

**COLORADO PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION**

**FINANCIAL AUDIT**

**YEAR ENDED DECEMBER 31, 2015**

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# COLORADO PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION

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# COLORADO PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION

Financial Audit

Report Summary

Year ended December 31, 2015

## Purpose and Scope

The Office of the State Auditor engaged CliftonLarsonAllen LLP (CLA) to conduct a financial and compliance audit of the Colorado Public Employees' Retirement Association (Colorado PERA) for the year ended December 31, 2015. CLA performed this audit 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 conducted the related fieldwork from December 2015 to June 2016.

The purpose and scope of our audits were to:

- Express an opinion on the basic financial statements of Colorado PERA as of and for the year ended December 31, 2015. This includes a consideration of internal control as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
- Evaluate Colorado PERA's compliance and report on internal control over financial reporting based on our audit of the basic financial statements performed in accordance with *Government Auditing Standards*.
- Evaluate progress in implementing prior audit findings and recommendations.

## Audit Opinion and Reports

We expressed an unmodified opinion on Colorado PERA's basic financial statements as of and for the year ended December 31, 2015.

There were no audit adjustments proposed and made to the financial statements.

We issued a report on Colorado PERA's internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with *Government Auditing Standards*. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We noted no instances involving the internal control over financial reporting and its operation that we consider to be a material weakness.

## Summary of Key Findings

We did not identify any significant deficiencies or material weaknesses in Colorado PERA's internal control during our audit of the 2015 financial statements.

## Summary of Progress in Implementing Prior Year Audit Recommendations

There were no outstanding prior year audit recommendations as of our 2015 audit.

**COLORADO PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION**

Financial Audit

Recommendation Locator

Year ended December 31, 2015

<b>Rec. No.</b>	<b>Page. No.</b>	<b>Recommendation Summary</b>	<b>PERA Response</b>	<b>Implementation Date</b>
		No significant deficiencies or material weaknesses in internal control were noted during our 2015 audit		

**COLORADO PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION**

**Financial Audit**

**Description of the Colorado Public Employees' Retirement Association**

**Year Ended December 31, 2015**

**Organization**

Colorado PERA was established in 1931. Colorado PERA administers cost-sharing multiple-employer defined benefit plans for the State Division Trust Fund, School Division Trust Fund, Local Government Division Trust Fund, and Judicial Division Trust Fund, and a single-employer defined benefit plan for the Denver Public Schools Trust Fund (Division Trust Funds). Colorado PERA also administers cost-sharing multiple-employer defined benefit other postemployment benefit plans (Health Care Trust Fund and Denver Public Schools Health Care Trust Fund), a multiple-employer private purpose trust fund (Life Insurance Reserve), two multiple-employer defined contribution plans and one single-employer defined contribution plan. The purpose of the Division Trust Funds is to provide benefits to members at retirement or disability, or to their beneficiaries in the event of death. Members of Colorado PERA are employed by public employers located in the State of Colorado and affiliated with Colorado PERA.

Responsibility for the organization and administration of the Division Trust Funds, Health Care Trust Funds, the Life Insurance Reserve, and the defined contribution plans is placed with the Board of Trustees of Colorado PERA.

The number of active affiliated employers for the five Division Trust Funds as of December 31, 2015 is listed below. The School and Denver Public Schools Divisions' employer counts include charter schools operating within the respective public school districts and under the Colorado Charter School Institute.

State	32
School	227
Local government	140
Judicial	2
Denver Public Schools	1
Total employers	<u>402</u>

**COLORADO PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION**  
**Financial Audit**

**Findings and Recommendations**

**Year ended December 31, 2015**

No significant deficiencies or material weaknesses were noted during our 2015 audit.

## INDEPENDENT AUDITORS' REPORT

Legislative Audit Committee and Board of Trustees of  
Colorado Public Employees' Retirement Association:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Colorado Public Employees' Retirement Association (Colorado PERA), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Colorado PERA's basic financial statements, as listed in the table of contents. We have also audited the financial statements of each individual fund of Colorado PERA as of and for the year ended December 31, 2015 as displayed in Colorado PERA's basic financial statements.

### ***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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 auditors' 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 entity'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 entity'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 opinions.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of Colorado PERA as of December 31, 2015, and the respective changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective fiduciary net position of each individual fund of Colorado PERA as of December 31, 2015, and the respective changes in fiduciary net position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America

## ***Report on Summarized Comparative Information***

Colorado PERA's financial statements, as of and for the year ended December 31, 2014, were audited by other auditors whose opinion dated June 23, 2015, expressed an unmodified audit opinion. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of changes in net pension liability, net pension liability, employer contributions, investment returns, funding progress and contributions from employers and other contributing entities and related notes, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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 and Other Information***

Our audit was conducted for the purpose of forming an opinion on Colorado PERA's basic financial statements. The schedules of administrative expenses, other additions, other deductions, investment expenses and payments to consultants (supplementary information) and the introductory, investment, actuarial and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, investment, actuarial and statistical sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic 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 June 21, 2016 on our consideration of Colorado PERA'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 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 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 Colorado PERA's internal control over financial reporting and compliance.

*CliftonLarsonAllen LLP*

Denver, Colorado  
June 21, 2016

**INDEPENDENT AUDITORS' 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**

Legislative Audit Committee and Board of Trustees of  
Colorado Public Employees' Retirement Association:

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 Colorado Public Employees' Retirement Association (Colorado PERA), as of and for the year ended December 31, 2015 and the related notes to the financial statements, which collectively comprise Colorado PERA's basic financial statements, and have issued our report thereon dated June 21, 2016.

We have also audited the financial statements of each individual fund of Colorado PERA as of and for the year ended December 31, 2015 as displayed in Colorado PERA's basic financial statements, and have issued our report thereon dated June 21, 2016.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Denver, Colorado  
June 21, 2016

## Members of the Legislative Audit Committee

We have audited the basic financial statements of the Colorado Public Employees' Retirement Association (Colorado PERA) and each individual fund of Colorado PERA as of and for the year ended December 31, 2015, and have issued our report thereon dated June 21, 2016. Under our professional standards, we are providing you with the accompanying information related to the conduct of our audit.

### Significant audit findings

#### ***Qualitative aspects of accounting practices***

##### *Accounting policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Colorado PERA are described in Note 2 to the basic financial statements.

Colorado PERA implemented the provisions of GASB Statement No. 82, "Pension Issues-an amendment of GASB Statements No. 67, No. 68 and No. 73" for the year ended December 31, 2015. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

We noted no transactions entered into by Colorado PERA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

##### *Accounting estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. These estimates relate to the valuation of investments in private markets, including real estate, hedge funds and private equity investments; the total pension liability; and the funding progress for other post-employment benefits. Management relied on the use of outside specialists to help derive these estimates.

The actuarial valuations were based on the actuarial assumptions and methods adopted by the Board. In accordance with GASB 67, the total pension liability of the State, School, Local Government, Judicial and Denver Public Schools Divisions was calculated as of December 31, 2015 using actuarial valuations as of December 31, 2014. In accordance with GASB 43, the actuarial accrued liability of the Health Care Trust Fund and Denver Public Schools Health Care Trust Fund was calculated as of December 31, 2015 using an actuarial valuation as of this date.

We evaluated the key factors and assumptions used to develop these estimates in determining that the estimates are reasonable in relation to the financial statements taken as a whole.

### Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

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

### ***Difficulties encountered in performing the audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Uncorrected misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

### ***Corrected misstatements***

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

### ***Disagreements with management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

### ***Management representations***

We have requested certain representations from management that are included in the management representation letter dated June 21, 2016.

### ***Management consultations with other independent 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. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Significant issues discussed with management prior to engagement***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as Colorado PERA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

### ***Other information in documents containing audited financial statements***

With respect to supplementary information accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such

changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the additional information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated June 21, 2016.

The management's discussion and analysis, schedules of changes in net pension liability, net pension liability, employer contributions, investment returns, funding progress and contributions from employers and other contributing entities and related notes, and the introductory, investment, actuarial, and statistical sections (the other information) is being included in documents containing the audited financial statements and the auditors' report thereon. Our responsibility for such other information does not extend beyond the financial information identified in our auditors' report. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in such documents. As required by professional standards, we read the other information in order to identify material inconsistencies between the audited financial statements and the other information. We did not identify any material inconsistencies between the other information and the audited financial statements.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

\* \* \*

This communication to the Legislative Audit Committee is intended solely for the information and use of the Legislative Audit Committee, the Audit Committee of Colorado PERA, and management of the Colorado PERA and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Denver, Colorado  
June 21, 2016