

# **Financial Statements**

June 30, 2024

Statewide Internet Portal Authority

# Table of Contents

|   |    |
|---|----|
| Independent Auditor’s Report .....  | 1  |
| Management’s Discussion and Analysis .....  | 5  |
| <b>Basic Financial Statements</b>   |    |
| Statement of Net Position.....  | 12 |
| Statement of Revenues, Expenses and Changes in Fund Net Position.....   | 13 |
| Statement of Cash Flows.....  | 14 |
| Statement of Fiduciary Net Position .....   | 15 |
| Statement of Changes in Fiduciary Net Position .....  | 16 |
| Notes to the Financial Statements .....   | 18 |
| <b>Required Supplementary Information</b>   |    |
| Schedules of Authority’s Proportionate Share of the Net Pension and Net OPEB Liabilities ..   | 51 |
| Schedules of Contribution and Related Ratios.....   | 52 |
| Notes to Required Supplementary Information .....   | 53 |
| <b>Supplementary Information</b>  |    |
| Schedule of Revenues, Expenditures and Changes in Funds Available Budget and Actual<br>(Budgetary Basis) – June 30, 2024.....           | 55 |
| Reconciliation of Budgetary Basis (Actual) to Statement of Revenues, Expenses and<br>Changes in Fund Net Position – June 30, 2024 ..... | 56 |



## Independent Auditor's Report

Board of Directors of  
Statewide Internet Portal Authority  
Denver, Colorado

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the business-type activities and fiduciary activities of the Statewide Internet Portal Authority as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Statewide Internet Portal Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Statewide Internet Portal Authority, as of June 30, 2024, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Statewide Internet Portal Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Emphasis of a Matter*

As discussed in Note 10 to the financial statements, certain errors resulting in the presentation of a new fiduciary fund as of June 30, 2024, were discovered by management of the Statewide Internet Portal Authority during the current year. Accordingly, a restatement has been made in the creation of the fiduciary fund. As a result, there was no effect on the beginning net position of the fiduciary fund as of July 1, 2023. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Statewide Internet Portal Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Statewide Internet Portal Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Statewide Internet Portal Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 – 11 and the Statewide Internet Portal Authority's proportionate share of the net pension and net OPEB liabilities and schedule of contributions on pages 52-54 be presented to supplement the basic financial statements. Such information is the responsibility of management and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Statewide Internet Portal Authority's basic financial statements. The Schedule of Revenues, Expenditures and Changes in Funds Available Budget and Actual (Budgetary Basis), and Reconciliation of Budgetary Basis (Actual) to Statement of Revenues, Expenses and Changes in Net Position are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Schedule of Revenues, Expenditures and Changes in Funds Available Budget and Actual (Budgetary Basis), and Reconciliation of Budgetary Basis (Actual) to Statement of Revenues, Expenses and Changes in Net Position are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Eide Bailly LLP*

Denver, Colorado  
October 4, 2024

# **Management's Discussion and 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 year ended June 30, 2024. Readers are encouraged to consider this information in conjunction with the Authority's financial statements, and notes to the basic financial statements.

## **Financial Highlights**

### **Portal Integrator Contract Changes**

During Fiscal Year 2024, the Authority underwent several changes that impacted its financial position. On April 8, 2022, the Authority issued a competitive solicitation to procure a Portal Integrator partner for Digital Government Services. Subsequently, in December 2022, SIPA entered into a five-year contract with Tyler Colorado. Effective July 1, 2023, SIPA transitioned to a consumption-based contract model with Tyler Colorado. Under this new arrangement, service terms and pricing were pre-negotiated and incorporated into the contract structure. The program generates revenue through payment processing services. Expenses incurred while providing these services are paid for using the fee revenue collected. SIPA receives an administrative fee of \$300,000 a month. Once all expenses are settled (including SIPA's administrative fee), SIPA retains the remaining funds for the delivery of digital governmental services.

As part of the new contract, SIPA negotiated the monthly costs for Tyler Colorado to continue managing the sales of bulk driver and motor vehicle records for the Department of Revenue. Additionally, SIPA entered into a memorandum of understanding and a separate grant agreement with the Department of Revenue. Under the previous contracts, Tyler Colorado remitted approximately \$650,000 annually to the Highway Users Trust Fund (HUTF) for providing this service, with a percentage of the profits also allocated to SIPA. The new agreements stipulate the following:

- Funds are distributed to HUTF and the Department of Revenue in the same amounts and manner by Tyler Colorado.
- Tyler Colorado receives a fixed fee from SIPA for providing the services.
- SIPA receives 10% of the bulk records revenue after these other expenses are paid.
- The remaining 90% is deposited into a separate PDPA account at ColoTrust.

Furthermore, in Fiscal Year 2023-2024, a grant of \$1.5 million was awarded to the Department of Revenue for DRIVES Operation and Maintenance support.

The remaining Net Bulk Records Revenue in the separate PDPA account is allocated to the SIPA GovGrants Program. This fund's Net Position is specifically restricted for utilization within the GovGrants program, with the GovGrants Board Committee determining how these funds are allocated.

**Analysis of Net Position and Changes in Net Position**

*Net Position*

- The assets and deferred outflows of resources of the Statewide Internet Portal Authority exceeded its liabilities and deferred inflows of resources at June 30, 2024 by \$31,724,170. \$16,122,333 of that amount is restricted for GovGrants program, as described on the previous page. The unrestricted net position, which represents the amount available to meet the Authority’s ongoing obligations and mission, is \$15,578,638. The remaining balance in net position is the Authority’s net investment in its capital assets of \$23,199.

*Changes in Net Position*

- The Authority’s total net position increased by \$21,844,925 broken down as follows:

|                                |               |
|--------------------------------|---------------|
| Restricted for GovGrants       | \$ 16,122,333 |
| Unrestricted                   | 5,722,592     |
| Total Increase in Net Position | \$ 21,844,925 |

- The amount restricted for the GovGrants program is from Net Bulk Records revenue.
- SIPA increased its operating leverage through a combination of sales growth and reduced operating expenses, leading to an increase of \$5,722,592 in the unrestricted net position. Several factors contributed to this growth:
  - The renegotiation of the Tyler Colorado contract for digital governmental services.
  - An increase of 69.92% in net revenues from the sale and purchase of SaaS licenses and professional services, compared to the previous year. This growth can be attributed to a higher number of contracts with local governments and state agencies.
  - The deployment of a cost containment strategy resulting in a (12.70)% decrease in operating expenses.
- The variance between the Original and Final Amended Budget is due to the aforementioned factors causing a material increase in operating income.
- The Authority had 991 active customers as of June 30, 2024.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Authority’s basic financial statements. The Authority maintains two types of funds, Proprietary Funds and Fiduciary Funds.

Required statements for proprietary funds are: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Fund Net Position, and 3) Statement of Cash Flows. These financial statements are prepared similarly to a business entity using the accrual basis of accounting and economic resource measurement focus.

Required statements for Fiduciary Funds are: 1) Statement of Fiduciary Net Position, and 2) Statement of Changes in Fiduciary Net Position. These financial statements are used to account for resources held for the benefit of other entities, including other governments. The Authority cannot use these assets to finance its operations.

### **Statement of Net Position**

The Statement of Net Position presents 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.

### **Statement of Revenues, Expenses and Changes in Fund Net Position**

The Statement of Revenues, Expenses, and Changes in Fund 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.

### **Statement of Cash Flows**

The Statement 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.

### **Statement of Fiduciary Net Position**

The Statement of Fiduciary Net Position reports the assets, and liabilities and the net position of the Authority's fiduciary fund. The net position will always have a \$0 balance as all funds are considered payables to Tyler Colorado or disbursements to other government entities.

### **Statement of Changes in Fiduciary Net Position**

The Statement of Changes in Fiduciary Net Position reports the inflows and outflows of resources in fiduciary funds during a specific accounting period. It shows how the fiduciary net position changed from the beginning to the end of the period.

### **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 18 – 50.

**Summary and Financial Analysis of Net Position**

**Statement of Net Position Enterprise Funds**

|  | <u>2024</u>          | <u>2023</u>         |
|--|----------------------|---------------------|
| Assets                                     |                      |                     |
| Total Current Assets                       | \$ 50,418,339        | \$ 27,155,659       |
| Total Noncurrent Assets                    | <u>773,228</u>       | <u>18,575</u>       |
| Total Assets                               | 51,191,567           | 27,174,234          |
| Total Deferred Outflows                    | <u>538,235</u>       | <u>846,217</u>      |
| Total Assets and Deferred Inflows          | <u>51,729,802</u>    | <u>28,020,451</u>   |
| Liabilities                                |                      |                     |
| Total Current liabilities                  | 18,046,141           | 16,525,872          |
| Total Noncurrent Liabilities               | <u>1,909,844</u>     | <u>1,556,139</u>    |
| Total Liabilities                          | 19,955,985           | 18,082,011          |
| Total Deferred Inflows                     | <u>49,647</u>        | <u>59,195</u>       |
| Total Liabilities and Deferred Inflows     | <u>20,005,632</u>    | <u>18,141,206</u>   |
| Net Position                               |                      |                     |
| Net investment in capital assets           | 23,199               | 18,575              |
| Restricted for digital government services | 16,122,333           | -                   |
| Unrestricted                               | <u>15,578,638</u>    | <u>9,860,670</u>    |
| Total Net Position                         | <u>\$ 31,724,170</u> | <u>\$ 9,879,245</u> |

Total net position on June 30, 2024 is \$31,724,170 of which \$15,578,638 is available for payment of future outlays funded by operations as well as sustaining current operations. Cash of \$11,521,468 is only available for the distribution of future grants and grant related expenses as authorized by the Authority's Board of Directors. It is included in restricted net position in the Statements of Net Position as of June 30, 2024. 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, 2024. Capital Assets increased \$754,653 due to the addition of a new lease agreement that commenced on January 1, 2024. This lease replaces a prior lease that ended on December 31, 2023. Accounts receivable increased by \$1,856,316 or 21.49% from the prior fiscal year. This is due to net bulk records revenue generated during the months of May 2024 and June 2024 that had not yet been collected. Deferred Licenses increased by \$2,607,921 or 38.25% primarily due to the increase and timing of SaaS license sales. Unearned Revenue increased by \$1,362,870 or 12.62% from the prior fiscal year. This is primarily due to the increase and timing of SaaS license sales.

**Statement of Revenues, Expenses and Changes in Fund Net Position, Enterprise Funds**

|  | <u>2024</u>          | <u>2023</u>         |
|--|----------------------|---------------------|
| Operating Revenues                     |                      |                     |
| Charges for services                   | \$ 23,474,363        | \$ 2,328,804        |
| Cost reimbursement revenue             | 20,966,094           | 12,628,692          |
| License revenue                        | <u>37,644,933</u>    | <u>30,185,568</u>   |
| Total Operating Revenues               | 82,085,390           | 45,143,064          |
| Non-Operating Revenue                  |                      |                     |
| Interest Income                        | <u>1,136,839</u>     | <u>383,958</u>      |
| Total Revenues                         | 83,222,229           | 45,527,022          |
| Operating Expenses                     |                      |                     |
| General and administrative expenses    | 61,368,180           | 45,368,005          |
| Non-Operating Expenses                 | <u>9,124</u>         | <u>2,653</u>        |
| Total Expenses                         | <u>61,377,304</u>    | <u>45,370,658</u>   |
| Transfers In                           | 168,450              | -                   |
| Transfers Out                          | (168,450)            | -                   |
| Net Income and Changes in Net Position | 21,844,925           | 156,364             |
| Total Net Position - Beginning of Year | <u>9,879,245</u>     | <u>9,722,881</u>    |
| Total Net Position - End of Year       | <u>\$ 31,724,170</u> | <u>\$ 9,879,245</u> |

**2024 Revenue**

For the fiscal year ending June 30, 2024, operating revenues totaled \$82,085,390, reflecting an 81.83% or \$36,942,326 increase compared to fiscal year 2023. The primary contributors to this growth were revenues from the new Tyler Colorado contract, increased sales in SaaS and professional services licensing, and the inclusion of the new GovGrants fund.

Of the \$82,085,390 in Total Operating Revenues, \$17,622,333 were attributed to the GovGrants fund. The remaining \$64,463,057 in revenues saw an increase of \$19,319,993 or 42.80% compared to the previous year. This growth was driven by an increase in professional service sales and SaaS Licensing sales, which experienced growth of 66.02% and 24.71%, respectively.

**2024 Expenses**

Total operating expenses for 2024, which include direct (cost of licenses and services) and general and administrative expenses, were \$61,368,180 an increase of \$16,000,175, or 35.27% compared to 2023. The increase was attributable to the increase in cost for professional service and SaaS licensing sales as well as a grant award to the Department of Revenue for DRIVES Operation and Maintenance support.

There was a decrease in operating expenses (expenses not including cost of licenses and services) of (12.70)% attributable to the decrease in consulting, legal, and other third party support related to SIPA's internet portal contract procurement from the prior fiscal year.

### **Capital Assets**

The Authority maintains very few Capital Assets. In January of 2024 the authority moved office locations and the additions to the capital assets were related mostly to the new lease agreement, as well as the acquisition of hardware necessary for the establishment and operation of the new office space. Consequently, net capital assets increased by \$754,653 during the current fiscal year. See the "Note 4 - Capital Assets" for additional information.

### **Leases**

As previously noted, the Authority signed a new lease agreement that began on January 1, 2024 and runs through June 30, 2029. There was a net lease addition of \$750,029 due to the recording of this lease. See "Note 5 - Leases and Subscriptions" for additional information.

### **Subscription-based Information Technology Arrangements**

The Authority entered into a new agreement on March 2, 2024 for its licensing related to managing electronic agreements. As of June 30, 2024 the balance of that agreement was \$8,951 and runs through March 3, 2026. See Note 5 for additional information.

### **Economic Environment**

In June 2024 the Legislative Council Staff provided the "Economic & Revenue Forecast June 2024" report to the Colorado Joint Budget Committee. A copy of the report can be found at: <https://leg.colorado.gov/publications/forecast-june-2024>. The findings relevant to SIPA revolve around rising inflation and a Colorado economy that has a slightly lower pace in 2024 than in 2023. Some of the Authority's supplier partners have already started increasing the cost of their licenses and services by up to 9% for the coming fiscal year. These price increases may cause governments to decrease the amount of software licenses and professional services that they procure from the Authority, resulting in a decrease in revenue. This will have an impact on Authority operating expenses as well as any pass-through costs for software as a service or professional service offerings.

In fiscal year 2025, the Authority will distribute grants from the GovGrants fund, resulting in a decrease in the amount of funds available at ColoTrust to earn interest. Furthermore, the Federal Reserve's anticipated rate cuts to address easing inflation concerns and support economic growth will likely lead to lower interest rates in the upcoming fiscal year. This expected decrease in interest rates will further reduce the interest returns generated by ColoTrust.

### **Request for Information**

This financial report is designed to provide its readers with 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, 950 S. Cherry Street, Suite 900, Denver, CO 80246.

# **Basic Financial Statements**

Statewide Internet Portal Authority  
Statement of Net Position  
June 30, 2024

|   | <b>SIPA<br/>Operating</b> | <b>GovGrants</b>     | <b>Total Enterprise</b> |
|---|---------------------------|----------------------|-------------------------|
| <b>ASSETS</b>                                 |                           |                      |                         |
| <b>CURRENT ASSETS</b>                         |                           |                      |                         |
| Cash and Cash Equivalents                     | \$ 13,192,355             | \$ 11,521,468        | \$ 24,713,823           |
| Board Designated Cash Reserve                 | 5,000,000                 | -                    | 5,000,000               |
| Accounts Receivable, net                      | 5,845,637                 | 4,648,810            | 10,494,447              |
| Prepaid Expenses                              | 735,258                   | -                    | 735,258                 |
| Due from Other Funds                          | 47,945                    | -                    | 47,945                  |
| Deferred Licenses                             | 9,426,866                 | -                    | 9,426,866               |
| Total Current Assets                          | <u>34,248,061</u>         | <u>16,170,278</u>    | <u>50,418,339</u>       |
| <b>NONCURRENT ASSETS</b>                      |                           |                      |                         |
| Capital Assets - Net                          | 773,228                   | -                    | 773,228                 |
| Total Noncurrent Assets                       | <u>773,228</u>            | <u>-</u>             | <u>773,228</u>          |
| <b>TOTAL ASSETS</b>                           | <u>35,021,289</u>         | <u>16,170,278</u>    | <u>51,191,567</u>       |
| <b>DEFERRED OUTFLOWS</b>                      |                           |                      |                         |
| PERA Pension-related                          | 490,276                   | -                    | 490,276                 |
| PERA OPEB-related                             | 47,959                    | -                    | 47,959                  |
| <b>TOTAL DEFERRED OUTFLOWS</b>                | <u>538,235</u>            | <u>-</u>             | <u>538,235</u>          |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>     | <u>35,559,524</u>         | <u>16,170,278</u>    | <u>51,729,802</u>       |
| <b>LIABILITIES</b>                            |                           |                      |                         |
| <b>CURRENT LIABILITIES</b>                    |                           |                      |                         |
| Accounts Payable                              | 5,672,580                 | -                    | 5,672,580               |
| Due to Other Funds                            | -                         | 47,945               | 47,945                  |
| Accrued Expenses and Other Liabilities        | 165,532                   | -                    | 165,532                 |
| Unearned Revenue                              | 12,160,084                | -                    | 12,160,084              |
| Total Current Liabilities                     | <u>17,998,196</u>         | <u>47,945</u>        | <u>18,046,141</u>       |
| <b>NONCURRENT LIABILITIES</b>                 |                           |                      |                         |
| Due within one year: Leases                   | 99,444                    | -                    | 99,444                  |
| Due within one year: Subscriptions            | 8,951                     | -                    | 8,951                   |
| Due in more than one year:                    |                           |                      |                         |
| Net Pension Liability                         | 1,071,382                 | -                    | 1,071,382               |
| Net OPEB liability                            | 79,482                    | -                    | 79,482                  |
| Leases  | 650,585                   | -                    | 650,585                 |
| Total Noncurrent Liabilities                  | <u>1,909,844</u>          | <u>-</u>             | <u>1,909,844</u>        |
| <b>TOTAL LIABILITIES</b>                      | <u>19,908,040</u>         | <u>47,945</u>        | <u>19,955,985</u>       |
| <b>DEFERRED INFLOWS</b>                       |                           |                      |                         |
| PERA Pension-related                          | 17,707                    | -                    | 17,707                  |
| PERA OPEB-related                             | 31,940                    | -                    | 31,940                  |
| Total Deferred Inflows                        | <u>49,647</u>             | <u>-</u>             | <u>49,647</u>           |
| <b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b> | <u>19,957,687</u>         | <u>47,945</u>        | <u>20,005,632</u>       |
| <b>NET POSITION</b>                           |                           |                      |                         |
| Net investments in capital assets             | 23,199                    | -                    | 23,199                  |
| Restricted                                    | -                         | 16,122,333           | 16,122,333              |
| Unrestricted                                  | 15,578,638                | -                    | 15,578,638              |
| <b>TOTAL NET POSITION</b>                     | <u>\$ 15,601,837</u>      | <u>\$ 16,122,333</u> | <u>\$ 31,724,170</u>    |

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

Statewide Internet Portal Authority  
Statement of Revenues, Expenses and Changes in Fund Net Position  
For the Year Ended June 30, 2024

|   | <b>SIPA<br/>Operating</b> | <b>GovGrants</b>     | <b>Total<br/>Enterprise</b> |
|---|---------------------------|----------------------|-----------------------------|
| <b>OPERATING REVENUES</b>                     |                           |                      |                             |
| Charges for Service                           | \$ 5,852,030              | \$ 17,622,333        | \$ 23,474,363               |
| Cost Reimbursement Revenue                    | 20,966,094                | -                    | 20,966,094                  |
| License Revenue                               | 37,644,933                | -                    | 37,644,933                  |
| <b>TOTAL OPERATING REVENUES</b>               | <b>64,463,057</b>         | <b>17,622,333</b>    | <b>82,085,390</b>           |
| <b>OPERATING EXPENSES</b>                     |                           |                      |                             |
| General and administrative expenses           | 59,868,180                | 1,500,000            | 61,368,180                  |
| <b>OPERATING INCOME</b>                       | <b>4,594,877</b>          | <b>16,122,333</b>    | <b>20,717,210</b>           |
| <b>NON-OPERATING REVENUE (EXPENSE)</b>        |                           |                      |                             |
| Interest Income                               | 968,389                   | 168,450              | 1,136,839                   |
| Interest Expense                              | (9,124)                   | -                    | (9,124)                     |
| <b>TOTAL NON-OPERATING REVENUES (EXPENSE)</b> | <b>959,265</b>            | <b>168,450</b>       | <b>1,127,715</b>            |
| Income before transfers                       | 5,554,142                 | 16,290,783           | 21,844,925                  |
| Transfers In                                  | 168,450                   | -                    | 168,450                     |
| Transfers Out                                 | -                         | (168,450)            | (168,450)                   |
| <b>NET INCOME AND CHANGE IN NET POSITION</b>  | <b>5,722,592</b>          | <b>16,122,333</b>    | <b>21,844,925</b>           |
| NET POSITION, Beginning                       | 9,879,245                 | -                    | 9,879,245                   |
| NET POSITION, Ending                          | <b>\$ 15,601,837</b>      | <b>\$ 16,122,333</b> | <b>\$ 31,724,170</b>        |

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

Statewide Internet Portal Authority  
Statement of Cashflows  
For the Year Ended June 30, 2024

|  | <b>SIPA<br/>Operating</b> | <b>GovGrants</b> | <b>Total<br/>Enterprise</b> |
|--|---------------------------|------------------|-----------------------------|
| Cashflows from Operating Activities  |                           |                  |                             |
| Cash Received from Customers   | \$ 67,255,551             | \$ 12,973,523    | \$ 80,229,074               |
| Cash Paid to Suppliers for Goods and Services  | 61,326,458                | 1,500,000        | 62,826,458                  |
| Net Cash Provided by Operating Activities  | 5,929,093                 | 11,473,523       | 17,402,616                  |
| Cashflows from Noncapital Financing Activities   |                           |                  |                             |
| Transfers From Other Funds   | 120,505                   | -                | 120,505                     |
| Transfers To Other Funds   | -                         | (120,505)        | (120,505)                   |
| Net Cash Provided for Noncapital Financing Activities  | 120,505                   | (120,505)        | -                           |
| Cashflows used for Capital and Related Financing Activities                                    |                           |                  |                             |
| Cash Paid for Acquisition of Capital Assets  | (54,516)                  | -                | (54,516)                    |
| Principal paid on Capital Debt   | (38,342)                  | -                | (38,342)                    |
| Interest paid on Capital Debt  | (9,124)                   | -                | (9,124)                     |
| Net Cash Used for Capital and Related Financing Activities                                     | (101,982)                 | -                | (101,982)                   |
| Cashflows from Investing Activities  |                           |                  |                             |
| Interest Received  | 968,387                   | 168,450          | 1,136,837                   |
| Net Increase in Cash   | 6,916,003                 | 11,521,468       | 18,437,471                  |
| Cash and Cash Equivalents - Beginning  | 11,276,352                | -                | 11,276,352                  |
| Cash and Cash Equivalents - Ending   | \$ 18,192,355             | \$ 11,521,468    | \$ 29,713,823               |
| Cash and cash equivalents  | \$ 13,192,355             | \$ 11,521,468    | \$ 24,713,823               |
| Board Designated Cash Reserve  | 5,000,000                 | -                | 5,000,000                   |
| Total  | \$ 18,192,355             | \$ 11,521,468    | \$ 29,713,823               |
| Reconciliation of Operating Income to net Cash Provided (Used) by Operating Activities:        |                           |                  |                             |
| Operating Income:  | \$ 4,594,877              | \$ 16,122,333    | \$ 20,717,210               |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: |                           |                  |                             |
| Depreciation and Amortization Expense  | 90,326                    | -                | 90,326                      |
| PERA Contribution Expense  | (99,980)                  | -                | (99,980)                    |
| Changes in Assets and Liabilities Related to Operations:                                       |                           |                  |                             |
| (Increase) Decrease in Accounts Receivable   | 2,792,494                 | (4,648,810)      | (1,856,316)                 |
| (Increase) Decrease in Prepaid Expenses  | (313,027)                 | -                | (313,027)                   |
| (Increase) Decrease in Deferred Licenses   | (2,607,921)               | -                | (2,607,921)                 |
| Increase (Decrease) in Accounts Payable  | 71,318                    | -                | 71,318                      |
| Increase (Decrease) in Accrued Expenses and Other Liabilities                                  | 38,136                    | -                | 38,136                      |
| Increase (Decrease) in Unearned Revenue  | 1,362,870                 | -                | 1,362,870                   |
| Total Adjustments  | 1,334,216                 | (4,648,810)      | (3,314,594)                 |
| Net Cash Provided by Operating Activities  | \$ 5,929,093              | \$ 11,473,523    | \$ 17,402,616               |
| Schedule of Non-Cash Investing, Capital and Financing Activities                               |                           |                  |                             |
| Subscription liability for the acquisition of a right-to-use subscription asset                | \$(8,951)                 | -                | \$(8,951)                   |
| Lease liability for the acquisition of a right-to-use-lease asset                              | \$(781,512)               | -                | \$(781,512)                 |

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

Statewide Internet Portal Authority  
Statement of Fiduciary Net Position  
June 30, 2024

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|                            | <u><b>2024</b></u> |
|----------------------------|--------------------|
| <b>ASSETS</b>              |                    |
| Cash                       | \$ 11,740,840      |
| Collections Receivable     | <u>18,667,710</u>  |
| Total Assets               | <u>30,408,550</u>  |
| <b>LIABILITIES</b>         |                    |
| Payables to Governments    | 27,855,249         |
| Payables to Other Entities | <u>2,553,301</u>   |
| Total Liabilities          | <u>30,408,550</u>  |
| <b>NET POSITION</b>        |                    |
| Restricted:                |                    |
| For Governments            | <u>-</u>           |
| <b>TOTAL NET POSITION</b>  | <u><u>\$ -</u></u> |

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

Statewide Internet Portal Authority  
Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2024

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|                                       | <b>2024</b>      |
|---------------------------------------|------------------|
| <b>ADDITIONS</b>                      |                  |
| Collections for Governments           | \$ 3,154,796,723 |
| Collections for Other Entities        | 28,666,117       |
| TOTAL ADDITIONS                       | 3,183,462,840    |
| <b>DEDUCTIONS</b>                     |                  |
| Payments to Governments               | 3,154,796,723    |
| Payments to Other Entities            | 28,666,117       |
| TOTAL DEDUCTIONS                      | 3,183,462,840    |
| NET INCREASE IN FIDUCIARY NET POSTION | -                |
| <b>NET POSITION,</b>                  |                  |
| Beginning                             | -                |
| NET POSITION, Ending                  | \$ -             |

# **Notes to the Financial Statements**

## **Note 1 - Definition of Reporting Entity**

Statewide Internet Portal Authority (Authority) is a special purpose authority 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) Private sector members:
  - (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 Tyler Colorado, a subsidiary of Tyler Technologies. Tyler Colorado 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 accounting principles generally accepted in the United States of America (US GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

### **Enterprise Funds**

#### *Enterprise Funds Descriptions*

The Authority maintains two enterprise funds, the SIPA Operating Fund and the GovGrants Fund. The GovGrants funds is a restricted fund and is only to be used to provide grants to state and local governments as authorized by the Authority's Board Committee. The Operating fund supports the Authority's operations and receives revenues as described below under "Operating Revenues and Expenses" section of the MD&A. All expenses excluding the aforementioned GovGrants expenses are considered unrestricted resources and are to be spent out of the Authority's Operating Fund.

#### *Basis of Accounting*

The Authority's records are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation and amortization is computed and recorded as an operating expense. Expenditures giving SIPA the right to use leased assets, subscription-based information technology arrangements and 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 Tyler Colorado, plus a portion of the total revenues received from portal customers. In the case of the GovGrants fund, revenues are derived from the sales of bulk driver and motor vehicle records for the Department of Revenue. Non-operating revenues are all other revenues received but is primarily related to interest. Expenses are associated with the provision of grants and grant related activities. Expenses include the cost of service, administrative expenses, grants given to governments, and depreciation and amortization 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, 2024 primarily due to the new contract with Tyler Colorado as well as an increase in 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 consist primarily of amounts owed from state and local governments and other 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 expenses.

#### *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, right-to-use lease assets and subscription-based information technology arrangements 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 (except for intangible right-to-use assets, the measurement of which is discussed in the Leases and Subscription Based Information Technology Arrangements sections of this note below).

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/amortization expense has been computed using the straight-line method over the estimated economic useful lives for furniture and equipment, hardware and software. The Right-to-use leased asset has been computed using the straight-line method over the lease term:

|                                  |              |
|----------------------------------|--------------|
| Furniture and equipment          | 3 - 7 years  |
| Hardware                         | 5 years      |
| Software                         | 5 years      |
| Right-to-use leased assets       | 1 - 10 years |
| Right-to-use subscription assets | 1 - 10 years |

*Unearned Revenue*

Unearned Revenue includes Software license agreements greater than \$2,400 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 Asset/Liability*

The Authority has reported a net pension liability as of June 30, 2024. 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 other post-employment benefit (OPEB) liability as of June 30, 2024. The Authority is required to report a net OPEB related Liability. See Note 6 for additional information.

#### *Leases*

The Authority has recorded an office lease and recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the Statement of Net Position. The Authority recognizes lease liabilities with an initial value of \$5,000 or more. At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its lease term. Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets as "Right-to-use lease assets" and lease liabilities are reported as long-term debt under "Leases" on the statement of net position. Right-to-use leased assets are amortized over the shorter of the lease term or useful live of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

#### *Subscription Based Information Technology Arrangements*

The Authority has recorded two subscriptions and recognizes a subscription liability and intangible right-to-use assets in the Statement of Net Position. The Authority recognizes subscriptions with an initial value of \$5,000 or more.

At the commencement of a subscription, the Authority initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

The subscription asset is initially measured one of two ways:

- As the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its subscription term.

- As the amount of the payment made, if the payment is made in advance.

Key estimates and judgments related to subscription include how the Authority determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The Authority uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the non-cancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Subscription assets are reported with other capital assets as "Right-to-use subscription assets" and subscription liabilities are reported as long-term debt under "Subscriptions" on the statement of net position.

Right to use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period varies from 2 to 10 Years.

## **Fiduciary Activities**

### *Basis of Accounting*

The Authority maintains one Custodial fund. These funds are held by the authority in a trustee capacity for the benefit of parties outside the Authority. Assets of the fiduciary fund are not available to the Authority and are therefore not reported on the Statement of Net Position, Statement of Revenues Expenses and Changes in Fund Net Position, or the Statement of Cashflows. The Authority's records are reported using the economic resource measurement focus and the accrual basis of accounting. Additions to the fund are recognized when earned and deductions are recognized when the liability is incurred.

### *Additions and Deductions*

This fund receives payments for credit card and electronic funds transfer processing transactions for state and local governments and subsequently disburses the funds to the governments. Funds held and subsequently disbursed can be found in "Collections for Governments" and "Payments to Governments" on the Statement of Changes in Fiduciary Net Position.

The Authority partners with Tyler Colorado who maintains these activities, and shares the revenues generated from these services. For the most part the fees associated with these transactions are simple and posted to SIPA's website, <https://sipa.colorado.gov/paymentprocessing>. Agencies can choose to absorb these fees or pass them down to the end user as a convenience fee for transacting online. The latter is the most common choice. The fees to maintain these services can be found in "Collections for Other Entities" and "Payments to Other Entities" on the Statement of Changes in Fiduciary Net Position.

*Assets and Liabilities*

The Fiduciary Fund maintains a \$0 Net Position. Residual cash in the fund is due to the timing of receipts for payment processing services and their subsequent disbursement to governments or other entities.

**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.

**Adoption of a New Standard**

The Authority implemented GASB Statement No. 100, Accounting Changes and Error Corrections. This statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The financial statements have been updated to conform to the presentation requirements related to the error correction in the financial statements for the year ended June 30, 2024. The additional disclosures required by the standard are included in Note 10.

**Note 3 – Cash and Investments**

Cash is classified in the accompanying financial statements as of June 30, 2024 as follows:

|                               | <u>SIPA Operating</u> | <u>GovGrants</u>     | <u>Total Enterprise</u> |
|-------------------------------|-----------------------|----------------------|-------------------------|
| Statements of net position    |                       |                      |                         |
| Cash and cash equivalents     | \$ 13,192,355         | \$ 11,521,468        | \$ 24,713,823           |
| Board designated cash reserve | 5,000,000             | -                    | 5,000,000               |
|                               | <u>\$ 18,192,355</u>  | <u>\$ 11,521,468</u> | <u>\$ 29,713,823</u>    |

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

|                            | <u>SIPA Operating</u> | <u>GovGrants</u>     | <u>Total Enterprise</u> |
|----------------------------|-----------------------|----------------------|-------------------------|
| Cash                       |                       |                      |                         |
| Deposits                   | \$ 637,836            | \$ -                 | \$ 637,836              |
| Investments                | 17,554,519            | 11,521,468           | 29,075,987              |
| Total Cash and Investments | <u>\$ 18,192,355</u>  | <u>\$ 11,521,468</u> | <u>\$ 29,713,823</u>    |

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, 2024, bank balances totaled \$144,448. \$144,448 of those balances were covered by FDIC.

**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:

- a) Safety,
- b) Liquidity, and
- c) 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

ColoTrust is Reported at its Net Asset Value. As of June 30, 2024, the Authority’s Investments consist of the following:

|                             | <u>Rating</u> | <u>Net Asset Value</u> | <u>Weighted Avg. Maturity (Yrs)</u> |
|-----------------------------|---------------|------------------------|-------------------------------------|
| Local Govt Pool - Colotrust | AAAm          | \$ 29,075,987          | 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 AAAM 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, 2024 the Authority did not have any securities requiring safekeeping.

**Restricted Cash and Investments**

The Authority has restricted cash and investments as follows:

|  | <u>SIPA Operating</u> | <u>GovGrants</u>     | <u>Total Enterprise</u> |
|--|-----------------------|----------------------|-------------------------|
| Restricted - Operation and Maintenance Reserve | \$ 2,000,000          | \$ -                 | \$ 2,000,000            |
| Restricted - Extraordinary Future Expenditures | 3,000,000             | -                    | 3,000,000               |
| Restricted - Digital Governmental Services     | -                     | 11,521,468           | 11,521,468              |
| Total Restricted Cash                          | <u>\$ 5,000,000</u>   | <u>\$ 11,521,468</u> | <u>\$ 16,521,468</u>    |
| Unrestricted                                   | 13,192,355            | -                    | 13,192,355              |
| Total Cash                                     | <u>\$ 18,192,355</u>  | <u>\$ 11,521,468</u> | <u>\$ 29,713,823</u>    |

**Note 4 – Capital Assets**

*Right-to-use Assets*

The Authority has recorded a new subscription right-to-use asset and a new right-to-use lease asset. These assets are right-to-use-assets for leased office space and subscription based information technology arrangements. The assets are capitalized as discussed in Note 2. The related liabilities to the other right-to-use assets are discussed in Note 5. The right-to-use assets are amortized on a straight-line basis over the term of their respective contracts.

*Capital Assets*

An analysis of the changes in capital assets for the years ended June 30, 2024 is as follows:

|  | Balance<br>at July 1,<br>2023 | Additions | Deletions | Balance<br>at June<br>30, 2024 |
|--|-------------------------------|-----------|-----------|--------------------------------|
| Capital assets, being depreciated:         |                               |           |           |                                |
| Office Furniture                           | \$ 19,478                     | \$ -      | \$ -      | \$ 19,478                      |
| Office Hardware                            | -                             | 45,296    | -         | 45,296                         |
| Right-to-use Lease assets                  | 262,520                       | 781,512   | (262,520) | 781,512                        |
| Right-to-use Subscription assets           | 36,064                        | 18,171    | (18,064)  | 36,171                         |
| Total capital assets, being<br>depreciated | 318,062                       | 844,979   | (280,584) | 882,457                        |
| Less accumulated depreciation for:         |                               |           |           |                                |
| Office Furniture                           | 15,176                        | 1,233     | -         | 16,409                         |
| Office Hardware                            | -                             | 3,001     | -         | 3,001                          |
| Right-to-use Lease assets                  | 262,521                       | 71,047    | (262,520) | 71,048                         |
| Right-to-use Subscription assets           | 21,790                        | 15,045    | (18,064)  | 18,771                         |
| Total accumulated depreciation             | 299,487                       | 90,326    | (280,584) | 109,229                        |
| Capital assets, net                        | \$ 18,575                     | \$754,653 | \$ -      | \$773,228                      |

**Note 5 – Leases and Subscriptions**

**Changes in Long-Term Liabilities**

The Authority has entered into a lease for office space necessary for Authority Operations.

Beginning January 1, 2024, the Authority entered into a long-term lease agreement for office space through June 30, 2029. Lease payments started at \$6,759 a month and adjust annually at the beginning of each calendar year. The lease agreements qualified as other than short-term leases under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payments. The lease liability was measured at a discount rate of 2.36%, which is the Authority's estimated incremental borrowing rate. As a result of the lease, the Authority has recorded a right-to-use asset with a book value of \$781,512 on January 1, 2024. Changes in the Authority's long-term lease liability for the year ended June 30, 2024 are as follows:

|              | Balance as of<br>July 1, 2023 | Additions  | Deletions | Balance as of<br>July 1, 2024 |
|--------------|-------------------------------|------------|-----------|-------------------------------|
| Office Lease | \$ -                          | \$ 781,512 | \$ 31,483 | \$ 750,029                    |

The following is a schedule by year of payments under the leases as of June 30, 2024:

| Fiscal<br>Year | Prinicpal         | Interest         | Amount<br>Owed    |
|----------------|-------------------|------------------|-------------------|
| 2025           | \$ 95,444         | \$ 16,857        | \$ 112,301        |
| 2026           | 142,970           | 13,988           | 156,958           |
| 2027           | 162,206           | 10,340           | 172,546           |
| 2028           | 170,436           | 6,423            | 176,859           |
| 2029           | 178,973           | 2,309            | 181,282           |
| Total          | <u>\$ 750,029</u> | <u>\$ 49,917</u> | <u>\$ 799,946</u> |

Beginning March 4, 2022, the Authority entered into a long-term subscription-based information technology arrangement to assist in managing electronic devices. The agreement ran through March 3, 2024. Subscription payments were made annually. The subscription-based information technology arrangement qualifies as an other than short-term subscription under GASB 96 and, therefore, has been recorded at the present value of the future minimum lease payments. The subscription liability was measured at a discount rate of 1.986%, which was the Authority's estimated incremental borrowing rate. As a result of the arrangement, the Authority has recorded a Right-to-use Subscription IT asset. The asset was deleted upon entering into a new agreement. Beginning March 3, 2024, the Authority entered into a long-term subscription-based information technology arrangement to assist in managing electronic devices. The agreement runs through March 3, 2026. Subscription payments are made annually. The subscription-based information technology arrangement qualifies as an other than short-term subscription under GASB 96 and, therefore, has been recorded at the present value of the future minimum lease payments. The subscription liability was measured at a discount rate of 3.010%, which is the Authority's estimated incremental borrowing rate. As a result of the arrangement, the Authority has recorded a Right-to-use Subscription IT asset with a net book value of \$8,951 as of June 30, 2024. Changes in the Authority's long-term liability for the year ended June 30, 2024 is as follows:

|                           | Balance as<br>of July 1,<br>2023 | Additions       | Deletions       | Balance as<br>of June<br>30, 2024 |
|---------------------------|----------------------------------|-----------------|-----------------|-----------------------------------|
| Subscription<br>Liability | <u>\$ 6,858</u>                  | <u>\$ 8,951</u> | <u>\$ 6,858</u> | <u>\$ 8,951</u>                   |

The following is a schedule by year of payments under the subscription as of June 30, 2024:

| Fiscal<br>Year | Prinicpal       | Interest      | Amount<br>Owed  |
|----------------|-----------------|---------------|-----------------|
| 2025           | <u>\$ 8,951</u> | <u>\$ 269</u> | <u>\$ 9,220</u> |

## **Note 6 – Public Employees’ Retirement Association of Colorado**

### **Defined Benefit Pension Plan**

#### *Summary of Significant Accounting Policies*

*Pensions.* The Authority participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees’ Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP 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.

#### *General Information about the Pension Plan*

*Plan description.* Eligible employees of the Authority are provided with pensions through the 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 annual comprehensive financial report (ACFR) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided as of December 31, 2023.* 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% and then multiplied by years of service credit.
- The value of the retiring employee’s member contribution account plus a 100% 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.

The service retirement benefit is limited to 100% 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% or 100% 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.

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA’s Annual Increase Reserve (AIR) for the LGDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% 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 lifetime retirement benefit formula(s) 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 of June 30, 2024:* Eligible employees of the Authority and the State are required to contribute to the LGDTF at a rate set by Colorado statute.

The contribution requirements for the LGDTF are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. Employee contribution rates for the period of July 1, 2023, through June 30, 2024 are summarized in the table below:

|                         | July 1, 2023 Through<br>June 30, 2024 |
|-------------------------|---------------------------------------|
| Employee contribution** | 9.0%                                  |

\*Contribution 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 for all employees other than Safety Officers are summarized in the table below:

|  | July 1, 2023 Through<br>December 31, 2023 | January 1, 2024 Through<br>June 30, 2024 |
|--|---|--|
| Employer contribution rate   | 11.00%                                    | 11.00%                                   |
| 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  | 9.98%                                     | 9.98%                                    |
| 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   | 0.06%                                     | 0.08%                                    |
| <b>Total employer contribution rate to the LGDTF</b>   | <b>13.74%</b>                             | <b>13.76%</b>                            |

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 \$143,960 for the year ended June 30, 2024.

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

The net pension liability for the LGDTF was measured as of December 31, 2023, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. Standard update procedures were used to roll-forward the TPL to December 31, 2023. The Authority proportion of the net pension liability was based on Authority contributions to the LGDTF for the calendar year 2023 relative to the total contributions of participating employers.

At June 30, 2024, the Authority reported a liability of \$1,071,382 for its proportionate share of the net pension liability.

At June 30, 2024, the Authority's proportion was 0.146% which is an increase of 0.00% from its proportion measured as of December 31, 2022.

For the year ended June 30, 2024, the Authority recognized pension expense of \$90,578. At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | June 30, 2024                        |                                     |
|---|--------------------------------------|-------------------------------------|
|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>resources |
| Difference between expected and actual experience   | \$ 57,980                            | \$ 1,101                            |
| Changes of assumptions or other inputs  | -                                    | -                                   |
| Net Difference between projected and actual earnings on pension plan investments                                | 312,844                              | -                                   |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 20,643                               | 16,606                              |
| Contributions subsequent to the measurement date  | 98,809                               | -                                   |
|   | \$ 490,276                           | \$ 17,707                           |

\$98,809 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal Year<br>Ended June 30, | Amount     |
|-------------------------------|------------|
| 2025                          | 63,589     |
| 2026                          | 132,495    |
| 2027                          | 263,853    |
| 2028                          | (86,177)   |
|                               | \$ 373,760 |

Actuarial assumptions. The TPL in the December 31, 2022, actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

|  |                     |
|--|---------------------|
| Actuarial cost method  | Entry age           |
| Price inflation  | 2.30%               |
| Real wage growth   | 0.70%               |
| Wage inflation   | 3.00%               |
| Salary increases, including wage inflation:                  |                     |
| Members other than Safety Officers                           | 3.20%-11.30%        |
| Long-term investment rate of return, net of pension plan     | 7.25%               |
| Investment expenses, including price inflation Discount rate | 7.25%               |
| Post-retirement benefit increases:                           |                     |
| PERA benefit structure hired prior to 1/1/07                 | 1.00%               |
| PERA benefit structure hired after 12/31/06 <sup>1</sup>     | Financed by the AIR |

<sup>1</sup>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.

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

Pre-retirement mortality assumptions for members other than Safety Officers were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for members other than Safety Officers were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

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

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

The actuarial assumptions used in the December 31, 2022, valuations were 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 the PERA Board on November 20, 2020.

The long-term expected return on plan assets is reviewed as part of regularly scheduled experience studies performed at least every five years and asset/liability studies performed every three to five years for PERA. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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% 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:

| <b>Asset Class</b> | <b>Target Allocation</b> | <b>30 Year Expected Geometric Real Rate of Return</b> |
|--------------------|--------------------------|---|
| 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       | 6.00%                    | 4.70%   |
| <b>Total</b>       | <b>100.00%</b>           |   |

Note: 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%.

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the required adjustments resulting from the 2018 and 2020 AAP assessments. 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 required adjustments resulting from the 2018 and 2020 AAP assessments. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero.

Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- 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 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.
- Beginning with the December 31, 2023, measurement date and thereafter, the FNP as of the current measurement date is used as a starting point for the GASB 67 projection test.
- As of the December 31, 2023, measurement date, the FNP and related disclosure components for the Local Government Division reflect payments related to the disaffiliation of Tri-County Health Department as a PERA-affiliated employer, effective December 31, 2022. As of the December 31, 2023, year-end, PERA recognized two additions for accounting and financial reporting purposes: a \$24 million payment received on December 4, 2023 and a \$2 million receivable. The employer disaffiliation payment and receivable allocations to the Local Government Division Trust Fund and HCTF were \$24.967 million and \$1.033 million, respectively.

Based on the above assumptions and methods, the 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% on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

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

|  | 1% Decrease<br>(6.25%) | Current<br>Discount Rate<br>(7.25%) | 1% Increase<br>(8.25%) |
|--|------------------------|-------------------------------------|------------------------|
| Proportionate share of the net pension liability | \$ 2,100,029           | \$ 1,071,382                        | \$ 209,724             |

Pension plan fiduciary net position. Detailed information about the LGDTF's FNP is available in PERA's ACFR which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

## Notes to the Required Supplementary Information

### *Note 1—Significant Changes in Plan Provisions Affecting Trends in Actuarial Information* 2023 Changes in Plan Provisions Since 2022

- As of the December 31, 2023, measurement date, the fiduciary net position (FNP) and related disclosure components for the Local Government Division reflect payments related to the disaffiliation of Tri-County Health Department (Tri-County Health) as a PERA-affiliated employer, effective December 31, 2022. As of the December 31, 2023, year-end, PERA recognized two additions for accounting and financial reporting purposes: a \$24 million payment received on December 4, 2023 and a \$2 million receivable. The employer disaffiliation payment and receivable allocations to the Local Government Division Trust Fund and Health Care Trust Fund (HCTF) were \$24.967 million and \$1.033 million, respectively.
- As of the December 31, 2023, measurement date, the total pension liability (TPL) recognizes the change in the default method applied for granting service accruals for certain members, from a "12-pay" method to a "non-12-pay" method. The default service accrual method for positions with an employment pattern of at least eight months but fewer than 12 months receive a higher ratio of service credit for each month worked, up to a maximum of 12 months of service credit per year.

### *Note 2—Significant Changes in Assumptions or Other Inputs Affecting Trends in Actuarial Information*

#### 2023 Changes in Assumptions or Other Inputs Since 2022

- There were no changes made to the actuarial methods or assumptions.

## Defined Contribution Pension Plans

### *Voluntary Investment Program (PERAPlus 401(k) Plan)*

*Plan Description* - Employees of the Authority that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program (PERAPlus 401(k) Plan), 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 ACFR which includes additional information on the PERAPlus 401(k) Plan. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Funding Policy* - The PERAPlus 401(k) Plan is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under 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 5% 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, 2024 program members contributed \$105,726 and Authority recognized pension expense and a liability of \$66,111 and \$3,642, respectively, for the PERAPlus 401(k) Plan.

**Defined Contribution Retirement Plan (PERA DC Plan)**

Plan Description – Eligible employees of the LGDTF hired on or after January 1, 2019, have the option to participate in the LGDTF, a cost-sharing multiple-employer defined benefit pension plan, 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. PERA issues a publicly available ACFR which includes additional information on the PERA DC Plan. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

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, 2023, through June 30, 2024 are summarized in the tables below:

|  | July 1, 2023<br>Through<br>June 30, 2024 |
|--|--|
| Employee Contribution Rates:                         |  |
| All employees other than Safety Officers             | 9.00%                                    |
| Employer Contribution Rates:                         |  |
| On behalf of all employees other than Safety Officer | 10.00%                                   |

Additionally, the employers are required to contribute AED, SAED, and other statutory amounts for employees other than Safety Officers to the LGDTF, as follows:

|   | July 1, 2023<br>Through<br>December 31,<br>2023 | January 1, 2024<br>Through<br>June 30, 2024 |
|---|---|---|
| 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%                                       |
| Automatic Adjustment Provision (AAP) as specified in C.R.S. § 24-51-413                       | 1.00%   | 1.00%                                       |
| Additional Contribution Supplement as specified in C.R.S. § 24-51-401 and § 24-51-415         | 0.06%   | 0.08%                                       |
| <b>Total employer contribution rate to the LGDTF</b>  | <b>4.76%</b>                                    | <b>4.78%</b>                                |

\*Contribution rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Additionally, the employers are required to contribute AED, SAED, and other statutory amounts for Safety Officers to the LGDTF, as follows:

|   | January 1,<br>2023<br>Through<br>December 31, 2023 | January 1, 2024<br>Through<br>December 31, 2024 |
|---|--|---|
| 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%   |
| Automatic Adjustment Provision (AAP), as specified in C.R.S. § 24-51-413                      | 1.00%  | 1.00%   |
| Additional Contribution Supplement as specified in C.R.S. § 24-51-401 and § 24-51-415         | 0.25%  | 0.25%   |
| Defined Contribution Supplement as specified in C.R.S. § 24-51-415                            | 0.06%  | 0.08%   |
| <b>Total employer contribution rate to the LGDTF</b>  | <b>5.01%</b>                                       | <b>5.03%</b>                                    |

\*Contribution rates 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% vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10%. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.80 as adopted by 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 \$14,250 and the Authority recognized pension expense and a liability of \$23,344.

**Defined Benefit Other Post Employment Benefit (OPEB) Plan**

*Summary of Significant Accounting Policies*

*OPEB.* The Authority participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA").

The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP 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.

*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, and 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 by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://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 are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

Enrollment in the PERACare health benefits program 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 maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, 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 on behalf of benefit recipients not covered by Medicare Part A.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

*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 Local Government are required to contribute at a rate of 1.02% of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Authority is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Authority were \$12,552 for the year ended June 30, 2024.

At June 30, 2024 the Authority reported a liability of \$79,482 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2023, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022. Standard update procedures were used to roll-forward the TOL to December 31, 2023. The Authority's proportion of the net OPEB liability was based on the Authority's contributions to the HCTF for the calendar year 2023 relative to the total contributions of participating employers to the HCTF.

At December 31, 2023, the Authority's proportion was .011%, with no increase or decrease from its proportion measured as of December 31, 2022.

For the year ended June 30, 2024 the Authority recognized OPEB expense of \$2,423. At June 30, 2024 the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | June 30, 2024                     |                                  |
|---|-----------------------------------|----------------------------------|
|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
| Difference between expected and actual experience   | \$ -                              | \$ 16,291                        |
| Changes of assumptions or other inputs  | 935                               | 8,428                            |
| Net difference between projected and actual earnings on pension plan investments                                | 2,458                             | -                                |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 37,510                            | 7,221                            |
| Contributions subsequent to the measurement date  | 7,056                             | -                                |
|   | \$ 47,959                         | \$ 31,940                        |

\$7,056 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, 2025. 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<br>Ended June 30, | Amount   |
|-------------------------------|----------|
| 2025                          | (3,585)  |
| 2026                          | 1,794    |
| 2027                          | 7,539    |
| 2028                          | 3,140    |
| 2029                          | 365      |
| 2030                          | (290)    |
|                               | \$ 8,963 |

*Actuarial assumptions.* The TOL in the December 31, 2022 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

|  | Local Government<br>Division                                  |
|--|---|
| Actuarial cost method  | Entry age   |
| Price inflation  | 2.30%   |
| Real wage growth   | 0.70%   |
| Wage inflation   | 3.00%   |
| Salary increases, including wage inflation   |   |
| Members other than Safety Officers   | 3.20%-11.30%  |
| Safety Officers  | 3.20%-12.40%  |
| 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 <sup>1</sup>   | 7.00% in 2023,<br>gradually<br>decreasing<br>to 4.50% in 2033 |
| Medicare Part A premiums   | 3.50% in 2023,<br>gradually increasing<br>to 4.50% in 2035    |
| DPS benefit structure:   |   |
| Service-based premium subsidy  | 0.00%   |
| PERACare Medicare plans  | N/A   |
| Medicare Part A premiums   | N/A   |

<sup>1</sup>UnitedHealthcare MAPD PPO plans are 0% for 2023.

Each year the per capita health care costs are developed by plan option; currently based on 2023 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

**Age-Related Morbidity Assumptions**

| <b>Participant Age</b> | <b>Annual Increase (Male)</b> | <b>Annual Increase (Female)</b> |
|------------------------|-------------------------------|---------------------------------|
| 65-68                  | 2.2%                          | 2.3%                            |
| 69                     | 2.8%                          | 2.2%                            |
| 70                     | 2.7%                          | 1.6%                            |
| 71                     | 3.1%                          | 0.5%                            |
| 72                     | 2.3%                          | 0.7%                            |
| 73                     | 1.2%                          | 0.8%                            |
| 74                     | 0.9%                          | 1.5%                            |
| 75-85                  | 0.9%                          | 1.3%                            |
| 86 and older           | 0.0%                          | 0.0%                            |

| <b>Sample Age</b> | <b>MAPD PPO #1 with Medicare Part A Retiree/Spouse</b> |               | <b>MAPD PPO #2 with Medicare Part A Retiree/Spouse</b> |               | <b>MAPD HMO (Kaiser) with Medicare Part A Retiree/Spouse</b> |               |
|-------------------|--|---------------|--|---------------|--|---------------|
|                   | <b>Male</b>  | <b>Female</b> | <b>Male</b>  | <b>Female</b> | <b>Male</b>  | <b>Female</b> |
|                   | 65   | \$1,692       | \$1,406  | \$579         | \$481  | \$1,913       |
| 70                | \$1,901  | \$1,573       | \$650  | \$538         | \$2,149  | \$1,778       |
| 75                | \$2,100  | \$1,653       | \$718  | \$566         | \$2,374  | \$1,869       |

| <b>Sample Age</b> | <b>MAPD PPO #1 without Medicare Part A Retiree/Spouse</b> |               | <b>MAPD PPO #2 without Medicare Part A Retiree/Spouse</b> |               | <b>MAPD HMO (Kaiser) without Medicare Part A Retiree/Spouse</b> |               |
|-------------------|---|---------------|---|---------------|---|---------------|
|                   | <b>Male</b>   | <b>Female</b> | <b>Male</b>   | <b>Female</b> | <b>Male</b>   | <b>Female</b> |
|                   | 65  | \$6,469       | \$5,373   | \$4,198       | \$3,487   | \$6,719       |
| 70                | \$7,266   | \$6,011       | \$4,715   | \$3,900       | \$7,546   | \$6,243       |
| 75                | \$8,026   | \$6,319       | \$5,208   | \$4,101       | \$8,336   | \$6,563       |

The 2023 Medicare Part A premium is \$506 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, 2022, 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 TOL are summarized in the table below:

| <u>Year</u> | <b>PERACare<br/>Medicare<br/>Plans</b> | <b>Medicare Part<br/>A Premiums</b> |
|-------------|--|-------------------------------------|
| 2023        | 7.00%                                  | 3.50%                               |
| 2024        | 6.75%                                  | 3.50%                               |
| 2025        | 6.50%                                  | 3.75%                               |
| 2026        | 6.25%                                  | 3.75%                               |
| 2027        | 6.00%                                  | 4.00%                               |
| 2028        | 5.75%                                  | 4.00%                               |
| 2029        | 5.50%                                  | 4.00%                               |
| 2030        | 5.25%                                  | 4.25%                               |
| 2031        | 5.00%                                  | 4.25%                               |
| 2032        | 4.75%                                  | 4.25%                               |
| 2033        | 4.50%                                  | 4.25%                               |
| 2034        | 4.50%                                  | 4.25%                               |
| 2035+       | 4.50%                                  | 4.50%                               |

Mortality assumptions used in the December 31, 2022, valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF, but developed on a headcount-weighted basis. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

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.

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

Pre-retirement mortality assumptions for the Judicial Division were based upon the PubG-2010(A) Above-Median Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (members other than Safety Officers) were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

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

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

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

Per capita health care costs in effect as of the December 31, 2022, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to be age 65 and older and are not eligible for premium-free Medicare Part A benefits have been updated to reflect costs for the 2023 plan year.

The morbidity rates used to estimate individual retiree and spouse costs by age and by gender were updated effective for the December 31, 2022, actuarial valuation. The revised morbidity rate factors are based on a review of historical claims experience by age, gender, and status (active versus retired) from actuary's claims data warehouse.

The health care cost trend rates applicable to health care premiums were revised to reflect the then current expectation of future increases in those premiums.

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

The actuarial assumptions used in the December 31, 2022, valuations were based on the 2020 experience analysis, dated October 28, 2020, and November 4, 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.

The long-term expected return on plan assets is reviewed as part of regularly scheduled experience studies performed at least every five years, and asset/liability studies, performed every three to five years for PERA. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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% 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:

| <b>Asset Class</b> | <b>Target Allocation</b> | <b>30 Year Expected Geometric Real Rate of</b> |
|--------------------|--------------------------|--|
| 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       | 6.00%                    | 4.70%  |
| <b>Total</b>       | <b>100.00%</b>           |  |

Note: 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%.

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

|   | <u>1% Decrease<br/>in Trend Rates</u> | <u>Current<br/>Trend Rates</u> | <u>1% Increase in<br/>Trend Rates</u> |
|---|---------------------------------------|--------------------------------|---------------------------------------|
| Initial PERACare Medicare trend rate <sup>1</sup> | 5.75%                                 | 6.27%                          | 7.75%                                 |
| 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                                | \$ 77,201                             | \$ 79,482                      | \$ 81,964                             |

<sup>1</sup>For the January 1, 2024, plan year.

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2023, 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.

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.
- Beginning with the December 31, 2023, measurement date and thereafter, the FNP as of the current measurement date is used as a starting point for the GASB 74 projection test.
- As of the December 31, 2023, measurement date, the FNP and related disclosure components for the HCTF reflect payments related to the disaffiliation of Tri-County Health Department as a PERA-affiliated employer, effective December 31, 2022. As of the December 31, 2023, year-end, PERA recognized two additions for accounting and financial reporting purposes: a \$24 million payment received on December 4, 2023, and a \$2 million receivable. The employer disaffiliation payment and receivable allocations to the HCTF and Local Government Division Trust Fund were \$1.033 million and \$24.967 million, respectively.

Based on the above assumptions and methods, the FNP for the HCTF was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

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

|   | 1% Decrease<br>(6.25%) | Current Discount<br>Rate (7.25%) | 1% Increase<br>(8.25%) |
|---|------------------------|----------------------------------|------------------------|
| Proportionate share of the net OPEB liability | \$ 93,879              | \$ 79,482                        | \$ 67,166              |

*OPEB plan fiduciary net position.* Detailed information about the HCTF’s FNP is available in PERA’s ACFR which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**Notes to the Required Supplementary Information**

*Note 1—Significant Changes in Plan Provisions Affecting Trends in Actuarial Information*  
2023 Changes in Plan Provisions Since 2022

- As of the December 31, 2023, measurement date, the fiduciary net position (FNP) and related disclosure components for the Health Care Trust Fund (HCTF) reflect payments related to the disaffiliation of Tri-County Health Department (Tri-County Health) as a PERA-affiliated employer, effective December 31, 2022. As of the December 31, 2023, year-end, PERA recognized two additions for accounting and financial reporting purposes: a \$24 million payment received on December 4, 2023, and a \$2 million receivable.

The employer disaffiliation payment and receivable allocations to the HCTF and Local Government Division Trust Fund were \$1.033 million and \$24.967 million, respectively.

*Note 2—Significant Changes in Assumptions or Other Inputs Affecting Trends in Actuarial Information*

2023 Changes in Assumptions or Other Inputs Since 2022

- There were no changes made to the actuarial methods or assumptions.

**Note 7 – Interfund Activity**

The composition of interfund transfers for the year ended June 30, 2024 is as follows:

|                     | Transfers in      | Transfers Out     |
|---------------------|-------------------|-------------------|
| SIPA Operating Fund | \$ 168,450        | \$ -              |
| GovGrants Fund      | -                 | 168,450           |
| <b>Total</b>        | <b>\$ 168,450</b> | <b>\$ 168,450</b> |

During the year, transfers are used to move interest earned from cash in the GovGrants fund to the SIPA Operating Fund.

The activities due between funds for the year ended June 30, 2024 are as follows:

|                | Due to Other Funds: | Due from Other Funds: |
|----------------|---------------------|-----------------------|
| Operating Fund | \$ -                | \$ 47,945             |
| GovGrants Fund | 47,945              | -                     |
| <b>Total</b>   | <b>\$ 7,945</b>     | <b>\$ 7,945</b>       |

This activity is related to funds owed for interest related transactions.

**Note 8 – 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 9 – 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.

**Note 10 – Correction of an Error**

While implementing the new contract with Tyler Colorado, it was determined the Authority should be reporting its joint bank account (Portal Account) as a Fiduciary Fund, in order to comply with GASB Statement No. 84, Fiduciary Activities. In previous years the Authority included a footnote with the Portal Accounts June 30 ending statement balance. There is not a financial impact to the Authority's Basic Financial Statements as a result of this correction as the Portal Account's ending balance consists of payables to Tyler Colorado or disbursements to other government entities with a Net Position of \$0. To Comply with GASB Statement No. 84, Fiduciary Activities and in accordance with GASB Statement No. 100, Accounting Changes and Error Corrections, this error has been corrected in the current year's financial statements by including the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

# **Required Supplementary Information**

Statewide Internet Portal Authority  
Schedules of Authority's proportionate Share of the net pension and Net OPEB Liabilities  
The Year Ended June 30, 2024

| <b>Pension Related Contributions</b>   | <b><u>2024</u></b> | <b><u>2023</u></b> | <b><u>2022</u></b> | <b><u>2021</u></b> | <b><u>2020</u></b> | <b><u>2019</u></b> | <b><u>2018</u></b> | <b><u>2017</u></b> | <b><u>2016</u></b> | <b><u>2015</u></b> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Authority's proportion (percentage) of the collective net pension liability (asset)                                  | 0.1459568%         | 0.1454106%         | 0.1103028%         | 0.0879384%         | 0.0978472%         | 0.0993602%         | 0.0960655%         | 0.0976206%         | 0.0814317%         | 0.0777716%         |
| Authority's proportionate share of the collective pension liability (asset)  | \$1,071,382        | \$1,457,833        | (\$94,570)         | \$458,271          | \$715,646          | \$1,249,169        | \$1,069,623        | \$1,318,211        | \$897,036          | \$697,074          |
| Pension covered-employee payroll   | 1,392,478          | 1,298,978          | 1,001,650          | 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 | 95.848%            | 112.229%           | -9.441%            | 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  | 88.03%             | 82.99%             | 101.49%            | 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.

| <b>OPEB Related Contributions</b>   | <b><u>2024</u></b> | <b><u>2023</u></b> | <b><u>2022</u></b> | <b><u>2021</u></b> | <b><u>2020</u></b> | <b><u>2019</u></b> | <b><u>2018</u></b> | <b><u>2017</u></b> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Authority's proportion (percentage) of the collective net OPEB liability (asset)                                  | 0.0111363%         | 0.0112003%         | 0.0078500%         | 0.0060788%         | 0.0073716%         | 0.0077054%         | 0.0074647%         | 0.0074937%         |
| Authority's proportionate share of the collective OPEB liability (asset)  | \$79,482           | \$91,448           | \$67,691           | \$57,763           | \$82,856           | \$104,835          | \$97,012           |                    |
| OPEB covered-employee payroll   | 1,392,478          | 1,298,978          | 1,001,650          | 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 | 5.708%             | 7.040%             | 6.758%             | 9.345%             | 10.913%            | 14.156%            | 13.495%            |                    |
| Plan fiduciary net OPEB as a percentage of the total OPEB liability   | 46.16%             | 38.57%             | 39.40%             | 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  
Schedules of Contributions and Related Ratios  
The Year Ended June 30, 2024

| <b>Pension Related Contributions</b>                               | <b>2024</b> | <b>2023</b> | <b>2022</b> | <b>2021</b> | <b>2020</b> | <b>2019</b> | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Statutorily required contributions                                 | \$ 143,960  | \$ 141,949  | \$ 103,318  | \$ 83,069   | \$ 96,806   | \$ 84,214   | \$ 79,920   | \$ 73,909   | \$ 67,343   | \$ 58,116   |
| Contributions in relation to the statutorily required contribution | 143,960     | 141,949     | 103,318     | 83,069      | 96,806      | 84,214      | 79,920      | 73,909      | 67,343      | 58,116      |
| Contribution deficiency (excess)                                   | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        |
| Covered-employee payroll   | 1,117,794   | 1,298,978   | 1,001,650   | 618,120     | 759,243     | 749,570     | 718,854     | 675,267     | 531,146     | 516,992     |
| Contribution as a percentage of covered-employee payroll           | 12.88%      | 10.93%      | 10.31%      | 13.44%      | 12.75%      | 11.23%      | 11.12%      | 10.95%      | 12.68%      | 11.24%      |

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

| <b>OPEB Related Contributions</b>                                  | <b>2024</b> | <b>2023</b> | <b>2022</b> | <b>2021</b> | <b>2020</b> | <b>2019</b> | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Statutorily required contributions                                 | \$ 12,552   | \$ 11,593   | \$ 7,664    | \$ 6,066    | \$ 7,379    | \$ 6,774    | \$ 6,429    | \$ 5,946    | \$ 5,417    | \$ 4,675    |
| Contributions in relation to the statutorily required contribution | 12,552      | 11,593      | 7,664       | 6,066       | 7,379       | 6,774       | 6,429       | 5,946       | 5,417       | 4,675       |
| Contribution deficiency (excess)                                   | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        |
| Covered-employee payroll   | 1,392,478   | 1,298,978   | 1,001,650   | 618,120     | 759,243     | 749,570     | 718,854     | 675,267     | 531,146     | 516,992     |
| Contribution as a percentage of covered-employee payroll           | 0.90%       | 0.89%       | 0.77%       | 0.98%       | 0.97%       | 0.90%       | 0.89%       | 0.88%       | 1.02%       | 0.90%       |

**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**

Statewide Internet Portal Authority  
Schedule of Revenues, Expenditures and Changes in Funds Available – Operating Fund  
Budget and Actual (Budgetary Basis)  
The Year Ended June 30, 2024

|  | <b>Budgeted<br/>Amounts<br/>Original</b> | <b>Budgeted<br/>Amounts<br/>Final</b> | <b>Actual</b>        | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|--|---------------------------------------|----------------------|---|
| <b>OPERATING REVENUES</b>                  |  |                                       |                      |   |
| Charges for services                       | \$ 12,889,126                            | \$ 5,687,609                          | \$ 5,800,030         | \$ 112,421  |
| Cost reimbursement revenue                 | 13,000,000                               | 16,000,000                            | 20,966,094           | 4,966,094   |
| License revenue                            | 30,000,000                               | 37,719,100                            | 37,644,933           | (74,167)  |
| Other revenue                              | 330,000                                  | 1,115,715                             | 1,020,389            | (95,326)  |
| <b>TOTAL OPERATING REVENUES</b>            | <b>56,219,126</b>                        | <b>60,522,424</b>                     | <b>65,431,446</b>    | <b>4,909,022</b>  |
| <b>OPERATING EXPENDITURES</b>              |  |                                       |                      |   |
| Employee costs                             | 2,408,682                                | 2,151,635                             | 2,081,153            | 70,482  |
| Office functions                           | 875,000                                  | 288,393                               | 230,191              | 58,202  |
| Occupancy                                  | 487,016                                  | 425,625                               | 406,057              | 19,568  |
| Licenses and cost reimbursement expenses   | 50,510,213                               | 52,969,150                            | 56,625,737           | (3,656,587)   |
| Legal                                      | 150,000                                  | 150,000                               | 91,958               | 58,042  |
| Professional fees                          | 870,800                                  | 668,130                               | 542,189              | 125,941   |
| <b>TOTAL OPERATING EXPENDITURES</b>        | <b>55,301,711</b>                        | <b>56,652,933</b>                     | <b>59,977,285</b>    | <b>(3,324,352)</b>  |
| <b>EXCESS REVENUE OVER EXPENDITURES</b>    | <b>917,415</b>                           | <b>3,869,491</b>                      | <b>5,454,161</b>     | <b>1,584,670</b>  |
| <b>FUNDS AVAILABLE - BEGINNING OF YEAR</b> | <b>8,122,789</b>                         | <b>8,122,789</b>                      | <b>8,122,789</b>     | <b>-</b>  |
| <b>FUNDS AVAILABLE - END OF YEAR</b>       | <b>\$ 9,040,204</b>                      | <b>\$ 11,992,280</b>                  | <b>\$ 13,576,950</b> | <b>\$ 1,584,670</b>   |

Statewide Internet Portal Authority  
 Reconciliation of Budgetary Basis (Actual) to Statement of Revenues,  
 Expenses and Changes in Net Position – Operating Fund  
 The Year Ended June 30, 2024

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|  |                            |
|--|----------------------------|
| Reconciliation of budgetary basis (Actual) to Statement of Revenues, Expenses and Changes in Net Position: |                            |
| Revenue (budgetary basis)  | \$ 65,431,446              |
| Total revenue per Statement of Revenues, Expenses and Changes in Net Position                              | <u>65,431,446</u>          |
| Transfers In   | 168,450                    |
| Total transfers per Statement of Revenues, Expenses and Changes in Net Position                            | <u>168,450</u>             |
| Expenditures (budgetary basis)   | 59,977,285                 |
| PERA Contribution Expense (Benefit)  | <u>(99,981)</u>            |
| Total expenses per Statement of Revenues, Expenses and Changes in Net Position                             | <u>59,877,304</u>          |
| Change in Net Position per Statement of Revenues, Expenses and Changes in Net Position                     | <u><u>\$ 5,722,592</u></u> |