Financial Statements
June 30, 2018 and 2017

Statewide Internet Portal Authority

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November 1, 2018

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Independent Auditor's Report

Board of Directors
Statewide Internet Portal Authority
Denver, Colorado

Report on the Financial Statements
We have audited the accompanying financial statements of the Statewide Internet Portal Authority, a component unit of the of State of Colorado, as of June 30, 2018 and 2017 and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

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

Auditors' Responsibility
Our responsibility is to express opinions 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 from material misstatement.

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

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

Opinions
In our opinions, the financial statements referred to above present fairly, in all material respects, the respective financial position of Statewide Internet Portal Authority as of June 30, 2018 and 2017, and its respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters
As discussed in Note 1, the financial statements present only the Statewide Internet Portal Authority and do not purport to, and do not, present fairly the financial position of the State of Colorado, as of June 30, 2018 and 2017, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7 and the Statewide Internet Portal Authority's proportionate share of the net pension and net OPEB liabilities and schedule of contributions on pages 34 – 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Statewide Internet Portal Authority's basic financial statements. The budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinions, the budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Eide Bailly LLP

Denver, Colorado
October 22, 2018

The Management's Discussion and Analysis for Statewide Internet Portal Authority (Authority) offers readers an overview of the Authority's financial activities for the fiscal years ended June 30, 2018 and 2017. Readers are encouraged to consider this information in conjunction with the Authority's financial statements, and notes to the basic financial statements.

Financial Highlights

- Net position increased from $3,962,130 in 2017 to $4,765,351 in 2018 or 20.3%, primarily due to increases in the number of customers and expanded services customers receive from the Authority, net of the adjustment ($327,695) to record the 2018 pension and OPEB expenses required under pronouncements GASB 68 and GASB 75. The Authority had 472 and 432 active customers at June 30, 2018 and 2017, respectively.

- The Authority's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by a positive $4,765,351 and $3,962,130, respectively, as of June 30, 2018 and 2017, after the implementation of accounting pronouncement GASB 68 and GASB 75 (see Note 6 of the Financial Statements).

- Accounts receivable increased by $3,875,007 (632.6%) from the prior fiscal year primarily due the timing of two contract renewals (for a total of $3,519,107) which were invoiced in June for renewal periods that begin in July 2018. Collection of outstanding invoices generally occurs within the payment terms (Net 45 days in most cases). All net receivables outstanding are expected to be collectable within the next 90 days. Prepaid expenses increased by $1,807,364 which is a 35.4% increase from the prior fiscal year due primarily to the timing of SaaS license renewals.

- Unearned revenue increased by $2,081,686 from prior year, which is a 39.7% increase from the prior fiscal year due primarily to the timing of invoicing for SaaS license renewals.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Required statements for proprietary funds are: 1) Statements of Net Position, 2) Statements of Revenues, Expenses and Changes in Net Position, and 3) Statements of Cash Flows. These financial statements are prepared similar to a business activity using the accrual basis of accounting and economic resource measurement focus.

Statements of Net Position: The Statements of Net Position present information on all of the Authority's assets and liabilities with the difference between the two reported as net position. Over time, increases and decreases in net position serve as a useful indicator of whether the financial condition of the Authority is improving or deteriorating.

Statements of Revenues, Expenses and Changes in Net Position: The Statements of Revenues, Expenses, and Changes in Net Position report the changes that have occurred during the year to the Authority's net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues and expenses are reported for some items that will only have cash flows in subsequent years.

Statements of Cash Flows: The Statements of Cash Flows are concerned solely with flows of cash and cash equivalents. Only transactions that affect the Authority's cash position are reflected in this statement. Transactions are segregated into four sections on the statement: 1) cash flows from operating activities, 2) cash flows from noncapital financing activities, 3) cash flows from capital and related financing activities, and 4) cash flows from investing activities.

Notes to the Basic Financial Statements: The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 11 – 33.

Summary and Financial Analysis of Net Position

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	$ 4,442,888	$ 4,895,089
Board designated cash reserve	2,000,000	2,000,000
Accounts receivable, net of allowance for doubtful accounts of $4,641 in 2018 and $4,641 in 2017	4,487,499	612,492
Prepaid expenses	6,919,383	5,112,019
Total current assets	17,849,770	12,619,600
Capital assets		
Furniture and equipment	47,258	47,258
Software	178,000	178,000
Hardware	39,718	39,718
Accumulated depreciation	(254,116)	(248,167)
Total capital assets	10,860	16,809
Total assets	17,860,630	12,636,409
Deferred outflows		
PERA pension-related	130,201	397,713
PERA OPEB related	3,709	-
Total deferred outflows	133,910	397,713
	17,994,540	13,034,122
Liabilities		
Current Liabilities		
Accounts payable	3,558,643	839,544
Accrued expenses and other liabilities	936,594	1,640,332
Straight line rent	20,629	24,755
Unearned revenue	7,327,024	5,245,338
Total current liabilities	11,842,890	7,749,969
Noncurrent liabilities		
Net pension liability	1,069,624	1,318,211
Net OPEB liability	97,012	-
Total liabilities	13,009,526	9,068,180
Deferred inflows		
PERA pension-related	217,697	3,812
PERA OPEB related	1,966	-
Total deferred inflows	219,663	3,812
Net position		
Net investment in capital assets	10,860	16,809
Unrestricted	4,754,491	3,945,321
Total net position	$ 4,765,351	$ 3,962,130

The Authority increased its net position from operations by $803,221 during 2018. Accounts receivable increased by $3,875,007 (632.6%) from the prior fiscal year primarily due the timing of two contract renewals (for a total of $3,519,107) which were invoiced in June for renewal periods that begin in July 2018. Prepaid expenses increased by $1,807,364 which is a 35.4% increase from the prior fiscal year due primarily to the timing of SaaS license renewals. Unearned revenue increased by $2,081,686 which is a 39.7% increase from the prior fiscal year due primarily to the timing of invoicing for new and renewal SaaS licenses.

Total net position at June 30, 2018 is $4,765,351 of which $4,754,491 is available for payment of future outlays funded by operations as well as sustaining current operations. In June 2016 the Board increased the amount of Cash Reserve identified as necessary to maintain as the Authority's net position from $1,500,000 to $2,000,000 due to increased cash demands of the business, which is established as part of its Financial Policies, and included in unrestricted net position in the Statements of Net Position as of June 30, 2018.

The Authority increased its net position from operations by $734,655 during 2017. Accounts receivable decreased by $3,878,009 during 2017 as a result of the timing of invoicing for contract renewal and improved collections against invoices. Prepaid expenses and other assets decreased by $664,641 during 2017 as a result of the timing of the contract renewals with vendors. Unearned revenue decreased by $2,820,229 during 2017 as a result of the timing of license renewals and new SaaS licenses to existing customers.

Total net position at June 30, 2017 calculates to an amount of $3,962,130 of which $3,945,321 is available for payment of future outlays funded by operations as well as sustaining current operations.

Changes in Net Position

	2018	2017
Operating revenues		
Charges for services	$ 2,113,991	$ 1,903,833
Cost reimbursement revenue	3,211,294	1,152,157
License revenue	13,771,284	8,724,405
Other revenue	103,235	43,820
Total operating revenues	19,199,804	11,824,214
Operating Expenses		
General and administrative expenses	18,396,583	11,089,559
Operating Income and changes in net position	803,221	734,655
Total net position - Beginning of year	3,962,130	3,227,475
Total net positon - End of year	$ 4,765,351	$ 3,962,130

2018 Revenue

Total operating revenues for fiscal year ended June 30, 2018 totaled $19,199,804, an increase of $7,375,590 or 62.4% compared to fiscal year 2017. Revenue increased significantly in all categories: Services Revenue increased by 11.0%, Cost Reimbursement Revenue increased by 178.7%, and License Revenue increased by 57.8% when compared to the preceding year (2017).

2018 Expenses

Total operating expenses for 2018, which include direct (cost of licenses and services), general and administrative expenses, were $18,396,583, an increase of $7,307,024 or 65.9% compared to 2017. The increase in operating expenses is directly attributable to the increase in Revenue and activity in all categories. General and administrative expenses were up in 2018 compared to 2017 primarily due to an increase in staff and activities to expand the customer base and product and service offerings.

2017 Revenue

Total operating revenues for fiscal year 2017 totaled $11,824,214, a decrease of $2,725,241 or 18.7% compared to fiscal year 2016. Revenue for Services increased by 6.7%, Cost Reimbursement Revenue decreased by 67.5%, and License Revenue decreased by 5.3% when compared to the preceding year (2016). Fewer third party development projects were the primary factor in the overall decrease in Revenue. Cost Reimbursement Revenue is generally billed as a "pass-through cost" to the customer.

2017 Expenses

Total operating expenses for 2017, which include direct (cost of licenses and services), general and administrative expenses were $11,089,559, a decrease of $2,806,438 or 20.2% compared to 2016. The decreases in operating expenses are primarily attributable to lower expenses associated with decreased Cost Reimbursement Revenue. General and administrative expenses were up in 2017 compared to 2016 primarily due to an increase in staff and an expansion in the Authority's Grant Program.

Capital Assets

Net capital assets decreased by $5,949 during 2018. There were no capital asset purchases during the fiscal year.

	Balance at June 30, 2017	Increases	Decreases	Balance at June 30, 2018
Capital assets, being depreciated:				
Office equipment	$ 1,668	$ -	$ -	$ 1,668
Office furniture	45,590	-	-	45,590
Software	178,000	-	-	178,000
Hardware	39,718	-	-	39,718
Total capital assets, being depreciated	264,976	-	-	264,976
Less accumulated depreciation for:				
Office equipment	1,668	-	-	1,668
Office furniture	22,991	5,949	-	28,940
Software	178,000	-	-	178,000
Hardware	45,508	-	-	45,508
Total capital assets, being depreciated	248,167	5,949	-	254,116
		-		
Capital assets, net	$ 16,809	$ (5,949)	$ -	$ 10,860

Net capital assets decreased by $5,949 during 2017. There were no capital asset purchases during the fiscal year.

	Balance at June 30, 2016	Increases	Decreases	Balance at June 30, 2017
Capital assets, being depreciated:				
Office equipment	$ 1,668	$ -	$ -	$ 1,668
Office furniture	45,590	-	-	45,590
Software	178,000	-	-	178,000
Hardware	39,718	-	-	39,718
Total capital assets, being depreciated	264,976	-	-	264,976
Less accumulated depreciation for:				
Office equipment	1,668	-	-	1,668
Office furniture	17,042	5,949	-	22,991
Software	178,000	-	-	178,000
Hardware	45,508	-	-	45,508
Total capital assets, being depreciated	242,218	5,949	-	248,167
Capital assets, net	$ 22,758	$ (5,949)	$ -	$ 16,809

Economic environment

While the positive economic conditions in Colorado continue to move in a positive direction, some Colorado statutes, including Tabor, are having a mixed influence on State and Local Government spending. Generally, this dichotomy should prove favorable for the Authority and drive the continued need of State and Local Governments to procure "low cost or no cost" technology solutions for the foreseeable future. The Authority's mobile application is having a steady adoption rate and this will prompt other features leading to additional adoption and revenue.

Requests for information

This financial report is designed to provide its readers a general overview of the Authority's finances. Questions regarding any information contained in this report or requests for additional information should be addressed to the Executive Director, 1300 Broadway, Suite 440, Denver, CO 80203.

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	$ 4,442,888	$ 4,895,089
Board designated cash reserve	2,000,000	2,000,000
Accounts receivable, net of allowance for doubtful accounts of $4,641 in 2018 and $4,641 in 2017	4,487,499	612,492
Prepaid expenses	6,919,383	5,112,019
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Capital assets		
Furniture and equipment	47,258	47,258
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Accumulated depreciation	(254,116)	(248,167)
Total capital assets	10,860	16,809
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Operating Expenses		
General and administrative expenses	18,396,583	11,089,559
Operating Income and changes in net position	803,221	734,655
Total net position - Beginning of year	3,962,130	3,227,475
Total net positon - End of year	$ 4,765,351	$ 3,962,130

	2018	2017
Cash flows from operating activities		
Cash received from services provided	$ 15,324,797	$ 15,702,223
Cash payments to suppliers for goods and services	(15,175,332)	(14,106,550)
Cash payments to employees for services	(601,666)	(629,897)
Net cash provided (used) by operating activities	(452,201)	965,776
Net increase (decrease) in cash	(452,201)	965,776
Cash - Beginning of Year	6,895,089	5,929,313
Cash - End of Year	$ 6,442,888	$ 6,895,089
Reconciliation of operating income to net cash provided (used) by operating activities		
Income from operations	$ 803,221	$ 734,655
Adjstments to reconcile income from operations to net cash flows provided (used) by operating activities		
Depreciation expenses	5,949	5,949
PERA contribution expense	328,079	271,489
(Increase) decrease in assets:		
Accounts receivable	(3,875,007)	3,878,009
Prepaid expenses and other assets	(1,807,364)	676,449
Increase (decrease) in liabilities:		
Accounts payable	2,719,099	(3,205,136)
Accrued salaries and benefits	2,451	30,810
Other accrued expenses	(706,188)	1,397,906
Straight line rent	(4,126)	(4,126)
Unearned revenue	2,081,686	(2,820,229)
Net cash provided (used) by operating activities	$ (452,201)	$ 965,776

Note 1 - Definition of Reporting Entity

Statewide Internet Portal Authority (Authority) is a quasi-governmental corporation and political sub-division of the state of Colorado. Formed in 2004, the Authority was created by Colorado Senate Bill 04-244 to provide a single point of access to electronic government information, giving citizens an alternate way to transact business with state and local governments, to allow for the integration of specific applications that have been developed or may be developed by state and local agencies, to solicit the input, leadership, and technical expertise of the various state and local agencies across the state of Colorado (State) and to provide appropriate administration and oversight for a successful statewide Internet Portal. The portal is administered and managed by the Statewide Internet Portal Authority Board of Directors (the Board) and the Board has appointed an Executive Director.

Pursuant to C.R.S. 24-37.7-102, there are fifteen appointed members serving on the Board of Directors. The appointees consist of:

(a) The Secretary of State;

(b) The head of one of the offices in the Office of the Governor appointed by the Governor;

(c) The Executive Directors of three principal departments of the state appointed by the Governor or the appointed Executive Director's designee. An appointed Executive Director of a principal department shall give written notice to the Executive Director of the authority of his or her designee.

(d) (I) Three members from the private sector who exhibit a background in information management and technology and who are users of electronic information, products, and services or information technology services that are offered through the private sector appointed by the Governor with the consent of the Senate.

(II) The members from the private sector shall serve for terms of four years each; except that, of those members first appointed to the Board, the terms of office shall be as follows:

(A) One shall be appointed for two years; and

(B) One shall be appointed for three years.

(e) One member representing the judicial department of the state appointed by the Chief Justice of the Supreme Court. If the appointee of the Chief Justice is not able to attend a meeting of the Board, a designee of the person appointed by the Chief Justice may serve on the Board if designated in writing by the Chief Justice's appointee. The appointee of the Chief Justice shall give written notice to the Executive Director of his or her designee.

(f) Two members of the Senate, one of whom is appointed by the President of the Senate and one of whom is appointed by the Minority Leader of the Senate, and two members of the House of Representatives, one of whom is appointed by the Speaker of the House of Representatives and one of whom is appointed by the Minority Leader of the House of Representatives. Each of these four members shall exhibit a background in information management and technology or have experience as members of an oversight committee for information management and technology. The appointment of the members to the Board by the Minority Leaders of the Senate and House of Representatives shall be made as soon as practicable after May 28, 2013.

(g) One member representing local government appointed by the Governor with the consent of the Senate; and

(h) The Chief Information Officer of the Office of Information Technology created in section C.R.S. 24-37.5-103, or the Chief Information Officer's designee. The Chief Information Officer shall give written notice to the Executive Director of his or her designee.

The Authority has partnered with Colorado Interactive, a subsidiary of NIC, Inc. Colorado Interactive designs, implements, and maintains the statewide portal.

The Authority 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 governing 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 Authority is not financially accountable for any other organization. The state of Colorado has determined that the Authority is a component unit of the state.

Note 2 - Summary of Significant Accounting Policies

The accounting policies of the Authority conform to U.S. generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the Authority's power is related to those operated in a manner similar to a private corporation where net income and capital maintenance are appropriate determinations of accountability.

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

Basis of Accounting

The Authority's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets.

Operating Revenues and Expenses

The Authority distinguishes between operating revenues and expenses and non-operating items in the Statements of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from providing services in connection with the Authority's purpose of providing one-stop access to electronic information, products, and services. Operating revenues are derived from fees charged to customers for services provided through the portal. These fees include a fixed monthly payment from Colorado Interactive, plus a portion of the total revenues received from portal customers. Operating expenses include the cost of service, administrative expenses, and depreciation of assets.

Budgets

Budgets are prepared in accordance with the requirements of Colorado Revised Statutes and accordingly include "anticipated income and other means of financing proposed expenditures", and expenditures include, in addition to those shown in the operating statements, capital expenditures. Accordingly, budget comparisons are of the legally adopted budget. The level of budget control is determined by the resolution appropriating sums of monies. The resolution appropriates the level of budget control by total expenditures. Appropriations lapse at year-end.

Actual Revenue and Expenditures exceeded budgeted amounts for the Fiscal Year-ended June 30, 2018, primarily due to increased Cost Reimbursement activities and billings in the final couple of months of the Fiscal Year.

Cash Equivalents

For purposes of the statements of cash flows, the Authority considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Accounts receivable consists primarily of amounts owed from state and local governments and other local entities. They are reported at their gross value, and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid Expenses

Certain payments to vendors reflect expenses applicable to future accounting periods and are recorded as prepaid expense. Costs to purchase software licenses for sale are recorded as a prepaid expense upon purchase of the license and are recognized monthly on a straight-line basis during the term of the license and are included in operating expenses.

Capital Assets

Capital assets, which include furniture and equipment, hardware and software, are reported by the Authority. The Authority's policy is to generally capitalize individual capital asset purchases over $5,000. Such assets are recorded at historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Furniture and equipment	3 - 7 years
Hardware	5 years
Software	5 years

Unearned Revenue

Unearned revenue includes license agreements greater than $1,200 with a term of 2 or more months, which are recorded as unearned revenue upon customer purchase and revenue is recognized monthly on a straight-line basis during the term of the license and is included in license revenue on the Statement of Revenues, Expenses, and Changes in Net Position.

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities include compensated absences. The Authority's policy for compensated absences is as follows:

"Paid Time Off" (PTO) starts to accrue immediately upon hire and employees may use their PTO time as it accrues. Employees may accrue and carry over 150% of their annual PTO hours earned. When an employee's accrual reaches the maximum hours allowed, PTO stops accruing until the accrued balance is reduced. Once reduced, PTO will start to accrue again up to the maximum allowable hours. It is the employee's responsibility to report PTO as it is used. The maximum accrual for any employee is 228 hours.

Deferred Outflows/Inflows of Resources

Deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The deferred outflows and inflows are for amounts that are either; pension-related which includes that includes items related to SIPA's portion of the LGDTF-PERA benefit plan, or, Other Post-Employment Benefits (OPEB), which includes the Health Care Trust Fund (HCTF). These balances include the difference between expected and actual experience, any changes of assumptions or other inputs, the net difference between projected and actual investment earnings on pension plan investments, and the related contributions subsequent to the measurement date, but before the end of the fiscal year and changes in proportion since the prior measurement date (see Note 6).

Net Pension Liability

The Authority has reported a net pension liability as of June 30, 2018 and June 30, 2017. Due to the implementation of GASB No. 68 in fiscal year 2015, the Authority is required to report their proportionate share of PERA's unfunded pension liability. See Note 6.

Net OPEB Liability

The adoption of GASB 75 requires the Authority, beginning with the Fiscal Year ending June 30, 2018, to report a net OPEB related Liability. See Note 6 for additional information

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimate and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

Note 3 - Cash and Investments

Cash is classified in the accompanying financial statements as of June 30, 2018 and 2017 as follows:

	2018	2017
Statements of net position		
Cash and cash equivalents	$ 4,442,888	$ 4,895,089
Board designated cash reserve	2,000,000	2,000,000
	$ 6,442,888	$ 6,895,089

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At June 30, 2018, of bank balances totaling $6,547,308, $500,000 was covered by FDIC and $6,047,308 was covered by PDPA. At June 30, 2017, of bank balances totaling $6,912,446, $500,000 was covered by FDIC and $6,412,446 was covered by PDPA.

At June 30, 2018, and June 30, 2017, the Authority held shares totaling $5,494,390 and $5,557,493 of the Colorado Local Government Liquid Asset Trust (ColoTrust), respectively. This is a local government investment pool that is established by State statute for local government entities in Colorado to pool and invest surplus funds.

Custodial Credit Risk - The State Securities Commissioner administers and enforces the requirements of creating and operating the local government investment pools. The pools operate similarly to a money market fund and each share is equal in value to $1.00. The ColoTrust pool is rated AAA and has a weighted average maturity of 44 to 54 days dependent on which type of account funds are deposited into. Investments of the pools are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the participating governments.

Investments

The Authority had no investments as of June 30, 2018 and 2017.

Note 4 - Capital Assets

An analysis of the changes in capital assets for the years ended June 30, 2018 and 2017 is as follows:

	Balance at June 30, 2017	Increases	Decreases	Balance at June 30, 2018
Capital assets, being depreciated:				
Office equipment	$ 1,668	$ -	$ -	$ 1,668
Office furniture	45,590	-	-	45,590
Software	178,000	-	-	178,000
Hardware	39,718	-	-	39,718
Total capital assets, being depreciated	264,976	-	-	264,976
Less accumulated depreciation for:				
Office equipment	1,668	-	-	1,668
Office furniture	22,991	5,949	-	28,940
Software	178,000	-	-	178,000
Hardware	45,508	-	-	45,508
Total capital assets, being depreciated	248,167	5,949	-	254,116
		-		
Capital assets, net	$ 16,809	$ (5,949)	$ -	$ 10,860

	Balance at June 30, 2016	Increases	Decreases	Balance at June 30, 2017
Capital assets, being depreciated:				
Office equipment	$ 1,668	$ -	$ -	$ 1,668
Office furniture	45,590	-	-	45,590
Software	178,000	-	-	178,000
Hardware	39,718	-	-	39,718
Total capital assets, being depreciated	264,976	-	-	264,976
Less accumulated depreciation for:				
Office equipment	1,668	-	-	1,668
Office furniture	17,042	5,949	-	22,991
Software	178,000	-	-	178,000
Hardware	45,508	-	-	45,508
Total capital assets, being depreciated	242,218	5,949	-	248,167
Capital assets, net	$ 22,758	$ (5,949)	$ -	$ 16,809

Note 5 - Operating Leases

The Authority has entered into leases for office space and equipment necessary for Authority operation. Beginning July 1, 2013, the Authority entered into a long-term lease agreement for office space through June 30, 2023. The future minimum payments of the operating lease are as follows as of June 30, 2018:

Year Ending June 30,	Amount
2019	$ 89,224
2020	89,224
2021	89,224
2022	89,224
2023	89,224
Total	$ 446,120

For the years ended June 30, 2018 and 2017, rent expense (including monthly staff parking fees) totaled $94,701 and $94,701 respectively.

Note 6 - Public Employees' Retirement Association of Colorado

Summary of Significant Accounting Policies

SIPA participates in two funds administered by the Public Employees' Retirement Association of Colorado ("PERA"): 1) the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund) and 2) the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund.

The net pension related liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deduction from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to eliminate with a High Probability the Unfunded Liability of the Plan within the Next Thirty Years. Governmental accounting standards require the net pension liability and related amounts of the LGDTF for financial reporting purposes be measured using the plan provisions in effect as of the LGDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled Changes between the measurement date of the net pension liability and June 30, 2018.

General Information about the Pension Plan

Eligible employees of SIPA are provided with pensions through the Local Government Division Trust Fund (LGDTF) – a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado state law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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

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

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the LGDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

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

Eligible employees and SIPA are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq*. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	Rates
Employer contribution rate[1]	10.00%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) [1]	(1.02)%
Amount apportioned to the LGDTF[1]	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 [1]	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 [1]	1.50%
Total employer contribution rate to the LGDTF[1]	**12.68%**

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

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and SIPA is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from SIPA were $75,210 and $80,593 for the years ended June 30, 2018 and June 30, 2017, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018 and June 30, 2017, SIPA reported a liability of $1,069,624 and $1,318,211, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The SIPA proportion of the net pension liability was based on SIPA's contributions to the LGDTF for the calendar year 2017 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2017, SIPA's proportion was 0.09606 percent, which was a decrease of 0.0016 from its proportion measured as of December 31, 2016.

For the years ended June 30, 2018 and June 30, 2017, SIPA recognized pension expense of $274,866 and $350,496, respectively. At June 30, 2018, SIPA reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 66,914	$ -
Changes of assumptions or other inputs	11,300	-
Net difference between projected and actual earnings on pension plan investments		207,908
Changes in proportion and differences between contributions recognized and proportionate share of contributions	11,578	9,789
Contributions subsequent to the measurement date	40,409	-
	$ 130,201	$ 217,697

$40,409 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Amount
2019	$ 51,187
2020	(25,657)
2021	(76,484)
2022	(76,951)
	$ (127,905)

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 10.45 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount Rate	7.25 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

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

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

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

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

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

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

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

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

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non US Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 100%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate, and therefore, the Discount Rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$ 1,703,562	$ 1,069,624	$ 541,143

Pension plan fiduciary net position. Detailed information about the LGDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Other Post-Employment Benefits

General Information about the OPEB Plan

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

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

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

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

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and SIPA is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from SIPA were $6,201 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, SIPA reported a liability of $97,012 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. SIPA's proportion of the net OPEB liability was based on SIPA's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the SIPA proportion was 0.00746 percent, which was a decrease of 0.00003 percent from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018 SIPA recognized OPEB expense of $6,429. At June 30, 2018 SIPA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	459	0
Changes of assumptions or other inputs	0	0
Net difference between projected and actual earnings on OPEB plan investments	0	1,623
Changes in proportion and differences between contributions recognized and proportionate share of contributions	0	343
Contributions subsequent to the measurement date	3,250	N/A
Total	3,709	1,966

$3,709 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30, 2018	
2019	$ (381)
2020	(381)
2021	(381)
2022	(381)
2023	17
Total	$(1,507)

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

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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

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

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

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

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

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

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

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

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

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

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERAcare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

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

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

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

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

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

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

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

	1% Decrease in Trend Rates	**Current Trend Rates**	**1% Increase in Trend Rates**
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	$ 94,343	$ 97,012	$ 100,227

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

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

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

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

	1% Decrease (6.25%)	**Current Discount Rate (7.25%)**	**1% Increase (8.25%)**
Proportionate share of the net OPEB liability	$ 109,072	$ 97,012	$ 86,718

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

Note 7 - Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, revenue, and debt limitations which apply to the state of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The Authority's management believes a significant portion of its operations qualify for this exclusion.

The Authority's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate fiscal year spending limits and qualification as an enterprise will require judicial interpretation.

Note 8 - Contracts

The Authority has contracted with Colorado Interactive, a subsidiary of NIC, Inc. (a private corporation) to design, build, operate, and maintain a statewide Internet Web Portal. The agreement provides for portal services (see Note 9), fees and charges to be assessed to the users of the portal, and also provides a mechanism by which these fees are passed through to the participating governmental agencies, as well as establishing a base fee and percentage of revenue to be provided to the Authority for administering the web portal. The contract will expire April 19, 2019. The contract includes an option for the Authority to extend the contract for up to four annual renewal periods. The revenue from this contract is included in Charges for services on the accompanying Statements of Revenues, Expenses and Changes in Net Position.

The Authority has contracted with Tempus Nova, Inc. to provide one year Google Application and Google Message Discovery licenses to Eligible Government Entities (EGEs). Typically, an EGE will require consulting services to support the initial implementation and/or project management which is a service Tempus Nova provides. The original contract expired on June 30, 2015 at which time a new three year non-exclusive contract (through June 30, 2018) was signed. The new contract includes three one year renewal period options. Revenue from services under this contract is recognized as Cost Reimbursement Revenue and revenue from licenses is recognized as License Revenue on the accompanying Statements of Revenues, Expenses and Changes in Net Position.

The Authority has contracted with Hyland Software, Inc. (formerly known as Lexmark and prior to that Perceptive Software), effective May 8, 2013, to provide Enterprise Content Management solutions to EGE's. Hyland Software is responsible for the planning, solution design, installation, configuration and testing of the proposed solutions. The contract remains in effect as long as there are active Software License Subscriptions in place.

The Authority earns revenue under agreements associated with licensing Software as a Service ("SaaS"). This revenue model includes revenue from the purchasing and reselling of licenses for Google Applications, Content Management Systems and SalesForce.com Applications. The Authority has used its scale and position to negotiate license agreements with various vendors and acts essentially as a reseller of those licenses and services under these purchased license agreements. The licenses are sold at a fixed per license price and the services are managed by the vendor. This licensing revenue and other SaaS revenues earned by the Authority are directly tied to the licenses sold to EGEs. The revenue from these agreements and related services are included in License Revenue on the accompanying Statements of Revenues, Expenses and Changes in Net Position.

The Authority has multiple contracts with the Governor's Office of Information Technology ("OIT") to implement and provide various technologies, services and application licenses. These Agreements are generally for 12 month terms, with options to renew, each with its own expiration date. Subsequent to June 30, 2018 Hyland Software made SIPA aware that they intended to terminate certain existing contracts where by SIPA provides software licenses to OIT and to begin licensing with the OIT directly. Formal termination notice has not been provided and the impact on SIPA's Net Position cannot be estimated.

As of June 30, 2017, the Authority had recorded unearned revenue related to these contracts in the amount of $5,245,338, of which the majority was recognized during the year ended June 30, 2018. As of June 30, 2018, the Authority has recorded unearned revenue related to these contracts in the amount of $7,327,024, for which revenue will be recognized in future years over the term of the licenses or as services are provided in order to meet the revenue recognition criteria.

Note 9 - Joint Account with Colorado Interactive

In order to comply with bank requirements to comply with the Colorado Public Deposit Protection Act the Authority, as of March 14, 2017, the Authority and Colorado Interactive (Contractor) began operating a joint bank account (Portal Account) for the purpose of collecting and distributing revenues received through the portal to the participating governmental agencies. Colorado Interactive was responsible for managing the Portal Account and all transactions into and out of the account. The Authority's legal claim to the cash in this account was limited to any outstanding accounts receivable from Colorado Interactive. The remainder of the cash in this account belonged to Colorado Interactive and the participating governmental agencies. The bank balance in the Portal Account on June 30, 2018 and June 30, 2017 was $4,428,961 and $4,600,712 respectively. All accounts receivable balances from Colorado Interactive are considered to be ordinary trade receivables.

Note 10 - Risk Management

The Authority is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The Authority maintains commercial insurance for all risks of loss. There have been no claims in the past three fiscal years, and accordingly, there were no settled claims that would have exceeded this commercial coverage in any of the past three fiscal years.

Required Supplementary Information
June 30, 2018 and 2017

Statewide Internet Portal Authority

Pension Related Contributions	2018	2017	2016	2015
Authority's proportion (percentage) of the collective net pension liability (asset)	0.0960655389%	0.0976205894%	0.0814316800%	0.0777715793%
Authority's proportionate share of the collective pension liability (asset)	$1,069,624	$1,318,211	$897,036	$697,074
Covered-employee payroll	718,854	675,267	531,146	516,992
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	148.796%	195.213%	168.887%	134.833%
Plan fiduciary net pension as a percentage of the total pension liability	79.37%	73.60%	76.90%	62.80%

* The amounts presented for each fiscal year were deteremined as of December 31.

OPEB Related Contributions	2018	2017	2016	2015
Authority's proportion (percentage) of the collective net pension liability (asset)	0.0074647415%	0.0074937204%		
Authority's proportionate share of the collective pension liability (asset)	$97,012			
Covered-employee payroll	718,854			
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	13.495%			
Plan fiduciary net pension as a percentage of the total pension liability	17.53%			

* The amounts presented for each fiscal year were deteremined as of December 31.

Statewide Internet Portal Authority
Schedule of Contributions and Related Ratios
Last 10 Fiscal Years *

Pension Related Contributions	2018	2017	2016	2015	2014	2013
Statutorily required contributions	$ 79,920	$ 73,909	$ 67,343	$ 58,116	$ 44,691	$ 11,993
Contributions in relation to the statutorily required contribution	79,920	73,909	67,343	58,116	44,691	11,993
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	718,854	675,267	531,146	516,992	458,572	309,178
Contribution as a percentage of covered-employee payroll	11.12%	10.95%	12.68%	11.24%	9.75%	3.88%

* The amounts presented for each fiscal ye The amounts presented for each fiscal year were deteremined as of June 30
The Authority began participation in PE The Authority began participation in PERA beginning in January 2013.

OPEB Related Contributions	2018	2017	2016	2015	2014	2013
Statutorily required contributions	$ 6,429	$ 5,946	$ 5,417	$ 4,675	$ 3,595	$ 965
Contributions in relation to the statutorily required contribution	6,429	5,946	5,417	4,675	3,595	965
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	718,854	675,267	531,146	516,992	458,572	309,178
Contribution as a percentage of covered-employee payroll	0.89%	0.88%	1.02%	0.90%	0.78%	0.31%

* The amounts presented for each fiscal ye The amounts presented for each fiscal year were deteremined as of June 30
The Authority began participation in PE The Authority began participation in PERA beginning in January 2013.

Changes of benefit terms: There have been no changes in benefit terms since the last valuation.

Changes of assumptions: There have been no changes in actuarial assumptions or methods since the last valuation.

Supplementary Information
June 30, 2018 and 2017

Statewide Internet Portal Authority

	Budget Amounts Original	Budget Amounts Final	Actual	Variance with Final Budget Positive (Negative)
Operating Revenues				
Charges for services	$ 1,875,000	$ 2,000,000	$ 2,113,991	$ 113,991
Cost reimbursement revenue	750,000	1,725,000	3,211,294	1,486,294
License revenue	8,600,000	13,200,000	13,771,284	571,284
Other revenue	555,000	588,000	103,235	(484,765)
Total operating revenues	11,780,000	17,513,000	19,199,804	1,686,804
Operating Expenditures				
Employee costs	1,137,322	1,195,000	932,196	262,804
Office functions	291,000	279,500	229,932	49,568
Occupancy	229,949	212,949	183,595	29,354
Licenses	9,550,000	14,710,000	16,472,671	(1,762,671)
Legal	96,000	75,000	51,558	23,442
Professional fees	370,000	287,000	192,987	94,013
Total operating expenditures	11,674,271	16,759,449	18,062,939	(1,303,490)
Excess of revenue over expenditures	105,729	753,551	1,136,865	383,314
Funds available - beginning of year	3,227,475	3,227,475	3,227,475	-
Funds available - end of year	$ 3,333,204	$ 3,981,026	$ 4,364,340	$ 383,314

Reconcilitation of budgetary basis (actual) to Statement of Revenues, Expenses and Changes in Net Position:	
Revenue (budgetary basis)	$ 19,199,804
Total revenue per Statement of Revenues, Expenses and Changes in Net Position	19,199,804
Expenditures (budgetary basis)	18,062,939
Depreciation	5,949
PERA Contribution Expense	327,695
Total expenses per Statement of Revenues, Expenses and Changes in Net Position	18,396,583
Change in net assets per Statement of Revenues, Expenses and Changes in Net Position	$ 803,221

	Budget Amounts Original	Budget Amounts Final	Actual	Variance with Final Budget Positive (Negative)
Operating Revenues				
Charges for services	$ 1,716,000	$ 1,875,000	$ 1,903,833	$ 28,833
Cost reimbursement revenue	1,500,000	935,000	1,152,157	217,157
License revenue	6,500,000	8,660,000	8,724,405	64,405
Other revenue	9,000	58,250	43,820	(14,430)
Total operating revenues	9,725,000	11,528,250	11,824,214	295,964
Operating Expenditures				
Employee costs	901,500	972,358	814,200	158,158
Office functions	233,500	230,000	186,883	43,117
Occupancy	291,200	191,799	173,395	18,404
Licenses	8,012,550	9,230,836	9,363,267	(132,431)
Legal	96,000	77,000	73,451	3,549
Professional fees	170,000	133,750	121,919	11,831
Total operating expenditures	9,704,750	10,835,743	10,733,115	102,628
Excess of revenue over expenditures	20,250	692,507	1,091,099	398,592
Funds available - beginning of year	3,227,475	3,227,475	3,227,475	-
Funds available - end of year	$ 3,247,725	$ 3,919,982	$ 4,318,574	$ 398,592

Reconcilitation of budgetary basis (actual) to Statement of Revenues, Expenses and Changes in Net Position:	
Revenue (budgetary basis)	$ 11,824,214
Total revenue per Statement of Revenues, Expenses and Changes in Net Position	11,824,214
Expenditures (budgetary basis)	10,733,115
Depreciation	5,949
PERA Contribution Expense	350,495
Total expenses per Statement of Revenues, Expenses and Changes in Net Position	11,089,559
Change in net assets per Statement of Revenues, Expenses and Changes in Net Position	$ 734,655