

Financial Statements
June 30, 2021 and 2020

Statewide Internet Portal Authority

Statewide Internet Portal Authority

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June 30, 2021 and 2020

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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 as of and for the years ended June 30, 2021 and 2020 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.

Opinion

In our opinion, 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, 2021 and 2020, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 – 8 and the Statewide Internet Portal Authority's proportionate share of the net pension and net OPEB liabilities and schedule of contributions on pages 42 – 44 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 an opinion 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 opinion, the budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Denver, Colorado
October 18, 2021

Management's Discussion & Analysis

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, 2021 and 2020. 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 \$7,151,311 in 2020 to \$8,679,744 in 2021 or 21.37%, primarily due to the continued increases in the number of customers and expanded services customers receive from the Authority. The Authority had 771 and 722 active customers at June 30, 2021 and 2020, respectively.
- The Authority's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$8,697,744 and \$7,151,311 respectively, as of June 30, 2021 and 2020.
- Accounts receivable decreased \$235,483 (5.86%) from the prior fiscal year. 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. Deferred Licenses increased by \$97,500 (2.55%) from the prior fiscal year due primarily to the timing of SaaS license renewals.
- Unearned revenue decreased by \$797,029, (16.55%) from prior fiscal year due primarily to the size and timing of invoicing for SaaS license renewals.

Overview of the Financial Statements

This discussion and analysis are 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 similarly to a business entity using the accrual basis of accounting and economic resource measurement focus.

Statements of Net Position: The Statements of Net Position present information on all 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.

Statewide Internet Portal Authority

Management's Discussion and Analysis

June 30, 2021 and 2020

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 12 – 41.

Summary and Financial Analysis of Net Position

	2021	2020	2019
Assets			
Current Assets			
Cash and cash equivalents	\$ 5,101,732	\$ 2,856,436	\$ 5,994,968
Board designated cash reserve	5,000,000	5,000,000	2,000,000
Accounts receivable, net of allowance for doubtful accounts of \$4,641 in 2021 and \$4,641 in 2020	3,783,819	4,019,302	4,416,660
Prepaid Expenses	200,673	969,055	209,413
Deferred Licenses	3,918,557	3,821,057	7,143,654
Total Current Assets	<u>18,004,781</u>	<u>16,665,850</u>	<u>19,764,695</u>
Capital Assets, Net	6,759	7,988	4,911
Total Assets	<u>18,011,540</u>	<u>16,673,838</u>	<u>19,769,606</u>
Deferred Outflows			
PERA Pension-related	334,935	107,515	281,077
PERA OPEB related	5,866	7,070	7,776
Total Deferred Outflows	<u>340,801</u>	<u>114,585</u>	<u>288,853</u>
	<u>18,352,341</u>	<u>16,788,423</u>	<u>20,058,459</u>
Liabilities			
Current Liabilities			
Accounts payable	4,228,374	2,904,443	4,267,982
Accrued expenses and other liabilities	158,154	798,424	93,522
Straight line rent	8,251	12,377	16,503
Unearned revenue	4,018,538	4,815,567	8,155,433
Total Current liabilities	<u>8,413,317</u>	<u>8,530,811</u>	<u>12,533,440</u>
Noncurrent Liabilities			
Net pension liability	458,273	715,646	1,249,171
Net OPEB liability	57,763	82,856	104,835
Total Liabilities	<u>8,929,353</u>	<u>9,329,313</u>	<u>13,887,446</u>
Deferred Inflows			
PERA pension-related	709,508	288,523	1,996
PERA OPEB related	33,736	19,276	503
Total Deferred Inflows	<u>743,244</u>	<u>307,799</u>	<u>2,499</u>
Net Position			
Net investment in capital assets	6,759	7,988	4,911
Unrestricted	8,672,985	7,143,323	6,163,603
Total Net Position	<u>\$ 8,679,744</u>	<u>\$ 7,151,311</u>	<u>\$ 6,168,514</u>

Statewide Internet Portal Authority

Management's Discussion and Analysis

June 30, 2021 and 2020

The Authority increased its net position from operations by \$1,528,433 during 2021. Accounts receivable decreased by \$235,483 (5.86 %) from the prior fiscal year. Deferred Licenses increased by \$97,500 which is a 2.55% increase from the prior fiscal year due primarily to the timing and size of SaaS license renewals. The same factors caused Unearned Revenue to decrease by \$797,029 which is a 16.55% decrease from the prior fiscal year.

Total net position at June 30, 2021 is \$8,697,744, of which \$8,672,985 is available for payment of future outlays funded by operations as well as sustaining current operations. Reserves of \$5,000,000 as shown in the Summary and Financial Analysis of Net Position on the previous page are established as part of the Authority's Financial Policies, and are included in unrestricted net position in the Statements of Net Position as of June 30, 2021.

The Authority increased its net position from operations by \$982,797 during 2020. Accounts receivable decreased by \$397,358 (9.0%) from the prior fiscal year. Deferred Licenses decreased by \$3,322,597 which is a 46.5% decrease from the prior fiscal year due primarily to the timing and size of SaaS license renewals. The same factors caused Unearned revenue to decrease by \$3,339,866 which is a 40.9% decrease from the prior fiscal year.

Total net position at June 30, 2020 was \$7,151,311, of which \$7,143,323 was available for payment of future outlays funded by operations as well as sustaining current operations. Reserves of \$5,000,000 as shown in the Summary and Financial Analysis of Net Position on the previous page are established as part of the Authority's Financial Policies, and are included in unrestricted net position in the Statements of Net Position as of June 30, 2020.

Changes in Net Position

	2021	2020	2019
Operating Revenues			
Charges for services	\$ 2,324,661	\$ 2,212,392	\$ 2,196,747
Cost reimbursement revenue	14,268,888	7,204,504	2,824,775
License revenue	25,603,534	23,488,971	17,149,138
Other revenue	13,000	-	16,000
Total Operating Revenues	42,210,083	32,905,867	22,186,660
Non-Operating Revenue			
Interest Income	9,449	108,245	133,840
Total Revenues	42,219,532	33,014,112	22,320,500
Operating Expenses			
General and administrative expenses	40,691,099	32,031,315	20,917,337
Net Income and Changes in Net Position	1,528,433	982,797	1,403,163
Total Net Position - Beginning of Year	7,151,311	6,168,514	4,765,351
Total Net Positon - End of Year	\$ 8,679,744	\$ 7,151,311	\$ 6,168,514

2021 Revenue

Total operating revenues for fiscal year ended June 30, 2021 totaled \$42,210,083, an increase of \$9,304,216 (28.28%) compared to fiscal year 2020. Services Revenue increased by 5.07% when compared to fiscal year 2020 due to an increase in margin share volume from Colorado Interactive. Cost Reimbursement Revenue increased by 98.06% mainly related to the response to the Coronavirus pandemic. License Revenue increased by 9.00% when compared to the preceding year (2020).

2021 Expenses

Total operating expenses for 2021, which include direct (cost of licenses and services) and general and administrative expenses, were \$40,691,099 an increase of \$8,659,784, or 27.04%, compared to 2020. The increase in operating expenses is directly attributable to the increase in Cost Reimbursement Revenue and Licensing Revenue as discussed in the previous paragraph. General and administrative expenses were down 7.04% in 2021 compared to 2020 primarily due to a decrease in employee costs including a decrease in Pension and OPEB expenses.

2020 Revenue

Total operating revenues for fiscal year ended June 30, 2020 totaled \$32,905,867, an increase of \$10,719,207 (48.3%) compared to fiscal year 2019. Services Revenue increased by 0.7%, Cost Reimbursement Revenue increased by 155.0%, and License Revenue increased by 37.0% when compared to the preceding year (2019).

2020 Expenses

Total operating expenses for 2020, which include direct (cost of licenses and services) and general and administrative expenses, were \$32,031,315, an increase of \$11,113,978, or 53.1%, compared to 2019. The increase in operating expenses is directly attributable to the increase in Cost Reimbursement Revenue and Licensing Revenue. General and administrative expenses were up 10.2% in 2020 compared to 2019 primarily due to an increase in employee costs including an increase in Pension and OPEB expenses.

Capital Assets

Net capital assets decreased by \$1,229 during 2021. Fully depreciated assets no longer in service were written off during the fiscal year. There were no capital asset purchases during the year:

	<u>Balance as of June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2021</u>
Capital assets, being depreciated:				
Office Furniture	\$ 53,057	\$ -	\$ 33,579	\$ 19,478
Total capital assets, being depreciated	<u>53,057</u>	<u>-</u>	<u>33,579</u>	<u>19,478</u>
Less accumulated depreciation for:				
Office furniture	45,069	1,229	33,579	12,719
Total accumulated depreciation	<u>45,069</u>	<u>1,229</u>	<u>33,579</u>	<u>12,719</u>
Capital assets, net	<u>\$ 7,988</u>	<u>\$ (1,229)</u>	<u>\$ -</u>	<u>\$ 6,759</u>

Net capital assets increased by \$3,077 during 2020, There were \$8,610 in capital asset purchases during the fiscal year:

	<u>Balance as of June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2020</u>
Capital assets, being depreciated:				
Office Furniture	\$ 44,447	\$ 8,610	\$ -	\$ 53,057
Total capital assets, being depreciated	<u>44,447</u>	<u>8,610</u>	<u>-</u>	<u>53,057</u>
Less accumulated depreciation for:				
Office furniture	39,536	5,533	-	45,069
Total accumulated depreciation	<u>39,536</u>	<u>5,533</u>	<u>-</u>	<u>45,069</u>
Capital assets, net	<u>\$ 4,911</u>	<u>\$ 3,077</u>	<u>\$ -</u>	<u>\$ 7,988</u>

Economic environment

The impact of the COVID-19 Pandemic on SIPA continues to be uncertain. State and local governments continue to look for opportunities to cut costs, while working to accommodate a remote workforce and provide necessary services to the residents of Colorado. Many governments increased their procurement of licenses and services through the Authority to support remote operations and to better deliver services to Colorado residents. It remains unknown how long these conditions will continue or how permanent changes in government operations will be.

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.

Basic Financial Statements

Statewide Internet Portal Authority

Statements of Net Position

June 30, 2021

(With Comparative Totals for the Year Ended June 30, 2020)

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,101,732	\$ 2,856,436
Board Designated Cash Reserve	5,000,000	5,000,000
Accounts Receivable, net allowance for doubtful accounts of \$4,641 in 2021 and 2020	3,783,819	4,019,302
Prepaid Expenses	200,673	969,055
Deferred Licenses	3,918,557	3,821,057
Total Current Assets	18,004,781	16,665,850
NONCURRENT ASSETS		
Capital Assets - Net	6,759	7,988
TOTAL ASSETS	18,011,540	16,673,838
DEFERRED OUTFLOWS		
Pera Pension-related	334,935	107,515
Pera OPEB related	5,866	7,070
TOTAL DEFERRED OUTFLOWS	340,801	114,585
TOTAL ASSETS AND DEFERRED OUTFLOWS	18,352,341	16,788,423
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	4,228,374	2,904,443
Accrued Expenses and Other Liabilities	158,154	798,424
Straight Line Rent	8,251	12,377
Unearned Revenue	4,018,538	4,815,567
Total Current Liabilities	8,413,317	8,530,811
NONCURRENT LIABILITIES		
Net pension liability	458,273	715,646
Net OPEB liability	57,763	82,856
Total Noncurrent Liabilities	516,036	798,502
TOTAL LIABILITIES	8,929,353	9,329,313
DEFERRED INFLOWS		
Pera Pension-related	709,508	288,523
Pera OPEB related	33,736	19,276
Total Deferred Inflows	743,244	307,799
TOTAL LIABILITIES AND DEFERRED INFLOWS	9,672,597	9,637,112
NET POSITION		
Net investments in capital assets	6,759	7,988
Unrestricted	8,672,985	7,143,323
TOTAL NET POSITION	\$8,679,744	\$ 7,151,311

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

Statewide Internet Portal Authority
Statements of Revenues, Expenses and Changes in Net Position
The Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	2021	2020
OPERATING REVENUES		
Charges for Service	\$ 2,324,661	\$ 2,212,392
Cost Reimbursement Revenue	14,268,888	7,204,504
License Revenue	25,603,534	23,488,971
Sponsorship Income	13,000	-
TOTAL OPERATING REVENUES	42,210,083	32,905,867
 OPERATING EXPENSES		
General and administrative expenses	40,691,099	32,031,315
OPERATING INCOME	1,518,984	874,552
 NON-OPERATING REVENUE (EXPENSE)		
Interest Income	9,449	108,245
NET INCOME AND CHANGE IN NET POSITION	1,528,433	982,797
 NET POSITION, Beginning	7,151,311	6,168,514
NET POSITION, Ending	\$ 8,679,744	\$ 7,151,311

Statewide Internet Portal Authority

Statements of Cash Flows

The Year Ended June 30, 2021

(With Comparative Totals for the Year Ended June 30, 2020)

	2021	2020
Cashflows from Operating Activities		
Cash Received from Customers	\$ 42,445,566	\$ 33,303,224
Cash Paid to Suppliers for Goods and Services	40,209,719	33,550,001
Net Cash Provided (Used) by Operating Activities	2,235,847	(246,777)
Cashflows from Investing Activities		
Interest Received	9,449	108,245
Net Increase (Decrease) in Cash	2,245,296	(138,532)
Cash and Cash Equivalents - Beginning	7,856,436	7,994,968
Cash and Cash Equivalents - Ending	\$ 10,101,732	\$ 7,856,436
Cash and Investments	\$ 5,101,732	\$ 2,856,436
Restricted Cash and Investments	5,000,000	5,000,000
Total	\$ 10,101,732	\$ 7,856,436
Reconciliation of Operating Income to net Cash Provided by Operating Activities:		
Operating Income:	\$ 1,518,984	\$ 874,552
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	1,229	5,533
PERA Contribution Expense	(73,237)	(75,936)
Changes in Assets and Liabilities Related to Operations:		
(Increase) Decrease in Accounts Receivable	235,483	397,357
(Increase) Decrease in Prepaid Expenses	768,382	(768,251)
(Increase) Decrease in Deferred Licenses	(97,500)	3,322,597
Increase (Decrease) in Accounts Payable	1,323,931	(1,363,539)
Increase (Decrease) in Accrued Expenses and Other Liabilities	(640,270)	704,902
Increase (Decrease) in Straight Line Rent	(4,126)	(4,126)
Increase (Decrease) in Unearned Revenue	(797,029)	(3,339,866)
Total Adjustments	716,863	(1,121,329)
Net Cash Provided (Used) by Operating Activities	\$ 2,235,847	\$ (246,777)

Notes to the Financial Statements

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.

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 Years-ended June 30, 2021 and 2020, primarily due to increased Software Licensing and Cost Reimbursement activities.

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.

Deferred Licenses

The total costs to purchase software licenses for sale to Eligible Governmental Entities (EGE’s) are recorded as Deferred License when the Authority enters into a contract/purchase order for the purchase of the license. The expense is 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 Software license agreements greater than \$1,200 with a term of 2 or more months. Unearned Revenue is recognized upon acceptance of customer purchase order or contract. 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 that includes items related to the Authority’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, 2021 and June 30, 2020. 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 Authority has reported a net OPEB liability as of June 30, 2021 and June 30, 2020. 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, 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Statements of net position		
Cash and cash equivalents	\$ 5,101,732	\$ 2,856,436
Board designated cash reserve	5,000,000	5,000,000
	<u>\$ 10,101,732</u>	<u>\$ 7,856,436</u>

The Authority's cash and investment balances are comprised of the following:

	<u>2021</u>	<u>2020</u>
Cash Deposits	\$ 2,506,083	\$ 1,170,196
Investments	7,595,649	6,686,240
Total Cash and Investments	<u>\$ 10,101,732</u>	<u>\$ 7,856,436</u>

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, 2021, of bank balances totaling \$10,101,732, \$500,000 was covered by FDIC and \$9,601,732 was covered by PDPA. At June 30, 2020, of bank balances totaling \$7,856,436, \$500,000 was covered by FDIC and \$7,356,436 was covered by PDPA.

Investments

Credit Risk - The Authority invests excess funds under the prudent investor rule. The criteria for selection of investments and their order of priority are:

- 1) Safety,
- 2) Liquidity, and
- 3) Yield.

The Director of Financial Operations is responsible for all of the investments of the Authority.

Eligible investments shall conform to state law and may include any of the following:

- Obligations of the United States and certain U.S. government agencies securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptance of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

As of June 30, 2021 the Authority's Investments consist of the following:

	<u>Rating</u>	<u>Fair Value</u>	<u>Weighted Avg. Maturity (Yrs)</u>
Local Govt Pool - Colotrust	AAAm	\$ 7,595,649	N/A

As of June 30, 2020 the Authority's Investments consisted of the following:

	<u>Rating</u>	<u>Fair Value</u>	<u>Weighted Avg. Maturity (Yrs)</u>
Local Govt Pool - Colotrust	AAAm	\$ 6,686,240	N/A

Interest Rate Risk

The Authority manages its interest rate risk through the use of active management to react to changes in the yield curve, economic forecasts and the Authority's liquidity needs.

Concentration of Credit Risk

The Authority places no limit on the amount that may be invested in any one issuer.

Custodial Credit Risk – Investments

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.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2021 the Authority did not have any securities requiring safekeeping.

Restricted Cash and Investments

The Authority has restricted cash and investments as follows:

	<u>2021</u>	<u>2020</u>
Restricted - Operation and Maintenance Reserve	\$ 2,000,000	\$ 2,000,000
Restricted - Extraordinary Future Expenditures	<u>3,000,000</u>	<u>3,000,000</u>
Total Restricted Cash	\$ 5,000,000	\$ 5,000,000
Unrestricted	<u>5,101,732</u>	<u>2,856,436</u>
Total Cash	<u>\$ 10,101,732</u>	<u>\$ 7,856,436</u>

Note 4 - Capital Assets

An analysis of the changes in capital assets for the years ended June 30, 2021 and 2020 is as follows. During 2021, fully depreciated capital assets no longer in service were written off during the fiscal year.

	Balance as of June 30, 2020	Additions	Deletions	Balance at June 30, 2021
Capital assets, being depreciated:				
Office Furniture	\$ 53,057	\$ -	\$ 33,579	\$ 19,478
Total capital assets, being depreciated	<u>53,057</u>	<u>-</u>	<u>33,579</u>	<u>19,478</u>
Less accumulated depreciation for:				
Office furniture	45,069	1,229	33,579	12,719
Total accumulated depreciation	<u>45,069</u>	<u>1,229</u>	<u>33,579</u>	<u>12,719</u>
Capital assets, net	<u>\$ 7,988</u>	<u>\$ (1,229)</u>	<u>\$ -</u>	<u>\$ 6,759</u>

During 2020, capital assets totaling \$8,610 were purchased and placed into service.

	Balance as of June 30, 2019	Additions	Deletions	Balance at June 30, 2020
Capital assets, being depreciated:				
Office Furniture	\$ 44,447	\$ 8,610	\$ -	\$ 53,057
Total capital assets, being depreciated	<u>44,447</u>	<u>8,610</u>	<u>-</u>	<u>53,057</u>
Less accumulated depreciation for:				
Office furniture	39,536	5,533	-	45,069
Total accumulated depreciation	<u>39,536</u>	<u>5,533</u>	<u>-</u>	<u>45,069</u>
Capital assets, net	<u>\$ 4,911</u>	<u>\$ 3,077</u>	<u>\$ -</u>	<u>\$ 7,988</u>

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, 2021:

Year Ending June 30,	Amount
2022	\$ 89,224
2023	89,224
Total	<u>\$ 178,448</u>

For the years ended June 30, 2021 and 2020, rent expense (including monthly staff parking fees) totaled \$102,727 and \$98,704 respectively.

Note 6 - Public Employees' Retirement Association of Colorado

Summary of Significant Accounting Policies

The Authority 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*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2021. A full copy of the bill can be found online at www.leg.colorado.gov.

General Information about the Pension Plan

Eligible employees of the Authority 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 (“CAFR”) 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 forth 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 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.

As of December 31, 2020, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007 will receive the lessor of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of

PERA’s Annual Increase Reserve (AIR) for the LGDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

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.

Contributions provisions as June 30, 2021 Eligible employees and the Authority 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.* and § 24-51-413. Employee contribution rates for the period of July 1, 2020 through June 30, 2021 are summarized in the table below:

	July 1, 2020 through June 30, 2021
Employee Contribution rate ¹	8.50%

¹Contribution rates for the LGDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

The employer contribution requirements during the period of July 1st, 2020 through June 30th, 2021 are summarized in the table below:

	July 1, 2020 Through December 31, 2020	January 1, 2021 Through June 30, 2021
Employer contribution rate ¹	10.50%	10.50%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%	(1.02)%
Amount apportioned to the LGDTF	9.48%	9.48%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	2.20%	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	1.50%	1.50%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	N/A	0.02%
Total employer contribution rate to the LGDTF	13.18%	13.20%

¹Contribution Rates for the LGDTF 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 the Authority is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the Authority were \$80,272 and \$85,440 for the years ended June 30, 2021 and 2020, respectively.

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

At June 30, 2021 and 2020, the Authority reported a liability of \$458,273 and \$715,646, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll forward the total pension liability to December 31, 2020. The Authority proportion of the net pension liability was based on the Authority's contributions to the LGDTF for the calendar year 2020 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2020, the Authority's proportion was 0.0879 percent, which was an decrease of 0.0099 percent from its proportion measured as of December 31, 2019.

For the years ended June 30, 2021 and 2020, the Authority recognized pension (benefit) expense of \$35,593 and \$26,839, respectively. At June 30, 2021 and 2020 the Authority reported deferred outflows of resources and deferred inflows related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of resources	Deferred Outflows of Resources	Deferred Inflows of resources
Difference between expected and actual experience	\$ 22,157		\$ 46,831	\$ -
Changes of assumptions or other inputs	110,746			-
Net Difference between projected and actual earnings on pension plan investments		495,594	-	279,805
Changes in proportion and differences between contributions recognized and proportionate share of contributions	158,173	213,914	10,998	8,718
Contributions subsequent to the measurement date	43,859		49,686	
	<u>\$ 334,935</u>	<u>\$ 709,508</u>	<u>\$ 107,515</u>	<u>\$ 288,523</u>

\$43,859 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, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended June 30,	Amount
2022	\$ (99,540)
2023	(72,679)
2024	(167,998)
2025	(78,215)
	<u>\$ (418,432)</u>

Actuarial assumptions: The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50%–10.45%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded annually)	1.25%
PERA benefit structure hired after 12/31/06 ¹	Financed by the AIR

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

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 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.

Post-retirement non-disabled mortality assumptions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 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.

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

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

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

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

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation:	
Members	3.20%-11.30%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded annually)	1.25%
PERA benefit structure hired after 12/31/061	Financed by the AIR

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

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

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

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

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

- **Males:** 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

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

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

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

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

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives ¹	6.00%	4.70%
Total	100.00%	

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

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

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 3.00 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increase in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, 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. AIR transfers to the FNP 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 middle of the year.

Based on the above assumptions and methods, LGDTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent 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 the Authority'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	\$ 1,055,673	\$ 458,273	\$ (40,482)

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.

Defined Contribution Pension PlansVoluntary Investment Program

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

Funding Policy - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. In addition, the Authority has agreed to match employee contributions up to 6.0% percent of covered salary as determined by the Internal Revenue Service. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2021, program members contributed \$66,869 and the Authority recognized pension expense of \$43,030 for the Voluntary Investment Program.

Defined Contribution Retirement Plan (DC Plan)

Plan Description – Employees of the LGDTF that were hired on or after January 1, 2019 which were eligible to participate in the LGDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the LGDTF or the Defined Contribution Retirement Plan (PERA DC Plan). The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA’s Annual Report as referred to above.

Funding Policy – All participating employees in the PERA DC Plan and the Authority are required to contribute a percentage of the participating employees’ PERA-includable salary to the PERA DC Plan.

The employee and employer contribution rates for the period July 1, 2020 through June 30, 2021 are summarized in the tables below:

	July 1, 2020 Through December 31, 2020	January 1, 2021 Through June 30, 2021
Employee Contribution Rates:		
Employee contribution	8.50%	8.50%
Employer Contribution Rates:		
On behalf of all employees	10.00%	10.00%

Additionally the employers are required to contribute to the LGDTF on behalf of all employees:

	July 1, 2020 Through December 31, 2020	January 1, 2021 Through June 30, 2021
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	2.20%	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	1.50%	1.50%
Automatic Adjustment Provision (AAP), as specified in C.R.S. § 24-51-413 ¹	0.50%	0.50%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	N/A	0.02%
Total employer contribution rate to the LGDTF¹	4.20%	4.22%

¹ Contribution rates for the DC Plan are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.80 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. Participating employees in the PERA DC Plan contributed \$20,003 and the Authority recognized pension expense of \$33,439 for the PERA DC Plan.

Other Post-Employment Benefits

General Information about the OPEB Plan

Plan description. Eligible employees of the Authority 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 the Authority is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from SIPA were \$5,734 for the year ended June 30, 2021.

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

At June 30, 2021 and June 30, 2020 respectively, the Authority reported a liability of \$57,763 and \$82,856 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020 and December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020 and December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020 and December 31, 2019. The Authority's proportion of the net OPEB liability was based on the Authority's contributions to the HCTF for the respective calendar years relative to the total contributions of participating employers to the HCTF.

At December 31, 2020, the Authority proportion was 0.0061 percent, which was a decrease of 0.0013 percent from its proportion measured as of December 31, 2020. At December 31, 2019, the Authority proportion was 0.0074 percent, which was a decrease of 0.0003 percent from its proportion measured as of December 31, 2018.

For the year ended June 30, 2021 and June 30, 2020 respectively, the Authority recognized OPEB expense of \$1,377, and \$5,181. At June 30, 2021 and June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2021		June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 153	\$ 12,699	\$ 275	\$ 13,923
Changes of assumptions or other inputs	432	3,542	682	-
Net difference between projected and actual earnings on pension plan investments	585	2,360		1,383
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,302	15,135	2,173	3,970
Contributions subsequent to the measurement date	3,394	-	3,940	-
	<u>\$ 5,866</u>	<u>\$ 33,736</u>	<u>\$ 7,070</u>	<u>\$ 19,276</u>

\$3,394 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30,	Amount
2022	\$ (7,289)
2023	(7,393)
2024	(7,320)
2025	(5,417)
2026	(3,599)
2027	(246)
	<u>\$ (31,264)</u>

Actuarial assumptions: The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	8.10% in 2020, gradually decreasing to 4.50% in 2029
Medicare Part A premiums	3.50% in 2020, gradually increasing to 4.50% in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2019, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA Benefit Structure:

Medicare Plan	Initial Costs for Members without Medicare Part A		
	Monthly Cost	Monthly Premium	Monthly Cost Adjusted to Age 65
Medicare Advantage/Self-Insured Rx	\$588	\$227	\$550
Kaiser Permanente Medicare Advantage HMO	621	232	586

The 2020 Medicare Part A premium is \$458 (actual dollars) per month.

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2019, 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 used to measure the total OPEB liability are summarized in the table below:

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

Mortality assumptions used in the December 31, 2019 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

Post-retirement non-disabled 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.

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 28, 2016,

actuarial assumptions workshop and were adopted by PERA’s Board during the November 18, 2016, Board meeting.

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

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

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

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

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

Pre-retirement mortality assumptions for the State and Local Government Divisions were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105 percent of the rates for all ages, with generational projection using scale MP-2019.

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

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

The following health care costs assumptions were updated and used in the roll forward calculation for the HCTF:

- 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 2020 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

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

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and

inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives ¹	6.00%	4.70%
Total	100.00%	

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

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

Sensitivity of the Authority 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
Initial PERACare Medicare trend rate	7.10%	8.10%	9.10%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 56,270	\$ 57,763	\$ 59,501

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, 2020, 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 3.00%.
- 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.
- 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 Authority 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	\$ 66,168	\$ 57,763	\$ 50,581

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 earns revenue under agreements associated with licensing Software as a Service ("SaaS"). 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 and services are sold to EGEs at a slight profit. The revenue from these agreements are accounted for as Cost Reimbursement Revenue for professional services or are included in License Revenue for licenses and support and maintenance on the accompanying Statements of Revenues, Expenses and Changes in Net Position.

The Authority has contracted with NIC Colorado, 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 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. In January 2019, NIC Colorado and Authority agreed to a three-year extension until April 30, 2022. The contract extension includes an option for the Authority to extend the contract for an additional 12 months. 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 contracted with Tempus Nova, Inc. (now Resultant, Inc.) to provide Google and other software as a service (SaaS) licenses to Eligible Government Entities (EGEs). Implementation services may also be provided. The original contract expired on June 30, 2015 at which time a new three-year non-exclusive contract (through June 30, 2018) was signed. A contract amendment with Resultant was signed in June 2021, which extended the contract for three more years with additional extension 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 Salesforce, effective July 2011, to provide Salesforce licenses to EGEs. The contract was amended in January 2017 to allow Marketing Cloud licenses and services to also be sold to EGEs. Finally, the contract was amended in June 2019 to add MuleSoft licenses and services to the agreement.

The Authority has contracted with Five9, Inc., effective February 24, 2016, to provide IVR Call Center licenses and Services to EGE's. The contract was extended for 3 years in March 2019. Five 9 is responsible for the implementation and operation of the proposed solutions.

As of June 30, 2020, the Authority had recorded unearned SaaS revenue related to these contracts in the amount of \$4,815,567, of which the majority was recognized as revenue during the year ended June 30, 2021. As of June 30, 2021, the Authority has recorded unearned SaaS revenue related to contracts in the amount of \$4,018,538

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 NIC Colorado

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 NIC Colorado (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. NIC Colorado 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 NIC Colorado. The remainder of the cash in this account belongs to NIC Colorado and the participating governmental agencies. The bank balance in the Portal Account on June 30, 2021 and June 30, 2020 was \$10,925,126 and \$13,418,288 respectively. All accounts receivable balances from Colorado Interactive are considered 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, 2021 and 2020
Statewide Internet Portal Authority

Statewide Internet Portal Authority
Schedules of Authority's Proportionate Share of the Net Pension and Net OPEB Liabilities
Last 10 Years *

Pension Related Contributions	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's proportion (percentage) of the collective net pension liability (asset)	0.0879383651%	0.0978471751%	0.0993602006%	0.0960655389%	0.0976205894%	0.0814316800%	0.0777715793%
Authority's proportionate share of the collective pension liability (asset)	\$458,271	\$715,646	\$1,249,169	\$1,069,623	\$1,318,211	\$897,036	\$697,074
Covered-employee payroll	618,120	759,243	749,570	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	74.139%	94.258%	166.651%	148.796%	195.213%	168.887%	134.833%
Plan fiduciary net pension as a percentage of the total pension liability	90.88%	86.26%	75.96%	79.37%	73.60%	76.90%	62.80%

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

OPEB Related Contributions	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Authority's proportion (percentage) of the collective net OPEB liability (asset)	0.0060788495%	0.0073715677%	0.0077054011%	0.0074647415%	0.0074937204%
Authority's proportionate share of the collective OPEB liability (asset)	\$57,763	\$82,856	\$104,835	\$97,012	
Covered-employee payroll	618,120	759,243	740,570	718,854	
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	9.345%	10.913%	14.156%	13.495%	
Plan fiduciary net OPEB as a percentage of the total OPEB liability	32.78%	17.03%	17.03%	17.53%	

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

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

Pension Related Contributions	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contributions	\$ 83,069	\$ 96,806	\$ 84,214	\$ 79,920	\$ 73,909	\$ 67,343	\$ 58,116	\$ 44,691	\$ 11,993
Contributions in relation to the statutorily required contribution	<u>83,069</u>	<u>96,806</u>	<u>84,214</u>	<u>79,920</u>	<u>73,909</u>	<u>67,343</u>	<u>58,116</u>	<u>44,691</u>	<u>11,993</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	618,120	759,243	749,570	718,854	675,267	531,146	516,992	458,572	309,178
Contribution as a percentage of covered-employee payroll	13.44%	12.75%	11.23%	11.12%	10.95%	12.68%	11.24%	9.75%	3.88%

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

OPEB Related Contributions	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contributions	\$ 6,066	\$ 7,379	\$ 6,774	\$ 6,429	\$ 5,946	\$ 5,417	\$ 4,675	\$ 3,595	\$ 965
Contributions in relation to the statutorily required contribution	<u>6,066</u>	<u>7,379</u>	<u>6,774</u>	<u>6,429</u>	<u>5,946</u>	<u>5,417</u>	<u>4,675</u>	<u>3,595</u>	<u>965</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	618,120	759,243	749,570	718,854	675,267	531,146	516,992	458,572	309,178
Contribution as a percentage of covered-employee payroll	0.98%	0.97%	0.90%	0.89%	0.88%	1.02%	0.90%	0.78%	0.31%

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, 2021 and 2020
Statewide Internet Portal Authority

Statewide Internet Portal Authority
Schedule of Revenues, Expenditures and Changes in Funds Available
Budget and Actual (Budgetary Basis)
Year Ended June 30, 2021

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
OPERATING REVENUES				
Charges for services	\$ 1,800,000	\$ 2,300,000	\$ 2,324,661	\$ 24,661
Cost reimbursement revenue	2,318,250	13,000,000	14,268,888	1,268,888
License revenue	18,400,000	24,650,000	25,603,534	953,534
Other revenue	131,000	10,000	22,449	12,449
TOTAL OPERATING REVENUES	<u>22,649,250</u>	<u>39,960,000</u>	<u>42,219,532</u>	<u>2,259,532</u>
OPERATING EXPENDITURES				
Employee costs	1,178,000	1,098,000	1,132,549	(34,549)
Office functions	298,500	213,192	189,591	23,601
Occupancy	244,949	245,280	237,875	7,405
Licenses and cost reimbursement expenses	20,373,476	36,990,000	38,950,222	(1,960,222)
Legal	80,000	60,000	49,140	10,860
Professional fees	254,000	252,500	208,700	43,800
TOTAL OPERATING EXPENDITURES	<u>22,428,925</u>	<u>38,858,972</u>	<u>40,768,077</u>	<u>(1,909,105)</u>
EXCESS REVENUE OVER EXPENDITURES	220,325	1,101,028	1,451,455	350,427
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>5,348,042</u>	<u>5,348,042</u>	<u>5,348,042</u>	<u>-</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 5,568,367</u>	<u>\$ 6,449,070</u>	<u>\$ 6,799,497</u>	<u>\$ 350,427</u>

Statewide Internet Portal Authority
 Reconciliation of Budgetary Basis (Actual) to Statement of Revenues,
 Expenses and Changes in Net Position
 June 30, 2021

Reconciliation of budgetary basis (Actual) to Statement of Revenues, Expenses and Changes in Net Position:	
Revenue (budgetary basis)	\$ 42,219,532
Total revenue per Statement of Revenues, Expenses and Changes in Net Position	42,219,532
Expenditures (budgetary basis)	40,768,077
Depreciation	1,229
PERA Contribution Expense (Benefit)	(78,207)
Total expenses per Statement of Revenues, Expenses and Changes in Net Position	40,691,099
Change in net income per Statement of Revenues, Expenses and Changes in Net Position	\$ 1,528,433

Statewide Internet Portal Authority
Schedule of Revenues, Expenditures and Changes in Funds Available
Budget and Actual (Budgetary Basis)
Year Ended June 30, 2020

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
OPERATING REVENUES				
Charges for services	\$ 2,200,000	\$ 2,094,000	\$ 2,212,392	\$ 118,392
Cost reimbursement revenue	2,500,000	3,091,000	7,204,504	4,113,504
License revenue	17,000,000	23,000,000	23,488,971	488,971
Other revenue	141,000	125,000	108,245	(16,755)
TOTAL OPERATING REVENUES	21,841,000	28,310,000	33,014,112	4,704,112
OPERATING EXPENDITURES				
Employee costs	1,589,202	1,309,238	1,141,378	167,860
Office functions	296,000	259,599	237,794	21,805
Occupancy	239,449	231,199	212,202	18,997
Licenses and cost reimbursement expenses	19,270,000	25,919,700	30,158,606	(4,238,906)
Legal	80,000	80,000	79,908	92
Professional fees	267,000	223,000	200,522	22,478
TOTAL OPERATING EXPENDITURES	21,741,651	28,022,736	32,030,410	(4,007,674)
EXCESS REVENUE OVER EXPENDITURES	99,349	287,264	983,702	696,438
FUNDS AVAILABLE - BEGINNING OF YEAR	4,364,340	4,364,340	4,364,340	-
FUNDS AVAILABLE - END OF YEAR	\$ 4,463,689	\$ 4,651,604	\$ 5,348,042	\$ 696,438

Statewide Internet Portal Authority
Reconciliation of Budgetary Basis (Actual) to Statement of Revenues,
Expenses and Changes in Net Position
June 30, 2020

Reconciliation of budgetary basis (Actual) to Statement of Revenues, Expenses and Changes in Net Position:	
Revenue (budgetary basis)	<u>\$ 33,014,112</u>
Total revenue per Statement of Revenues, Expenses and Changes in Net Position	<u>33,014,112</u>
Expenditures (budgetary basis)	32,030,410
Depreciation	5,533
PERA Contribution Expense (Benefit)	<u>(4,628)</u>
Total expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>32,031,315</u>
Change in net income per Statement of Revenues, Expenses and Changes in Net Position	<u><u>\$ 982,797</u></u>