

STATEWIDE INTERNET PORTAL AUTHORITY
Denver, Colorado

FINANCIAL STATEMENTS
June 30, 2014 and 2013

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Independent Auditors' Report

Board of Directors
Statewide Internet Portal Authority
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Statewide Internet Portal Authority, a component unit of the of State of Colorado, as of and for the years ended June 30, 2014 and 2013 and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Statewide Internet Portal Authority as of June 30, 2014 and 2013, and its respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.



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Emphasis of Matter

As discussed in Note 1, the financial statements present only the Statewide Internet Portal Authority and do not purport to, and do not, present fairly the financial position of the State of Colorado, as of June 30, 2014 and 2013, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Statewide Internet Portal Authority's basic financial statements. The budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



CliftonLarsonAllen LLP

Greenwood Village, Colorado
December 18, 2014

**STATEWIDE INTERNET PORTAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014 and 2013**

The Management's Discussion and Analysis for Statewide Internet Portal Authority (the Authority) offers readers an overview of the Authority's financial activities for the fiscal years ended June 30, 2014 and 2013. Readers are encouraged to consider this information in conjunction with the Authority's financial statements, and notes to the basic financial statements.

Financial Highlights

- Net position increased from \$1,799,964 in 2013 to \$2,561,674 in 2014 or 42%, primarily due to increases in customers and the services customers receive from the Authority. The Authority had 293 and 236 active customers at June 30, 2014 and 2013, respectively.
- Accounts receivable increased by \$2,870,726 which is a 419% increase from the prior fiscal year. All receivable are classified as good and expected to be collected in the next 60 days.
- Prepaid expenses and other assets increased by \$2,103,338 which is a 236% increase from the prior fiscal year.
- Unearned revenue increased by \$3,496,337 which is a 337% increase from the prior fiscal year.

Overview of the Financial Statements

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

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

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

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

**STATEWIDE INTERNET PORTAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014 and 2013**

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 4 – 12.

Summary and Financial Analysis

NET POSITION

	<u>2014</u>	<u>2013</u>	<u>2012</u>
ASSETS			
Current assets:			
Cash	\$ 847,167	\$ 1,386,217	\$ 1,554,116
Accounts receivable	3,556,247	685,521	484,496
Prepaid expenses and other assets	<u>2,995,609</u>	<u>892,271</u>	<u>223,084</u>
Total current assets	<u>7,399,023</u>	<u>2,964,009</u>	<u>2,261,696</u>
Capital assets:			
Furniture and equipment	47,258	41,501	39,194
Software	178,000	178,000	178,000
Hardware	39,718	39,718	39,718
Accumulated depreciation	<u>(230,162)</u>	<u>(223,898)</u>	<u>(249,998)</u>
Total capital assets	<u>34,814</u>	<u>35,321</u>	<u>6,914</u>
Total assets	<u>7,433,837</u>	<u>2,999,330</u>	<u>2,268,610</u>
LIABILITIES			
Current liabilities:			
Accounts payable	235,136	103,570	428,039
Accrued expenses and other liabilities	65,482	16,462	27,239
Straight line rent	37,133	41,259	-
Unearned revenue	<u>4,534,412</u>	<u>1,038,075</u>	<u>258,799</u>
Total liabilities	<u>4,872,163</u>	<u>1,199,366</u>	<u>714,077</u>
NET POSITION			
Net investment in capital assets	34,814	35,321	6,914
Unrestricted	<u>2,526,860</u>	<u>1,764,643</u>	<u>1,547,619</u>
Total net position	<u>\$ 2,561,674</u>	<u>\$ 1,799,964</u>	<u>\$ 1,554,533</u>

The Authority increased its net position by \$761,710 during 2014. Accounts receivable increased by \$2,870,726 during 2014 as a result of additional customers receiving services and purchasing licenses from the Authority. Prepaid expenses and other assets and unearned revenue increased by \$2,103,338 and \$3,496,337, respectively, during 2014 as a result of the Authority increasing its customer base for annual Software as a Service ("SaaS") licenses.

**STATEWIDE INTERNET PORTAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014 and 2013**

Total net position at June 30, 2014 calculates to an amount of \$2,561,674 of which \$2,526,860 is available for payment of future outlays funded by operations as well as sustaining current operations. \$850,000 of this amount has been identified by the Board as necessary to maintain as the Authority's net position, which is established as part of its Financial Policies, and included in unrestricted net position in the Statements of Net Position as of June 30, 2014.

The Authority increased its net position by \$245,431 during 2013. Accounts receivable increased by \$201,025 during 2013 as a result of additional customers receiving services and purchasing licenses from the Authority. Prepaid expenses and other assets and unearned revenue increased by \$669,187 and \$779,276, respectively, during 2013 as a result of the Authority increasing its customer base for annual Software as a Service ("SaaS") licenses.

CHANGES IN NET POSITION

	2014	2013
OPERATING REVENUES		
Charges for services	\$ 1,542,167	\$ 1,359,345
Cost reimbursement revenue	3,778,396	3,266,559
License revenue	4,018,523	2,357,148
Other revenue	1,600	356
TOTAL OPERATING REVENUES	9,340,686	6,983,408
OPERATING EXPENSES		
General and administrative	8,578,976	6,737,977
OPERATING INCOME AND CHANGES IN NET POSITION	761,710	245,431
TOTAL NET POSITION - BEGINNING OF YEAR	1,799,964	1,554,533
TOTAL NET POSITION - END OF YEAR	\$ 2,561,674	\$ 1,799,964

2014 Revenue:

Total operating revenues for fiscal year 2014 totaled \$9,340,686 an increase of \$2,357,278 or 34% compared to fiscal year 2013. Charges for services increased by 13%, cost reimbursement revenue increased by 16%, and license revenue increased by 70% compared to the preceding year (2013). These increases are primarily a result of new services and products being offered through the Authority and the professional services associated with these services.

**STATEWIDE INTERNET PORTAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014 and 2013**

2014 Expenses:

Total operating expenses for 2014, which include direct, general and administrative expenses, were \$8,578,976, an increase of \$1,840,999 or 27% more than 2013. The increases in operating expense are primarily attributable to expenses associated with purchasing licenses for resale and implementation work tied to those licenses. Additionally, the Authority purchased a new commercial insurance policy during the year ended June 30, 2014.

2013 Revenue:

Total operating revenues for fiscal year 2013 totaled \$6,983,408, an increase of \$4,497,370 or 181% compared to fiscal year 2012. Charges for services increased by 5.6%, cost reimbursement revenue increased by 256%, and license revenue increased by 738.5% compared to the preceding year (2012). These increases are primarily a result of new services being offered through the Authority and the professional services associated with these services.

2013 Expenses:

Total operating expenses for 2013, which include direct, general and administrative expenses, were \$6,737,997, an increase of \$4,658,738 or 224% more than 2012. The increases in operating expense are primarily attributable to expenses associated with purchasing licenses for resale and implementation work tied to those licenses.

Capital Assets

	Balance at June 30, 2012	Increases	Decreases	Balance at June 30, 2013
Capital assets, being depreciated:				
Office equipment	\$ 1,668	\$ -	\$ -	\$ 1,668
Office furniture	37,526	35,886	(33,579)	39,833
Software	178,000	-	-	178,000
Hardware	39,718	-	-	39,718
Total capital assets, being depreciated	<u>256,912</u>	<u>35,886</u>	<u>(33,579)</u>	<u>259,219</u>
Less accumulated depreciation for:				
Office equipment	1,668	-	-	1,668
Office furniture	31,719	5,806	(32,380)	5,145
Software	178,000	-	-	178,000
Hardware	38,611	474	-	39,085
Total capital assets, being depreciated	<u>249,998</u>	<u>6,280</u>	<u>(32,380)</u>	<u>223,898</u>
Capital assets, net	<u>\$ 6,914</u>	<u>\$ 29,606</u>	<u>\$ (1,199)</u>	<u>\$ 35,321</u>

**STATEWIDE INTERNET PORTAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014 and 2013**

Net capital assets increased by \$28,407 during 2013. The significant component of that increase is as follows:

The Authority moved into a new office facility in 2013 and new office furniture was purchased to outfit the expanded facilities and old furniture from the previous lease was disposed. The expansion of the Authority's office facilities is necessary to keep pace with demand for services and allows the Authority to add staff which enables it to offer consistent customer service and continue to be sustainable for future years.

	Balance at June 30, 2013	Increases	Decreases	Balance at June 30, 2014
Capital assets, being depreciated:				
Office equipment	\$ 1,668	\$ -	\$ -	\$ 1,668
Office furniture	39,833	5,757	-	45,590
Software	178,000	-	-	178,000
Hardware	39,718	-	-	39,718
Total capital assets, being depreciated	<u>259,219</u>	<u>5,757</u>	<u>-</u>	<u>264,976</u>
Less accumulated depreciation for:				
Office equipment	1,668	-	-	1,668
Office furniture	5,145	5,790	-	10,935
Software	178,000	-	-	178,000
Hardware	39,085	474	-	39,559
Total capital assets, being depreciated	<u>223,898</u>	<u>6,264</u>	<u>-</u>	<u>230,162</u>
Capital assets, net	<u>\$ 35,321</u>	<u>\$ (507)</u>	<u>\$ -</u>	<u>\$ 34,814</u>

Economic environment:

The current economic environment for the Authority is most notably characterized by the increase of governments leveraging and purchasing cloud computing licenses and associated professional services for implementation of those licenses. Improvements to the state and local economy will continue to allow governments to modernize their business processes and will increase purchases of information technology services and licenses. Governments of all sizes will continue to move services online which will result in more demand for the Authority's services. The Authority will need to continue to market its services as well as add additional services to stay competitive and meet the demand of its innovative customers. The Authority is well along in developing plans to add additional services including information security, cloud telephony, and other services.

Requests for information:

This financial report is designed to provide its readers a general overview of the Authority's finances. Questions regarding any information contained in this report or requests for additional information should be addressed to the Executive Director, 1300 Broadway, Suite 11010, Denver, CO 80203.

BASIC FINANCIAL STATEMENTS

STATEWIDE INTERNET PORTAL AUTHORITY
STATEMENTS OF NET POSITION
June 30, 2014 and 2013

	2014	2013
ASSETS		
Current assets:		
Cash	\$ 847,167	\$ 1,386,217
Accounts receivable	3,556,247	685,521
Prepaid expenses and other assets	2,995,609	892,271
Total current assets	7,399,023	2,964,009
Capital assets:		
Furniture and equipment	47,258	41,501
Software	178,000	178,000
Hardware	39,718	39,718
Accumulated depreciation	(230,162)	(223,898)
Total capital assets	34,814	35,321
Total assets	7,433,837	2,999,330
LIABILITIES		
Current liabilities:		
Accounts payable	235,136	103,570
Accrued expenses and other liabilities	65,482	16,462
Straight line rent	37,133	41,259
Unearned revenue	4,534,412	1,038,075
Total liabilities	4,872,163	1,199,366
NET POSITION		
Net investment in capital assets	34,814	35,321
Unrestricted	2,526,860	1,764,643
Total net position	\$ 2,561,674	\$ 1,799,964

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

STATEWIDE INTERNET PORTAL AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Charges for services	\$ 1,542,167	\$ 1,359,345
Cost reimbursement revenue	3,778,396	3,266,559
License revenue	4,018,523	2,357,148
Other revenue	1,600	356
TOTAL OPERATING REVENUES	9,340,686	6,983,408
OPERATING EXPENSES		
General and administrative	8,578,976	6,737,977
OPERATING INCOME AND CHANGES IN NET POSITION	761,710	245,431
TOTAL NET POSITION - BEGINNING OF YEAR	1,799,964	1,554,533
TOTAL NET POSITION - END OF YEAR	\$ 2,561,674	\$ 1,799,964

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

STATEWIDE INTERNET PORTAL AUTHORITY
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from services provided	\$ 9,966,297	\$ 7,562,858
Cash payments to suppliers for goods and services	(10,011,239)	(7,382,959)
Cash payments to employees for services	<u>(488,351)</u>	<u>(311,912)</u>
Net cash used by operating activities	<u>(533,293)</u>	<u>(132,013)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property, plant and equipment	<u>(5,757)</u>	<u>(35,886)</u>
Net cash used by capital and related financing activities	<u>(5,757)</u>	<u>(35,886)</u>
NET DECREASE IN CASH	(539,050)	(167,899)
CASH - BEGINNING OF YEAR	<u>1,386,217</u>	<u>1,554,116</u>
CASH - END OF YEAR	<u>\$ 847,167</u>	<u>\$ 1,386,217</u>
Reconciliation of operating income to net cash used operating activities		
Income from operations	\$ 761,710	\$ 245,431
Adjustments to reconcile income from operations to net cash flows provided by operating activities		
Depreciation expense	6,264	6,280
Loss on disposal of assets	-	1,199
Increase in asset:		
Accounts receivable	(2,870,726)	(201,025)
Prepaid expenses and other assets	(2,103,338)	(669,187)
Increase (decrease) in liabilities:		
Accounts payable	131,566	(324,469)
Accrued expenses and other liabilities	49,020	(10,777)
Straight line rent	(4,126)	41,259
Unearned revenue	<u>3,496,337</u>	<u>779,276</u>
Net cash used by operating activities	<u>\$ (533,293)</u>	<u>\$ (132,013)</u>

These financial statements should be read only in connection with the accompanying notes to the financial statements.

STATEWIDE INTERNET PORTAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 1 – DEFINITION OF REPORTING ENTITY

Statewide Internet Portal Authority (the Authority) is a quasi-governmental corporation and political sub-division of the State of Colorado. Formed in 2004, the Authority was created by Colorado Senate Bill 04-244 to provide a single point of access to electronic government information, giving citizens an alternate way to transact business with state and local governments, to allow for the integration of specific applications that have been developed or may be developed by state and local agencies, to solicit the input, leadership, and technical expertise of the various state and local agencies across the State of Colorado (“the 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 24-37.7-102, there are fifteen appointed members serving on the Board of Directors. In addition to the Secretary of State, the Governor appoints the head of one of the offices in the Office of the Governor and the Executive Directors of three principal departments of the State. With the consent of the Senate the Governor also appoints three members representing the private sector and one member representation local government. The Senate appoints two members, one from each party, and the House appoints two members, one from each party. After July 1, 2013 legislators appointed to fill vacancies must be members of the Joint Technology Committee.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

STATEWIDE INTERNET PORTAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Basis of Accounting

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

Operating Revenues and Expenses

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

Budgets

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

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. As of June 30, 2014 and 2013, the Authority had no cash equivalents.

Accounts Receivable

The Authority does not provide a reserve for estimated uncollectible accounts since it considers such amounts as negligible.

Prepaid Expense and Other Assets

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

STATEWIDE INTERNET PORTAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include furniture and equipment, hardware and software, are reported by the Authority. The Authority's policy is to capitalize all capital asset purchases regardless of their initial, individual cost. Such assets are recorded at historical cost.

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

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

Unearned Revenue

Unearned revenue includes annual license agreements, which are recorded as unearned revenue upon customer purchase and revenue is recognized monthly on a straight-line basis during the term of the license and is included in license revenue on the Statement of Revenues, Expenses, and Changes in Net Position.

Accrued Expenses and Other Liabilities

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

"Paid Time Off" (PTO) starts to accrue immediately upon hire and employees may use their PTO time as it accrues. Employees may accrue and carry over 150% of their annual PTO hours earned. When an employee's accrual reaches the maximum hours allowed, PTO stops accruing until the accrued balance is reduced. Once reduced, PTO will start to accrue again up to the maximum allowable hours. It is the employee's responsibility to report PTO as it is used. The maximum accrual for employees is 288 hours.

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 estimates 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.

STATEWIDE INTERNET PORTAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New and Future Accounting Pronouncements

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure, thus renaming that measure net position, rather than net assets. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The Authority has adopted this Statement for the fiscal years ending June 30, 2014 and 2013.

The GASB issued Statement No 68 *Accounting and Financial Reporting for Pensions* (GASB No. 68), which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. GASB No. 68 requires cost-sharing employers participating in the PERA program, such as the Authority, to record their proportionate share, as defined in GASB No. 68, of PERA’s unfunded pension liability. The Authority has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefits, or annual required contribution decisions made by PERA. The requirement of GASB No. 68 to record a portion of PERA’s unfunded liability may negatively impact the Authority’s future unrestricted net position. GASB No. 68 is effective for fiscal year 2015. At this time, management is unable to estimate the magnitude of this impact. Information regarding PERA’s current funding status can be found in its Comprehensive Annual Financial Report.

NOTE 3 – CASH AND INVESTMENTS

Cash is classified in the accompanying financial statements as of June 30, 2014 and 2013 as follows:

	2014	2013
Statements of net position:		
Cash	\$ 847,167	\$ 1,386,217

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

STATEWIDE INTERNET PORTAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Investments

The Authority had no investments as of June 30, 2014 and 2013.

NOTE 4 – CAPITAL ASSETS

An analysis of the changes in capital assets for the years ended June 30, 2014 and 2013 as follows:

	Balance at June 30, 2013	Increases	Decreases	Balance at June 30, 2014
Capital assets, being depreciated:				
Office equipment	\$ 1,668	\$ -	\$ -	\$ 1,668
Office furniture	39,833	5,757	-	45,590
Software	178,000	-	-	178,000
Hardware	39,718	-	-	39,718
Total capital assets, being depreciated	<u>259,219</u>	<u>5,757</u>	<u>-</u>	<u>264,976</u>
Less accumulated depreciation for:				
Office equipment	1,668	-	-	1,668
Office furniture	5,145	5,790	-	10,935
Software	178,000	-	-	178,000
Hardware	39,085	474	-	39,559
Total capital assets, being depreciated	<u>223,898</u>	<u>6,264</u>	<u>-</u>	<u>230,162</u>
Capital assets, net	<u>\$ 35,321</u>	<u>\$ (507)</u>	<u>\$ -</u>	<u>\$ 34,814</u>
	Balance at June 30, 2012	Increases	Decreases	Balance at June 30, 2013
Capital assets, being depreciated:				
Office equipment	\$ 1,668	\$ -	\$ -	\$ 1,668
Office furniture	37,526	35,886	(33,579)	39,833
Software	178,000	-	-	178,000
Hardware	39,718	-	-	39,718
Total capital assets, being depreciated	<u>256,912</u>	<u>35,886</u>	<u>(33,579)</u>	<u>259,219</u>
Less accumulated depreciation for:				
Office equipment	1,668	-	-	1,668
Office furniture	31,719	5,806	(32,380)	5,145
Software	178,000	-	-	178,000
Hardware	38,611	474	-	39,085
Total capital assets, being depreciated	<u>249,998</u>	<u>6,280</u>	<u>(32,380)</u>	<u>223,898</u>
Capital assets, net	<u>\$ 6,914</u>	<u>\$ 29,606</u>	<u>\$ (1,199)</u>	<u>\$ 35,321</u>

STATEWIDE INTERNET PORTAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 5 – OPERATING LEASES

The Authority has entered into leases for office space and equipment necessary for Authority operations. Beginning July 1, 2012, the Authority entered into a long-term lease agreement for office space, through June 30, 2023. The future minimum payments of operating leases are as follows for the fiscal years ending June 30,:

2015	\$ 86,644
2016	86,644
2017	86,644
2018	86,644
2019	86,644
Thereafter	<u>346,578</u>
Total	<u>\$ 779,798</u>

For the year ended June 30, 2014 and 2013, rent expense totaled \$92,803 and \$66,233, respectively.

NOTE 6 – PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO

The Authority funds various retirement benefits through an agreement with the Colorado Housing and Finance Authority. Pursuant to this agreement, the Authority contributes to the Local Government Division Trust Fund (Trust), previously known as the Municipal Division Trust Fund, a cost-sharing multiple-employer public defined benefit plan administered by the Public Employees' Retirement Association of Colorado (PERA). The Trust provides retirement and disability and death benefits for members or their beneficiaries. Generally, all employees of the Authority are members of the Trust.

Colorado Revised Statutes assign the authority to establish Trust and Health Fund benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the Trust and the Health Fund. That report may be obtained by writing to PERA at P.O. Box 5800, Denver, Colorado 80217-5800, by calling PERA at 303-832-9550 or 1-800-759-PERA (7372) or from PERA's web site at www.copera.org.

Funding Policy

The Authority is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the Authority are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0 percent and for the Authority, it is 10.00 percent of covered salary. A portion of the Authority's contribution (1.02 percent of covered salary) is allocated to the Health Care Trust Fund. The Authority is also required to pay an amortization equalization disbursement (AED) equal to 2.2 percent of the total payroll for the calendar years 2014, 2013, and 2012. Additionally, the Authority is required to pay a supplemental amortization equalization disbursement (SAED) equal to 1.5 percent of the total payroll for the calendar years 2014, 2013, and 2012. If the Authority rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions (including the AED and SAED) on the amounts paid for the retiree; however, no member contributions are required.

STATEWIDE INTERNET PORTAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 6 – PUBLIC EMPLOYEES’ RETIREMENT ASSOCIATION OF COLORADO (CONTINUED)

For the years ending June 30, 2014, 2013 and 2012, the Authority employer contributions to the Trust were \$42,877, \$24,503 and \$24,889, respectively, equal to their required contributions for each year.

An additional benefit offered to eligible Authority employees through PERA is a Voluntary Investment Program, established under Section 401(k) of the Internal Revenue Code. Participants invest a percentage of their annual gross salaries up to the annual IRS limit of their gross salaries. The Authority contributes 1.00 percent of each participating employee's salary as part of the 401(k) match and, in addition to the 1.00 percent contribution; the Authority matches half of the employee's 401(k) contribution up to 5.00 percent of the participating employee's gross salary. The Authority's match is a maximum of 3.50 percent, which includes the 1 percent contribution. Contributions by the Authority for the year ended June 30, 2014 and 2013 were \$8,858 and \$6,368, respectively.

Postemployment Health Care Benefits

Plan Description

The Authority also contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy

The Authority is required to contribute at a rate of 1.02 percent of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Authority are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The Authority's contributions to HCTF for the years ending June 30, 2014, 2013, and 2012 were \$4,374, \$1,971, and \$2,002, respectively, equal to the required contributions for each year.

NOTE 7 – TAX, SPENDING AND DEBT LIMITATIONS

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

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

STATEWIDE INTERNET PORTAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 7 – TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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

NOTE 8 – CONTRACTS

The Authority has contracted with Colorado Interactive, a subsidiary of NIC, Inc. (a private corporation) to design, build, operate, and maintain a Statewide Internet Web Portal. The agreement provides for portal services, fees and charges to be assessed to the users of the portal, and also provides a mechanism by which these fees are passed through to the participating governmental agencies, as well as establishing a base fee and percentage of revenue to be provided to the Authority for administering the web portal. The contract was to expire May 18, 2014 and was renewed on May 1, 2014 for a five year term. The revenue from this contract is included in charges for services on the accompanying statements of revenues, expenses and changes in fund net position.

The Authority has contracted with Tempus Nova, Inc. to provide one year Google Application and Google Message Discovery licenses Eligible Government Entities (EGEs). Many of the Authority's projects require consulting services for their implementation and/or project management. The contract also includes planning, installation, configuration, customization and training services. The contract expires May 21, 2015. Through this contract, the Authority acts as a conduit between Tempus Nova and the end users whereby the associated service and expenses incurred by the Authority are generally equivalent to the amount of the revenue recognized. The revenue from this contract is included in cost reimbursement revenue on the accompanying statements of revenues, expenses and changes in fund net assets.

The Authority earns revenue under agreements associated with licensing Software as a Service ("SaaS"). This revenue model includes revenue from the purchasing and reselling of licenses for Google Applications and Adobe forms. The Authority has used its scale and position to negotiate license agreements with various vendors and acts essentially as a reseller of those services under these purchased license agreements. The licenses are sold at a fixed per license price and the service is managed by the vendor. This licensing revenue and other SaaS revenues earned by the Authority are directly tied to the licenses sold to EGEs. The revenue from these agreements and related services are included in license revenue on the accompanying statements of revenues, expenses and changes in fund net assets. During the year ended June 30, 2012, the Authority contracted with the Governor's Office of Information Technology ("OIT") to provide technology, and a licensing agreement, allowing for data exchanges between agencies and the public via the Internet. The contract expired on April 30, 2014. As of June 30, 2013, the Authority had recorded unearned revenue related to this contract in the amount of \$50,000 which was recognized during the year ended June 30, 2014.

During the year ended June 30, 2013, the Authority contracted with the Governor's Office of Information Technology to implement and provide technology, and a licensing agreement, allowing for data exchanges between agencies and the public via the Internet. The contract

STATEWIDE INTERNET PORTAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 8 – CONTRACTS (CONTINUED)

expires in fiscal year 2015, with the option to renew for an additional year. As of June 30, 2013, the Authority had recorded unearned revenue related to this contract in the amount of \$777,050 which was recognized during the year ended June 30, 2014. As of June 30, 2014, the Authority had recorded unearned revenue related to this contract in the amount of \$2,655,669 which will be recognized during the year ended June 30, 2015.

NOTE 9 – JOINT ACCOUNT WITH COLORADO INTERACTIVE

The Authority holds a joint bank account with Colorado Interactive for the purpose of collecting and distributing revenues received through the portal to the participating governmental agencies. The Authority's legal claim to the cash in this account is included in accounts receivable. The remainder of the cash in this account belongs to Colorado Interactive and the participating governmental agencies. The bank balance in this account as of June 30, 2014 and 2013 was \$3,360,397 and \$2,057,514, respectively.

NOTE 10 – RISK MANAGEMENT

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

This information is an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

STATEWIDE INTERNET PORTAL AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2014

	Budget Amounts Original	Budget Amounts Final	Actual	Variance with Final Budget Positive (Negative)
OPERATING REVENUES				
Charges for services	\$ 1,335,000	\$ 1,500,000	\$ 1,542,167	\$ 42,167
Cost reimbursement revenue	1,860,000	2,416,000	3,778,396	1,362,396
License revenue	3,000,000	4,946,750	4,018,523	(928,227)
Other revenue	600	1,700	1,600	(100)
TOTAL OPERATING REVENUES	<u>6,195,600</u>	<u>8,864,450</u>	<u>9,340,686</u>	<u>476,236</u>
OPERATING EXPENDITURES				
Employee costs	588,000	577,000	543,128	33,872
Office functions	285,000	285,000	288,006	(3,006)
Occupancy	333,000	313,550	275,444	38,106
Licenses	2,880,000	4,761,000	3,376,072	1,384,928
Legal	84,000	84,000	69,968	14,032
Professional fees	2,025,600	2,630,556	4,020,094	(1,389,538)
TOTAL OPERATING EXPENDITURES	<u>6,195,600</u>	<u>8,651,106</u>	<u>8,572,712</u>	<u>78,394</u>
EXCESS OF REVENUE OVER EXPENDITURES	-	213,344	767,974	554,630
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>856,455</u>	<u>856,455</u>	<u>1,764,643</u>	<u>908,188</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 856,455</u>	<u>\$ 1,069,799</u>	<u>\$ 2,532,617</u>	<u>\$ 1,462,818</u>

**STATEWIDE INTERNET PORTAL AUTHORITY
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2014**

Reconciliation of budgetary basis (actual) to Statement of Revenues,
Expenses and Changes in Net Position:

Revenue (budgetary basis)	<u>\$ 9,340,686</u>
Total revenue per Statement of Revenues, Expenses and Changes in Net Position	<u>9,340,686</u>
Expenditures (budgetary basis)	8,572,712
Depreciation	<u>6,264</u>
Total expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>8,578,976</u>
Change in net assets per Statement of Revenues, Expenses and Changes in Net Position	<u>\$ 761,710</u>