BRUCE MCCANDLESS COLORADO VETERANS COMMUNITY LIVING CENTER AT FLORENCE

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORTS

YEAR ENDED JUNE 30, 2023

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REPORT NUMBER 2306F

BRUCE MCCANDLESS COLORADO VETERANS
COMMUNITY LIVING CENTER AT FLORENCE
FINANCIAL AUDIT
YEAR ENDED JUNE 30, 2023

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McPherson, Goodrich, Paolucci & Mihelich, PC
Tax/Consulting/Audit *Certified Public Accountants*

February 1, 2024

Members of the Legislative Audit Committee

This report contains the results of a financial and compliance audit of the Bruce McCandless Colorado Veterans Community Living Center at Florence. The audit was conducted pursuant to Section 2-3-103, C.R.S, which authorizes the State Auditor to conduct audits of all departments, institutions, and agencies of state government. The report presents our findings, conclusions, and recommendations, and the responses of the Bruce McCandless Colorado Veterans Community Living Center at Florence.

REPORT SUMMARY

AUTHORITY, PURPOSE AND SCOPE

The Office of the State Auditor, State of Colorado, engaged McPherson, Goodrich, Paolucci & Mihelich, PC (MGPM, PC) to conduct a financial statement audit of the Bruce McCandless Colorado Veterans Community Living Center at Florence (the Center) for its fiscal year ended June 30, 2023. MGPM, PC performed this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

The purpose and scope of our audit was to:

- Express our opinion on the financial statements of the Center as of and for the year ended June 30, 2023. This included a review of internal control in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

- Evaluate progress in implementing prior audit findings and recommendations.

SUMMARY OF MAJOR AUDIT FINDINGS AND RECOMMENDATIONS

We expressed an unmodified opinion on the Center's financial statements as of and for the year ended June 30, 2023.

We did note a material weakness in the Center's internal controls over financial reporting, but no material instances of noncompliance with legal or regulatory requirements based on our financial statements. We also report to the members of the Legislative Audit Committee and management of the Center the required items that are included in the "Required Auditor Communication to the Legislative Audit Committee" communication letter.

SUMMARY OF PROGRESS IN IMPLEMENTING PRIOR AUDIT RECOMMENDATIONS

The audit report for the year ended June 30, 2019 did not identify any findings or recommendations.

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
2023-001		The Center should strengthen its internal controls over the financial activities by instituting a review process over its account balances and ensuring sufficient internal and/or external external staff with the necessary experience and training.	Bruce McCandless Colorado Veterans Community Living Center - Florence	Agree	October/June - 2024

DESCRIPTION OF THE CENTER

The Bruce McCandless Colorado Veterans Community Living Center at Florence (the Center), established under Section 26-12-201, C.R.S., is a skilled-care nursing facility. It provides health services (including physician care; physical, speech, and occupational therapy; dietician consultation; dental care; and 24-hour licensed nursing care) and related social care to patients who are severely limited in their ability to care for themselves due to serious illness and/or disability.

The Center, by statute, serves all veterans of service in the armed forces of the United States, their spouses, their widow(er)s, and their dependents and/or "gold star" parents. A gold star parent is a parent whose child died in combat or as a result of injuries received in combat. Preference for admission is given to Colorado veterans. The Center must maintain a 75 percent veteran's occupancy. The Center serves veterans without regard to sex, race, color, or national origin.

The Center is one of a very limited number of facilities which meet U.S. Department of Veterans Affairs (VA) requirements to provide care to veterans. In turn, the Center receives certain funding from the VA on the basis of the number of veterans served. The Center is overseen by the Division of State and Veterans Community Living Centers, within the Colorado Department of Human Services.

WORKLOAD AND STATISTICAL FACTORS

Authorized capacity	105
Average daily census for the year ended June 30, 2023	54
Average occupancy percentage for the year ended June 30, 2023	51.00%
Average veterans' occupancy percentage for the year ended June 30, 2023	84.75%
Patient days for the year ended June 30, 2023	19,406

FINDINGS AND RECOMMENDATIONS

Finding 2023-001 Review of financial statements for proper accrual accounting.

The Bruce McCandless Colorado Veterans Community Living Center at Florence's (Center) accounting division is responsible for all of the Center's financial accounting and reporting, including the accurate entry and approval of financial transactions in the Center's accounting system. Although the Center's financial information is part of the Department of Human Services' (Department) overall financial activity and, is included and reported in the State's financial statements, the Center prepares separate, standalone financial statements and undergoes a separate Office of the State Auditor-contracted audit approximately every 4 years. Because governmental operations are diverse and constrained by numerous legal and fiscal requirements, a basic principle of governmental Generally Accepted Accounting Principles, or GAAP, is fund accounting. A fund represents part of the activities of an organization, so that each fund separates the organization's activities in the accounting records and has a self-balancing set of accounts. In order to more easily demonstrate compliance with legal restrictions or limitations, governmental transactions and balances are accounted for through separate funds across several sets of financial statements.

What was the purpose of the audit work and what work was performed?

The purpose of the audit work was to review the Center's Fiscal Year 2023 financial statements to determine whether they were accurate, whether all accruals were recorded at fiscal year-end, and whether all accruals from prior years had been reversed in the Colorado Operations Resource Engine (CORE), the State's accounting system.

We reviewed the Center's Fiscal Year 2023 financial statements, once we received them, and performed test work on its account balances as of the end of the fiscal year. We reviewed all material balance sheet account balances to determine whether the balances were accurate, whether all current year accruals had been recorded, and whether all prior-year accruals had been reversed, as required.

How were the results of our audit work measured?

We reviewed account balances to determine whether they were accurate and reflected adherence to the following requirements:

- The Center should record accurate accruals at the end of the year and ensure that all prior year accruals have been reversed. Under GAAP guidelines, enterprise funds are to follow the accrual basis of accounting. This accounting basis requires that an organization estimate and record revenue in the period earned or expenses in the period the expenses are related to. Accruals should be recorded at the end of the period and any accruals from the prior year should be reversed.

- State Fiscal Rule 1-2 (3.5), *Internal Controls*, requires that state agencies "implement internal accounting and administrative controls that reasonably ensure that financial transactions are accurate, reliable, conform to the Fiscal Rules, and reflect the underlying realities of the accounting transaction (substance rather than form)." For example, internal accounting and administrative controls include providing periodic staff training on fiscal year end accounting processes, developing appropriate procedures, and implementing new governmental accounting standards.

- The Office of the State Controller has adopted the Standards for Internal Control in the Federal Government (Green Book), published by the U.S. Government Accountability Office, as the State's standard for internal controls, which all state agencies must follow. Green Book, Paragraph OV2.14, *Roles in an Internal Control System*, states that management is responsible for designing an internal control system which includes controls over the preparation of financial reporting in accordance with professional standards and applicable laws and regulations.

What problems did the audit work identify?

The Center did not properly reverse a prior accrual for deferred revenue and the financial statements were not prepared in a timely manner. Specifically:

- The Center did not reverse a Fiscal Year 2019 accrual for estimated deferred revenue in the amount of $315,577, at year-end for Medicaid reimbursements that were received in advance. The Center should have recognized the revenue in the following periods as it was earned. The SBITA principal payment of $41,121, was recorded as an expense instead of a reduction in the short-term liability. When the Center's fixed assets were initially recorded in CORE, the amounts brought over from the previous general ledger software system were incorrect and accumulated depreciation was off by $44,192.

- The Center's staff were not ready and prepared for the audit in August, when we were scheduled to perform our test work on the financial statements. The Center and the Department did not ensure that they had sufficiently trained and experienced staff or a contract accountant available to prepare the financial statements timely after fiscal year end, so the partial financial statements without the notes to the financial statements were not ready for our testing until early October. Further, the complete financial statements, containing all sections such as Required Supplementary Information and the notes, were not ready for our testing until November.

Why did these problems occur?

The Center's accounting staff did not have sufficient internal controls over financial reporting to ensure that its financial statements were prepared timely and in accordance with all relevant accounting standards. First, the Center does not have a review process in place over its balance sheet account balances, including deferred revenue. Center staff specifically indicated that the process for reviewing balances is time consuming and requires the individual to create a pivot table worksheet from all the general ledger activity since CORE was implemented. Second, neither the Center or the Department has ensured that the Center has staff with the necessary experience and abilities to prepare its financial statements. Rather, the Department and Center rely on an external accountant to prepare the financials and produce a balance sheet for the Center.

Although the prior accountant used by the Department to prepare another living center's Fiscal Year 2022 financial statements informed the Center in April or May of 2023 that it was not renewing its audit engagement contract to prepare the Center's Fiscal Year 2023 statements, neither Center nor Department staff took steps to recruit a new accountant to prepare the financial statements until September, or 3 months after fiscal year end, when they were able to reengage the prior accountant. We ultimately received the full set of draft financials for our testing on November 9, 2023 – approximately 3 months late.

Why do these problems matter?

Without adequate controls in place over its financial activities and reporting, the Center cannot ensure the accurate and timely reporting of its financial information and, ultimately, the State's financial statements. Financial-related reports need to be generated routinely so that account balances can be reviewed and adjusted accordingly so the financial statements represent the appropriate balances at the end of the year.

Classification of Finding: **Material Weakness**
This finding does not apply to a prior audit recommendation.

Recommendation No. 2023-001:
The Bruce McCandless Colorado Veterans Community Living Center at Florence should strengthen its internal controls over its financial activities by:

a. Instituting a review process over its account balances that includes procedures for generating balance sheet reports from, the Colorado Operations Resource Engine (CORE) and making necessary adjustments to ensure balances, such as accrued revenues, are accurate.

Response: Agree **Implementation Date: October 2024**

The Colorado Veterans Community Living Center at Florence agrees with the recommendation and will perform quarterly balance sheet account analysis to ensure that entries made are appropriate to keep the balance sheet accounts current.

b. Ensuring that it has sufficient internal and/or external staff resources with the experience and training necessary to prepare the Center's financial statements timely and accurately.

Response: Agree **Implementation Date: June 2024**

The Colorado Veterans Community Living Center at Florence will ensure there is sufficient experience and training for the timely and accurate preparation of the Center's financial statements. The Center will determine if these resources are best suited as an internal or external resource.

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DISPOSITION OF PRIOR AUDIT RECOMMENDATIONS

There were no audit recommendations included in the report to the Legislative Audit Committee for the year ended June 30, 2019.

FINANCIAL AUDIT REPORT SECTION

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INDEPENDENT AUDITORS' REPORT

Members of the Legislative Audit Committee

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the Bruce McCandless Colorado Veterans Community Living Center at Florence (the Center), of the State of Colorado, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as noted in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the fiduciary funds of the Bruce McCandless Colorado Veterans Community Living Center at Florence, an enterprise fund of the State of Colorado, as of June 30, 2023, and the respective changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Center, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Bruce McCandless Colorado Veterans Community Living Center at Florence and do not purport to, and do not present fairly the financial position of the State of Colorado, as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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.

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 opinion. 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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement 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 the Center'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.

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.

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 12-16 and the schedules of the Center's proportionate share of the net pension liability, the Center's contribution to Public Employees Retirement Association, the Center's proportionate share of the net OPEB liability, and the Center's OPEB contribution to the Health Care Trust Fund on pages 50-57 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2024, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

McPherson, Goodrich, Paolucci & Mitchell, P.C.

February 1, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section, prepared by the Colorado State Veterans Community Living Center's budget director, presents an analysis of the Colorado State Veterans Community Living Center at Florence's performance and an overview of the Center's financial activities for the fiscal year ended June 30, 2023. The financial statements, an integral part of this analysis and figures reported on the outputs from CORE (Colorado Operating Resource Engine), reflect the Center's Fiscal Year 2023 performances, and are incorporated and referred to throughout this Management Discussion and Analysis. The analysis below includes comparative information from Fiscal Year 2022 and is based on the Condensed Statement of Net Position and the Condensed Statement of Revenue, Expenses and Changes in Net Position provided.

FINANCIAL HIGHLIGHTS

After evaluation of the Center's financial statements the following highlights have been identified.

- The Center's Total Assets decreased by $3,415,830 which is a 27.24% decrease from Fiscal Year 2022.

- The Center's Total Operating Revenue decreased by $561,296, which is a 6.40% decrease from Fiscal Year 2022.

- The Center's Operating Expenditures increased by $1,114,514, which is a 10.36% increase from Fiscal Year 2022.

- The Center's Change in Net Position decreased by $1,481,321 which is a 114.52% decrease from Fiscal Year 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis consists of three parts: Financial Highlights and Overview, Financial Analysis of Financial Statements, and Supplementary Information, to include Budget Execution, Capital Expenditures and Fiscal Year 2023-2024 Projections. The Financial Analysis includes notes, discussing in varying detail, the information in the financial statements as summarized in Table A and Table B.

Fund Financial Statements

Statement of Net Position

The Statement of Net Position (see Table A) includes all the Center's operation assets and liabilities and provides information pertaining to the nature of these assets and liabilities. The Statement also provides the basis for determining the overall financial health of the Center including liquidity and financial flexibility.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Position (see Table B) includes all the revenues and expenses reported on the accrual basis of accounting. This Statement measures the efficiency of the Center's overall operation and can be used to help determine if the Center's rates and third party billings are adequate to recover expenses related to providing skilled nursing care to residents of the Center.

Statement of Cash Flows

The Statement of Cash Flows presents information concerning the Center's cash receipts and cash disbursements during the year, along with net changes in cash from operating activities, non-capital financing, capital and related financing, and investing activities.

FINANCIAL ANALYSIS

Summary of Operational Policies and Procedures

The Bruce McCandless Colorado State Veterans Community Living Center at Florence is a State of Colorado agency with the general mission of "To honor and serve our nation's veterans, their spouses and Gold Star Parents by creating opportunities for meaningful activity, continued growth and feelings of self-worth in resident-centered long-term care and supportive living environment". The Center is operated by the Division of State and Veterans Community Living Centers within the State of Colorado's Department of Human Services.

The Center operates as a self-supporting enterprise, meaning the revenue received from residents, other third parties, and cash surplus must be adequate to cover the expenses of day-to-day operations of the Center. The State of Colorado does not intend to provide funds to operate the Center with the exception of partial reimbursement of the indirect cost and the compression pay. Financial Management Reports are reviewed monthly at the Executive Management level to ensure efficient and effective use of resources.

Financial Analysis

Statement of Net Assets

A condensed Statement of Net Position is included as **Table A** below. The Table A does not include the fiduciary fund. Increases or decreases in the Center's Assets are indicators of improving or deteriorating financial health. Consideration must be given to current assets, particularly Accounts Receivable and Cash, as compared to current liabilities when analyzing the Center's overall financial condition.

TABLE A

Condensed Statement of Net Position

	2023	2022	Dollar Change	Total Percent Change
Current Assets	6,763,834	10,018,184	(3,254,350)	-32.48%
Non-Current Assets	2,359,745	2,521,225	(161,480)	-6.40%
Total Assets	9,123,579	12,539,409	(3,415,830)	-27.24%
Deferred out flows of resources related to pension and OPEB	3,013,209	2,440,139	573,070	23.49%
Current Liability	2,053,310	1,825,194	228,116	12.50%
Non-Current Liabilities	18,887,757	15,184,121	3,703,636	24.39%
Total Libilities	20,941,067	17,009,315	3,931,752	23.12%
Deferred inflows of resources related to pension and OPEB	3,199,200	7,514,502	(4,315,302)	-57.43%
Net Assets invested in Capital Assets, net of related debt	2,204,034	1,825,055	378,979	20.77%
Unrestricted	(14,207,513)	(11,369,324)	(2,838,189)	24.96%
Total Net position	(12,003,479)	(9,544,269)	(2,459,210)	25.77%

As shown in **Table A,** the Center's Total Assets decreased by $3,415,830 to $9,123,579 in Fiscal Year 2023 from $12,539,409 in Fiscal Year 2022. The majority of this decrease is a result of the following items: 1) $4,156,514 decrease in cash due to the net loss in Fiscal Year 2023, 2) $365,786 increases in accumulated depreciation account for the depreciation of capital assets for Fiscal Year 2023. 3) $777,364 increase in Accounts Receivable.

The increase in deferred outflows of resources related to pension and OPEB and the decrease in deferred inflows of resources related to pension and OPEB is the result of an increase in the Colorado Public Employees' Retirement Association (PERA) pension liability according to the GASB 68 and OPEB liability according to GASB 75.

The increase in Total Liabilities for the same period is also shown in **Table A** and majority of this increase is a result of the following items: 1) $825,168 increase in vouchers payable, 2) $3,629,352 increases in GASB 68 pension liability.

Statement of Revenue, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Change in Net Position provides the information as to the nature and the source of the changes seen in the Statement of Net Position. **Table B** provides a summary of revenues and expenses of the Center for Fiscal Year 2023 as compared to the previous year. The Table B does not include the fiduciary fund.

BRUCE MCCANDLESS COLORADO VETERANS COMMUNITY LIVING CENTER AT FLORENCE MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2023

TABLE B				
Condensed Statement of Revenue, Expenses and Changes in Net Position				
	2023	2022	Dollar Change	Total Percent Change
Total Operating Revenue	8,215,375	8,776,672	(561,297)	-6.40%
Non-Operating Revenue	889,040	673,071	215,969	32.09%
Total Revenue	9,104,415	9,449,743	(345,328)	-3.65%
Operating Expense (Including GASB 68-Pensions, GASB 87-Lease)	11,875,597	10,761,084	1,114,513	10.36%
Non-Operating Expenses	3,606	(17,874)	21,480	-120.17%
Total Expenses	11,879,203	10,743,210	1,135,993	10.57%
Net Income (Loss) Before Capital Contribution	(2,774,788)	(1,293,467)	(1,481,321)	114.52%
Capital Contribution	-	-	-	0.00%
Changes In Net Position	(2,774,788)	(1,293,467)	(1,481,321)	114.52%
Net Position Beginning of Year	(9,228,691)	(8,250,802)	(977,889)	11.85%
Net Position, End of Year	(12,003,479)	(9,544,269)	(2,459,210)	25.77%

A closer examination of the Condensed Statement of Revenues, Expenses and Changes in Net Position **Table B** reveals the following:

- The Center's operating revenues decreased by $561,296 mainly due to the decrease of the census in Fiscal Year 2023.
- The Center's non-operating revenue increased by $215,969 mainly due to an increase in an unrealized gain on the pooled cash held with the Treasurer's office.
- The Center's non-operating expenses were negative $17,874 in Fiscal Year 2022 due to the implementation of the new lease standard, GASB 87.
- Operating Expense increased by $1,114,514 mainly due to the increase of the temp agency expenses related to the need for staff positions not filled. The Center monitors all expenses closely and conducts monthly reviews with each manager to discuss departmental expenses.
- **Table B** reflects that the Center experienced a $2,774,788 Net Loss during Fiscal Year 2023.

- **Table C** reflects the recording of the GASB 68 pension related liabilities and GASB 75 OPEB related liabilities on the net position. The Center's total net position decreased by $2,774,788 during Fiscal Year 2023 compared to a $1,424,126 decrease in net position during Fiscal Year 2022.

TABLE C		
Net Position Excluding Pension and OPEB		
(DR) CR		
	2023	2022
Net Position GAAP Basis	(12,003,479)	(9,544,269)
Add back: GASB 68 Pension	17,745,152	19,034,929
GASB 75-OPEB	698,933	783,287
Net Position excluding Pension and OPEB	6,440,606	10,273,947

The net loss for Fiscal Year 2023 was $4,148,919, not considering the current Fiscal Year 2023 pension and OPEB adjustment of $(1,373,131). This compared to the Fiscal Year 2022 loss of $3,094,053 as adjusted for the removal of the Fiscal Year 2022 pension and OPEB adjustment of $(1,669,927).

BUDGETARY HIGHLIGHTS

The Center's Fiscal Year 2023 financial operations resulted in revenues, below the budgeted amounts by $969,000. This was a result of decrease in patient census comparing the budget census. The expenditure was over the budget amount by $1,666,000. This was a result of an increase to the temporary agency expenditure. There was a shortage of staff in Fiscal Year 2023.

CAPITAL ASSETS AND DEBT ACTIVITIES

Capital Assets
During Fiscal Year 2023, the total new investment in capital assets was $196,297 in software subscription-based IT arrangements.

Debt Activities
During Fiscal Year 2023, the Center has paid down capital lease obligations by $44,418. The balance of lease obligations at June 30, 2023 was $155,711. The Center has implemented the GASB 87-Leases from Fiscal Year 2022.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic factors continue to impact the Center's operations by increasing the costs associated with providing quality health care. A budget has been prepared for Fiscal Year 2024 that includes projections related to expenses and corresponding increases in revenues through the increase in rates charged to residents for skilled nursing care and the census. The effects of the pandemic continue to impact the census at the Colorado Veterans Community Living Center at Florence.

CONTACTING COLORADO VETERANS COMMUNITY LIVING CENTER AT FLORENCE

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Colorado State Veterans Community Living Center at Florence's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information, contact the Budget Director of Colorado State Veterans Community Living Centers at 1575 Sherman Street 7th floor Denver CO 80203 or phone 720-415-4458.

BRUCE MCCANDLESS COLORADO VETERANS
COMMUNITY LIVING CENTER AT FLORENCE
STATEMENT OF NET POSITION
JUNE 30, 2023

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 4,838,922
Accounts receivable (net of allowance for uncollectibles of $491,094)	829,710
Due from other governments (net of allowance for uncollectibles of $0)	1,095,202
TOTAL CURRENT ASSETS	6,763,834
NONCURRENT ASSETS	
Capital assets -	
Land and improvements	271,927
Buildings	9,295,380
Furniture and equipment	532,897
Vehicles	82,058
Right-to-use asset	3,432
Capitalized SBITA	196,297
Software	54,025
Art and historical treasures	11,122
Construction in progress	125,917
Accumulated depreciation and amortization	(8,213,310)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION & AMORTIZATION)	2,359,745
TOTAL ASSETS	9,123,579
Deferred outflows of resources related to pension and OPEB	3,013,209
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
CURRENT LIABILITIES	
Accounts and vouchers payable	$ 1,385,895
Accrued wages	59,014
Other current liabilities	511,655
Current portion of lease liabilites	535
Current portion of SBITA liaibilities	37,441
Current portion of liability for compensated absences	58,770
TOTAL CURRENT LIABILITIES	2,053,310
NONCURRENT LIABILITIES	
Net liability for other post employment benefits	454,876
Liability for compensated absences	511,928
Liability for SBITA	117,735
Net pension liability	17,803,218
TOTAL NONCURRENT LIABILITIES	18,887,757
TOTAL LIABILITIES	20,941,067
Deferred inflows of resources related to pension and OPEB	3,199,200
NET POSITION	
Invested in capital assets, net of related debt	2,204,034
Unrestricted	(14,207,513)
TOTAL NET POSITION	$ (12,003,479)

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

BRUCE MCCANDLESS COLORADO VETERANS
COMMUNITY LIVING CENTER AT FLORENCE
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023

OPERATING REVENUE	
Patient charges for services	$ 4,412,961
VA per diem reimbursement	3,785,933
Miscellaneous revenue	16,481
TOTAL OPERATING REVENUE	8,215,375
OPERATING EXPENSES	
Personnel services and employee benefits	9,170,407
Departmental indirect costs related to the inter-departmental charges	1,042,246
Pension expense including OPEB expenses	(147,909)
Advertising	12,189
Care and subsistence - client benefits	17,444
Equipment rental	49,063
Food and food service supplies	307,782
Insurance	23,288
Medical and laboratory services and supplies	311,645
Office operations	40,840
Other operating services and supplies	174,826
Professional services	14,224
Repairs and maintenance	137,786
Non-capitalized equipment	13,719
Telephones	60,152
Utilities	195,448
Vehicles and travel	8,139
Depreciation and amortization	347,097
Bad debt expense	97,211
TOTAL OPERATING EXPENSES	11,875,597
OPERATING INCOME (LOSS)	(3,660,222)
NONOPERATING REVENUE (EXPENSES)	
Investment income	76,929
State grant	782,647
Interest expense	(3,606)
Unrealized gain/(loss) on treasury cash	29,464
TOTAL NONOPERATING REVENUE (EXPENSES)	885,434
CHANGE IN NET POSITION	(2,774,788)
NET POSITION, beginning of year	(9,228,691)
NET POSITION, end of year	$ (12,003,479)

The accompanying notes are an integral part of this statement.

BRUCE MCCANDLESS COLORADO VETERANS
COMMUNITY LIVING CENTER AT FLORENCE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from patients and third-party payors	$ 3,696,665
Cash received from federal government	3,476,238
Cash payments to employees for services	(10,519,532)
Cash payments to suppliers for goods and services	(608,653)
Cash payments for other expenses	(1,042,246)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(4,997,528)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State operating grant	756,699
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	756,699
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payment on capital leases	(44,418)
Realized and unrealized gains/(losses)	29,464
Interest payment on capital leases	(3,606)
State capital grants	25,948
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	7,388
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	76,927
NET CASH PROVIDED BY INVESTING ACTIVITIES	76,927
NET INCREASE IN CASH AND CASH EQUIVALENTS	(4,156,514)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,995,436
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 4,838,922
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ (3,660,222)
Adjustments to reconcile operating loss to net cash provided by operating activities -	
Depreciation	357,779
Bad debt expense	-
Changes in assets and liabilities -	
Accounts receivable	(903,591)
Accounts payable and accrued expenses	540,776
Accrued pension and other employment benefits	(1,374,128)
Unearned revenue	-
Liability for compensated absences	41,858
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ (4,997,528)

The accompanying notes are an integral part of this statement.

BRUCE MCCANDLESS COLORADO VETERANS COMMUNITY LIVING CENTER - FLORENCE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023

	Custodial Funds	
	Patient Benefit Fund	**Resident Trust Fund**
ASSETS		
ASSETS		
Cash and cash equivalents	$140,344	$ 78,276
TOTAL ASSETS	140,344	78,276
LIABILITIES AND NET POSITION		
LIABILITIES		
Accounts and vouchers payable	3,686	1,857
TOTAL LIABILITIES	3,686	1,857
NET POSITION		
Restricted for resident purposes	136,658	76,419
TOTAL NET POSITION	$136,658	$ 76,419

The accompanying notes are an integral part of this statement.

BRUCE MCCANDLESS COLORADO VETERANS COMMUNITY LIVING CENTER - FLORENCE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2023

	Patient Benefit Fund	Resident Trust Fund
ADDITIONS		
Collection of resident funds	$ -	$ 523,885
Donations	34,422	-
Interest income	52	19
TOTAL ADDITIONS	34,474	523,904
DEDUCTIONS		
Patient and client care expenses	33,566	-
Distribution of resident funds	-	520,698
TOTAL DEDUCTIONS	33,566	520,698
CHANGE IN NET POSITION	908	3,206
NET POSITION, beginning of year	135,750	73,213
NET POSITION, end of year	$ 136,658	$ 76,419

The accompanying notes are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bruce McCandless Colorado Veterans Community Living Center at Florence ("the Center") is part of the State of Colorado ("the State"), Department of Human Services.

The financial statements of the Center have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Center's accounting policies are listed below.

The Financial Reporting Entity

The State is the primary reporting entity for state financial reporting purposes. As an enterprise fund of the State, the Center's financial statements are generally presented in a manner consistent with those of the State. However, the financial statements of the Center are not intended to report financial information of the State in conformity with generally accepted accounting principles.

The accounting policies of the Center conform to accounting principles generally accepted in the United States of America, applicable to governmental units.

Fund Accounting

The Center uses an enterprise fund to report its net position, changes in net position, and cash flows. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Enterprise funds are used to report activities for which a fee is charged to external users for goods or services.

The Center's fiduciary funds are presented in the fund financial statements by type. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to assist the activities or obligations of the Center, these funds are not incorporated into the enterprise fund financial statements. The Custodial Funds are used to account for assets held by the Center in an agency capacity generally for resident benefits and patient needs.

Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows of resources, if any, liabilities, and deferred inflows of resources, if any, are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Net Position

Net Position is classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This caption consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- Restricted – This caption consists of constraints placed on net position use through external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted – Consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

Budget and Budgetary Accounting

With the exception of the State operating grant, which is a grant for the State for indirect costs, appropriations for the community living centers owned by the State are not included in the annual Long Bill (appropriations bill) passed by the General Assembly. Therefore, no budgetary comparison schedule is required to be presented.

The Center's administrator submits a budget at least 60 days prior to the beginning of the fiscal year to the Department of Human Services for approval. The budget includes proposed expenditures and the means of financing them.

Accounts Receivable

The Center's accounts receivable consists primarily of open accounts with residents for services, subsidized Medicaid and Medicare reimbursements, and VA per diem reimbursements. Portions of accounts receivable relating to non-subsidized charges for services are subject to credit risk. Consequently, an allowance for doubtful accounts has been established based on management's estimate.

Capital Assets

Any individual item of property and equipment with a cost of $5,000 or more and whose estimated life exceeds two years is capitalized and recorded at cost. Expenses for normal maintenance and repairs are recognized currently as incurred, while renewals and betterments are capitalized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Depreciation of all exhaustible capital assets is charged as an expense against operations. Accumulated depreciation is reported on the statement of net position. Depreciation has been provided over the estimated useful lives by class using the straight-line method, as follows:

Land Improvements	8-20 years
Buildings	15-40 years
Furniture and equipment	3-15 years
Vehicles	10 years

Effective with the adoption of GASB 87, the Center accounts for all agreements meeting the definition of a lease resulting in inclusion of the right-to-use assets within capital assets. Leases are amortized over the life of lease.

Compensated Absences

It is the Center's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees are allowed to accumulate vacation benefits up to predetermined maximums and are compensated for these accumulated vacation benefits either through paid time off or at termination or retirement. Employees are also allowed to accumulate sick pay benefits up to predetermined maximums; however, payment of these sick pay benefits is limited to 25% of the balance upon retirement only.

Vacation and related payroll benefits are accrued as an expense and fund liability when incurred up to the predetermined maximums. Sick pay and related payroll benefits are recognized as an expense and a fund liability and are measured using an estimate of current employees that will eventually retire.

Pensions

The Center participates in the State Division Trust Fund (SDTF), 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 SDTF 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.

Other Post Employment Benefit (OPEB) Plan

The Center 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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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.

Fair Value Measurement

The Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

New Accounting Pronouncements

During the fiscal year 2023 the Center adopted the provisions of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA). GASB Statement No. 96 enhances the relevance and consistency of information of the financial obligations that the Center incurs through the terms of its SBITA. The Center recognized $196,297 net book value of SBITA's. The SBITA is amortized over the life of the subscription.

Statement of Cash Flows

For purposes of the statement of cash flows, the Center considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents except that the Center has elected not to include restricted cash as part of cash equivalents.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents are summarized as follows:

Proprietary Fund	
Cash on hand	$ 200
Demand deposits	9,003
Cash with State Treasurer	4,829,719
	$ 4,838,922
Patient Benefit and Resident Funds	
Cash on hand	$ 3,050
Demand deposits	215,570
	$ 218,620

The Center deposits cash with the Colorado State Treasurer. The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. Monies deposited in the Treasury are invested until the cash is needed. As of June 30, 2023, the Center had cash on deposit with the State Treasurer of $4,829,719, which represented approximately .024 percent of the total $18,810.9 million fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2023, the Pool's resources included $35.0 million of cash on hand and $18,775.8 million of investments.

NOTE 2 – CASH AND CASH EQUIVALENTS (Cont'd)

On the basis of the Center's participation in the Pool, the Center reports as an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year.

Additional information on investments of the State Treasurer's Pool may be obtained in the state's Annual Comprehensive Financial Report for the year ended June 30, 2023.

NOTE 3 – RECEIVABLES

Receivables at June 30, 2023 consist of the following:

Patient fees, net of allowance for doubtful accounts of $106,801	$ 1,761
Medicare/Medicaid reimbursements, net of allowance for doubtful accounts of $384,293	400,993
Other receivables, net of allowance for doubtful accounts of $0	426,956
	$ 829,710

VA per diem reimbursements	$ 1,095,202
Total due from other governments	$ 1,095,202

NOTE 4 – RISK MANAGEMENT

The Center is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Center's risks related to general liability, motor vehicle liability, worker's compensation and medical claims are covered under the self-insurance fund managed by the Department of Personnel & Administration for the State of Colorado. Property claims are covered by commercial insurance and claims settled have not exceeded coverage limits for the last three years. A further description of the state's risks is contained in the State's Annual Comprehensive Financial Report.

NOTE 5 – CAPITAL ASSETS

Following is a summary of capital assets:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Nondepreciable assets –				
Land	$ 60,000	$ -	$ -	$ 60,000
Art and historical treasures	11,122	-	-	11,122
Construction in progress	125,917	-	-	125,917
Total capital assets not being depreciated	197,039	-	-	197,039
Depreciable assets –				
Land improvements	211,927	-	-	211,927
Buildings	9,295,380	-	-	9,295,380
Furniture and equipment	532,897	-	-	532,897
Vehicles	82,058	-	-	82,058
Right-to-use asset	3,432	-	-	3,432
Total capital assets being depreciated	10,125,694	-	-	10,125,694
Less: Accumulated depreciation/amortization for –				
Land improvements	(208,618)	(256)	-	(208,874)
Buildings	(7,024,560)	(346,896)	-	(7,371,456)
Furniture and equipment	(437,679)	(17,493)	-	(455,172)
Vehicles	(82,058)	-	-	(82,058)
Right-to-use asset	(1,322)	(1,144)	-	(2,466)
Total accumulated depreciation	(7,754,237)	(365,789)	-	(8,120,026)
Capital assets being depreciated, net	2,371,457	(365,789)	-	2,005,668
Intangible assets –				
Software	54,025	-	-	54,025
Subscription-based IT	-	196,297	-	196,297
Total capital assets being amortized	54,025	196,297	-	250,322
Less Accumulated amortization –				
Software	(54,025)	-	-	(54,025)
Subscription-based IT	-	(39,259)	-	(39,259)
Total accumulated amortization	(54,025)	(39,259)	-	(93,284)
Capital assets being amortized, net	-	157,038	-	157,038
Total capital assets	$ 2,568,496	$ (208,751)	$ -	$ 2,359,745

NOTE 5 – LEASE ARRANGEMENTS

The following is a summary of changes in lease liabilities for the Fiscal Year Ended June 30, 2023:

Lease	Balance July 1, 2022	Additional Loans	Payments	Balance June 30, 2023	Current Portion
Hewlett Packard Computers	$ 3,832	$ -	$ 3,297	$ 535	$ 535
Total	$ 3,832	$ -	$ 3,297	$ 535	$ 535

The computer equipment was leased from Hewlett Packard, beginning in July 2021, for a term of three years beginning in July of 2021. The original lease was for $9,900 with annual payments of approximately $3,300 due at the beginning of the fiscal year. The interest rate is for 3.10% and is not renewable and the Center will not acquire the equipment at the end of three years.

Annual requirements to amortize long-term obligations and related interest are as follows:

Years Ending June 30	Principal	Interest
2024	$ 535	$ -

NOTE 6 – SUBSCRIPTION-BASED IT ARRANGEMENTS

The Center entered into a subscription arrangement with Point Click Care Technologies for Electronic Health Records Point Click Care. The lease term is from July 1, 2022 to June 30, 2027 with an interest rate of 2.37%:

Lease	Balance July 1, 2022	Additional Loans	Payments	Balance June 30, 2023	Current Portion
Software Agreement	$ -	$ 196,297	$ 41,121	$ 155,176	$ 37,441
Total	$ -	$ 196,297	$ 41,121	$ 155,176	$ 37,441

Annual requirements to amortize long-term obligations and related interest are as follows:

Years Ending June 30	Principal	Interest
2024	$ 37,441	$ 2,867
2025	38,329	1,959
2026	39,238	1,030
2027	40,168	79
2028	-	-
Thereafter	-	-
	155,176	5,935

NOTE 7 – PENSION PLANS

General Information about the Pension Plan

Plan Description: Eligible employees of the Center are provided with pensions through the State Division Trust Fund (SDTF)—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 that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2022. 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 Sections 24-51-602, 604, 1713, and 1714, C.R.S.

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.

In all cases 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 Section 24-51-413, C.R.S., eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. 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 SDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in Section 24-51-413, C.R.S.

NOTE 7 – PENSION PLANS (Cont'd.)

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. For State Troopers whose disability is caused by an on-the-job injury, the five-year service requirement is waived and they are immediately eligible to apply for disability benefits. 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, 2023: Eligible employees of the Center and the State are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements are established under Section 24-51-401, C.R.S., et seq. and Section 24-51-413, C.R.S. Employee contribution rates for the period of July 1, 2022, through June 30, 2023 are summarized in the table below:

	July 1, 2022 Through December 31, 2022	January 1, 2023 Through June 30, 2023
Employee contribution ** (all employees other than State Troopers)	11.00%	11.00%
State Troopers	13.00%	13.00%

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

NOTE 7 – PENSION PLANS (Cont'd.)

The employer contribution requirements for all employees other than State Troopers are summarized in the table below:

	July 1, 2022 Through December 31, 2022	January 1, 2023 Through June 30, 2023
Employer contribution rate **	11.40%	11.40%
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 SDTF	10.38%	10.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	0.10%	0.17%
Total employer contribution rate to the SDTF	**20.48%**	**20.55%**

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

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the Center is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the Center were $1,477,045 for the year ended June 30, 2023.

For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SDTF and is considered to meet the definition of a special funding situation. As specified in Section 24-51-414, C.R.S, the State is required to contribute a $225 million (actual dollars) direct distribution each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. House Bill (HB) 22-1029, instructed the State treasurer to issue an additional direct distribution to PERA in the amount of $380 million (actual dollars), upon enactment. The July 1, 2023, payment is reduced by $190 million (actual dollars) to $35 million (actual dollars). The July 1, 2024, payment will not be reduced due to PERA's negative investment return in 2022. Senate Bill (SB) 23-056, enacted June 2, 2023, requires the State to make an additional direct distribution of approximately $14.5 million (actual dollars), for a total of approximately $49.5 million (actual dollars) to be contributed on July 1, 2023.

NOTE 7 – PENSION PLANS (Cont'd.)

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

The net pension liability for the SDTF was measured as of December 31, 2022, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TPL to December 31, 2022. The Center's proportion of the net pension liability was based on the Center's contributions to the SDTF for the calendar year 2022 relative to the total contributions of participating employers and the State as a nonemployer contributing entity for participating employers of the SDTF that are outside of the State's financial reporting entity.

At June 30, 2023, the Center reported a liability of $17,803,218 for its proportionate share of the net pension liability.

At December 31, 2022, the Center's proportion was 0.1637442490 percent, which was a decrease of 0.028442751 percent from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the Center recognized pension expense (benefit) of $(63,555). At June 30, 2023, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 238,695
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	2,263,386	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	19,323	2,574,650
Contributions subsequent to the measurement date	588,702	N/A
Total	$ 2,871,411	$ 2,813,345

NOTE 7 – PENSION PLANS (Cont'd.)

$588,702 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, 2024. 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 ended June 30:	
2024	$ (2,320,458)
2025	$ (382,755)
2026	$ 834,850
2027	$ 1,337,727
2028	$ -
Thereafter	$ -

Actuarial assumptions. The TPL in the December 31, 2021 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.3%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.30% – 10.90%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	1.00%
PERA benefit structure hired after 12/31/06[1]	Financed by the AIR

[1] Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to monies 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 State Troopers 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 State Troopers 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.

NOTE 7 – PENSION PLANS (Cont'd.)

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

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

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

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

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

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared at least every 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.

NOTE 7 – PENSION PLANS (Cont'd.)

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:

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

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 scheduled increases in SB 18-200, 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 scheduled increase in SB 18-200 and 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.

NOTE 7 – PENSION PLANS (Cont'd.)

- Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.

- HB 22-1029, effective upon enactment in 2022, required the State treasurer to issue, in addition to the regularly scheduled $225 million (actual dollars) direct distribution, a warrant to PERA in the amount of $380 million (actual dollars). The July 1, 2023, direct distribution is reduced by $190 million (actual dollars) to $35 million (actual dollars). The July 1, 2024, direct distribution will not be reduced from $225 million (actual dollars) due to PERA's negative investment return in 2022.

- 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.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$ 22,759,342	$ 17,803,218	$ 13,634,178

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

NOTE 8 – OTHER RETIREMENT PLANS

Voluntary Investment Program (PERAPlus 401(k) Plan)

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

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions.

Defined Contribution Retirement Plan (PERA DC Plan)

Plan Description – Employees of the State of Colorado hired on or after January 1, 2006, employees of certain community colleges hired on or after January 1, 2008, and certain classified employees of State Colleges and Universities hired on or after January 1, 2019, have the option to participate in the SDTF, 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. The PERA DC Plan is also included in PERA's annual comprehensive financial report as referred to above.

Funding Policy – All participating employees in the PERA DC Plan and the Center 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, 2022, through June 30, 2023 are summarized in the tables below:

	July 1, 2022 Through December 31, 2022	January 1, 2023 Through June 30, 2023
Employee Contribution Rates:**		
All employees other than State Troopers	11.00%	11.00%
State Troopers	13.00%	13.00%
Employer Contribution Rates:		
On behalf of all employees other than State Troopers	10.15%	10.15%
State Troopers	12.85%	12.85%

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

NOTE 8 – OTHER RETIREMENT PLANS (Cont'd.)

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

	July 1, 2022 Through December 31, 2022	January 1, 2023 Through June 30, 2023
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
Automatic Adjustment Provision (AAP), as specified in C.R.S. § 24-51-413	1.00%	1.00%
Defined Contribution statutory contribution as specified in C.R.S. § 24-51-1505	0.25%	0.25%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	0.10%	0.17%
Total employer contribution rate to the SDTF **	11.35%	11.42%

**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 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.08 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.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS

General Information about the OPEB Plan

Plan description. Eligible employees of the Center 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 that can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

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.

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

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

DPS Benefit Structure
The maximum service-based premium subsidy is $230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $115 per month for retirees 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 retirees 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 retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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 or the DPS 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 State, School, Local Government, and Judicial Divisions 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 Center is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Center were $54,667 for the year ended June 30, 2023.

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

At June 30, 2023, the Center reported a liability of $454,876 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2022, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TOL to December 31, 2022. The Center's proportion of the net OPEB liability was based on the Center's contributions to the HCTF for the calendar year 2022 relative to the total contributions of participating employers to the HCTF.

At December 31, 2022, the Center's proportion was 0.0557119%, which was a decrease of 0.0103885 from its proportion measured as of December 31, 2021.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

For the year ended June 30, 2023, the Center recognized OPEB expense of $(84,354). At June 30, 2023, the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 59	$ 110,004
Changes of assumptions or other inputs	7,311	50,204
Net difference between projected and actual earnings on OPEB plan investments	27,783	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	78,974	225,647
Contributions subsequent to the measurement date	27,672	N/A
Total	141,798	385,855

$27,672 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2024	$ (71,607)
2025	(69,072)
2026	(40,724)
2027	(47,212)
2028	(35,821)
Thereafter	(7,292)

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

Actuarial assumptions. The TOL in the December 31, 2021 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.3%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.30% – 10.90%
Long-term investment rate of return, net of pension 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	6.50% in 2022 Gradually decreasing to 4.5% in 2030
Medicare Part A premiums	3.75% in 2022, Gradually increasing to 4.5% in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

The TOL for the HCTF, as of the December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, allowable under Section 24-51-313, C.R.S., of Tri-County Health Department (TriCounty Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the FNP as of the December 31, 2022, measurement date.

Beginning January 1, 2022, the per capita health care costs are developed by plan option; based on 2022 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.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

Age-Related Morbidity Assumptions

Participant Age	Annual Increase (Male)	Annual Increase (Female)
65-69	3.0%	1.5%
70	2.9%	1.6%
71	1.6%	1.4%
72	1.4%	1.5%
73	1.5%	1.6%
74	1.5%	1.5%
75	1.5%	1.4%
76	1.5%	1.5%
77	1.5%	1.5%
78	1.5%	1.6%
79	1.5%	1.5%
80	1.4%	1.5%
81 and older	0.0%	0.0%

Sample Age	MAPD PPO #1 with Medicare Part A		MAPD PPO #2 with Medicare Part A		MAPD HMO (Kaiser) with Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	$1,704	$1,450	$583	$496	$1,923	$1,634
70	$1,976	$1,561	$676	$534	$2,229	$1,761
75	$2,128	$1,681	$728	$575	$2,401	$1,896

Sample Age	MAPD PPO #1 without Medicare Part A		MAPD PPO #2 without Medicare Part A		MAPD HMO (Kaiser) without Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	$6,514	$5,542	$4,227	$3,596	$6,752	$5,739
70	$7,553	$5,966	$4,901	$3,872	$7,826	$6,185
75	$8,134	$6,425	$5,278	$4,169	$8,433	$6,657

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

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, 2021, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2022	6.50%	3.75%
2023	6.25%	4.00%
2024	6.00%	4.00%
2025	5.75%	4.00%
2026	5.50%	4.25%
2027	5.25%	4.25%
2028	5.00%	4.25%
2029	4.75%	4.50%
2030+	4.50%	4.50%

Mortality assumptions used in the December 31, 2021, 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 using 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 (members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (members other than State Troopers) 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 State Troopers 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, 2021, 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 2022 plan year.
- The December 31, 2021, valuation utilizes premium information as of January 1, 2022, as the initial per capita health care cost. As of that date, PERACare health benefits administration is performed by UnitedHealthcare. In that transition, the costs for the Medicare Advantage Option #2 decreased to a level that is lower than the maximum possible service-related subsidy as described in the plan provisions.
- 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. Medicare Part A premiums continued with the prior valuation trend pattern.

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.

Effective for the December 31, 2022, measurement date, the timing of the retirement decrement was adjusted to middle-of-year within the valuation programming used to determine the TOL, reflecting a recommendation from the 2022 actuarial audit report, dated October 14, 2022, summarizing the results of the actuarial audit performed on the December 31, 2021, actuarial valuation.

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared at least every 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.

As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

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

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 Center'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:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	5.25%	6.25%	7.25%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	3.00%	4.00%	5.00%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	$442,001	$454,876	$468,885

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

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, 2022, 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 used by the plan 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.

Based on the above assumptions and methods, the HCTF'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 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 Center'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 one-percentage-point lower (6.25%) or one-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$527,336	\$454,876	\$392,899

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.

NOTE 10 – CONTINGENCIES AND COMMITMENTS

Grant Programs – The Center participates in state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Center has not complied with the rules and regulations governing the grant, refunds of any money received may be required.

Taxpayer Bill of Rights – Colorado voters passed an amendment to the state constitution in November 1992 which contains several limitations, including revenue raising, spending and other specific requirements affecting state and local governments. The amendment, commonly known as the TABOR Amendment, is complex and subject to judicial interpretation; however, the management of the Center believes it is in compliance with the requirements of the amendment.

COVID-19 Pandemic - As a result of the COVID-19 pandemic, the global economic outlook has changed. The duration and full effects of the pandemic are currently unknown, as the global picture continues to evolve. Although unprecedented federal fiscal and monetary stimulus have helped to stabilize and soften the impact of economic contraction, the near-term negative impact on the Center and its operations is uncertain.

REQUIRED SUPPLEMENTARY

INFORMATION

BRUCE MCCANDLES VETERANS COMMUNITY LIVING CENTER AT FLORENCE
SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY JUNE 30, 2023
Last 10 Fiscal Years *

Dollar amounts in thousands

Fiscal year ended June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Center's proportion of the net pension liability	0.1637442490%	0.1921869913%	0.2257153452%	0.1940843276%	0.197020655%	0.196162275%	0.2016813594%	0.2099145274%	0.2083437130%	0.2022494309%
Center's proportionate share of the net pension liability	$ 17,803	$ 14,174	$ 21,409	$ 18,834	$ 22,418	$ 39,268	$ 37,045	$ 22,106	$ 21,941	$ 19,025
Center's covered employee payroll	$ 7,202	$ 6,427	$ 7,234	$ 7,479	$ 5,973	$ 6,033	$ 5,734	$ 5,782	$ 5,783	$ 5,402
Center's proportionate Share of the net pension liability as a percentage of its covered employee payroll	247.18%	220.54%	295.97%	251.82%	375.32%	650.88%	646.06%	382.32%	379.40%	352.18%
Plan fiduciary net position as a percentage of the total pension liability	60.63%	73.05%	65.34%	62.24%	55.10%	43.20%	43.20%	42.59%	56.11%	59.84%

* Amounts presented for each fiscal year were determined as of December 31 of the previous year.

BRUCE MCCANDLES VETERANS COMMUNITY LIVING CENTER AT FLORENCE
SCHEDULE OF THE CENTER'S CONTRIBUTION
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION JUNE 30, 2023
Last 10 Fiscal Years *

Fiscal year ended June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$1,477,045	$ 1,282,422	$ 1,439,742	$ 1,466,938	$ 1,142,643	$ 1,154,175	$ 1,071,149	$ 1,028,079	$1,009,075	$ 920,877
Contributions in relation to the contractually required contribution	$1,477,045	$ 1,282,422	$ 1,439,742	$ 1,466,938	$ 1,142,643	$ 1,154,175	$ 1,071,149	$ 1,028,079	$1,009,075	$ 920,877
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Center's covered employee payroll	$7,202,340	$ 6,426,826	$ 7,233,618	$ 7,479,056	$ 5,972,914	$ 6,033,195	$ 5,733,683	$ 5,782,384	$5,783,067	$ 5,402,467
Contributions as a percentage of covered employee payroll	20.51%	19.95%	19.90%	19.61%	19.13%	19.13%	18.68%	17.78%	17.45%	17.05%

* Amounts presented for each fiscal year were determined as of December 31 of the previous year.

BRUCE MCCANDLES VETERANS COMMUNITY LIVING CENTER AT FLORENCE
SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY JUNE 30, 2023
Last 10 Fiscal Years [a, b]

Dollar amounts in thousands

Fiscal year ended June 30,	2023	2022	2021	2020	2019	2018
Center's proportion of the net OPEB liability	0.0557119492%	0.0661003997%	0.0789005584%	0.0671805558%	0.0699402179%	0.0698335651%
Center's proportionate share of the net OPEB liability	$ 455	$ 570	$ 750	$ 775	$ 952	$ 908
Center's covered-employee payroll	$ 7,202	$ 6,427	$ 7,234	$ 7,479	$ 5,973	$ 6,033
Center's proportionate Share of the net pension liability as a percentage of its covered employee payroll	6.32%	8.87%	10.37%	10.36%	15.94%	15.05%
Plan fiduciary net position as a percentage of the total pension liability	38.57%	39.40%	32.78%	24.49%	17.00%	17.53%

[a] Amounts prior to fiscal 2018 are not available. In future reports, additional years will be added until 10 years of historical data are presented

[b] Amounts presented for each fiscal year were determined as of December 31 of the previous year.

BRUCE MCCANDLES VETERANS COMMUNITY LIVING CENTER AT FLORENCE
SCHEDULE OF THE CENTER'S OPEB CONTRIBUTION
HEALTH CARE TRUST FUND JUNE 30, 2023
Last 10 Fiscal Years [a, b]

Fiscal year ended June 30,	2023	2022	2021	2020	2019	2018
Contractually required contribution	$ 54,666.95	$ 55,197.78	$ 71,426.91	$ 69,332.72	$ 60,925	$ 63,036
Contributions in relation to the contractually required contribution	$ 54,666.95	$ 55,197.78	$ 71,426.91	$ 69,332.72	$ 60,925	$ 63,036
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -
Center's covered employee payroll	$ 4,999,147.75	$ 5,189,414.58	$ 6,733,352.16	$ 6,623,324.14	$ 5,973,006	$ 6,181,254
Contributions as a percentage of covered-employee payroll	1.09%	1.06%	1.06%	1.05%	1.02%	1.02%

[a] Amounts prior to fiscal 2018 are not available. In future reports, additional years will be added until 10 years of historical data are presented

[b] Amounts presented for each fiscal year were determined as of December 31 of the previous year.

NET PENSION LIABILITY –

There were no changes made to actuarial methods or assumptions for the December 31, 2022 measurement period for pension compared to the prior year.

Changes in assumptions or other input effective for the December 31, 2021 measurement period are as follows:

- The assumption used to value the automatic increase cap benefit provision was changed from 1.25 percent to 1.00 percent

Changes in assumptions or other input effective for the December 31, 2020 measurement period are as follows:

- The price inflation assumption was lowered from 2.40 percent to 2.30 percent, and the wage inflation assumption was lowered from 3.50 percent to 3.00 percent.
- The real rate of investment return assumption was increased to 4.95 percent per year, net of investment expenses from 4.85 percent per year, net of investment expenses.
- Salary scale assumptions were revised to align with the revised economic assumptions and to more closely reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumption for the State Division (members other than State Troopers) was changed to the PubG-2010 Employee Table with generational projection using scale MP-2019.
- The pre-retirement mortality assumption for the Judicial Division was changed to the PubG-2010(A) Above Median Employee Table with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the State Division (Members other than State Troopers) was changed to the PubG-2010 Health Retiree Table, adjusted as follows:
- Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.
- The disabled mortality assumption for the Division Trust Funds (Members other than State Troopers) was changed to the PubNS-2010 Disabled Retiree Table with generational projection using scale MP-2019.
- The disability mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

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

Changes in assumptions or other input effective for the December 31, 2019 measurement period are as follows:

- The assumption used to value the annual increase (AI) cap benefit provision was changed from 1.50% to 1.25%.

Changes in assumptions or other inputs effective for the December 31, 2018 measurement period are as follows:

- The assumed investment rate of return of 7.25% was used as the discount rate, rather than using the blended rate of 4.72%

Changes in assumptions or other inputs effective for the December 31, 2017 measurement period are as follows:

- The discount rate was lowered from 5.26% to 4.72%.

Changes in assumptions or other inputs effective for the December 31, 2016 measurement period are as follows:

- The investment return assumption was lowered from 7.50% to 7.25%.
- The price inflation assumption was lowered from 2.80% to 2.40%.
- The real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.
- The wage inflation assumption was lowered from 3.90% to 3.50%.
- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for active employees, RP2014 Healthy Annuitant Mortality tables projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.
- The discount rate was lowered from 7.50% to 5.26%.

There were no changes in terms or assumptions for the December 31, 2015 measurement period for pension compared to the prior year.

There were no changes in terms or assumptions for the December 31, 2014 measurement period for pension compared to the prior year.

Changes in assumptions or other input effective for the December 31, 2013 measurement period are as follows:

- The investment return assumption was lowered from 8.00% to 7.50%
- The price inflation assumption was lowered from 3.50% to 2.80%
- The wage inflation assumption was lowered from 4.25% to 3.90%

OTHER POST-EMPLOYMENT BENEFITS

Changes in assumptions or other inputs effective for the December 31, 2022 measurement period are as follows:

- The timing of the retirement decrement was adjusted to middle-of-year.

There were no changes in assumptions or other inputs effective for the December 31, 2021 measurement period for OPEB.

Changes in assumptions or other input effective for the December 31, 2020 measurement period are as follows:

- The price inflation assumption was lowered from 2.40 percent to 2.30 percent, and the wage inflation assumption was lowered from 3.50 percent to 3.00 percent.
- The real rate of investment return assumption was increased to 4.95 percent per year, net of investment expenses from 4.85 percent per year, net of investment expenses.
- Salary scale assumptions were revised to align with the revised economic assumptions and to more closely reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumption for the State Division (members other than State Troopers) was changed to the PubG-2010 Employee Table with generational projection using scale MP-2019.
- The pre-retirement mortality assumption for the Judicial Division was changed to the PubG-2010(A) Above Median Employee Table with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the State Division (Members other than State Troopers) was changed to the PubG-2010 Health Retiree Table, adjusted as follows:
- Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the Judicial Division was changed to the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019. The post-retirement non-disability beneficiary mortality assumption for the Division Trust Funds was changed to the Pub-2010 Contingent Survivor Table, adjusted as follows:
- Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.

- Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.
- The disabled mortality assumption for the Division Trust Funds (Members other than State Troopers) was changed to the PubNS-2010 Disabled Retiree Table with generational projection using scale MP-2019.
- The disability mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.
- The mortality tables described above are generational mortality tables on a benefit-weighted basis.

There were no changes in assumptions or other inputs effective for the December 31, 2019 measurement period for OPEB.

There were no changes in assumptions or other inputs effective for the December 31, 2018 measurement period for OPEB compared to the prior year.

There were no changes in assumptions or other inputs effective for the December 31, 2017 measurement period for OPEB.

REQUIRED AUDITOR COMMUNICATION

TO THE

LEGISLATIVE AUDIT COMMITTEE

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REQUIRED AUDITOR COMMUNICATION TO THE LEGISLATIVE AUDIT COMMITTEE

Members of the Legislative Audit Committee:

We have audited the financial statements of the Bruce McCandless Colorado Veterans Community Living Center at Florence (the Center) for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in the engagement letter dated July 28, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

We noted and reported a material weakness in internal control over financial reporting related to proper accrual accounting. Finding 2023-001.

Significant Audit Matters

Significant Risks Identified

Significant risks are risks that we view as deserving special audit consideration. We identified the following significant risks and ensured that specific audit procedures were designed and performed to address the risks.

Due to complexities and judgment required to properly account for revenues, it is a presumptively mandatory audit risk. We designed our audit procedures to test a sample of revenues by reconciling contract schedules related to patient billing amounts, testing inputs in the process job summary and reading underlying contracts and correspondence and considering the judgments made by management. We did not identify any material misstatements in the accounting for revenues and support by management.

We found that the Center staff were posting a large amount of journal entries to the general ledger. As part of our audit procedures, we reviewed journal entries posted during the year. We reviewed journal entries and found that a journal entry to reverse deferred revenue was not posted in Fiscal Year 2020: refer to finding 2023-001 in the Schedule of Findings and Recommendations. To address the deferred revenue, a proposed journal entry was prepared to remove the deferred revenue.

Improper recording and tracking of resident accounts was identified as a risk. We designed our audit procedures to review the account activity in the resident accounts. We did not identify any material misstatements in the accounting for resident activity.

We identified the issues of getting information from the CORE G/L system as a risk. We reviewed information obtained from CORE and used outside information, where available, to support that information. We did not identify any material misstatements related to information obtained from the CORE G/L system.

We identified a risk regarding improper implementation of Statement of Governmental Accounting Standards No. 84, *Fiduciary Activities* and Statement of Governmental Accounting Standards No. 87, *Leases*. We did not identify any material misstatements related to the implementation of GASB 84 and GASB 87.

We identified a risk regarding improper implementation of Statement of Governmental Accounting Standards No. 96, *Subscription-Based Information Technology Arrangements.* We did not identify any material misstatements related to the implementation of GASB 96.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Center are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Center changed accounting policies related to the recording of information technology arrangements by adopting Statement of Governmental Accounting Standards No. 96, *Subscription-Based Information Technology Arrangements*, in Fiscal Year 2023. We noted no transactions entered into by the Center during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of the allowance for uncollectible accounts is based on management's review of the specific accounts and the determination of the collectability of each account. We evaluated the key factors and assumptions used to develop the allowance for uncollectible accounts in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of the deferred inflows and deferred outflows related to the Pension and OPEB calculations is based on management's review of the specific actuarials related to the amounts due in current and future period related to the Pension and OPEB accounts. We evaluated the key factors and assumptions used to develop the deferred inflows and deferred outflows related to pension and OPEB accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered delays while attempting to complete audit work as scheduled. Information request deadlines that coincided with scheduled audit fieldwork were not met by the Center. These items included a final unadjusted trial balance, fixed asset listing, support for accrued payroll and compensated absences. Additionally, the complete financial statements were not received until November 9, 2023.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The material misstatements were detected as a result of audit procedures and corrected by management: See schedule of material misstatements on page 62.

Disagreements with Management

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

Management Representations

We have requested and received certain representations from management that are included in the management representation letter dated January 29, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Center's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis and the Schedules of the Center's Proportionate Share of the Net Pension Liability, the Center's Contribution to Public Employees Retirement Association, the Center's Proportionate Share of the Net OPEB Liability, and the Center's OPEB Contribution to the Health Care Trust Fund, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Legislative Audit Committee, the Center's management, and others within the Department of Human Services and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record upon release by the Legislative Audit Committee.

McPherson, Goodrich, Paolucci & Mihalich, P.C.

February 1, 2024

Account	Description	Workpaper Reference	Debit	Credit	Net Income Effect
001		**153A**			
To adjust current portion to actual					
B - 2622	SBITA Component Liaibility - Current		41,121.00	0.00	
O - 6641	SBITA Component Principal		0.00	41,121.00	
Total			**41,121.00**	**41,121.00**	**41,121.00**
002		**135A**			
To adjust fixed assets to actual					
B - 1811	Accumulated Depr. - Land Improv		117.00	0.00	
B - 1821	Accumulated Depr. - Buildings		31,434.00	0.00	
B - 1849	Accumulated Depr. - Equipment		12,641.00	0.00	
B - 1840	Furniture & Equipment		3,077.00	0.00	
O - 4130	Depreciation Expense		0.00	44,192.00	
O - 6500	Loss on Sale of Assets		0.00	3,077.00	
Total			**47,269.00**	**47,269.00**	**47,269.00**
003		**152**			
To reverse accrual for Medicaid deferred revenue recorded in 2019.					
B - 2501	Unearned Revenue - Other Advances		315,577.00	0.00	
B - 3400	FB - Unassigned		0.00	315,577.00	
Total			**315,577.00**	**315,577.00**	**0.00**
GRAND TOTAL			**403,967.00**	**403,967.00**	**88,390.00**

<u>GOVERNMENT</u> <u>AUDITING</u>

<u>STANDARDS</u> REPORT

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Legislative Audit Committee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Bruce McCandless Colorado Veterans Community Living Center at Florence (the Center), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated February 1, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and recommendations as item 2023-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

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

Bruce McCandless Colorado Veterans Community Living Center's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Bruce McCandless Colorado Veterans Community Living Center's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Bruce McCandless Colorado Veterans Community Living Center's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McPherson, Goodrich, Paolucci & Michalik, P.C.

February 1, 2024