

LEGISLATIVE DEPARTMENT, STATE OF COLORADO
FINANCIAL AUDIT REPORT
YEARS ENDED JUNE 30, 2003 AND 2002

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Contract Auditors

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

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LEGISLATIVE DEPARTMENT, STATE OF COLORADO

REPORT SUMMARY

YEARS ENDED JUNE 30, 2003 AND 2002

Authority:

The authority for this audit exists in the Colorado Constitution and State statute. A contract exists by and between the State of Colorado, through the State Auditor and the Legislative Audit Committee, and Gelfond Hochstadt Pangburn, P.C. (“GHP” or the “Contract Auditors”), whereby the audits of the Legislative Department, State of Colorado (the “Department”) for the Fiscal Years ended June 30, 2003 and 2002 were performed by GHP.

Standards:

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

Purpose and scope:

The primary purpose of the engagement was to conduct financial and compliance audits of the Department, as of and for the Fiscal Years ended June 30, 2003 and 2002, in accordance with standards described above. These standards require that the Contract Auditors plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

Auditors’ reports:

An independent auditors’ report on the financial statements of the Department dated August 22, 2003 has been issued, which states that the financial statements present fairly, in all material respects, the financial position of the Department as of June 30, 2003 and 2002, and its changes in financial position for the fiscal years then ended, in accordance with accounting principles generally accepted in the United States of America.

A report on compliance and on internal control over financial reporting based on the audits of financial statements performed in accordance with *Government Auditing Standards* dated August 22, 2003 has also been issued, which states that the results of the Contract Auditors’ tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

REPORT SUMMARY (CONTINUED)

YEARS ENDED JUNE 30, 2003 AND 2002

Required auditor communications to the Legislative Audit Committee:

The Contract Auditors are required to communicate to the Legislative Audit Committee certain matters related to the conduct of the audits and to ensure that the Legislative Audit Committee receives additional information regarding the scope and results of the audits that may assist the Legislative Audit Committee in overseeing the financial reporting and disclosure process for which management is responsible. These matters have been communicated to the Legislative Audit Committee in this report and include among other items, that effective July 1, 2001, the Department adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as amended, Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Omnibus*, Statement No. 38, *Certain Financial Statement Disclosures*, Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences* and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. In addition, no audit adjustments were required, and there were no difficulties encountered in performing the audits.

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

DESCRIPTION OF THE LEGISLATIVE DEPARTMENT

YEARS ENDED JUNE 30, 2003 AND 2002

LEGISLATIVE DEPARTMENT AGENCY DESCRIPTIONS:

General Assembly:

Colorado's State Legislature is called the General Assembly. The Colorado Constitution grants the law-making 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 and support staff.

A candidate for the General Assembly must be at least 25 years old, a citizen of the United States, and a resident of the district he or she is seeking to represent for at least twelve months prior to the election. Amendment No. 5 to the Colorado Constitution, approved by the voters at the 1990 general election, limited the terms of office of state senators to two consecutive four-year terms, and state representatives to four consecutive two-year terms, effective for terms beginning on or after January 1, 1991.

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

Joint Budget Committee:

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

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

DESCRIPTION OF THE LEGISLATIVE DEPARTMENT (CONTINUED)

YEARS ENDED JUNE 30, 2003 AND 2002

LEGISLATIVE DEPARTMENT AGENCY DESCRIPTIONS (CONTINUED):

Joint Budget Committee (continued):

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

Legislative Council:

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

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

The information-gathering function of the Legislative Council created a need for a continuing and permanent research staff to work for the General Assembly. To fulfill this function, the Legislative Committee hires 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

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

DESCRIPTION OF THE LEGISLATIVE DEPARTMENT (CONTINUED)

YEARS ENDED JUNE 30, 2003 AND 2002

LEGISLATIVE DEPARTMENT AGENCY DESCRIPTIONS (CONTINUED):

Office of the State Auditor:

The State Auditor is appointed by a majority vote of the members of the General Assembly to serve for a term of five years. The State Auditor must be a certified public accountant licensed 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 upon the request of the Governor or the General Assembly.

The Legislative Audit Committee consists of four members from the Senate, two from each major political party, and four members from the House, two from each major political party.

Office of Legislative Legal Services:

The Committee on Legal Services consists of ten members of the General Assembly. 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.

Within the Office of Legislative Legal Services is the Revisor of Statutes. The Revisor and his staff prepare various legal publications.

The Office of Legislative Legal Services 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 of Legislative Legal Services. 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.

Reapportionment Commission:

The Reapportionment Commission is appointed every ten years to reapportion the state legislative districts. The Reapportionment Commission is an eleven-member body comprised of four members of the General Assembly, three persons appointed by the Governor, and four persons appointed by the Chief Justice of the Colorado Supreme Court.

INDEPENDENT AUDITORS' REPORT

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Legislative Department (the "Department"), State of Colorado (the "State"), as of and for the years ended June 30, 2003 and 2002, as shown on pages 12 through 31. These financial statements are the responsibility of the Department's management. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Department, as of June 30, 2003 and 2002, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund and the special revenue funds for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 4, the Department has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended, Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus*, Statement No. 38, *Certain Financial Statement Disclosures*, Statement No. 41, *Budgetary Comparison Schedules - Perspective Differences* and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2001.

Management's discussion and analysis on pages 8 through 11 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As discussed in Note 1, the financial statements of the Department are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and each major 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, 2003 and 2002, and the changes in its financial position and budgetary comparisons for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2003, on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Legislative Department's basic financial statements. The combining information, as shown on pages 32 through 38, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

August 22, 2003

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2003 AND 2002

OVERVIEW OF THE FINANCIAL STATEMENTS:

This discussion and analysis of the Legislative Department's (the "Department") 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 Fiscal Years ended June 30, 2003 and 2002 and it should be read in conjunction with the financial statements. The financial statements begin on page 12. These financial statements reflect activities of six agencies: General Assembly, Joint Budget Committee, Legislative Council, Office of the State Auditor, Office of Legislative Legal Services, and Reapportionment Commission, when active.

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 three funds: the General Fund and two Special Revenue Funds. All three funds are governmental funds.

Governmental Funds - All of the Department's services are reported in the governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the Department's operations and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Department's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

The Department has an annual appropriated budget for its General Fund and Special Revenue Funds. Budgetary comparison schedules have been provided on pages 14-17 to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 12-17 of this report.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 18-31 of this report.

Supplemental Information:

The financial statements are followed by a section of supplemental information. Combining financial statements are presented for the General Fund and the Special Revenue Funds.

LEGISLATIVE DEPARTMENT, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEARS ENDED JUNE 30, 2003 AND 2002

Condensed Combined Balance Sheets – Governmental Funds

	2003	2002	Change
Total Assets	\$ 1,413,730	\$ 2,236,397	\$ (822,667)
Total Liabilities	2,183,508	2,015,901	167,607
(Deficit) Fund Balance	\$ (769,778)	\$ 220,496	\$ (990,274)

**Condensed Combined Statements of Appropriations, Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds**

	2003	2002	Change
Total Appropriations and Revenues	\$ 31,084,698	\$ 32,467,861	\$ (1,383,163)
Total Expenditures	28,928,732	29,414,406	(485,674)
Excess of Appropriations and Revenues over Expenditures	2,155,966	3,053,455	(897,489)
Total Other Financing Uses	(3,146,240)	(2,980,578)	(165,662)
Excess (Deficiency) of Appropriations and Revenues over Expenditures and Other Financing Uses	(990,274)	72,877	(1,063,151)
Fund Balance – Beginning of Year	220,496	147,619	72,877
(Deficit) Fund Balance – End of Year	\$ (769,778)	\$ 220,496	\$ (990,274)

The Legislative Department's General Fund is primarily funded by appropriations from the State of Colorado General Fund. The appropriations are supplemented by augmenting revenue as defined in the State's General Fund budget. The unspent appropriation and augmenting revenue revert to the State's General Fund and are not available for expenditure by the Department in subsequent fiscal years.

At the end of Fiscal Year 2003, the Department's General Fund reported a deficit fund balance of \$1,517,614. This deficit fund balance is due to June 2003 salaries and related benefits being incurred but unpaid at fiscal year end as required by Senate Bill 03-197. This law requires employee salaries to be paid on a monthly basis as of the last working day of the month, except that, as of Fiscal Year 2003, salaries for the month of June are paid on the first working day of July. The Department received the appropriation to pay those salaries on July 1, 2003. In Fiscal Year 2002, the ending fund balance in the Legislative Department's General Fund was zero.

The Department's Special Revenue Funds are also primarily funded by appropriations from the State of Colorado. The appropriations are supplemented primarily by revenue earned on investments held with the State Treasurer and revenue earned from the sale of publications on the history of the State Capitol. The unspent appropriation and augmenting revenue does not revert to the State and are available for fund-related expenditures in subsequent fiscal years. In Fiscal Years 2003 and 2002, the ending fund balances in the Special Revenue Funds were \$747,836 and \$220,496, respectively. The increase of \$527,340 or 239% was due to lower than anticipated costs for the 2002 ballot information booklet.

LEGISLATIVE DEPARTMENT, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEARS ENDED JUNE 30, 2003 AND 2002

FINANCIAL ANALYSIS (CONTINUED):

Between June 30, 2002 and 2003, the Department's total assets decreased from \$2,236,397 to \$1,413,730, or \$822,667 (37%). The change in total assets is largely due to the decrease in cash on hand from June 30, 2002 to June 30, 2003 for the Office of the State Auditor. During this period, total liabilities increased from \$2,015,901 to \$2,183,508, or \$167,607 (8%). This change is primarily the result of two offsetting factors. First, there was an increase in liabilities across all agencies in the Department because of the need to record incurred but unpaid payroll expenditures for June 2003, as required under SB 03-197, at June 30, 2003. However, this was largely offset by a decrease in outstanding liabilities related to contract services for the Office of the State Auditor at June 30, 2003 compared to June 30, 2002. In total, these changes resulted in a decrease in fund balances from \$220,496 at June 30, 2002 to (\$769,778) at June 30, 2003, or \$990,274.

GENERAL FUND BUDGETARY HIGHLIGHTS:

In Fiscal Years 2003 and 2002, state revenues declined and budgets were adjusted downward to reflect the decreasing revenues. As a result, original budgets for both years were adjusted by supplemental appropriations. Budgetary comparison schedules have been provided on pages 14-17.

Fiscal Year 2003 Budgetary Highlights:

During Fiscal Year 2003, the original budget was amended by several supplemental appropriations resulting in an overall decrease of \$4,574,969 from the Department's original budget.

Senate Bill 03-209 amended the Department's original budget resulting in a decrease of \$3,069,371. The original budget was further amended by a supplemental appropriation in Senate Bill 03-197, resulting in a decrease of \$1,522,871. The amount of this budget reduction was based on an estimate; the actual salaries and benefits earned, but unpaid as of June 30, 2003 were \$1,517,614. In accordance with generally accepted accounting principles, the salary and related benefits are recorded as expenditures in the current fiscal year. However, for budgetary purposes, those payments are reported as expenditures in the following year. In addition, the delay in the payroll disbursement resulted in a significant increase in accrued liabilities and a significant decrease in fund balance for the Department's General Fund.

The budget was also amended by a supplemental appropriation in House Bill 02-1468 resulting in an increase of \$15,248 to cover increases to the Department's contribution to employee's health, dental and life insurance. Funds were also contributed to cover the expenditures related to the Health Care Task Force, which increased the budget by \$2,025.

LEGISLATIVE DEPARTMENT, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEARS ENDED JUNE 30, 2003 AND 2002

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED):

Fiscal Year 2003 Budgetary Highlights (continued):

The final General Fund budget for the Department was \$30,292,469 and actual expenditures totaled \$27,818,653. The difference between the final budget and actual expenditures was \$2,473,816, all of which reverted back to the State of Colorado's General Fund. Of this, \$1,797,132 was from the general administration appropriation and is primarily from unspent personal services budgets. In addition, \$633,324 was unspent from the welfare reform evaluation appropriation. Smaller amounts were from the tobacco settlement audit, property tax study, and legal fee appropriations.

The Department's original budget for Fiscal Year 2004 is approximately \$2 million lower than the Fiscal Year 2003 final budget. The Department will continue to reduce spending to help ensure that no over expenditures occur.

Fiscal Year 2002 Budgetary Highlights:

During Fiscal Year 2002, the original budget was amended by a supplemental appropriation in House Bill 02-1376 resulting in a decrease of \$1,824,627 from the Department's original budget.

The difference between the final budget and actual expenditures was \$2,595,183, all of which reverted back to the State of Colorado's General Fund. Of this, \$1,954,208 was from the general administration appropriation and is largely from unspent personal services budgets. In addition, \$219,701 was unspent from the welfare reform evaluation appropriation and \$258,002 from the property tax study appropriation. Smaller amounts were reverted to the State General Fund from tobacco settlement audit, congressional redistricting legal fees, and state redistricting appropriations.

REQUEST 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 Tracy Walsh, Accountant, Legislative Council, Room 029 State Capitol, Denver, CO 80203.

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

BALANCE SHEETS - GOVERNMENTAL FUNDS

JUNE 30, 2003 AND 2002

	<u>2003</u>		<u>2002</u>		<u>Total</u>	
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Governmental Funds</u> <u>2003</u>	<u>2002</u>
ASSETS						
Cash (Note 2)	\$ 253,330	\$ 748,092	\$ 1,312,391	\$ 220,806	\$ 1,001,422	\$ 1,533,197
Accounts receivable	118,245	-	196,491	-	118,245	196,491
Inter/intrafund receivables	294,063	-	506,709	-	294,063	506,709
TOTAL ASSETS	<u>\$ 665,638</u>	<u>\$ 748,092</u>	<u>\$ 2,015,591</u>	<u>\$ 220,806</u>	<u>\$ 1,413,730</u>	<u>\$ 2,236,397</u>
LIABILITIES						
Accounts payable	\$ 662,847	\$ 256	\$ 1,987,793	\$ 310	\$ 663,103	\$ 1,988,103
Intrafund payable	-	-	22,983	-	-	22,983
Accrued salaries and benefits (Note 3)	1,517,614	-	-	-	1,517,614	-
Deferred revenue	2,791	-	4,815	-	2,791	4,815
TOTAL LIABILITIES	<u>2,183,252</u>	<u>256</u>	<u>2,015,591</u>	<u>310</u>	<u>2,183,508</u>	<u>2,015,901</u>
(DEFICIT) FUND BALANCES						
Reserved for specific purposes	-	747,836	-	220,496	747,836	220,496
Unreserved	(1,517,614)	-	-	-	(1,517,614)	-
TOTAL (DEFICIT) FUND BALANCES	<u>(1,517,614)</u>	<u>747,836</u>	<u>-</u>	<u>220,496</u>	<u>(769,778)</u>	<u>220,496</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 665,638</u>	<u>\$ 748,092</u>	<u>\$ 2,015,591</u>	<u>\$ 220,806</u>	<u>\$ 1,413,730</u>	<u>\$ 2,236,397</u>

The accompanying notes are an integral part of these financial statements.

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

STATEMENTS OF APPROPRIATIONS, REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEARS ENDED JUNE 30, 2003 AND 2002

	2003		2002		Total Governmental Funds	
	General Fund	Special Revenue Funds	General Fund	Special Revenue Funds	2003	2002
APPROPRIATIONS AND REVENUES						
Appropriations						
General Fund	\$ 28,601,460	\$ -	\$ 30,293,613	\$ -	\$ 28,601,460	\$ 30,293,613
Cash Fund and Cash Fund Exempt	1,691,009	-	1,744,253	-	1,691,009	1,744,253
Total Appropriations	<u>30,292,469</u>	<u>-</u>	<u>32,037,866</u>	<u>-</u>	<u>30,292,469</u>	<u>32,037,866</u>
Revenues						
Miscellaneous revenues						
Audit reimbursements	410,925	-	322,299	-	410,925	322,299
Interest income	-	71,627	-	41,475	71,627	41,475
Miscellaneous	301,999	5,000	63,096	15	306,999	63,111
Sale of State Capitol history memorabilia	-	2,678	-	3,110	2,678	3,110
TOTAL APPROPRIATIONS AND REVENUES	<u>31,005,393</u>	<u>79,305</u>	<u>32,423,261</u>	<u>44,600</u>	<u>31,084,698</u>	<u>32,467,861</u>
EXPENDITURES						
Compensation	20,112,572	-	19,472,403	-	20,112,572	19,472,403
Purchased services	3,882,325	1,207,428	5,450,546	159,121	5,089,753	5,609,667
Operating expenditures	2,636,218	297,537	2,909,630	242,045	2,933,755	3,151,675
Travel and subsistence	718,177	-	912,902	-	718,177	912,902
Capital expenditures	71,982	-	267,759	-	71,982	267,759
Debt service	2,493	-	-	-	2,493	-
TOTAL EXPENDITURES	<u>27,423,767</u>	<u>1,504,965</u>	<u>29,013,240</u>	<u>401,166</u>	<u>28,928,732</u>	<u>29,414,406</u>
EXCESS (DEFICIENCY) OF APPROPRIATIONS AND REVENUES OVER EXPENDITURES	<u>3,581,626</u>	<u>(1,425,660)</u>	<u>3,410,021</u>	<u>(356,566)</u>	<u>2,155,966</u>	<u>3,053,455</u>
OTHER FINANCING SOURCES (USES)						
Capital lease proceeds	40,500	-	-	-	40,500	-
Operating transfers in (out)	(1,953,000)	1,953,000	(429,443)	429,443	-	-
Reversion of non-augmenting revenue	(712,924)	-	(385,395)	-	(712,924)	(385,395)
Reversion of General Fund appropriation	(1,793,268)	-	(2,340,634)	-	(1,793,268)	(2,340,634)
Reversion of cash/cash exempt appropriation	(680,548)	-	(254,549)	-	(680,548)	(254,549)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(5,099,240)</u>	<u>1,953,000</u>	<u>(3,410,021)</u>	<u>429,443</u>	<u>(3,146,240)</u>	<u>(2,980,578)</u>
EXCESS (DEFICIENCY) OF APPROPRIATIONS AND REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>(1,517,614)</u>	<u>527,340</u>	<u>-</u>	<u>72,877</u>	<u>(990,274)</u>	<u>72,877</u>
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>220,496</u>	<u>-</u>	<u>147,619</u>	<u>220,496</u>	<u>147,619</u>
(DEFICIT) FUND BALANCES, END OF YEAR	<u>\$ (1,517,614)</u>	<u>\$ 747,836</u>	<u>\$ -</u>	<u>\$ 220,496</u>	<u>\$ (769,778)</u>	<u>\$ 220,496</u>

The accompanying notes are an integral part of these financial statements.

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (BUDGET BASIS)

YEAR ENDED JUNE 30, 2003

	Legislative Appropriations Bill	Long Appropriations Bill	Supplemental Appropriations	Transfers	Budget	Actual	Favorable (Unfavorable) Variance
APPROPRIATIONS AND REVENUES							
Appropriations							
General Fund					\$ 28,601,460	\$ 28,601,460	\$ -
Cash Fund and Cash Fund Exempt					1,691,009	1,691,009	-
Total Appropriations					<u>30,292,469</u>	<u>30,292,469</u>	<u>-</u>
Revenues							
Miscellaneous revenue							
Audit reimbursements					-	410,925	410,925
Miscellaneous					-	301,999	301,999
TOTAL APPROPRIATIONS AND REVENUES					<u>30,292,469</u>	<u>31,005,393</u>	<u>712,924</u>
EXPENDITURES BY APPROPRIATION							
General administration	\$ 28,492,896	\$ -	\$ (3,739,994)	\$ 783,072	25,535,974	23,738,842	1,797,132
Property tax study	-	840,000	(120,000)	-	720,000	718,966	1,034
Welfare reform evaluation	1,500,000	-	(500,000)	-	1,000,000	366,676	633,324
Capitol complex leased space	-	949,470	-	-	949,470	949,470	-
Ballot analysis - operating transfer out	-	2,170,000	(217,000)	-	1,953,000	1,953,000	-
Tobacco settlement audit	98,984	-	-	-	98,984	59,350	39,634
Legal services	-	11,242	-	-	11,242	8,550	2,692
Purchase of services from computer center	-	9,002	-	-	9,002	9,002	-
Workers' compensation	-	8,788	-	-	8,788	8,788	-
Health care task force	-	-	2,025	-	2,025	2,025	-
General liability / property insurance	-	3,984	-	-	3,984	3,984	-
Salary survey	-	783,072	-	(783,072)	-	-	-
TOTAL EXPENDITURES BY APPROPRIATION	<u>30,091,880</u>	<u>4,775,558</u>	<u>(4,574,969)</u>	<u>-</u>	<u>30,292,469</u>	<u>27,818,653</u>	<u>2,473,816</u>
EXCESS OF APPROPRIATIONS AND REVENUES OVER EXPENDITURES AND TRANSFERS							
						-	3,186,740
OTHER FINANCING USES							
Reversion of non-augmenting revenue					-	(712,924)	(712,924)
Reversion of General Fund appropriation					-	(1,793,268)	(1,793,268)
Reversion of Cash/Cash Exempt appropriation					-	(680,548)	(680,548)
TOTAL OTHER FINANCING USES						<u>(3,186,740)</u>	<u>(3,186,740)</u>
APPROPRIATIONS AND REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES							
						-	-
FUND BALANCES, BEGINNING OF YEAR							
						-	-
FUND BALANCES, END OF YEAR							
					\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (BUDGET BASIS)

YEAR ENDED JUNE 30, 2002

	Legislative Appropriations Bill	Long Appropriations Bill	Roll Forward Appropriations	Supplemental Appropriations	Transfers	Budget	Actual	Favorable (Unfavorable) Variance
APPROPRIATIONS AND REVENUES								
Appropriations								
General Fund						\$ 30,293,613	\$ 30,293,613	\$ -
Cash Fund and Cash Fund Exempt						1,744,253	1,744,253	-
Total Appropriations						32,037,866	32,037,866	-
Revenues								
Miscellaneous revenue								
Audit reimbursements						-	322,299	322,299
Miscellaneous						-	63,096	63,096
TOTAL APPROPRIATIONS AND REVENUES						32,037,866	32,423,261	385,395
EXPENDITURES BY APPROPRIATION								
General administration	\$ 26,990,184	\$ -	\$ 346,500	\$ (413,800)	\$ 650,448	27,573,332	25,619,124	1,954,208
Property tax study	-	805,000	263,118	(13,000)	-	1,055,118	797,116	258,002
Welfare reform	1,500,000	-	552,488	(1,000,000)	-	1,052,488	832,787	219,701
Capitol complex leased space	-	905,778	-	35,664	-	941,442	941,442	-
Redistricting	602,792	-	8,418	-	(1,249)	609,961	595,232	14,729
Ballot analysis - operating transfer out	-	952,000	-	(522,557)	-	429,443	429,443	-
Congressional redistricting legal fees	200,000	-	-	-	-	200,000	86,305	113,695
Tobacco settlement	-	-	-	85,942	-	85,942	51,094	34,848
Cost of living study	-	56,000	-	-	-	56,000	56,000	-
Legal services	-	10,985	-	-	-	10,985	10,985	-
Purchase of services from computer center	-	9,596	-	-	-	9,596	9,596	-
Workers' compensation	-	6,856	-	(330)	-	6,526	6,526	-
Health care task force	-	-	-	4,006	-	4,006	4,006	-
General liability / property insurance	-	3,579	-	(552)	-	3,027	3,027	-
Salary survey	-	649,199	-	-	(649,199)	-	-	-
TOTAL EXPENDITURES BY APPROPRIATION	29,292,976	3,398,993	1,170,524	(1,824,627)	-	32,037,866	29,442,683	2,595,183
EXCESS OF APPROPRIATIONS AND REVENUES OVER EXPENDITURES AND TRANSFERS						-	2,980,578	2,980,578
OTHER FINANCING USES								
Reversion of non-augmenting revenue						-	(385,395)	(385,395)
Reversion of General Fund appropriation						-	(2,340,634)	(2,340,634)
Reversion of Cash/Cash Exempt appropriation						-	(254,549)	(254,549)
TOTAL OTHER FINANCING USES						-	(2,980,578)	(2,980,578)
EXCESS OF APPROPRIATIONS AND REVENUES OVER EXPENDITURES, TRANSFERS, AND OTHER FINANCING SOURCES (USES)								
						-	-	-
FUND BALANCES, BEGINNING OF YEAR						-	-	-
FUND BALANCES, END OF YEAR						\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUNDS (BUDGET BASIS)

YEAR ENDED JUNE 30, 2003

	Legislative Appropriations Bill	Long Appropriations Bill	Supplemental Appropriations	Transfers	Budget	Actual	Favorable (Unfavorable) Variance
APPROPRIATIONS AND REVENUES							
Appropriation							
Ballot Information and Publication Fund					\$ 1,953,000	\$ 1,953,000	\$ -
Augmenting revenue							
Sale of State Capitol history memorabilia					-	2,678	2,678
Miscellaneous revenue							
Interest income					-	71,627	71,627
Miscellaneous					-	5,000	5,000
TOTAL APPROPRIATIONS AND REVENUES					<u>1,953,000</u>	<u>2,032,305</u>	<u>79,305</u>
EXPENDITURES BY APPROPRIATION							
Ballot analysis - operating transfer in	\$ -	\$ 2,170,000	\$ (217,000)	\$ -	1,953,000	1,504,741	448,259
Public building	-	-	-	-	-	224	(224)
TOTAL EXPENDITURES BY APPROPRIATION	<u>-</u>	<u>2,170,000</u>	<u>(217,000)</u>	<u>-</u>	<u>1,953,000</u>	<u>1,504,965</u>	<u>448,035</u>
EXCESS OF APPROPRIATIONS AND REVENUES OVER EXPENDITURES AND TRANSFERS							
					-	527,340	527,340
FUND BALANCES, BEGINNING OF YEAR							
					-	220,496	220,496
FUND BALANCES, END OF YEAR							
					<u>\$ -</u>	<u>\$ 747,836</u>	<u>\$ 747,836</u>

The accompanying notes are an integral part of these financial statements.

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUNDS (BUDGET BASIS)

YEAR ENDED JUNE 30, 2002

	Legislative Appropriations Bill	Long Appropriations Bill	Roll Forward Appropriations	Supplemental Appropriations	Transfers	Budget	Actual	Favorable (Unfavorable) Variance
APPROPRIATIONS AND REVENUES								
Appropriation								
Ballot Information and Publication Fund						\$ 429,443	\$ 429,443	\$ -
Augmenting revenue								
Sale of State Capitol history memorabilia						-	3,110	3,110
Miscellaneous revenue								
Interest income						-	41,475	41,475
Miscellaneous						-	15	15
TOTAL APPROPRIATIONS AND REVENUES						<u>429,443</u>	<u>474,043</u>	<u>44,600</u>
EXPENDITURES BY APPROPRIATION								
Ballot analysis - operating transfer in	\$ -	\$ 952,000	\$ -	\$ (522,557)	\$ -	429,443	400,972	28,471
Public building	-	-	-	-	-	-	194	(194)
TOTAL EXPENDITURES BY APPROPRIATION	<u>-</u>	<u>952,000</u>	<u>-</u>	<u>(522,557)</u>	<u>-</u>	<u>429,443</u>	<u>401,166</u>	<u>28,277</u>
EXCESS OF APPROPRIATIONS AND REVENUES OVER EXPENDITURES AND TRANSFERS						<u>-</u>	<u>72,877</u>	<u>72,877</u>
FUND BALANCE, BEGINNING OF YEAR						<u>-</u>	<u>147,619</u>	<u>147,619</u>
FUND BALANCE, END OF YEAR						<u>\$ -</u>	<u>\$ 220,496</u>	<u>\$ 220,496</u>

The accompanying notes are an integral part of these financial statements.

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 1 - DEFINITION OF REPORTING ENTITY:

The Legislative Department (the "Department") is a sub-entity of the State of Colorado. The State of Colorado is the oversight entity that has the responsibility for primary reporting of the State's financial activities. The accompanying financial statements present only that portion of the State of Colorado's financial position and activity which pertains to the Department. The Department's primary activities are included in the General Fund of the State of Colorado basic 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 Reapportionment Commission, when active. The Department does not exercise oversight responsibility over any other entity.

The Department follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

The Department is not financially accountable for any other organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

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 soon enough 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 Department reports the following major governmental fund:

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.

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

A. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued):

Special Revenue Funds include fund activities financed by specific revenue sources that are legally restricted for specified purposes.

The Department has the following two special revenue funds:

The **Ballot Information Publication and Distribution Revolving Fund** was created by Senate Bill 97-204 to pay the costs of publishing the text and title of each constitutional amendment and initiated or referred measure in every legal newspaper in the State as required by Section 1-40-124, C.R.S., and to pay the costs of distributing the ballot information booklet as required by subsection (2) of Section 1-40-124.5, 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.

The **Public Buildings Trust Fund** was created for the purpose of promoting historical interest in the State Capitol Building. Receipts from gifts, grants, or donations and sales to the public of publications on the history of the State Capitol Building and other State Capitol memorabilia and associated disbursements are accounted for in this fund. Transactions recorded in this fund on these financial statements reflect only the activity of this special account of the Department within the State's Other Special Revenue Fund.

B. Budgets:

Expenditures of the Department are authorized under annual appropriations and supplemental appropriations made by the 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.

Expenditures are controlled through the use of encumbrances. Monies are reserved for satisfaction of obligations incurred under contracts and purchase orders. Encumbrances outstanding at year-end are not reported as a reservation of fund balance, but rather become a commitment against resources that will become available in future periods.

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

The budget for all funds is adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP) except as follows:

- Expenditures for budgetary purposes exclude amounts for June 2003 salaries and benefits incurred but unpaid at year end.
- Expenditures for budgetary purposes exclude amounts for capital assets acquired under a capital lease.

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Budgets (continued):

- Payments from the General Fund to the Ballot Information Publication and Distribution Revolving Fund (Ballot Revolving Fund) are treated as expenditures for budgetary purposes and as operating transfers for GAAP purposes.

Budget to GAAP differences for General Fund expenditures for the Fiscal Years ending June 30, 2003 and 2002 are as follows:

	2003	2002
Total expenditures, GAAP Basis	\$ 27,423,767	\$ 29,013,240
Salaries incurred but unpaid	(1,517,614)	-
Capital lease expenditures	(40,500)	-
Transfers to Ballot Revolving Fund	1,953,000	429,443
Total expenditures, Budgetary Basis	<u>\$ 27,818,653</u>	<u>\$ 29,442,683</u>

C. Cash:

The balances in cash at June 30, 2003 and 2002 represent the net year-end effect of transactions between the Legislative Department and the State's General Fund. The balance can be an asset, in which case it represents a claim against the unrestricted fund balance of the State General Fund, or a liability, in which case it represents the amount to be provided by the Department appropriations to the unrestricted fund balance of the State General Fund.

The Department deposits cash with the Colorado State Treasurer as required by Colorado Revised Statutes (C.R.S.). The State Treasurer pools these deposits and invests them in securities approved by Section 24-75-601.1, C.R.S. The Department reports its share of the unrealized gains/losses on the basis of its participation in the State Treasurer's pool. All of the Treasurer's investments are reported at fair value, which is determined on the basis of quoted market prices at June 30, 2003 and 2002. The State Treasurer does not invest in any external investment pool, and there is no assignment of income related to participation in the pool. Unrealized gains are included in "Interest Income" and reflect only the change in fair value during the current Fiscal Year. Additional information on the Treasurer's pool may be obtained in the State of Colorado's Comprehensive Annual Financial Report.

D. Capital Assets:

Capital assets are stated at cost, except for those assets contributed, which are stated at the estimated fair market value at the date of contribution. Capital assets are recorded as expenditures in the year of acquisition.

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Compensated Absences:

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.

F. Fund Balance:

In the financial statements, a portion of the fund balance has been reserved for amounts that are legally segregated or are not subject to future appropriation. The reserved fund balance in the Ballot Information Publication and Distribution Revolving Fund is to be used exclusively for the printing and distribution of annual ballot information and was \$734,581 at June 30, 2003 and \$214,695 at June 30, 2002. The reserved fund balance in the Public Buildings Trust Fund is to be used exclusively for the promotion of history publications and memorabilia related to the Capitol Building and was \$13,255 at June 30, 2003 and \$5,801 at June 30, 2002.

At June 30, 2003, the General Fund had an unreserved deficit fund balance of \$1,517,614. This deficit fund balance was due to June 2003 salaries and benefits that were incurred but unpaid at Fiscal Year end as discussed in Note 3. The Department received the appropriation to pay those salaries and benefits on July 1, 2003.

NOTE 3 - ACCRUED SALARIES AND BENEFITS:

Senate Bill 03-197 requires employee salaries to be paid on a monthly basis as of the last working day of the month, except that salaries for the month of June shall be paid on the first working day of July. The salaries and benefits earned, but unpaid, as of June 30, 2003, were \$1,517,614. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements.

NOTE 4 - FULL ACCRUAL ACCOUNTING:

Effective July 1, 2001, the Department, in conjunction with the State of Colorado, adopted Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* Statement No. 38, *Certain Financial Statement Disclosure*, Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences* and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. These statements establish new financial reporting requirements for state and local governments throughout the United States of America. These statements require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in all prior years is affected.

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 4 - FULL ACCRUAL ACCOUNTING (CONTINUED):

As noted earlier, the 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. Expenditures are recorded when a liability is incurred except expenditures related to compensated absences which are recorded only when payment is due. In addition, capital assets are recorded as expenditures.

Under full accrual accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. The cost of accumulated compensated absences is recorded as a liability and capital assets are recorded as assets, net of accumulated depreciation. Depreciation expense is also recorded.

For purposes of full accrual accounting, capital assets of the Department are depreciated using the straight-line method, with a half-year's depreciation charged in the year of acquisition and in the year of disposal. Agencies within the Department assigned useful lives that were most suitable for the particular assets. Estimated useful lives for equipment range from 3 to 40 years.

If the Department had prepared its financial statements using full accrual accounting, its net assets (liabilities) as of the Fiscal Years ended June 30, 2003 and 2002 would have been as shown below.

	<u>2003</u>	<u>2002</u>
Current assets	\$ 1,413,730	\$ 2,236,397
Capital assets	410,667	454,518
Total assets	<u>1,824,397</u>	<u>2,690,915</u>
Current liabilities (including accounts payable, deferred revenue, and other accrued liabilities)	2,364,069	2,107,072
Long-term liabilities	1,601,745	1,654,284
Total liabilities	<u>3,965,814</u>	<u>3,761,356</u>
Net assets:		
Invested in capital assets, net of related debt	410,667	454,518
Restricted for specific purpose	747,836	220,496
Unrestricted	(3,299,920)	(1,745,455)
Total net assets (liabilities)	<u>\$ (2,141,417)</u>	<u>\$ (1,070,441)</u>

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 4 - FULL ACCRUAL ACCOUNTING (CONTINUED):

Adjustments to reconcile the governmental fund balance sheet to net assets shown above are as follows:

	<u>2003</u>		<u>2002</u>
(Deficit) fund balances as reported on the governmental fund balance sheets	\$ (769,778)	\$	220,496
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund balance sheets	410,667		454,518
Capital leases are not due and payable in the current period and therefore are not reported in the fund balance sheets	(38,856)		-
Compensated absences are not due and payable in the current period and therefore are not reported in the fund balance sheets	(1,743,450)		(1,745,455)
	<hr/>		<hr/>
Net assets (liabilities)	\$ (2,141,417)	\$	(1,070,441)

If the Department had prepared its financial statements using full accrual accounting, its activities for the Fiscal Years ended June 30, 2003 and 2002 would have been as shown below.

	<u>2003</u>		<u>2002</u>
Revenues:			
Program revenues, charges for services	\$ 998,038	\$	919,534
General revenues, interest income	71,627		41,475
Miscellaneous revenue	306,999		62,992
Total revenues	<hr/>		<hr/>
	1,376,664		1,024,001
Expenses:			
Compensation	20,110,568		19,568,669
Purchased services	5,089,753		5,609,667
Operating expenses	2,933,755		3,151,675
Travel and subsistence	718,177		912,902
Debt service	849		-
Depreciation expense	115,832		95,270
Total expenses	<hr/>		<hr/>
	28,968,934		29,338,183
Deficiency of revenues over expense	<hr/>		<hr/>
	(27,592,270)		(28,314,182)
State appropriations	29,708,034		31,443,860
Reversions to State General Fund	<hr/>		<hr/>
	(3,186,740)		(2,980,578)
Changes in net assets	<hr/>	\$	149,100

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 4 - FULL ACCRUAL ACCOUNTING (CONTINUED):

The following reconciliations are provided to explain the differences between the governmental fund's excess of appropriations and revenue over expenditures and other financing sources (uses) and the changes in net assets reported under full accrual accounting.

	2003	2002
Excess (deficiency) of appropriations and revenues over expenditures and other financing sources (uses)	\$ (990,274)	\$ 72,877
Compensated absences reported in the Department's activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	2,004	(96,266)
Governmental funds report lease proceeds as an other financing source. However, in the Department's activities, the lease proceeds are reported as liabilities.	(40,500)	-
Governmental funds report payments on principal as expenditures. However, in the Department's activities, payments on principal are not reported. They are reported as reductions in the related liability reported in net assets.	1,644	-
Governmental funds report capital outlay as expenditures. However, in the Department's activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	71,982	267,759
Depreciation	(115,832)	(95,270)
Changes in net assets	\$ (1,070,976)	\$ 149,100

NOTE 5 - 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 cash exempt funds. The cash funds appropriated to the Department are from sales of publications. Cash exempt funds are transfers from other agencies within the State. These funds are designated as "exempt" because they are exempt from the Taxpayer's Bill of Rights (TABOR) calculations discussed in Note 7. The unspent appropriations are either rolled forward to the next fiscal year with the approval of the State Controller's Office or reverted to the State's General Fund.

For Fiscal Years ended June 30, 2003 and 2002, the Department appropriations specified that \$90,000 of revenue earned by the sale of bill copies was available for expenditure by the General Assembly. Receipts for sales in excess of that amount each year, as well as receipts for sales of Colorado Revised Statutes and supplements, were not available for expenditure by the Department. The Department appropriations also specified that \$500,000 of audit revenue was available for expenditure by the Office of the State Auditor. Receipts in excess of that amount were not available for expenditure.

Miscellaneous revenue consists of charges in excess of \$500,000 for audit services performed by the Office of the State Auditor for certain non state-appropriated activities of the State, the sale of bill copies in excess of \$90,000, and other miscellaneous amounts.

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 6 - 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 amounts received for these audits for Fiscal Year 2003 was \$870,628 and for Fiscal Year 2002 was \$994,267. These amounts are not reflected in expenditures or audit reimbursement revenue.

As of June 30, 2003 and 2002, the Office of the State Auditor had contract commitments of \$554,688 and \$495,538, respectively, with private firms to perform audit and consulting services.

NOTE 7 - TAX, SPENDING, AND DEBT LIMITATIONS:

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

The Department's financial activity, as part of the State of Colorado's budget for Fiscal Year 1993, provided the basis for calculation of future limitations at the state level adjusted for allowable increases tied to inflation and population. Subsequent to 1993, revenue in excess of the State's "spending limit" must be refunded unless voters approve the retainage of such excess revenue. TABOR generally requires voter approval for any new tax, tax increases, and new debt.

TABOR does not affect the Department's Fiscal Year 2003 and 2002 financial statements; however, the limitations contained in TABOR may impact future financial activity of the State of Colorado and the Department.

NOTE 8 - RELATED PARTY TRANSACTIONS:

The Department is a branch of Colorado State Government and, as such, 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 State Controller's Office.

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 9 - OPERATING LEASES:

The Department has several operating leases for equipment and pays rent for the capitol complex building space used by the Department service agencies. Total rent expense for Fiscal Years 2003 and 2002 was \$1,188,190 and \$1,235,963, respectively. Future minimum commitments for the capitol complex lease do not exceed one year. Operating leases for equipment expire September 2003 through December 2007, and the future minimum annual rental commitments are as follows:

Year ending June 30,	Minimum lease payments
2004	\$ 150,228
2005	64,173
2006	59,454
2007	48,283
2008	18,605
Total	<u>\$ 340,743</u>

NOTE 10 - CAPITAL ASSETS:

Capital asset activity for the Fiscal Year ended June 30, 2003 was as follows:

	Balances at July 1, 2002	Increases	Decreases	Balances at June 30, 2003
Cost of capital assets, equipment	\$ 998,788	\$ 71,982	\$ (41,408)	\$ 1,029,362
Less accumulated depreciation, equipment	544,270	111,029	(36,604)	618,695
Total capital assets, net of accumulated depreciation	<u>\$ 454,518</u>	<u>\$ (39,047)</u>	<u>\$ (4,804)</u>	<u>\$ 410,667</u>

Capital asset activity for the Fiscal Year ended June 30, 2002 was as follows:

	Balances at July 1, 2001	Increases	Decreases	Balances at June 30, 2002
Cost of capital assets:				
Equipment	\$ 833,177	\$ 268,259	\$ (102,648)	\$ 998,788
Library books	100,361	-	(100,361)	-
Total cost of capital assets	933,538	268,259	(203,009)	998,788
Less accumulated depreciation	551,647	90,240	(97,617)	544,270
Total capital assets, net of accumulated depreciation	<u>\$ 381,891</u>	<u>\$ 178,019</u>	<u>\$ (105,392)</u>	<u>\$ 454,518</u>

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 11 - LONG-TERM OBLIGATIONS:

Long-term liability activity for the Fiscal Year ended June 30, 2003 included capital leases and compensated absences and was as follows:

	Balances at July 1, 2002	Additions	Reductions	Balances at June 30, 2003	Due within one year
Capital leases	\$ -	\$ 40,500	\$ (1,644)	\$ 38,856	\$ 6,934
Compensated absences	1,745,454	270,607	(272,611)	1,743,450	173,627
Total long term liabilities	\$ 1,745,454	\$ 311,107	\$ (274,255)	\$ 1,782,306	\$ 180,561

Long-term liability activity for the Fiscal Year ended June 30, 2002 included only compensated absences and was as follows:

	Balance at July 1, 2001	Additions	Reductions	Balance at June 30, 2002	Due within one year
Compensated Absences	\$ 1,649,187	\$ 142,141	\$ (45,874)	\$ 1,745,454	\$ 91,171

During Fiscal Year 2003, the Department entered into a capital lease agreement to finance the acquisition of an AB Dick 9975 PFA Press #6983 for \$40,500. The capital lease has an effective interest rate of 8.5% and is collateralized by the leased equipment. The lease expires in March 2008. The future annual lease payments required for this capital lease are as follows:

Year ending June 30,	Interest	Principal	Total payments
2004	\$ 3,037	\$ 6,934	\$ 9,971
2005	2,424	7,547	9,971
2006	1,757	8,214	9,971
2007	1,031	8,940	9,971
2008	257	7,221	7,478
Total	\$ 8,506	\$ 38,856	\$ 47,362

NOTE 12 - DEFINED BENEFIT PENSION PLAN:

A. Plan Description:

Virtually all Department employees participate in the Combined State and School Division Trust Fund, a cost sharing multiple employer plan administered by the Public Employees' Retirement Association (PERA). The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. PERA was established by state statute in 1931. Responsibility for the organization and administration of the Plan is placed with the Board of Trustees of PERA. Title 24, Article 51 of the Colorado Revised Statutes states that changes to the plan require legislation by the General Assembly. The state plan and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at 1300 Logan Street, Denver, Colorado 80203, or by calling PERA at (303) 832-9550 or 1 (800) 759-PERA (7372).

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED):

A. Plan Description (continued):

Plan members vest after five years of service and most are eligible for retirement benefits at age 50 with 30 years of service, age 60 with 20 years of service, or at age 65 with 5 years of service. Members are also eligible for retirement benefits without a reduction for early retirement if they are at least 55 and have a minimum of 5 years of service credit, and their age plus years of service equals 80 or more. Monthly benefits are calculated as a percentage of highest average salary (HAS). HAS is one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit.

Members who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. If a member dies before retirement, their spouse or their eligible children under the age of 18 (23 if a full-time student) are entitled to monthly benefit payments. If there is no eligible spouse, financially dependent parents will receive a survivor's benefit.

B. Funding Policy:

Employees contribute 8.0 percent of their gross covered wages to an individual account in the plan. During Fiscal Years 2003 and 2002, the Department contributed 10.04 and 9.9 percent, respectively, of the employee's gross covered wages. Before January 1, 2002, 1.42 percent was allocated to the Health Care Trust Fund. From January 1, 2002 through December 31, 2002, 1.64 percent was allocated to the Health Care Trust Fund and as of January 1, 2003, 1.1 percent was allocated to the Health Care Trust Fund. Throughout the fiscal year, the amount needed to meet the match requirement established by the PERA Board was allocated to the Matchmaker program (see Note 13 below). The balance remaining after allocations to the Matchmaker program and the Health Care Trust Fund was allocated to the defined benefit plan.

The annual gross covered wages subject to PERA is the gross earnings less any reduction in pay to offset employer contributions to the state-sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code. The contribution requirements of plan members and their employers are established, and may be amended, by the General Assembly.

The Legislative Department contributions to the three programs described above for the Fiscal Years ended June 30, 2003, 2002, and 2001 were \$1,409,058, \$1,360,891, and \$1,360,750, respectively. These contributions met the contribution requirement for each year.

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 13 - VOLUNTARY TAX-DEFERRED RETIREMENT PLANS:

A. Voluntary Investment Program:

PERA members of the Department make voluntary contributions to the Voluntary Investment Program (401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the Colorado Revised Statutes, as amended, assigns authority to establish the 401(k) Plan provisions to the General Assembly. The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the Internal Revenue Service. The maximum limits were \$12,000 for 2003 and \$11,000 for 2002. In addition, participants age 50 and over could make additional contributions of \$2,000 in 2003 and \$1,000 in 2002.

B. Deferred Compensation Program:

In 1981, the State initiated a deferred compensation (457) plan for state employees. The 457 Plan is authorized in Title 24 Article 52 Part 1 of the Colorado Revised Statutes. This 457 Plan uses a third-party administrator, and all costs of administration and funding are borne by the plan participants. The assets of the plan are not assets of the State or the Department, but are held in trust for the exclusive benefit of plan participants and their beneficiaries. The State has no liability for losses under the 457 Plan but does have the duty of due care that is required of a fiduciary agent. The 457 Plan is funded by voluntary member contributions of up to a maximum limit set by the Internal Revenue Service. The maximum limits were \$12,000 and \$11,000 for 2003 and 2002, respectively. In addition, participants age 50 and over could make additional contributions of \$2,000 and \$1,000 in 2003 and 2002, respectively.

C. Employer Contributions:

Beginning on January 1, 2001, the Matchmaker program established a state match for PERA member's voluntary contributions to tax-deferred retirement plans. For calendar years 2001 and 2002, the match is 100 percent of up to 3 percent of an employee's gross covered wages paid during the month. For calendar year 2003, the match was 100 percent of up to 2 percent of an employee's gross covered wages paid during the month. The PERA Board sets the level of the match annually based on the actuarial funding of the defined benefit pension plan. Two percent of gross salary plus fifty percent of any reduction in the overall contribution rate due to overfunding of the pension plan was available for the match. While the plan was not overfunded, the maximum one year change in the match rate is statutorily limited to one percent, and therefore, the match changed from 3 percent to 2 percent. As discussed previously, PERA offers a voluntary 401(k) Plan entirely separate from the defined benefit pension plan and the State offers a 457 deferred compensation plan. Members who contribute to either of these plans receive the state match. Legislative Department contributions under the Matchmaker program for the Fiscal Years ended June 30, 2003, 2002, and 2001 were \$277,426, \$328,935, and \$150,690, respectively.

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 14 - POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS:

A. Health Care Program:

PERACare (formerly known as the PERA Health Care Program) began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Trust Fund. Title 24, Article 51, Part 12 of the Colorado Revised Statutes, as amended, assigns the authority to establish PERACare benefit provisions to the General Assembly. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. During Fiscal Year 2003, the monthly premium subsidy was \$115 for those with 20 years of service credit (\$230 for members under age 65), and it was reduced by 5 percent for each year of service fewer than 20. Medicare eligibility also affects the premium subsidy. The Health Care Trust Fund is maintained by an employer contribution as discussed above in Note 12.

Monthly premium costs for participants depend on the health care plan selected, the number of persons covered, Medicare eligibility, and the number of years of service credit. PERA contracts with a major medical indemnity carrier to administer claims for self-insured plans and with health maintenance organizations providing services within Colorado. As of December 31, 2002, there were 35,418 enrollees in the plan.

B. Life Insurance Program:

PERA provides its members access to two group life insurance plans offered by Prudential and Anthem Life (formerly known as Rocky Mountain Life). Members may join one or both plans, and they may continue coverage into retirement. Premiums are collected monthly by payroll deduction or other means.

NOTE 15 - DEFINED CONTRIBUTION PENSION PLAN:

On January 1, 1999, the State began providing a defined contribution plan for certain employees identified in statute. The plan is authorized in Title 24, Article 52, Part 2 of the Colorado Revised Statutes, and is established and administered by the five-member Defined Contribution Retirement Committee. Changes to the plan must be consistent with the authorizing legislation. The State is the sole contributing employer of the plan.

The following classes of state employees are covered: legislators, elected state officials and their deputies, department executive directors appointed by the Governor, members of the Public Utilities Commission, employees of the Governor's Office not covered by the State Personnel System, and employees of the Senate and House of Representatives. Participation in the plan by eligible employees is voluntary; however, a participant cannot also be an active member in PERA. At June 30, 2003, 226 individuals had accounts with the defined contribution pension plan.

The plan provides benefits to participants through purchased annuity contracts, certificates, or similar instruments; all of which are required to be fully portable.

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 15 - DEFINED CONTRIBUTION PENSION PLAN (CONTINUED):

Contributions to the plan are set in statute as a percentage of salary and they are required to be the same as the contributions to the defined benefit plan administered by PERA. Employees contribute 8.0 percent of their gross covered wages to the plan. During Fiscal Years 2003 and 2002, the Department contributed 10.04 and 9.9 percent, respectively, of the employee's gross covered wages. The Department contributions for the Fiscal Years ended June 30, 2003, 2002, and 2001 were \$250,463, \$247,914, and \$219,956, respectively.

NOTE 16 - RISK MANAGEMENT:

The State of Colorado 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 judgements against the State except for employee medical claims. Property claims are not self-insured, rather the State has purchased insurance.

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 Pinnacol Assurance to administer its plan. The State reimburses Pinnacol Assurance for the current cost of claims paid and related administrative expenses.

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

Additional information is included in the State of Colorado Comprehensive Annual Financial Report.

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

COMBINING BALANCE SHEET - GENERAL FUND

JUNE 30, 2003

	<u>General Assembly</u>	<u>Joint Budget Committee</u>	<u>Legislative Council</u>	<u>Office of the State Auditor</u>	<u>Office of Legislative Legal Services</u>	<u>Total</u>
ASSETS						
Cash	\$ 112,595	\$ 1,014	\$ 21,700	\$ (134,238)	\$ 252,259	\$ 253,330
Accounts receivable	311	-	-	117,676	258	118,245
Inter/intrafund receivables	-	-	-	294,063	-	294,063
TOTAL ASSETS	<u>\$ 112,906</u>	<u>\$ 1,014</u>	<u>\$ 21,700</u>	<u>\$ 277,501</u>	<u>\$ 252,517</u>	<u>\$ 665,638</u>
LIABILITIES						
Accounts payable	\$ 112,906	\$ 1,014	\$ 18,909	\$ 277,501	\$ 252,517	\$ 662,847
Intrafund payable	-	-	-	-	-	-
Accrued liabilities	488,535	97,353	318,253	329,465	284,008	1,517,614
Deferred revenue	-	-	2,791	-	-	2,791
TOTAL LIABILITIES	<u>601,441</u>	<u>98,367</u>	<u>339,953</u>	<u>606,966</u>	<u>536,525</u>	<u>2,183,252</u>
(DEFICIT) FUND BALANCES						
Unreserved	<u>(488,535)</u>	<u>(97,353)</u>	<u>(318,253)</u>	<u>(329,465)</u>	<u>(284,008)</u>	<u>(1,517,614)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 112,906</u>	<u>\$ 1,014</u>	<u>\$ 21,700</u>	<u>\$ 277,501</u>	<u>\$ 252,517</u>	<u>\$ 665,638</u>

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

COMBINING BALANCE SHEET - GENERAL FUND

JUNE 30, 2002

	<u>General Assembly</u>	<u>Joint Budget Committee</u>	<u>Legislative Council</u>	<u>Office of the State Auditor</u>	<u>Office of Legislative Legal Services</u>	<u>Reapportionment Commission</u>	<u>Total</u>
ASSETS							
Cash	\$ 154,069	\$ 1,610	\$ 16,380	\$ 790,020	\$ 350,312	\$ -	\$ 1,312,391
Accounts receivable	1,302	-	546	193,268	1,375	-	196,491
Inter/intrafund receivable	-	-	-	506,679	30	-	506,709
TOTAL ASSETS	<u>\$ 155,371</u>	<u>\$ 1,610</u>	<u>\$ 16,926</u>	<u>\$ 1,489,967</u>	<u>\$ 351,717</u>	<u>\$ -</u>	<u>\$ 2,015,591</u>
LIABILITIES							
Accounts payable	\$ 132,458	\$ 1,610	\$ 12,041	\$ 1,489,967	\$ 351,717	\$ -	\$ 1,987,793
Intrafund payable	22,913	-	70	-	-	-	22,983
Deferred revenue	-	-	4,815	-	-	-	4,815
TOTAL LIABILITIES	<u>155,371</u>	<u>1,610</u>	<u>16,926</u>	<u>1,489,967</u>	<u>351,717</u>	<u>-</u>	<u>2,015,591</u>
FUND BALANCES							
Reserved for specific purpose	-	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 155,371</u>	<u>\$ 1,610</u>	<u>\$ 16,926</u>	<u>\$ 1,489,967</u>	<u>\$ 351,717</u>	<u>\$ -</u>	<u>\$ 2,015,591</u>

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

COMBINING SCHEDULE OF APPROPRIATIONS, REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND

YEAR ENDED JUNE 30, 2003

	General Assembly	Joint Budget Committee	Legislative Council	Office of the State Auditor	Office of Legislative Legal Services	Total
APPROPRIATIONS AND REVENUES						
Appropriations						
General Fund	\$ 11,127,587	\$ 1,175,598	\$ 6,758,144	\$ 5,417,035	\$ 4,123,096	\$ 28,601,460
Cash Fund and Cash Fund Exempt	90,000	-	2,025	1,598,984	-	1,691,009
Total Appropriations	<u>11,217,587</u>	<u>1,175,598</u>	<u>6,760,169</u>	<u>7,016,019</u>	<u>4,123,096</u>	<u>30,292,469</u>
Revenues						
Miscellaneous revenue						
Audit reimbursements	-	-	-	410,925	-	410,925
Miscellaneous	266,794	31	527	12,264	22,383	301,999
TOTAL APPROPRIATIONS AND REVENUES	<u>11,484,381</u>	<u>1,175,629</u>	<u>6,760,696</u>	<u>7,439,208</u>	<u>4,145,479</u>	<u>31,005,393</u>
EXPENDITURES						
Compensation	7,131,961	1,226,063	4,036,629	4,087,889	3,630,030	20,112,572
Purchased services	548,718	90	718,800	2,294,274	320,443	3,882,325
Operating expenditures	2,081,938	23,308	173,066	164,841	193,065	2,636,218
Travel and subsistence	697,416	-	915	11,087	8,759	718,177
Capital expenditures	70,249	-	-	1,733	-	71,982
Debt service	2,493	-	-	-	-	2,493
TOTAL EXPENDITURES	<u>10,532,775</u>	<u>1,249,461</u>	<u>4,929,410</u>	<u>6,559,824</u>	<u>4,152,297</u>	<u>27,423,767</u>
EXCESS (DEFICIENCY) OF APPROPRIATIONS AND REVENUES OVER EXPENDITURES	<u>951,606</u>	<u>(73,832)</u>	<u>1,831,286</u>	<u>879,384</u>	<u>(6,818)</u>	<u>3,581,626</u>
OTHER FINANCING SOURCES (USES)						
Capital lease proceeds	40,500	-	-	-	-	40,500
Operating transfer out	-	-	(1,953,000)	-	-	(1,953,000)
Reversion of non-augmenting revenue	(266,794)	(31)	(527)	(423,189)	(22,383)	(712,924)
Reversion of General Fund appropriation	(1,206,257)	(23,490)	(196,012)	(112,702)	(254,807)	(1,793,268)
Reversion of Cash/Cash Exempt appropriation	(7,590)	-	-	(672,958)	-	(680,548)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,440,141)</u>	<u>(23,521)</u>	<u>(2,149,539)</u>	<u>(1,208,849)</u>	<u>(277,190)</u>	<u>(5,099,240)</u>
EXCESS (DEFICIENCY) OF APPROPRIATIONS AND REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>(488,535)</u>	<u>(97,353)</u>	<u>(318,253)</u>	<u>(329,465)</u>	<u>(284,008)</u>	<u>(1,517,614)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ (488,535)</u>	<u>\$ (97,353)</u>	<u>\$ (318,253)</u>	<u>\$ (329,465)</u>	<u>\$ (284,008)</u>	<u>\$ (1,517,614)</u>

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

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

YEAR ENDED JUNE 30, 2002

	<u>General Assembly</u>	<u>Joint Budget Committee</u>	<u>Legislative Council</u>	<u>Office of the State Auditor</u>	<u>Office of Legislative Legal Services</u>	<u>Reapportionment Commission</u>	<u>Total</u>
APPROPRIATIONS AND REVENUES							
Appropriations							
General Fund	\$ 12,116,845	\$ 1,230,837	\$ 5,757,452	\$ 5,850,625	\$ 4,736,311	\$ 601,543	\$ 30,293,613
Cash Fund and Cash Fund Exempt	92,885	895	6,702	1,640,974	2,797	-	1,744,253
Total Appropriations	<u>12,209,730</u>	<u>1,231,732</u>	<u>5,764,154</u>	<u>7,491,599</u>	<u>4,739,108</u>	<u>601,543</u>	<u>32,037,866</u>
Revenues							
Miscellaneous revenue							
Audit reimbursements	-	-	-	322,299	-	-	322,299
Miscellaneous	15,290	-	1,816	13,243	32,747	-	63,096
TOTAL APPROPRIATIONS AND REVENUES	<u>12,225,020</u>	<u>1,231,732</u>	<u>5,765,970</u>	<u>7,827,141</u>	<u>4,771,855</u>	<u>601,543</u>	<u>32,423,261</u>
EXPENDITURES							
Compensation	7,081,906	1,201,178	3,760,801	3,699,111	3,444,586	284,821	19,472,403
Purchased services	760,999	45	919,949	2,839,924	713,158	216,471	5,450,546
Operating expenditures	2,255,133	26,983	232,271	158,809	169,775	66,659	2,909,630
Travel and subsistence	837,162	3,218	4,581	25,293	23,700	18,948	912,902
Capital expenditures	169,411	-	10,151	88,197	-	-	267,759
TOTAL EXPENDITURES	<u>11,104,611</u>	<u>1,231,424</u>	<u>4,927,753</u>	<u>6,811,334</u>	<u>4,351,219</u>	<u>586,899</u>	<u>29,013,240</u>
EXCESS OF APPROPRIATIONS AND REVENUES OVER EXPENDITURES	<u>1,120,409</u>	<u>308</u>	<u>838,217</u>	<u>1,015,807</u>	<u>420,636</u>	<u>14,644</u>	<u>3,410,021</u>
OTHER FINANCING USES							
Operating transfer out	-	-	(429,443)	-	-	-	(429,443)
Reversion of non-augmenting revenue	(15,290)	-	(1,816)	(335,542)	(32,747)	-	(385,395)
Reversion of General Fund appropriation	(1,105,119)	(308)	(406,958)	(425,716)	(387,889)	(14,644)	(2,340,634)
Reversion of Cash/Cash Exempt appropriation	-	-	-	(254,549)	-	-	(254,549)
TOTAL OTHER FINANCING USES	<u>(1,120,409)</u>	<u>(308)</u>	<u>(838,217)</u>	<u>(1,015,807)</u>	<u>(420,636)</u>	<u>(14,644)</u>	<u>(3,410,021)</u>
EXCESS OF APPROPRIATIONS AND REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

COMBINING SCHEDULES OF APPROPRIATIONS - GENERAL FUND

YEARS ENDED JUNE 30, 2003 AND 2002

	2003					
	<u>Initial General Fund Appropriations</u>	<u>Supplemental Appropriations</u>	<u>In (Out) Appropriation Allocations</u>	<u>Revised General Fund Appropriations</u>	<u>Cash and Cash Exempt Appropriations</u>	<u>Final Adjusted Appropriation</u>
AGENCY						
General Assembly	\$ 13,409,741	\$ (1,648,982)	\$ (633,172)	\$ 11,127,587	\$ 90,000	\$ 11,217,587
Joint Budget Committee	1,293,896	(185,078)	66,780	1,175,598	-	1,175,598
Legislative Council	7,476,694	(883,524)	164,974	6,758,144	2,025	6,760,169
Office of the State Auditor	6,469,262	(1,311,073)	258,846	5,417,035	1,598,984	7,016,019
Office of Legislative Legal Services	4,528,861	(548,337)	142,572	4,123,096	-	4,123,096
TOTAL	<u>\$ 33,178,454</u>	<u>\$ (4,576,994)</u>	<u>\$ -</u>	<u>\$ 28,601,460</u>	<u>\$ 1,691,009</u>	<u>\$ 30,292,469</u>

	2002						
	<u>Initial General Fund Appropriations</u>	<u>Supplemental Appropriations</u>	<u>In (Out) Appropriation Allocations</u>	<u>Roll Forward of Prior Year Appropriations</u>	<u>Revised General Fund Appropriations</u>	<u>Cash and Cash Exempt Appropriations</u>	<u>Final Adjusted Appropriation</u>
AGENCY							
General Assembly	\$ 12,840,421	\$ (216,361)	\$ (507,215)	\$ -	\$ 12,116,845	\$ 92,885	\$ 12,209,730
Joint Budget Committee	1,207,175	(13,478)	37,140	-	1,230,837	895	1,231,732
Legislative Council	5,892,840	(578,657)	171,733	271,536	5,757,452	6,702	5,764,154
Office of the State Auditor	6,283,163	(570,207)	137,669	-	5,850,625	1,640,974	7,491,599
Office of Legislative Legal Services	4,275,578	(47,689)	161,922	346,500	4,736,311	2,797	4,739,108
Reapportionment Commission	602,792	-	(1,249)	-	601,543	-	601,543
TOTAL	<u>\$ 31,101,969</u>	<u>\$ (1,426,392)</u>	<u>\$ -</u>	<u>\$ 618,036</u>	<u>\$ 30,293,613</u>	<u>\$ 1,744,253</u>	<u>\$ 32,037,866</u>

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

COMBINING BALANCE SHEETS - SPECIAL REVENUE FUNDS

JUNE 30, 2003 AND 2002

	2003		2002		Totals	
	Public Buildings Trust Fund	Ballot Publication Revolving Fund	Public Buildings Trust Fund	Ballot Publication Revolving Fund	2003	2002
ASSETS						
Cash	\$ 13,286	\$ 734,806	\$ 5,833	\$ 214,973	\$ 748,092	\$ 220,806
TOTAL ASSETS	<u>\$ 13,286</u>	<u>\$ 734,806</u>	<u>\$ 5,833</u>	<u>\$ 214,973</u>	<u>\$ 748,092</u>	<u>\$ 220,806</u>
LIABILITIES						
Accounts payable	\$ 31	\$ 225	\$ 32	\$ 278	\$ 256	\$ 310
TOTAL LIABILITIES	<u>31</u>	<u>225</u>	<u>32</u>	<u>278</u>	<u>256</u>	<u>310</u>
FUND BALANCES						
Reserved for specific purpose	13,255	734,581	5,801	214,695	747,836	220,496
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 13,286</u>	<u>\$ 734,806</u>	<u>\$ 5,833</u>	<u>\$ 214,973</u>	<u>\$ 748,092</u>	<u>\$ 220,806</u>

LEGISLATIVE DEPARTMENT, STATE OF COLORADO

COMBINING SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS

YEARS ENDED JUNE 30, 2003 AND 2002

	2003		2002		Totals	
	Public Buildings Trust Fund	Ballot Publication Revolving Fund	Public Buildings Trust Fund	Ballot Publication Revolving Fund	2003	2002
REVENUES						
Sale of State Capitol history memorabilia	\$ 2,678	\$ -	\$ 3,110	\$ -	\$ 2,678	\$ 3,110
Miscellaneous Revenue						
Interest income	-	71,627	-	41,475	71,627	41,475
Miscellaneous revenue	5,000	-	15	-	5,000	15
TOTAL REVENUE	<u>7,678</u>	<u>71,627</u>	<u>3,125</u>	<u>41,475</u>	<u>79,305</u>	<u>44,600</u>
EXPENDITURES						
Purchased services	100	1,207,328	-	159,121	1,207,428	159,121
Operating expenditures	124	297,413	194	241,851	297,537	242,045
TOTAL EXPENDITURES	<u>224</u>	<u>1,504,741</u>	<u>194</u>	<u>400,972</u>	<u>1,504,965</u>	<u>401,166</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>7,454</u>	<u>(1,433,114)</u>	<u>2,931</u>	<u>(359,497)</u>	<u>(1,425,660)</u>	<u>(356,566)</u>
OTHER FINANCING SOURCES						
Operating Transfer In	-	1,953,000	-	429,443	1,953,000	429,443
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>1,953,000</u>	<u>-</u>	<u>429,443</u>	<u>1,953,000</u>	<u>429,443</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES	<u>7,454</u>	<u>519,886</u>	<u>2,931</u>	<u>69,946</u>	<u>527,340</u>	<u>72,877</u>
FUND BALANCES, BEGINNING OF YEAR	<u>5,801</u>	<u>214,695</u>	<u>2,870</u>	<u>144,749</u>	<u>220,496</u>	<u>147,619</u>
FUND BALANCES, END OF YEAR	<u>\$ 13,255</u>	<u>\$ 734,581</u>	<u>\$ 5,801</u>	<u>\$ 214,695</u>	<u>\$ 747,836</u>	<u>\$ 220,496</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AUDITS OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Legislative Audit Committee:

We have audited the financial statements of the Legislative Department, State of Colorado (the “Department”) as of June 30, 2003 and 2002, and for the years then ended, and have issued our report thereon dated August 22, 2003. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Department’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the members of the Legislative Audit Committee of the State of Colorado and management of the Department and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

August 22, 2003

August 22, 2003

Members of the Legislative Audit Committee:

We have audited the financial statements of the Legislative Department, State of Colorado (the "Department") as of June 30, 2003 and June 30, 2002, and for the years then ended, and have issued our report thereon dated August 22, 2003. Professional standards require that we provide you with the following information related to our audits.

Our Responsibility under Auditing Standards Generally Accepted in the
United States of America and Government Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audits to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audits, we considered the internal control of the Department. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Department's compliance with certain provisions of laws, regulations, and contracts. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Department are described in Note 2 to the financial statements. As described in Note 2 to the financial statements, the Department adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and local Governments: Omnibus*, Statement No. 38, *Certain Financial Statement Disclosures*, Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences* and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2001. This results in a change in the format and content of the basic financial statements.

We noted no transactions entered into by the Department during the years that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and 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. Management's use of estimates is disclosed in the notes to the financial statements.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction to the financial statements that, in our judgment, may not have been detected except through audit procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Department's financial reporting process (that is, cause future financial statements to be materially misstated).

There were no audit adjustments or waived audit adjustments identified in connection with the June 30, 2003 and 2002 audits.

Other Information in Documents Containing Audited Financial Statements

The audited financial statements have been presented along with required and non-required supplementary information. The required supplementary information consists of management's discussion and analysis, which is required under GASB Statements No. 34 and No. 37.

Pursuant to professional standards, the auditors' responsibility for other information in documents containing the Department's audited financial statements does not extend beyond the financial information identified in the audit report, and the auditor is not required to perform procedures to corroborate such other information. However, in accordance with such standards, we are required to read the information in such documents and consider whether such information, or the manner of its presentation, is materially inconsistent with its presentation in the financial statements. Our responsibility also includes calling to management's attention any information, which we believe is a material misstatement of fact. No such inconsistencies or misstatements come to our attention.

The non-required supplemental information, which includes certain combining and other schedules, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements, and in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations 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. If a consultation involves application of an accounting principle to the Department’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.

Issues Discussed Prior to Retention of Independent Auditors

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

Difficulties Encountered in Performing the Audit

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

Independence

In our professional judgment, we are independent of the Department and its related entities within the meaning of the AICPA’s Professional Code of Conduct and under Government Auditing Standards. In addition, we are not aware of any relationships between Gelfond Hochstadt Pangburn, P.C. and its related entities and the Legislative Department, State of Colorado, and its related entities that in our professional judgment may reasonably be thought to bear on independence.

This information is intended solely for the information and use of the Legislative Audit Committee, Department’s management, and others within the Department and is not intended to be, and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

GELFOND HOCHSTADT PANGBURN, P.C.

Scott D. Magnuson, CPA
Director

LEGISLATIVE DEPARTMENT, STATE OF COLORADO
DISTRIBUTION PAGE
YEARS ENDED JUNE 30, 2003 AND 2002

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