use for the cost-of-living analysis, as described in Section 22-54-104(5)(c), C.R.S. Lastly, the Department appropriation for the years ended June 30, 2021 and 2020 also specified that audit reimbursements of \$1,019,842 and \$990,138, respectively, were available for expenditure by the Office of the State Auditor. Receipts in excess of that amount were not available for expenditure.

Revenues for the years ended June 30, 2021 and 2020 consist of reimbursements in excess of the appropriated amounts disclosed above for audit services performed by the Office of the State Auditor for certain non-State-appropriated activities of the State, as well as investment income and other miscellaneous amounts. HB 13-1039 requires miscellaneous revenues, with certain exceptions, to be deposited in the Legislative 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 2021 and 2020 was \$2,305,728 and \$2,245,278, respectively. These amounts are not reflected in audit reimbursements.

As of June 30, 2021 and 2020, the Office of the State Auditor had contract commitments of \$1,618,966 and \$1,213,994, 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 TABOR, which added a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue, and debt limitations.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

Note 6. Tax, Spending, and Debt Limitations, *Continued*

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 did not affect the Department's fiscal year 2021 and 2020 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, 2021 and 2020 amounted to \$2,535,555 and \$2,353,783, respectively. Future minimum commitments for the Capitol complex lease do not exceed one year.

Operating leases for equipment expire beginning in October 2020 through November 2023. The future annual minimum lease payments are as follows:

Years ending June 30:	
2022	\$ 39,610
2023	21,553
2024	<u>8,980</u>
	<u><u>\$ 70,143</u></u>

Note 9. Capital Assets

Pursuant to the provisions of Governmental Accounting Standards Board (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.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

Note 9. Capital Assets, *Continued*

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 three 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 ¹	Total
Cost:					
Balance, July 1, 2019	\$ 2,600,573	\$ 191,860	\$ -	\$ 55,927	\$ 2,848,360
Additions	152,873	-	161,196	1,582,549	1,896,618
Deletions	-	-	(161,196)	(55,927)	(217,123)
Balance, June 30, 2020	2,753,446	191,860	-	1,582,549	4,527,855
Additions	86,656	-	240,959	661,364	988,979
Deletions	-	-	(240,959)	(765,905)	(1,006,864)
Balance, June 30, 2021	2,840,102	191,860	-	1,478,008	4,509,970
 Accumulated depreciation:					
Balance, July 1, 2019	(1,995,647)	(191,860)	-	-	(2,187,507)
Additions	(257,604)	-	-	-	(257,604)
Deletions	-	-	-	-	-
Balance, June 30, 2020	(2,253,251)	(191,860)	-	-	(2,445,111)
Additions	(191,828)	-	-	-	(191,828)
Deletions	-	-	-	-	-
Balance, June 30, 2021	(2,445,079)	(191,860)	-	-	(2,636,939)
 Total capital assets, net, June 30, 2021					
	<u>\$ 395,023</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,478,008</u>	<u>\$ 1,873,031</u>

¹ Building improvements and completed construction in progress 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 absence 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.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

Note 10. Long-Term Obligations, *Continued*

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, 2019	\$ 2,947,574
Additions	473,251
Reductions	<u>(61,428)</u>
Balance, June 30, 2020	3,359,397
Additions	449,404
Reductions	<u>(9,243)</u>
Balance, June 30, 2021	\$ 3,799,558
Due within one year	<u>\$ 11,751</u>

Note 11. Defined Benefit Pension Plan

Plan description: Eligible employees of the Department are provided with pensions through the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by 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 ACFR that can be obtained at www.copera.org/investments/pera-financial-reports.

The Colorado General Assembly passed significant pension reform through 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. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2021 and 2020.

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; or
- The value of the retiring employee's member contribution account plus a 10% match on eligible amounts as of 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 the highest average salary and also cannot exceed the maximum benefit allowed by the Federal Internal Revenue Code.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined Benefit Pension Plan, *Continued*

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, the 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, 2020 and 2019, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2020 and 2019 was 0% for all benefit recipients.

As of December 31, 2020 and 2019, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 will receive an annual increase of 1.25% unless adjusted by the automatic adjustment provision (AAP) pursuant to Section 24-51-413, C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007 will receive the lesser of an annual increase of 1.25% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the SDTF.

The AAP may raise or lower the aforementioned annual increase by up to 0.25% 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. The disability benefit amount is based on the lifetime retirement benefit formula(s) shown above, considering a minimum of 20 years of service credit, if deemed disabled.

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 the service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions: Eligible employees of the Department and the State are required to contribute to the SDTF at a rate set by Colorado State Statutes. 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 years ended June 30, 2021 and 2020 are summarized in the table below:

July 1, 2020 through June 30, 2021	July 1, 2019 through June 30, 2020
Employee contribution rates ¹	10.00% 8.75%

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

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined Benefit Pension Plan, *Continued*

The employer contribution requirements for all Department employees for the years ended June 30, 2021 and 2020 are summarized in the table below:

	July 1, 2020 through June 30, 2021	July 1, 2019 through June 30, 2020
Employer contribution rate ¹	10.90%	10.40%
Amount of employer contribution apportioned to the Health Care Trust Fund (HCTF) ^{1,2}	-1.02%	-1.02%
Amount apportioned to the SDTF¹	9.88%	9.38%
Amortization of Equalization Disbursement (AED) ^{1,3}	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) ^{1,3}	5.00%	5.00%
Defined Contribution Supplement ⁴	0.05%	N/A
Total employer contribution rate to the SDTF¹	19.93%	19.38%

¹ Contribution 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.

⁴ As specified in Section 24-51-415, C.R.S.

As specified in Section 24-51-414, C.R.S., the State is required to directly 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, the School Division Trust Fund, the Judicial Division Trust Fund, and the Denver Public Schools (DPS) Division Trust Fund. HB 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020 for the State's fiscal year ended June 30, 2021. The Department's allocation of the direct distribution was \$0.00 and \$693,846 for the years ended June 30, 2021 and 2020, respectively.

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 \$5,196,444 and \$5,576,445 for the years ended June 30, 2021 and 2020, respectively.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: 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.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined Benefit Pension Plan, *Continued*

The net pension liability for the SDTF was measured as of December 31, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019 and 2018. Standard update procedures were used to roll forward the total pension liability to December 31, 2020 and 2019. The Department's proportion of the net pension liability was based on the Department's contributions to the SDTF for the calendar years 2020 and 2019 relative to the total contributions of participating employers and the State as a non-employer contributing entity for participating employers of the SDTF that are outside of the State's financial reporting entity.

At June 30, 2021 and 2020, the Department reported a liability of \$74,525,794 and \$76,523,124, respectively, for its proportionate share of the net pension liability. At December 31, 2020, the Department's proportion was 0.786%, which was a decrease of 0.003% from its proportion measured as of December 31, 2019. At December 31, 2019, the Department's proportion was 0.789%, which was an increase of 0.052% from its proportion measured as of December 31, 2018.

For the years ended June 30, 2021 and 2020, the Department reported pension expense of (\$12,110,202) and (\$10,868,428), respectively.

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

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,841,743	\$ -	\$ 2,859,069	\$ -
Changes of assumptions or other inputs	5,060,432	-	-	21,948,480
Net difference between projected and actual earnings on pension plan investments	-	15,253,441	-	8,244,461
Changes in proportion and differences between contributions recognized and proportionate share of contributions	2,223,634	269,220	6,208,194	13,646
Contributions subsequent to the measurement date	2,811,659	-	2,664,274	-
	<u>\$ 11,937,468</u>	<u>\$ 15,522,661</u>	<u>\$ 11,731,537</u>	<u>\$ 30,206,587</u>

Amounts of \$2,811,659 and \$2,664,274 as of June 30, 2021 and 2020, respectively, reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date, will be reported as a reduction of the net pension liability in the years ending June 30, 2022 and 2021, respectively.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined Benefit Pension Plan, *Continued*

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2021 will be reported in pension expense, as follows:

Years ending June 30:	
2022	\$ 1,535,984
2023	(356,388)
2024	(5,185,985)
2025	<u>(2,390,464)</u>
	<u><u>\$ (6,396,853)</u></u>

Actuarial assumptions: The total pension liability in the December 31, 2019 and 2018 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 Actuarial Valuation	7.25%
Post-Retirement Benefit Increases in the Actuarial Valuation: PERA benefit structure hired prior to January 1, 2007; and DPS benefit structure (automatic)	1.25% compounded annually
PERA benefit structure hired after December 31, 2006 (ad hoc, substantively automatic)	Financed by the AIR

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.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined Benefit Pension Plan, *Continued*

Post-retirement non-disabled mortality assumptions 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 actuarial assumptions used in the December 31, 2019 and 2018 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 PERA's Board of Trustees (Board) during the November 18, 2016 Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the rollforward calculation of the total pension liability from December 31, 2019 to December 31, 2020:

Actuarial Cost Method	Entry age
Price Inflation	2.30%
Real Wage Growth	0.70%
Wage Inflation	3.00%
Salary Increases, including Wage Inflation	3.30%-10.90%
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expenses, including Price Inflation	7.25%
Discount Rate in the December 31, 2020 and 2019 Actuarial Valuation	7.25%
Post-Retirement Benefit Increases in the December 31, 2020 Actuarial Valuation: PERA benefit structure hired prior to January 1, 2007; and DPS benefit structure (automatic)	1.25% compounded annually

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined Benefit Pension Plan, *Continued*

PERA benefit structure hired after December 31, 2006

(ad hoc, substantively automatic)

Financed by the AIR

Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Pre-retirement mortality assumptions were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

Males: 94% of the rates prior to age 80, and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Females: 87% of the rates prior to age 80, and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages, with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a benefit-weighted basis.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020 PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40% per year to 2.30% per year.
- Real rate of investment return assumption increased from 4.85% per year, net of investment expenses, to 4.95% per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50% per year to 3.00% per year.

Several factors are considered in evaluating the long-term rate of return assumption, 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 percentages and then adding expected inflation.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined Benefit Pension Plan, *Continued*

PERA's Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, PERA's Board reaffirmed the assumed rate of return at its November 15, 2019 meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30-Year Expected Geometric Real Rate of Return
Global equity	54.00%	5.60%
Fixed income	23.00%	1.30%
Private equity	8.50%	7.10%
Real estate	8.50%	4.40%
Alternatives ¹	6.00%	4.70%
	100.00%	

¹ The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

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% at December 31, 2020 and 2019. 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 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the 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 AED and 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 reflect 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.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined Benefit Pension Plan, *Continued*

- As specified in law, the State, as a non-employer contributing entity, 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. HB 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year.
- 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 Colorado State Statutes, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made mid-year.

Based on the above assumptions and methods as of December 31, 2020 and 2019, 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 rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

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 one-percentage-point lower (6.25%) or one-percentage-point higher (8.25%) than the current rate:

	2021		
	1%	Current	1%
	Decrease (6.25%)	Discount Rate (7.25%)	Increase (8.25%)
Proportionate share of the net pension liability	\$ 98,599,817	\$ 74,525,794	\$ 54,312,300
<hr/>			
	2020		
	1%	Current	1%
	Decrease (6.25%)	Discount Rate (7.25%)	Increase (8.25%)
Proportionate share of the net pension liability	\$ 98,444,642	\$ 76,523,124	\$ 57,972,121
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Pension plan fiduciary net position: Detailed information about the SDTF's fiduciary net position is available in PERA's ACFR, which can be obtained at www.copera.org/investments/pera-financial-reports.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Pension Plans

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

Plan description: Employees of the Department that are also members of the SDTF may voluntarily contribute to the PERAPlus 401(k) Plan, 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 PERA's Board. PERA issues a publicly available ACFR that includes additional information on the PERAPlus 401(k) Plan, which can be obtained at www.copera.org/investments/pera-financial-reports.

Funding policy: The PERAPlus 401(k) Plan 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.

Defined contribution retirement plan (the PERA DC Plan):

Plan description: Employees of the State that 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 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 PERA's Board. The PERA DC Plan is also included in PERA's ACFR, 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 years ended June 30 are summarized in the table below:

	2021	2020
Employee contribution rates ¹	10.00%	8.75%
Employer contribution rates ¹	10.95%	10.40%
AED ²	5.00%	
SAED ²	5.00%	
Total employer contribution rate to the SDTF¹	10.00%	

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

² Specified in C.R.S. 24-51-411.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Pension Plans, *Continued*

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 PERA's Board in accordance with Section 24-51-204, C.R.S. As a result, forfeitures do not reduce pension expense.

The Department recognized contributions of \$528,545 and \$540,158 during the years ended June 30, 2021 and 2020, respectively, for the PERA DC Plan.

Note 13. Other Postemployment Benefits (OPEB)

Plan description: Eligible employees of the Department are provided with OPEB through the HCTF, 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 PERA's 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 ACFR 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 PERA's 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 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 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.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits (OPEB), *Continued*

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 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 Colorado State Statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Medicare 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 \$257,800 and \$296,194 for the years ended June 30, 2021 and 2020, respectively.

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

The net OPEB liability for the HCTF was measured as of December 31, 2020 and 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019 and 2018. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2020 and 2019. The Department's proportion of the net OPEB liability was based on the Department's contributions to the HCTF for the calendar years 2020 and 2019 relative to the total contributions of participating employers to the HCTF.

At June 30, 2021 and 2020, the Department reported a liability of \$2,358,071 and \$2,806,024, respectively, for its proportionate share of the net OPEB liability. At December 31, 2020, the Department's proportion was 0.248%, which was a decrease of 0.002% from its proportion measured as of December 31, 2019. At December 31, 2019, the Department's proportion was 0.250%, which was an increase of 0.012% from its proportion measured as of December 31, 2018.

For the years ended June 30, 2021 and 2020, the Department reported OPEB expense of \$126,317 and \$250,593, respectively.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits (OPEB), *Continued*

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

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,259	\$ 518,417	\$ 9,312	\$ 471,515
Changes of assumptions or other inputs	17,619	144,595	23,280	-
Net difference between projected and actual earnings on pension plan investments	-	96,353	-	46,836
Changes in proportion and differences between contributions recognized and proportionate share of contributions	237,140	16,382	315,732	-
Contributions subsequent to the measurement date	139,489	-	140,225	-
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 400,507	\$ 775,747	\$ 488,549	\$ 518,351

Amounts of \$139,489 and \$140,225 as of June 30, 2021 and 2020, respectively, reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date, will be reported as a reduction of the net OPEB liability in the years ending June 30, 2022 and 2021, respectively.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB as of June 30, 2021 will be reported in OPEB expense, as follows:

Years ending June 30:	
2022	\$ (101,610)
2023	(88,130)
2024	(129,769)
2025	(131,724)
2026	(59,575)
2027	(3,921)
	<hr/>
	\$ (514,729)

Actuarial assumptions: The total OPEB liability in the December 31, 2019 and 2018 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%

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits (OPEB), *Continued*

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 in the December 31, 2019 actuarial valuation	8.10% in 2020, gradually decreasing to 4.50% in 2029
PERACare Medicare plans in the December 31, 2018 actuarial valuation	5.60% in 2019, gradually decreasing to 4.50% in 2029
Medicare Part A premiums in the December 31, 2019 actuarial valuation:	3.50% in 2020, gradually increasing to 4.50% in 2029
Medicare Part A premiums in the December 31, 2018 actuarial valuation	3.50% in 2019, gradually increasing to 4.50% in 2029

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 in the December 31, 2019, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA benefit structure:

2021			
Members without Medicare Part A			
Cost	Premiums		
Medicare Plan:			
Medicare Advantage/Self-Insured Prescription	\$ 588	\$ 227	
Kaiser Permanente Medicare Advantage HMO	621	232	
2020			
Members without Medicare Part A			
Cost	Premiums		
Medicare Plan:			
Medicare Advantage/Self-Insured Prescription	\$ 601	\$ 240	
Kaiser Permanente Medicare Advantage HMO	605	237	

The 2020 and 2019 Medicare Part A premium was \$458 and \$437 per month, respectively.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits (OPEB), *Continued*

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

	Members without Medicare Part A	
	2021	2020
Medicare Plan:		
Medicare Advantage/Self-Insured Prescription	\$ 550	\$ 562
Kaiser Permanente Medicare Advantage HMO	586	571

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 industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2019 and 2018, 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 are summarized in the tables below:

	2021	
	PERACare Medicare Plans	Medicare Part A Premiums
2020	8.10%	3.50%
2021	6.40%	3.75%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	4.00%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits (OPEB), *Continued*

	2020	
	PERACare Medicare Plans	Medicare Part A Premiums
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions used in the December 31, 2019 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below were 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.

Post-retirement non-disabled mortality assumptions 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.

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of the 2016 experience analysis for the period January 1, 2012 through December 31, 2015, as well as the October 28, 2016 actuarial assumptions workshop, and were adopted by PERA's Board during the November 18, 2016 Board meeting.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits (OPEB), *Continued*

Based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period of January 1, 2016 through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020 and were effective as of December 31, 2020. The assumptions shown below were reflected in the rollforward calculation of the total OPEB liability from December 31, 2019 to December 31, 2020:

	Trust Fund			
	State Division	School Division	Local Government Division	Judicial Division
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Price inflation	2.30%	2.30%	2.30%	2.30%
Real wage growth	0.70%	0.70%	0.70%	0.70%
Wage inflation	3.00%	3.00%	3.00%	3.00%
Salary increases, including wage inflation:				
Members other than State Troopers	3.30%-10.90%	3.40%-11.00%	3.20%-11.30%	2.80%-5.30%

The long-term rate of return, net of OPEB plan investment expenses, including price inflation and discount rate assumptions, was 7.25%.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Mortality assumptions used in the rollforward calculations for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the rollforward calculation for the HCTF, using a headcount-weighted basis.

Pre-retirement mortality assumptions were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

Males: 94% of the rates prior to age 80, and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Females: 87% of the rates prior to age 80, and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages, with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a headcount-weighted basis.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits (OPEB), *Continued*

The following health care costs assumptions were updated and used in the rollforward calculation for the HCTF at December 31, 2020 and 2019:

- Initial per-capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2020 and 2019 plan years.
- The morbidity assumptions were updated to reflect the assumed standard aging factors for the 2020 plan year.
- 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.

Actuarial assumptions pertaining to per-capita health care costs and their related trend rates are analyzed and updated annually by PERA's Board's actuary, as discussed above.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020 PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40% per year to 2.30% per year.
- Real rate of investment return assumption increased from 4.85% per year, net of investment expenses, to 4.95% per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50% per year to 3.00% per year.

Several factors were considered in evaluating the long-term rate of return assumption, 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.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits (OPEB), *Continued*

PERA's Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, PERA's Board reaffirmed the assumed rate of return at its November 15, 2019 meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30-Year Expected Geometric Real Rate of Return
Global equity	54.00%	5.60%
Fixed income	23.00%	1.30%
Private equity	8.50%	7.10%
Real estate	8.50%	4.40%
Alternatives ¹	6.00%	4.70%
	100.00%	

¹ The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

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:

	2021		
	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	7.10%	8.10%	9.10%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Proportionate share of the net OPEB liability	\$2,297,124	\$2,358,071	\$2,429,023

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits (OPEB), *Continued*

	2020		
	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Proportionate share of the net OPEB liability	\$2,739,368	\$2,806,024	\$2,883,050

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, 2020 and 2019 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 3.00% and 3.50% as of December 31, 2020 and 2019, respectively.
- 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.
- 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.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made mid-year.

Based on 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%.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits (OPEB), *Continued*

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 one-percentage-point lower (6.25%) or one-percentage-point higher (8.25%) than the current rate:

	2021		
	1%	Current	1%
	Decrease (6.25%)	Discount Rate (7.25%)	Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 2,701,214	\$ 2,358,071	\$ 2,064,884
<hr/>			
	2020		
	1%	Current	1%
	Decrease (6.25%)	Discount Rate (7.25%)	Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 3,172,775	\$ 2,806,024	\$ 2,492,375

OPEB plan fiduciary net position: Detailed information about the HCTF's fiduciary net position is available in PERA's ACFR, 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.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

Note 14. Risk Management, *Continued*

Additional information is included in the State's ACFR, which is accessible at <https://osc.colorado.gov/financial-operations/financial-reports/acfr>.

Note 15. Commitments and Subsequent Events

The Department has evaluated subsequent events through January 28, 2022, 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.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

STATE OF COLORADO LEGISLATIVE DEPARTMENT

SCHEDULE OF THE DEPARTMENT'S PROPORTIONATE

SHARE OF THE NET PENSION LIABILITY

Last Eight 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%
2020	0.788589%	76,523,124	24,806,429	308.48%	62.24%
2021	0.785740%	74,525,794	25,996,374	286.68%	65.34%

** 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 10 years of data.*

See Notes to Required Supplementary Information.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

SCHEDULE OF THE DEPARTMENT'S PENSION

CONTRIBUTIONS

Last Eight Fiscal Years*

	Contractually Required Contribution	Contributions in Relation to the		Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
		Contractually Required Contribution	Contractually Required Contribution			
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%
2020	5,576,445	5,576,445	-	25,616,946		21.77%
2021	5,196,444	5,196,444	-	27,683,174		18.77%

* This schedule is to be built prospectively until it contains 10 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 Five 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%
2020	0.249647%	2,806,024	24,806,429	11.31%	32.43%
2021	0.248160%	2,358,071	25,996,374	9.071%	48.76%

** 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 10 years of data.*

See Notes to Required Supplementary Information.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

SCHEDULE OF THE DEPARTMENT'S OPEB

CONTRIBUTIONS

Last Five Fiscal Years*

		Contributions in Relation to the						
	Contractually Required Contribution	Contractually Required Contribution		Contribution Deficiency (Excess)		Covered Payroll	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%	
2020	296,194	296,194		-	25,616,946		1.16%	
2021	257,800	257,800		-	27,683,174		0.93%	

* This schedule is to be built prospectively until it contains 10 years of data.

See Notes to Required Supplementary Information.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Pension Commitment

Changes in assumptions or other inputs effective for the December 31, 2020 measurement period are as follows:

- The price inflation assumption was lowered from 2.40% to 2.30%, and the wage inflation assumption was lowered from 3.50% to 3.00%.
- The real rate of investment return assumption increased to 4.95% per year, net of investment expenses, from 4.85% per year, net of investment expenses.
- Salary scale assumptions were revised to align with the revised economic assumptions and to more closely reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumption for the State Division (members other than State Troopers) was changed to the PubG-2010 Employee Table, with generational projection using scale MP-2019.
- The pre-retirement mortality assumption for the Judicial Division was changed to the PubG-2010(A) Above-Median Employee Table, with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the State Division (members other than State Troopers) was changed to the PubG-2010 Health Retiree Table, adjusted as follows:
 - *Males*: 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
 - *Females*: 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Health Retiree Table, with generational projection using scale MP-2019.
- The disabled mortality assumption for the Division Trust Funds (members other than State Troopers) was changed to the PubNS-2010 Disabled Retiree Table, with generational projection using scale MP-2019.
- The disabled mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Disabled Retiree Table, with generational projection using scale MP-2019.
- The mortality tables described above are generational mortality tables on a benefit-weighted basis.

Changes in assumptions or other inputs effective for the December 31, 2019 measurement period are as follows:

- The assumption used to value the annual increase (AI) cap benefit provision was changed from 1.50% to 1.25%.

Changes in assumptions or other inputs effective for the December 31, 2018 measurement period are as follows:

- The assumed investment rate of return of 7.25% was used as the discount rate, rather than using the blended rate of 4.72%.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Pension Commitment, *Continued*

Changes in assumptions or other inputs effective for the December 31, 2017 measurement period are as follows:

- The discount rate was lowered from 5.26% to 4.72%.

Changes in assumptions or other inputs effective for the December 31, 2016 measurement period are as follows:

- The investment return assumption was lowered from 7.50% to 7.25%.
- The price inflation assumption was lowered from 2.80% to 2.40%.
- The real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.
- The wage inflation assumption was lowered from 3.90% to 3.50%.
- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for active employees, RP2014 Healthy Annuitant Mortality tables projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.
- The discount rate was lowered from 7.50% to 5.26%.

There were no changes in assumptions or other inputs effective for the December 31, 2015 measurement period for pension.

There were no changes in assumptions or other inputs effective for the December 31, 2014 measurement period for pension.

Changes in assumptions or other inputs effective for the December 31, 2013 measurement period are as follows:

- The investment return assumption was lowered from 8.00% to 7.50%.
- The price inflation assumption was lowered from 3.50% to 2.80%.
- The wage inflation assumption was lowered from 4.25% to 3.90%.

Note 2. Other Postemployment Benefits (OPEB) Commitment

Changes in assumptions or other inputs effective for the December 31, 2020 measurement period are as follows:

- The price inflation assumption was lowered from 2.40% to 2.30%, and the wage inflation assumption was lowered from 3.50% to 3.00%.
- The real rate of investment return assumption increased to 4.95% per year, net of investment expenses, from 4.85% per year, net of investment expenses.
- Salary scale assumptions were revised to align with the revised economic assumptions and to more closely reflect actual experience.

STATE OF COLORADO LEGISLATIVE DEPARTMENT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 2. Other Postemployment Benefits (OPEB) Commitment, *Continued*

- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumption for the State Division (members other than State Troopers) was changed to the PubG-2010 Employee Table, with generational projection using scale MP-2019.
- The pre-retirement mortality assumption for the Judicial Division was changed to the PubG-2010(A) Above-Median Employee Table, with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the State Division (members other than State Troopers) was changed to the PubG-2010 Health Retiree Table, adjusted as follows:
 - *Males*: 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
 - *Females*: 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Health Retiree Table, with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the Judicial Division was changed to the unadjusted PubG-2010(A) Above-Median Health Retiree Table, with generational projection using scale MP-2019.
- The post-retirement non-disabled beneficiary mortality assumption for the Division Trust Funds was changed to the Pub-2010 Contingent Survivor Table, adjusted as follows:
 - *Males*: 97% of the rates for all ages, with generational projection using scale MP-2019.
 - *Females*: 105% of the rates for all ages, with generational projection using scale MP-2019.
- The disabled mortality assumption for the Division Trust Funds (members other than State Troopers) was changed to the PubNS-2010 Disabled Retiree Table, with generational projection using scale MP-2019.
- The disabled mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Disabled Retiree Table, with generational projection using scale MP-2019.
- The mortality tables described above are generational mortality tables on a benefit-weighted basis.

There were no changes in assumptions or other inputs effective for the December 31, 2019 measurement period for OPEB.

There were no changes in assumptions or other inputs effective for the December 31, 2018 measurement period for OPEB.

There were no changes in assumptions or other inputs effective for the December 31, 2017 measurement period for OPEB.

SUPPLEMENTARY INFORMATION

STATE OF COLORADO LEGISLATIVE DEPARTMENT

COMBINING BALANCE SHEET – GENERAL FUND – UNRESTRICTED

June 30, 2021

	General Assembly	Joint Budget Committee	Legislative Council	Office of the State Auditor	Office of Legislative Legal Services	Total General Fund - Unrestricted
ASSETS						
Cash	\$ 261,161	\$ 44,690	\$ 50,070	\$ 1,266,966	\$ 253,919	\$ 1,876,806
Accounts Receivable	-	-	-	173,555	-	173,555
Interdepartmental Receivables	-	-	-	326,409	-	326,409
Prepaid Expenses	-	-	89,398	54,522	-	143,920
Total assets	\$ 261,161	\$ 44,690	\$ 139,468	\$ 1,821,452	\$ 253,919	\$ 2,520,690
LIABILITIES AND (DEFICIT) FUND BALANCES						
Liabilities:						
Accounts payable	\$ 38,132	\$ 1,878	\$ 90,650	\$ 1,723,840	\$ 34,425	\$ 1,888,925
Accrued liabilities	1,031,027	195,541	736,793	796,024	748,179	3,507,564
Total liabilities	1,069,159	197,419	827,443	2,519,864	782,604	5,396,489
(Deficit) fund balances:						
Non-spendable, prepaids	-	-	89,398	54,522	-	143,920
Unassigned	(807,998)	(152,729)	(777,373)	(752,934)	(528,685)	(3,019,719)
Total (deficit) fund balances	(807,998)	(152,729)	(687,975)	(698,412)	(528,685)	(2,875,799)
Total liabilities and (deficit) fund balances	\$ 261,161	\$ 44,690	\$ 139,468	\$ 1,821,452	\$ 253,919	\$ 2,520,690

STATE OF COLORADO LEGISLATIVE DEPARTMENT

COMBINING BALANCE SHEET – GENERAL FUND – UNRESTRICTED

June 30, 2020

	General Assembly	Joint Budget Committee	Legislative Council	Office of the State Auditor	Office of Legislative Legal Services	Total General Fund - Unrestricted
ASSETS						
Cash	\$ 304,416	\$ 22,622	\$ 104,617	\$ 456,221	\$ 8,833	\$ 896,709
Accounts Receivable	-	32,330	-	353,396	7,394	393,120
Interdepartmental Receivables	-	-	-	401,839	-	401,839
Prepaid Expenses	-	-	60,455	82,492	-	142,947
Total assets	\$ 304,416	\$ 54,952	\$ 165,072	\$ 1,293,948	\$ 16,227	\$ 1,834,615
LIABILITIES AND (DEFICIT) FUND BALANCES						
Liabilities:						
Accounts payable	\$ 47,965	\$ 2,129	\$ 160,907	\$ 1,288,100	\$ 11,205	\$ 1,510,306
Accrued liabilities	1,008,739	210,644	750,059	704,496	559,425	3,233,363
Total liabilities	1,056,704	212,773	910,966	1,992,596	570,630	4,743,669
(Deficit) fund balances:						
Non-spendable, prepaids	-	-	60,455	82,492	-	142,947
Unassigned	(752,288)	(157,821)	(806,349)	(781,140)	(554,403)	(3,052,001)
Total (deficit) fund balances	(752,288)	(157,821)	(745,894)	(698,648)	(554,403)	(2,909,054)
Total liabilities and (deficit) fund balances	\$ 304,416	\$ 54,952	\$ 165,072	\$ 1,293,948	\$ 16,227	\$ 1,834,615

STATE OF COLORADO LEGISLATIVE DEPARTMENT

COMBINING STATEMENT OF APPROPRIATIONS, REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – GENERAL FUND – UNRESTRICTED

Year Ended June 30, 2021

	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	\$ 21,022,972	\$ 2,094,596	\$ 13,009,353	\$ 9,925,750	\$ 7,607,818	\$ 53,660,489
Cash Fund and Reappropriated Funds	90,000	-	125,780	1,019,842	-	1,235,622
Total appropriations	21,112,972	2,094,596	13,135,133	10,945,592	7,607,818	54,896,111
Revenues:						
Audit reimbursements	-	-	-	1,251,246	-	1,251,246
Total revenues	-	-	-	1,251,246	-	1,251,246
Total appropriations and revenues	21,112,972	2,094,596	13,135,133	12,196,838	7,607,818	56,147,357
Expenditures						
Compensation	13,224,587	2,023,363	9,002,718	8,578,559	6,889,704	39,718,931
Operating expenditures	3,594,068	30,970	565,083	264,010	148,547	4,602,678
Purchased services	736,899	4,197	1,002,457	1,628,667	426,732	3,798,952
Capital outlay	-	-	-	-	-	-
Travel and subsistence	1,459,210	-	1,682	196	1,647	1,462,735
Total expenditures	19,014,764	2,058,530	10,571,940	10,471,432	7,466,630	49,583,296
Excess of appropriations and revenues over expenditures	2,098,208	36,066	2,563,193	1,725,406	141,188	6,564,061
Other Financing (Uses)						
Operating transfers (out)	(2,063,918)	(30,974)	(2,501,871)	(473,924)	(115,470)	(5,186,157)
Reversion of non-augmenting revenue	-	-	-	(1,251,246)	-	(1,251,246)
Reversion of Cash/Reappropriated Funds appropriation	(90,000)	-	(3,403)	-	-	(93,403)
Total other financing (uses)	(2,153,918)	(30,974)	(2,505,274)	(1,725,170)	(115,470)	(6,530,806)
Net change in (deficit) fund balance	(55,710)	5,092	57,919	236	25,718	33,255
(Deficit) Fund Balance, beginning of year	(752,288)	(157,821)	(745,894)	(698,648)	(554,403)	(2,909,054)
(Deficit) Fund Balance, end of year	\$ (807,998)	\$ (152,729)	\$ (687,975)	\$ (698,412)	\$ (528,685)	\$ (2,875,799)

STATE OF COLORADO LEGISLATIVE DEPARTMENT

**COMBINING STATEMENT OF APPROPRIATIONS, REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – GENERAL FUND – UNRESTRICTED**

Year Ended June 30, 2020

	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	\$ 21,518,204	\$ 2,117,909	\$ 13,257,980	\$ 10,309,213	\$ 7,970,439	\$ 55,173,745
Cash Fund and Reappropriated Funds	90,000	-	375,780	990,138	-	1,455,918
Total appropriations	21,608,204	2,117,909	13,633,760	11,299,351	7,970,439	56,629,663
Revenues:						
Audit reimbursements	-	-	-	823,265	-	823,265
Total revenues	-	-	-	823,265	-	823,265
Total appropriations and revenues	21,608,204	2,117,909	13,633,760	12,122,616	7,970,439	57,452,928
Expenditures						
Compensation	12,994,794	2,049,715	9,380,853	8,831,199	6,858,845	40,115,406
Operating expenditures	3,421,102	28,864	789,391	320,906	186,489	4,746,752
Purchased services	748,088	2,286	1,255,924	1,527,348	186,882	3,720,528
Capital outlay	-	-	-	-	43,344	43,344
Travel and subsistence	1,579,809	5,289	28,579	9,685	76,894	1,700,256
Total expenditures	18,743,793	2,086,154	11,454,747	10,689,138	7,352,454	50,326,286
Excess of appropriations and revenues over expenditures	2,864,411	31,755	2,179,013	1,433,478	617,985	7,126,642
Other Financing (Uses)						
Operating transfers (out)	(2,860,683)	(25,157)	(2,203,800)	(625,715)	(652,026)	(6,367,381)
Reversion of non-augmenting revenue	-	-	-	(823,265)	-	(823,265)
Reversion of Cash/Reappropriated Funds appropriation	(81,525)	-	(52,878)	-	-	(134,403)
Total other financing (uses)	(2,942,208)	(25,157)	(2,256,678)	(1,448,980)	(652,026)	(7,325,049)
Net change in (deficit) fund balance	(77,797)	6,598	(77,665)	(15,502)	(34,041)	(198,407)
(Deficit) Fund Balance, beginning of year	(674,491)	(164,419)	(668,229)	(683,146)	(520,362)	(2,710,647)
(Deficit) Fund Balance, end of year	\$ (752,288)	\$ (157,821)	\$ (745,894)	\$ (698,648)	\$ (554,403)	\$ (2,909,054)

STATE OF COLORADO LEGISLATIVE DEPARTMENT

COMBINING BALANCE SHEET – GENERAL FUND – COMMITTED

June 30, 2021

	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	\$ 1,242,278	\$ 183,726	\$ 20,184	\$ 16,960,299	\$ 147,402	\$ 18,553,889
Prepaid Expenses	-	-	-	13,636	-	13,636
Total assets	\$ 1,242,278	\$ 183,726	\$ 20,184	\$ 16,973,935	\$ 147,402	\$ 18,567,525
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 6,754	\$ 352,013	\$ -	\$ 358,767
Accrued liabilities	-	-	-	95,198	-	95,198
Total liabilities	-	-	6,754	447,211	-	453,965
Fund balances:						
Non-spendable, prepaids	-	-	-	13,636	-	13,636
Committed	1,242,278	183,726	13,430	16,513,088	147,402	18,099,924
Total fund balances	1,242,278	183,726	13,430	16,526,724	147,402	18,113,560
Total liabilities and fund balances	\$ 1,242,278	\$ 183,726	\$ 20,184	\$ 16,973,935	\$ 147,402	\$ 18,567,525

STATE OF COLORADO LEGISLATIVE DEPARTMENT

COMBINING BALANCE SHEET – GENERAL FUND – COMMITTED

June 30, 2020

	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	\$ 2,166,827	\$ 186,092	\$ 12,500	\$ 15,622,630	\$ 147,402	\$ 18,135,451
Prepaid Expenses	-	-	-	13,136	-	13,136
Total assets	\$ 2,166,827	\$ 186,092	\$ 12,500	\$ 15,635,766	\$ 147,402	\$ 18,148,587
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 600	\$ -	\$ -	\$ 247,004	\$ -	\$ 247,604
Total liabilities	600	-	-	247,004	-	247,604
Fund balances:						
Non-spendable, prepaids	-	-	-	13,136	-	13,136
Committed	2,166,227	186,092	12,500	15,375,626	147,402	17,887,847
Total fund balances	2,166,227	186,092	12,500	15,388,762	147,402	17,900,983
Total liabilities and fund balances	\$ 2,166,827	\$ 186,092	\$ 12,500	\$ 15,635,766	\$ 147,402	\$ 18,148,587

STATE OF COLORADO LEGISLATIVE DEPARTMENT

COMBINING SCHEDULE OF APPROPRIATIONS, REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – GENERAL FUND – COMMITTED

Year Ended June 30, 2021

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total appropriations	-	-	-	-	-	-
Revenues:						
Investment income	(46,711)	(2,267)	(150)	(195,009)	-	(244,137)
Miscellaneous revenue	-	-	-	93,076	-	93,076
Donations	-	-	-	-	-	-
Total revenues	(46,711)	(2,267)	(150)	(101,933)	-	(151,061)
Total appropriations and revenues	(46,711)	(2,267)	(150)	(101,933)	-	(151,061)
Expenditures						
Compensation	-	-	-	766,117	-	766,117
Operating expenditures	2,463,508	99	22,221	171,032	-	2,656,860
Purchased services	13,730	-	1,699	253,641	-	269,070
Capital outlay	-	-	-	1,010,191	-	1,010,191
Travel and subsistence	-	-	-	370	-	370
Total expenditures	2,477,238	99	23,920	2,201,351	-	4,702,608
Excess of expenditures over appropriations and revenues	(2,523,949)	(2,366)	(24,070)	(2,303,284)	-	(4,853,669)
Other Financing Sources						
Operating transfers in	1,600,000	-	25,000	3,441,246	-	5,066,246
Total other financing sources	1,600,000	-	25,000	3,441,246	-	5,066,246
Net change in fund balance	(923,949)	(2,366)	930	1,137,962	-	212,577
Fund Balance, beginning of year	2,166,227	186,092	12,500	15,388,762	147,402	17,900,983
Fund Balance, end of year	\$ 1,242,278	\$ 183,726	\$ 13,430	\$ 16,526,724	\$ 147,402	\$ 18,113,560

STATE OF COLORADO LEGISLATIVE DEPARTMENT

**COMBINING SCHEDULE OF APPROPRIATIONS, REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – GENERAL FUND – COMMITTED**

Year Ended June 30, 2020

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total appropriations	-	-	-	-	-	-
Revenues:						
Investment income	88,648	8,771	818	677,308	-	775,545
Miscellaneous revenue	-	-	-	4,189	-	4,189
Donations	-	-	-	161	-	161
Total revenues	88,648	8,771	818	681,658	-	779,895
Total appropriations and revenues	88,648	8,771	818	681,658	-	779,895
Expenditures						
Operating expenditures	827,365	90	2,872	133,499	-	963,826
Purchased services	3,200	25,000	18,090	529,464	182,624	758,378
Capital outlay	-	-	-	1,827,724	-	1,827,724
Travel and subsistence	-	-	100	-	-	100
Total expenditures	830,565	25,090	21,062	2,490,687	182,624	3,550,028
Excess of expenditures over appropriations and revenues	(741,917)	(16,319)	(20,244)	(1,809,029)	(182,624)	(2,770,133)
Other Financing Sources						
Operating transfers in	1,400,000	-	25,000	3,714,501	6,718	5,146,219
Total other financing sources	1,400,000	-	25,000	3,714,501	6,718	5,146,219
Net change in fund balance	658,083	(16,319)	4,756	1,905,472	(175,906)	2,376,086
Fund Balance, beginning of year	1,508,144	202,411	7,744	13,483,290	323,308	15,524,897
Fund Balance, end of year	\$ 2,166,227	\$ 186,092	\$ 12,500	\$ 15,388,762	\$ 147,402	\$ 17,900,983



**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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Department's financial statements, and have issued our report thereon dated January 28, 2022.

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) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the Schedule of Findings section of this report, we did identify a certain deficiency in internal control that we consider to be a material weakness and a certain deficiency in internal control that we consider to be a significant deficiency.

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. We consider the deficiency described in the Schedule of Findings section of this report as item 2020-001 to be a material weakness.

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. We consider the deficiency described in the Schedule of Findings section of this report as item 2021-001 to be a significant deficiency.

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 financial statements. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and described in the Schedule of Findings section of this report as item 2021-001.

The Department's Responses to the Findings

The Department's responses to the findings identified in our audits are described in the Schedule of Findings section of this report. The Department's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 & Pais, LLP

Fort Collins, Colorado

January 28, 2022



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, 2021 and 2020. 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.

Our Responsibilities with Regard to the Financial Statement Audits

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 June 28, 2021 and June 2, 2020. Our audits of the financial statements do not relieve management or those charged with governance of their responsibilities, which are also described in those letters.

Overview of the Planned Scope and Timing of the Financial Statement Audits

The Office of the State Auditor issued separate communications dated September 13, 2021 and September 3, 2020 regarding the Fiscal Year 2021 and 2020 Statewide Single Audit of the State of Colorado, respectively. In addition, we have discussed with the Office of the Legislative Council and the Office of the State Auditor (OSA) the planned scope and timing of our audits and our identification of, and planned audit response to, significant risks of material misstatement.

Accounting Policies and Practices

- *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.
- *Significant accounting policies:* We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

- *Significant unusual transactions:* We did not identify any significant unusual transactions.
- *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 other postemployment benefits (OPEB) balances in Notes 11 and 13 to the financial statements. This information is based on actuarial assumptions and methods applicable to the State and allocated to the Department, and was prepared by the Department's management using the memos and templates provided by the State's Office of the State Controller (OSC) and audited by the OSA. We evaluated the amounts reported in the notes to the financial statements, noting they appeared reasonable based on the information provided by the OSC and audited by the OSA.

- *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 to the financial statements.
 2. The disclosure of the Department's proportionate share of the net OPEB liability in Note 13 to the financial statements.

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

Audit Adjustments and Uncorrected Misstatements

For the year ended June 30, 2021, there were no audit adjustments made to the original trial balances presented to us to begin our audits. For the year ended June 30, 2020, an audit adjustment was proposed by us and recorded by the Department, as the Department's June 30, 2020 cash balances on deposit with the State Treasurer as reported in its fiscal year 2020 financial statements were understated by \$542,621 due to the Department's failure to record an adjustment to increase its fiscal year-end pooled cash and investment balances from the cost basis to fair market value.

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.

Significant Difficulties Encountered in Performing the Audits

The following is a description of significant difficulties we encountered relative to the availability of sufficient, appropriate audit evidence and in dealing with management during the audits of the financial statements as of and for the years ended June 30, 2021 and 2020:

In November 2019, there was turnover in the Office of the Legislative Council's (OLC) Controller position, which is responsible for preparing the Department's financial statements and for presenting the financial statement information for audit. Due to a lack of cross-training and documented policies and procedures over financial reporting, significant institutional knowledge in this area was lost. As a result, we experienced significant difficulties in receiving timely and accurate information for audit for both fiscal years 2021 and 2020, as discussed in the Schedule of Findings section of this report.

Internal Control and Compliance Matters

As described in the Schedule of Findings section of this report, we have communicated the significant deficiency and material weakness in internal control over financial reporting identified during our audits of the 2021 and 2020 financial statements, respectively, as required by *Government Auditing Standards*.

Significant Written Communications Between Management and Our Firm

We have requested certain representations from management that are included in the management representation letter dated January 28, 2022.

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. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the State of Colorado Legislative Department.



Fort Collins, Colorado
January 28, 2022