BerryDunn

Colorado Veterans Community Living Center at Homelake

FINANCIAL STATEMENTS

and

SUPPLEMENTARY INFORMATION

Year Ended June 30, 2021

With Independent Auditor's Report

Legislative Audit Committee

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COLORADO VETERANS COMMUNITY LIVING CENTER AT HOMELAKE

June 30, 2021

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January 10, 2022

Members of the Legislative Audit Committee

This report contains the results of a financial audit of the Colorado Veterans Community Living Center at Homelake. 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.

REPORT SUMMARY

AUTHORITY, PURPOSE AND SCOPE

The Office of the State Auditor, State of Colorado, engaged Berry, Dunn, NcNeil & Parker, LLC (BerryDunn) to conduct a financial statement audit of the Colorado Veterans Community Living Center at Homelake (the Center) for its fiscal year ended June 30, 2021. BerryDunn performed this audit in accordance with U.S. generally accepted auditing standards 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, 2021. This included a review of internal control in accordance with U.S. generally accepted auditing standards 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 express an unmodified opinion on the Center's financial statements as of and for the year ended June 30, 2021.

SUMMARY OF PROGRESS IN IMPLEMENTING PRIOR AUDIT RECOMMENDATIONS

The audit report for the year ended June 30, 2017 did not identify any findings or recommendations.

DESCRIPTION OF THE CENTER

The Colorado Veterans Community Living Center at Homelake (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 - Office of Community Access and Independence.

WORKLOAD AND STATISTICAL FACTORS

Authorized capacity	110
Average daily census for the year ended June 30, 2021	77
Average occupancy percentage for the year ended June 30, 2021	70.1%
Average veterans' occupancy percentage for the year ended June 30, 2021	83.1%
Patient days for the year ended June 30, 2021	28,155

FINDINGS AND RECOMMENDATIONS

We have audited the financial statements of Colorado Veterans Community Living Center at Homelake (the Center) for the fiscal year ended June 30, 2021 and have issued our report thereon dated January 10, 2022. In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. In addition, in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, we have also issued our report dated January 10, 2022 on our consideration of the Center's internal control over financial reporting and on compliance and other matters and our tests of its compliance with requirements of laws, regulations, contracts, and grants.

Our procedures were designed primarily to enable us to form an opinion on the financial statements and on management's assertion regarding compliance and the effectiveness of internal control over financial reporting and, therefore, may not identify all deficiencies in internal control that may exist.

During our engagement, we did not note any new matters involving internal control that are presented for the Center's consideration.

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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, 2017.

INDEPENDENT AUDITOR'S REPORT

Members of the Legislative Audit Committee
Colorado Veterans Community Living Center at Homelake

Report on the Financial Statements

We have audited the accompanying statement of net position of the Colorado Veterans Community Living Center at Homelake as of June 30, 2021, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Colorado Veterans Community Living Center at Homelake's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colorado Veterans Community Living Center at Homelake as of June 30, 2021, and the changes in its net position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

U.S. generally accepted accounting principles require the Management's Discussion and Analysis on Pages 7 through 11 and the Required Supplementary Information on Pages 44 through 55 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 the 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 U.S. generally accepted auditing standards, 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 January 10, 2022 on our consideration of the Colorado Veterans Community Living Center at Homelake’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 Colorado Veterans Community Living Center at Homelake’s internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Colorado Veterans Community Living Center at Homelake's internal control over financial reporting and compliance.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
January 10, 2022

This section, prepared by the Colorado State Veterans Community Living Center, presents an analysis of the performance of the Colorado State Veterans Community Living Center at Homelake (the Center) and an overview of the Center's financial activities for the fiscal year ended June 30, 2021. The financial statements, an integral part of this analysis and figures reported on the outputs from Colorado Operating Resource Engine (CORE), the State's accounting system, reflect the Center's fiscal year 2020-2021 performances, and are incorporated and referred to throughout this Management Discussion and Analysis. The analysis below includes comparative information from fiscal year 2019-2020 and is based on the Condensed Statement of Net Position and the Condensed Statement of Revenues, 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 $676,974 which is a 4.92% decrease from fiscal year 2019-2020.
- The Center's total operating revenue decreased by $431,465, which is a 4.80% decrease from fiscal year 2019-2020.
- The Center's cash operating expenses decreased by $2,790,240, which is a 25.85% decrease from fiscal year 2019-2020.
- The Center's non cash operating expenses increased by $429,867, which is a 59.59% increase from fiscal year 2019-2020.
- The Center's change in net position increased by $830,947 which is a 122.60% increase from fiscal year 2019-2020.

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 2021-2022 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 assets, liabilities and deferred outflows and inflows of resources 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 Position

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 Colorado State Veterans Community Living Center at Homelake is a State of Colorado agency with the general mission "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 costs. Financial Management Reports are reviewed monthly at the Executive Management level to ensure efficient and effective use of resources.

Financial Analysis

Statement of Net Position

A condensed Statement of Net Position is included as **Table A** below. 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

	2021	2020	Dollar Change	Total Percent Change
Current Assets	$ 6,893,852	$ 6,961,965	$ (68,113)	-0.98%
Current Assets-restricted patient trust funds	557,643	462,011	95,632	20.70%
Non-Current Assets	5,623,797	6,328,290	(704,493)	-11.13%
Total Assets (excluding restricted)	**12,517,649**	**13,290,255**	**(772,606)**	**-5.81%**
Total Restricted Assets	**557,643**	**462,011**	**95,632**	**20.70%**
TOTAL ASSETS	**$ 13,075,292**	**$13,752,266**	**$ (676,974)**	**-4.92%**
Deferred outflows of resources related to pension	3,392,041	1,843,265	1,548,776	84.02%
Current Liabilities	$ 1,031,523	$ 1,494,652	$ (463,129)	-30.99%
Current Liabilities-Restricted	365,439	365,439	0	0%
Non-Current Liabilities	11,719,501	10,386,829	1,332,672	12.83%
TOTAL LIABILITIES	**13,116,463**	**12,246,920**	**869,543**	**7.10%**
Deferred inflows of resources related to pension	2,375,558	3,882,012	(1,506,454)	-38.81%
Net Position Invested in Capital Assets, net of related Capital Lease	$5,554,348	$ 6,207,900	$ (653,552)	-10.53%
Restricted for resident purposes	192,204	96,572	95,632	99.03%
Unrestricted	(4,771,240)	(6,837,873)	2,066,635	30.22%
TOTAL NET POSITION	**$ 975,312**	**$ (533,401)**	**$1,508,715**	**282.85%**

As shown in **Table A,** the Center's Total Assets decreased by $676,974 to $13,075,292 in fiscal year 2020-2021 from $13,752,266 in fiscal year 2019-2020. The majority of this decrease is a result of the following items: 1) $156,209 decrease in resident accounts receivable due to decreased census and improved timing of collections in 2021, 2) $440,769 net increases for accumulated depreciation account for the standard annual depreciation of capital assets for fiscal 2020-2021, and 3) $256,724 decrease for construction in progress as a result of a write-off of project expenses which were not able to be capitalized.

The increase in deferred outflows of resources related to pension and the decrease in deferred inflows of resources related to pension is the result of changes in assumptions and the employer's proportionate share according to Government Accounting Standards Board (GASB 68).

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) $1,391,099 increases in GASB 68 pension liability primarily due to changes in current year assumptions, 2) $215,614 decreases in accrued expenses primarily due to a decrease in the payroll and benefits accrual which varies based on the number of payroll days accrued at year end, and 3) $173,379 decrease in unearned revenue due to COVID-19 grant funds which were not earned and recorded as a liability at June 30, 2020. The COVID-19 grant funds were earned as of June 30, 2021 and recorded in revenue.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes 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's for fiscal year 2020-2021 as compared to the previous year.

TABLE B
Condensed Statement of Revenues, Expenses and Changes in Net Position

	2021	2020	Dollar Change	Total Percent Change
Total Operating Revenue	$ 8,549,463	$ 8,980,928	$ (431,465)	-4.80%
Non-Operating Revenue	526,854	1,732,263	(1,205,409)	-69.59%
Restricted Revenue	134,463	62,634	71,829	114.68%
Total Revenue	**9,210,780**	**10,775,825**	**(1,565,045)**	**-14.52%**
Operating Expenses	8,004,277	10,794,515	(2,790,240)	-25.85%
Operating Expenses - Non Cash (Pension Expenses (GASB 68) Depr. & Bad Debt)	(291,544)	(721,411)	429,867	59.59%
Non-Operating Expenses-Cash (Capital Leasing & interest)	2,427	4,137	(1,710)	-41.33%
Restricted Expense	38,831	50,354	(11,523)	-22.88%
Total Expenses	**7,753,991**	**10,127,595**	**(2,373,606)**	**-23.44%**
CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTION	**1,456,789**	**648,230**	**808,561**	**124.73%**
Capital Contribution	51,924	29,538	22,386	75.79%
CHANGE IN NET POSITION	**$ 1,508,713**	**$ 677,768**	**$ 830,947**	**122.60%**

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 $431,465 mainly due to decrease in census during the pandemic in fiscal year 2020-21. The average census was 71% in fiscal year 2020-21 and which represents a 17% decrease from the 88% occupancy in fiscal year 2019-2020.
- The Center's non-operating revenue includes decrease in fair value of pooled cash, state transfers of revenue to enterprise fund, and gain (loss) on disposal of assets. Non-operating revenue decreased from fiscal year 2020-2021 by $1,205,409 mainly due to not receiving the general fund for domiciliary and additional general funds related to COVID funding for compression pay for direct care staff.
- Restricted revenue includes contributions to custodial funds and interest income on resident benefit fund, and increased due to the implementation of the GASB 84-Fiduciary Activities, Implementation Resources in fiscal year 2020-21.
- Operating Expense-Cash decreased by $2,790,240 mainly due to decrease in census during the pandemic in fiscal year 2020-21. The Center monitors all expenses closely and conducts monthly reviews with each manager to discuss departmental expenses.

- The decrease in Total Expenses is due to the decrease of operating expenses-cash and decrease of the pension benefits. The pension benefits decreased by $401,005 due to the changes of assumptions.
- **Table B** reflects that the Center experienced an increase in net position of $1,508,715 during FY2020-2021.

BUDGETARY HIGHLIGHTS

The Center's Fiscal Year 2020-2021 financial operations resulted in revenues below the budgeted amounts by $150,965. This was a result of decrease in census resulting in a decrease in patient charges; the decrease in patient charges was partially offset by the receipt of $320,995 of Provider Relief Funds and $1,231,298 of American Rescue Plan funds. The revenue related to these funds is recorded in VA per diem and government grants on the statement of revenues, expenses and changes in net position. Cash expenditure was under the budgeted amount by $208,002. This was because the facility monitors all expense closely and conducts monthly reviews with each manager to discuss departmental expenses.

CAPITAL ASSETS AND DEBT ACTIVITIES

Capital Assets

During fiscal year 2020-2021, there were no new investments in Capital Assets. Capital assets and construction in process totaling $263,724 were deleted from the statement of net position. This included $256,724 of construction in process related to projects that were expensed as they were not able to be capitalized and $7,000 in furniture and equipment related to the disposal of a bath lift.

Debt Activities

During fiscal year 2020-2021, the Center has paid down capital lease debt of $120,390 to $69,449. The capital lease is related to energy efficient enhancements done in prior years. No new debt was acquired during the year.

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 2021-2022 that includes projections related to expenses and corresponding increases in revenues through the increase in rates charged to residents for domiciliary and skilled nursing care. The effects of the pandemic continue to impact the Colorado Veterans Community Living Center at Homelake, primarily census, staff stability, retention, and recruitment.

CONTACTING COLORADO VETERANS COMMUNITY LIVING CENTER AT HOMELAKE

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 Homelake'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 10th floor Denver CO 80203 or phone 720.415.4458.

COLORADO VETERANS COMMUNITY LIVING CENTER AT HOMELAKE

Statement of Net Position

June 30, 2021

ASSETS AND DEFERRED OUTFLOWS

Current assets	
Cash and cash equivalents	$ 6,448,142
Accounts receivable, net	184,836
Due from other governments	243,677
Prepaid expenses	17,197
Restricted cash, patient trust funds	557,643
Total current assets	7,451,495
Capital assets, at cost	
Land and improvements	117,621
Buildings	12,691,040
Furniture and equipment	428,487
Vehicles	45,782
Software	47,570
Construction in progress	65,515
	13,396,015
Less accumulated depreciation	(7,772,218)
Capital assets, net of accumulated depreciation	5,623,797
Total assets	13,075,292
Deferred outflows of resources related to pension	3,262,772
Deferred outflows of resources related to other postemployment benefit (OPEB)	129,269
Total assets and deferred outflows of resources	$16,467,333

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

LIABILITIES, DEFERRED INFLOW AND NET POSITION

Current liabilities	
Accounts and vouchers payable	$ 236,555
Accrued salaries payable	23,347
Accrued employee fringe benefits	490,339
Accrued interest payable	3,426
Deposits held in trust for residents	365,439
Unearned revenue	180,884
Current portion of liability for compensated absences	27,523
Obligations under capital leases	69,449
Total current liabilities	1,396,962
Net pension liability	10,991,114
Net OPEB obligation liability	384,230
Liability for compensated absences, net of current portion	344,157
Total liabilities	13,116,463
Deferred inflows of resources related to pension	2,249,588
Deferred inflows of resources related to OPEB	125,970
Total liabilities and deferred inflows	15,492,021
Net position	
Net investment in capital assets	5,554,348
Restricted for resident purposes	192,204
Unrestricted	(4,771,240)
Total net position	975,312
Total liabilities, deferred inflows and net position	$16,467,333

COLORADO VETERANS COMMUNITY LIVING CENTER AT HOMELAKE

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2021

Operating revenues	
Patient charges for services	$ 4,152,148
VA per diem reimbursement and government grants	4,374,879
Miscellaneous revenue	22,436
Total operating revenues	8,549,463
Operating expenses	
Personal services and employee benefits	5,225,695
Pension benefit	(759,604)
Departmental indirect costs	662,981
Advertising	15,326
Care and subsistence - client benefits	16,302
Equipment rental	102,143
Food and food service supplies	303,848
Insurance	92,371
Medical and laboratory services and supplies	522,361
Office operations	27,210
Other operating services and supplies	408,786
Professional services	127,962
Repairs and maintenance	150,695
Non-capitalized equipment	106,142
Telephones	41,542
Utilities	199,345
Vehicle and travel	1,568
Depreciation	442,162
Bad debt expense	25,898
Total operating expenses	7,712,733
Operating income	836,730
Nonoperating revenues (expenses)	
Decrease in fair value of pooled cash	(71,968)
State transfers of revenue to enterprise fund	604,430
Interest expense	(2,427)
Loss on disposal of assets	(5,608)
Contributions to custodial funds	134,429
Distributions of custodial funds for patient care	(38,831)
Interest income - resident benefit fund	34
Total nonoperating revenues	620,059
Change in net position before capital contributions	1,456,789
Capital contributions	51,924
Change in net position	1,508,713
Net position, beginning of year	(533,401)
Net position, end of year	$ 975,312

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

COLORADO VETERANS COMMUNITY LIVING CENTER AT HOMELAKE

Statement of Cash Flows

Year Ended June 30, 2021

Cash flows from operating activities	
Cash received from patient and third-party payors	$ 4,319,151
Cash received from federal government	4,275,825
Cash payments to employees for services and benefits	(6,339,562)
Cash payments to suppliers for goods and services	(2,140,452)
Cash payments for other expenses	(508,684)
Net cash used by operating activities	(393,722)
Cash flows from non-capital financing activities	
State transfers to enterprise funds	656,354
Net cash provided by non-capital financing activities	656,354
Cash flows from capital and related financing activities	
Payments of capital leases	(68,138)
Interest payment on capital leases	(1,871)
Net cash provided by capital and related financing activities	(70,009)
Cash flows from investing activities	
Decrease in fair value of pooled cash	(71,934)
Net cash used by investing activities	(71,934)
Net increase in cash and cash equivalents	120,689
Cash and cash equivalents, beginning of year	6,327,453
Cash and cash equivalents, end of year	$ 6,448,142
Reconciliation of operating income to net cash used by operating activities	
Operating income	$ 836,730
Adjustments to reconcile operating income to net cash used by operating activities	
Depreciation	442,162
Bad debt expense	25,898
Disposal of construction in progress	256,724
Pension liability adjustment benefit	(1,664,131)
Decrease in	
Accounts receivable	180,107
Increase (decrease) in	
Accounts payable and accrued expenses	(304,107)
Unearned revenue	(173,379)
Liability for compensated absences	6,274
Net cash used by operating activities	$ (393,722)

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

Nature of Business

The Colorado Veterans Community Living Center at Homelake (the Center) is part of the State of Colorado's (the State) Department of Human Services.

The financial statements of the Center have been prepared in accordance with U.S. generally accepted accounting principles (U.S. 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 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 U.S. GAAP.

The accounting policies of the Center conform to U.S. GAAP, applicable to governmental units.

Fund Accounting

The Center uses an enterprise fund to report its financial 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.

1. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities are included on the statement of net position. Revenues are recorded when earned and expenses when a liability is incurred, regardless of the timing of cash flow.

Net Position

Net position is classified into three components – invested in capital assets, net of related capital lease; 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, capital leases, 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 do not meet the definition of “restricted” or “net investment in capital assets.”

Use of Estimates

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

Budget and Budgetary Accounting

With the exception of the State operating grant, appropriations for the nursing homes owned by the State are not included in the annual Long Bill (appropriations bill) passed by the General Assembly. Therefore, no budgetary comparison statement 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 consist primarily of open accounts with residents for services, subsidized Medicaid and Medicare reimbursements, and VA per diem reimbursements. Portions of accounts receivable relating to nonsubsidized 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.

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:

	Estimated Useful Lives (Years)
Land improvements	8 - 20
Buildings	15 - 40
Furniture and equipment	3 - 15
Vehicles	10
Software	3

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 a 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 fund 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.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Most of these changes were in effect as of June 30, 2021.

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 PERA. The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the FNP and additions to/deductions from the FNP of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of healthcare 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 U.S. GAAP. 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.

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 and less to be cash equivalents, except that the Center has elected not to include restricted cash as part of cash equivalents.

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Center has recorded deferred outflows and inflows of resources relative to its pension plan and OPEB plan. As discussed in Notes 8 and 10, amounts reported as deferred outflows of resources and deferred inflows of resources are results of differences between expected and actual experience, projected and actual earnings on pension plan investments, changes of assumptions, changes in proportion and differences between contributions and proportionate share of contributions, and contributions made subsequent to the actuarial measurement date. These deferred outflows and inflows of resources are amortized over various lives and are charged to OPEB and pension expense as discussed in Notes 8 and 10, respectively. The unamortized portion is reported in the statement of net position as a deferred outflow or inflow of resources, as applicable.

2. Financial Statement Presentation

The Center has a Patient Benefit fund and a Resident Trust fund that have been included with the enterprise proprietary fund for financial reporting purposes. The Patient Benefit fund is funded by donations from the public and is controlled by a committee consisting of resident representatives and other interested outside parties. The funds are used for various resident needs and activities. The Resident Trust fund consists of personal funds belonging to the individual residents. For fiscal year ended June 30, 2021, revenues and expenses of both of these funds are included in the statement of net position and the statement of revenues, expenses, and changes in net position. Below are amounts from these funds included in the financial statements:

	Patient Benefit Fund	Resident Trust Fund
Statement of Net Position:		
Assets:		
Cash	$ 135,900	$ 421,743
Liabilities and Net Position:		
Held in trust for residents	-	365,439
Restricted for resident purposes	135,900	56,304
	$ 135,900	$ 421,743
Statement of Revenue, Expenses and Changes in Net Position:		
Nonoperating revenues:		
Donations		$ 78,125
Collections of custodial funds		159,223
Interest		34
Nonoperating expense:		
Patient and client care expenses		(38,831)
Distribution of custodial funds		(102,919)
Change in net position		95,632
Net position, beginning of year		96,572
Net position, end of year		$ 192,204

3. Cash and Cash Equivalents

Cash and cash equivalents are summarized as follows:

Proprietary Fund:

Unrestricted	
Cash on hand	$ 500
Demand deposits	552
Cash with State Treasurer	6,447,090
	$ 6,448,142

Patient Benefit and Resident Funds:

Restricted	
Cash on hand	$ 1,050
Demand deposits	526,593
Certificate of deposit	30,000
	$ 557,643

The Center deposits its cash with the Colorado State Treasurer as required by Colorado Revised Statutes (C.R.S.). The State Treasurer pools these deposits (the Pool) and invests them in securities authorized by Section 24-75-601.1, C.R.S. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Monies deposited in the Treasury are invested until the cash is needed. As of June 30, 2021, the Center had cash on deposit with the State Treasurer of $6,447,090 which represented approximately 0.00363327 percent of the total $17,744.6 million fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2021, the Pool's resources included $36.1 million of cash on hand and $17,708.5 million of investments.

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 Center's cumulative unrealized gain on pooled cash totaled $31,806 as of June 30, 2021. The current fiscal year unrealized loss of $71,968 is included in the statement of revenue, expenses and changes in net position.

Additional information on investments of the State Treasurer's Pool may be obtained in the State's Annual Comprehensive Financial Report as of and for the year ended June 30, 2021.

At June 30, 2021, the Center has no deposits that are in excess of the amount covered by federal depository insurance. Colorado law requires that depository institutions must apply for and be designated as an eligible public depository before the institution can accept public fund monies. The depository institution must pledge eligible collateral as security for all public deposits held by that institution that are not insured by depository insurance. The market value of the collateral that each institution pledges as security must equal at least 102% of the total uninsured deposits held by that institution. Generally, the eligible collateral in the collateral pools is held by the depository institution or its agent in the name of the depository institution.

Custodial credit risk is the risk that, in the event of a bank failure, the Center's deposits may not be returned to it. The Center's policy for custodial credit risk parallels Colorado statutes. At June 30, 2021, none of the Center's deposits were exposed to custodial credit risk because of federal depository insurance and the pledge of eligible collateral.

4. Receivables

Receivables at June 30, 2021 consist of the following:

Patient fees	$	27,291
Medicaid reimbursements		183,845
Other receivables		32,037
Less allowance for doubtful accounts		(58,337)
Accounts receivable, net	$	184,836
VA per diem reimbursements	$	185,940
Medicare		59,587
Less allowance for doubtful accounts		(1,850)
Due from other governments	$	243,677

5. Capital Assets

The following is a summary of capital assets:

	July 1, 2020	Additions	Deletions	June 30, 2021
Nondepreciable assets:				
Land	$ 19,161	$ -	$ -	**$ 19,161**
Construction in process	322,239	-	256,724	**65,515**
Total capital assets not being depreciated	341,400	-	256,724	**84,676**
Depreciable assets:				
Buildings	12,691,040	-	-	**12,691,040**
Land improvements	98,460	-	-	**98,460**
Furniture and equipment	435,487	-	7,000	**428,487**
Vehicles	45,782	-	-	**45,782**
Software	47,570	-	-	**47,570**
Total capital assets being depreciated	13,318,339	-	7,000	**13,311,339**
Accumulated depreciation:				
Buildings	6,864,033	410,380	-	**7,274,413**
Land improvements	58,762	9,949	-	**68,711**
Furniture and equipment	315,301	21,833	1,392	**335,742**
Vehicles	45,782	-	-	**45,782**
Software	47,570	-	-	**47,570**
Total accumulated depreciation	7,331,448	442,162	1,392	**7,772,218**
Net capital assets	$ 6,328,291	$ (442,162)	$ 262,332	**$ 5,623,797**

6. Capital Lease Payable

The following is a summary of changes in capital lease payable for the year ended June 30, 2021:

	July 1, 2020	Additions	Repayments	June 30, 2021
Nondepreciable assets:				
$800,871 capital lease, interest rate of 2.55%, principal and interest payments of $17,640 are payable quarterly through maturity in April, 2022	$ 120,390	-	50,941	**$ 69,449**
Total capital lease payable	$ 120,390	$ -	$ 50,941	**$ 69,449**

The debt service requirements for the capital lease are as follows:

Fiscal year ending June 30:	
2022	$ 70,559
Less amount representing interest	(1,110)
	$ 69,449

7. 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, workers' 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.

8. Defined Benefit Pension Plan

Plan description. Eligible employees of the Colorado Veterans Community Living Center at Homelake are provided with pensions through the 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 comprehensive annual financial report (Annual Report) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2020. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

As of December 31, 2020, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive an annual increase of 1.25% unless adjusted by the automatic adjustment provision (AAP) pursuant C.R.S. § 24-51-413. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of 1.25% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the SDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. State Troopers whose disability is caused by an on-the-job injury are immediately eligible to apply for disability benefits and do not have to meet the five years of service credit requirement. 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, 2021. 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 for the SDTF are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. Employee contribution rates for the period of July 1, 2020 through June 30, 2021 are summarized in the table below:

	July 1, 2020 through December 31, 2020	January 1, 2021 through June 30, 2021
Employee contribution (all employees except State Troopers)*	10.00 %	10.00 %

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

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

	July 1, 2020 through December 31, 2020	January 1, 2021 through June 30, 2021
Employer contribution rate	10.90 %	10.90 %
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	9.88	9.88
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	N/A	0.05
Total employer contribution rate to the SDTF**	19.88 %	19.93 %

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

As specified in C.R.S. § 24-51-414, the State is required to contribute $225 million 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) 20-1379 suspended the $225 million direct distribution payable on July 1, 2020 for the State‘s 2020-21 fiscal year.

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 $843,289 for the year ended June 30, 2021.

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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll forward the total pension liability to December 31, 2020. The Center’s proportion of the net pension liability was based on the Center’s contributions to the SDTF for the calendar year 2020 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

Due to the aforementioned suspension of the July 1, 2020, direct distribution payment, the nonemployer contributing entity's proportion is zero percent. Pursuant to C.R.S. § 24-51-414, the direct distribution payment from the State of Colorado is to recommence annually starting on July 1, 2021. 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.

At June 30, 2021, the Center reported a liability of $10,991,114 for its proportionate share of the net pension liability.

At December 31, 2020, the Center’s proportion was 0.115881439%, which was an increase of 0.016965552% from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the Center recognized pension benefit of $749,782. At June 30, 2021, 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
Differences between expected and actual experience	$ 271,621	$ -
Changes of assumptions and other inputs	746,316	-
Net difference between projected and actual earnings on pension plan investments	-	2,249,588
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,827,157	-
Contributions subsequent to the measurement date	417,677	-
Total	$ 3,262,771	$ 2,249,588

The amount of $417,677 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 ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2022	$ 1,147,734
2023	565,153
2024	(764,833)
2025	(352,548)

Actuarial Assumptions

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

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50 - 9.17%
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 1/1/2007; and DPS benefit structure (automatic)	1.75%
PERA benefit structure hired after 12/31/2006*	Financed by the AIR

* 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.

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

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

- **Males**: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73% factor applied to rates for ages less than 80, a 108% factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females**: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78% factor applied to rates for ages less than 80, a 109% factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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

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

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	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 1/1/2007; and DPS benefit structure (automatic)	1.25%
PERA benefit structure hired after 12/31/2006*	Financed by the AIR

* 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.

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

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

Pre-retirement mortality assumptions for Members 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.

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.

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

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

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

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

The PERA Board first adopted the 7.25% 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 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%	

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

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

Discount Rate

The discount rate used to measure the total pension liability 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. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, 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 healthcare 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.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of $225 million, commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded. HB 20- 1379 suspended the $225 million direct distribution payable on July 1, 2020, for the State‘s 2020-21 fiscal year.
- 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 total pension liability. 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%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate	1% Increase (8.25%)
Proportionate share of the net pension liability	$14,541,568	$10,991,114	$ 8,010,015

Pension Plan Fiduciary Net Position

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

9. Other Pension Plans

Defined Contribution Pension Plans

Voluntary Investment Program

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 in PERA's annual report. 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 that were hired on or after January 1, 2006 and employees of certain community colleges that were hired on or after January 1, 2008 which were eligible to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the SDTF or the Defined Contribution Retirement Plan (PERA DC Plan). SB 18-200 expands eligibility to participate in the PERA DC Plan to new employees hired on or after January 1, 2019, who are classified college and university employees in the State Division. The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA's annual report as referred to above.

Funding Policy – All participating employees in the PERA DC Plan and FINH are required to contribute a percentage of the participating employees' PERA-includable salary to the PERA DC Plan. The employee and employer contribution rates for the period July 1, 2020 through June 30, 2021 are summarized in the tables below:

	July 1, 2020 through December 31, 2020	January 1, 2021 through June 30, 2021
Employee Contribution Rates:		
Employee contribution (all employees except State Troopers)	10.00 %	10.00 %
Employer Contribution Rates:		
Employer contribution (all employees except State Troopers)	10.15 %	10.15 %

Additionally, the employers are required to contribute AED and SAED to the SDTF as follows:

	July 1, 2020 through December 31, 2020	January 1, 2021 through June 30, 2021
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411*	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*	0.50	0.50
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	N/A	0.05
Total employer contribution rate to the SDTF*	10.75 %	10.80 %

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

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

The Center made contributions to other retirement plans totaling $6,940 during fiscal year 2021.

10. Defined Benefit Other Post-Employment Benefit (OPEB) Plan

General Information about the OPEB Plan

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

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

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the healthcare 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 healthcare plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

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

PERA Benefit Structure

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

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

Contributions. Pursuant to Title 24, Article 51, Section 208(1) (f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02% 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 $41,836 for the year ended June 30, 2021.

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

At June 30, 2021, the Center reported a liability of $384,230 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2020. The Center’s proportion of the net OPEB liability was based on the Center’s contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2020, the Center's proportion was 0.04043566%, which was an increase of 0.00612588% from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the Center recognized OPEB benefit of $9,823. At June 30, 2021, 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
Differences between expected and actual experience	$ 1,020	$ 84,472
Changes of assumptions or other inputs	2,871	23,561
Net difference between projected and actual earnings on OPEB plan investments	-	15,700
Changes in proportion and differences between contributions and proportionate share of contributions	103,925	2,237
Contributions subsequent to the measurement date	21,454	-
Total	$ 129,270	$ 125,970

The amount of $21,454 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 ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2022	$ (5,124)
2023	(2,927)
2024	(6,986)
2025	(7,201)
2026	4,464
Thereafter	(380)

Actuarial assumptions. The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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

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

	Initial Costs for Members		
Medicare Plan	Monthly Cost	Monthly Premium	Monthly Cost Adjusted to Age 65
Medicare Advantage/Self-Insured Rx	$ 588	$ 227	$ 550
Kaiser Permanent Medicare Advantage HMO	621	232	586

The 2020 Medicare Part A premium is $458 per month.
All costs are subject to the health care cost trend rates, as discussed below.

Healthcare 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, healthcare 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.

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

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

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

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

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

- **Males**: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73% factor applied to rates for ages less than 80, a 108% factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females**: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78% factor applied to rates for ages less than 80, a 109% factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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

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

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

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

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

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

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.

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.

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.

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

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

- Initial per capita healthcare costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2020 plan year.
- The healthcare cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

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

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

The PERA Board first adopted the 7.25% 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 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%	

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

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

Sensitivity of the Colorado Veterans Community Living Center at Homelake'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 healthcare cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	7.10 %	8.10 %	9.10 %
Ultimate PERACare Medicare trend rate	3.50 %	4.50 %	5.50 %
Initial Medicare Part A trend rate	2.50 %	3.50 %	4.50 %
Ultimate Medicare Part A trend rate	3.50 %	4.50 %	5.50 %
Net OPEB liability	$ 374,299	$ 384,230	$ 395,791

Discount rate. The discount rate used to measure the total OPEB liability 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 healthcare cost trend rates for Medicare Part A premiums as of the December 31, 2020, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF's FNP was projected 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 total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%.

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

	1% Decrease (6.25%)	Current Discount Rate	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$ 440,142	$ 384,230	$ 336,457

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

11. 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 (TABOR) – 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. To be exempt from TABOR, the Center must receive less than 10% of the revenue recognized for the year from the State of Colorado. The Center received 7.10% of its revenue recognized during fiscal year 2021 from the State of Colorado.

12. Uncertainty and COVID-19 Relief Funding

During the year ended June 30, 2021, in response to coronavirus disease (COVID-19) global pandemic, The Centers for Medicare & Medicaid services (CMS) implemented certain relief measures and also issued guidance for limiting the spread of COVID-19 specifically for nursing homes. In addition, in an effort to keep acute care beds available during this national emergency, CMS waived the three-day acute care stay requirement for a Medicare beneficiary to qualify for a skilled admission into a nursing home as well as the spell of illness requirement which restricted available Medicare benefit days.

The local, U.S., and world governments encouraged self-isolation to curtail the spread of COVID-19 by mandating the temporary shut-down of business in many sectors and imposing limitations on travel and size and duration of group meetings. Many industries continue to experience disruption to business operations. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management expects this matter may have a financial impact on the Center's financial position and results of future operations, such potential impact cannot be reasonably estimated at this time.

The U.S. government responded to the COVID-19 global pandemic with relief legislation. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), was enacted into law March 7, 2021. The CARES Act, among other things, established the Provider Relief Fund (PRF) to support healthcare providers in the battle against the COVID-19 outbreak. The PRF is being administered by the U.S. Department of Health and Human Services (HHS). The Center received PRF in the amount of $320,995 during the year ended June 30, 2021. These funds are to be used for infection control, qualifying expenses and to cover lost revenue due to COVID-19. The PRF is recognized as income when qualifying expenditures have been incurred, lost revenues have been identified, or incentive payments earned based on HHS criteria. Due to the complexity of the reporting requirements and the continued issuance of clarifying guidance, there is at least a reasonable possibility the amount of income recognized may change by a material amount. Any difference between amounts previously estimated and amounts subsequently determined to be recoverable or payable will be included in revenues in the year that such amounts become known.

Additional relief legislation was signed into law March 11, 2021. The American Rescue Plan Act (ARP) of 2021 allocated $17 billion in support of the V.A.'s nationwide response to the pandemic. The Center received $1,231,298 of ARP funds

Management believes the Center has met the conditions necessary to recognize the PRF and ARP funds received through June 30, 2021 as revenue, and is included in VA per diem reimbursement and government grants in the statement of revenues, expenses and changes in net position.

COLORADO STATE VETERANS CENTER - HOMELAKE

Required Supplementary Information (Unaudited)

Schedule of the Center's Proportionate Share of the Net Pension Liability

Public Employees' Retirement Association

Last 10 Fiscal Years *

(In the thousands)

Fiscal year ended June 30,	2021	2020	2019	2018	2017	2016	2015	2014
Center's proportion of the net pension liability	0.11588 %	0.09892 %	0.09151 %	0.08967 %	0.08996 %	0.09971 %	0.10372 %	0.09967 %
Center's proportionate share of the net pension liability	$ 10,991	$ 9,598	$ 10,413	$ 17,949	$ 16,525	$ 11,392	$ 9,207	$ 8,878
Center's covered-employee payroll	$ 4,398	$ 4,209	$ 3,829	$ 3,536	$ 3,373	$ 3,346	$ 3,301	$ 3,284
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	249.91 %	228.04 %	271.95 %	507.61 %	489.92 %	340.47%	278.92 %	270.34%
Plan fiduciary net position as a percentage of the total pension liability	65.34 %	62.24 %	55.10 %	43.20 %	42.60 %	56.11%	59.84 %	61.08%

* The amounts presented for each year were determined as of December 31 of the previous year. This schedule is designed to provide information for ten years. However, until a full ten-year trend is compiled, information for those years for which information is available is presented.

COLORADO STATE VETERANS CENTER - HOMELAKE

Required Supplementary Information (Unaudited, Continued)

Schedule of the Center's Pension Contributions

Public Employees' Retirement Association

Last 10 Fiscal Years *

(In the Thousands)

Fiscal year ended June 30,	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 863,125	$ 805,257	$ 732,493	$ 660,362	$ 630,345	$ 595,155	$ 557,194	$ 524,678
Contributions in relation to the contractually required contribution	(863,125)	(805,257)	(732,493)	(660,362)	(630,345)	(595,155)	(557,194)	(524,678)
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Center's covered employee payroll	$ 4,398,454	$ 4,209,392	$ 3,829,030	$ 3,536,189	$ 3,373,098	$ 3,346,256	$ 3,301,436	$ 3,284,325
Contributions as a percentage of covered employee payroll	19.62 %	19.13 %	19.13 %	18.67 %	18.69 %	17.79 %	16.88 %	15.98 %

* The amounts presented for each year were determined as of December 31 of the previous year. This schedule is designed to provide information for ten years. However, until a full ten-year trend is compiled, information for those years for which information is available is presented.

Notes to Required Supplementary Information - Net Pension Liability (Unaudited)
Fiscal Year 2021 Changes in Benefit Terms and Actuarial Assumptions

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.

Notes to Required Supplementary Information - Net Pension Liability (Unaudited)
Fiscal Year 2021 Changes in Benefit Terms and Actuarial Assumptions (Continued)

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%

COLORADO STATE VETERANS CENTER - HOMELAKE

Required Supplementary Information (Unaudited, Continued)

Schedule of the Center's Proportionate Share of the Net OPEB Liability

Public Employees' Retirement Association

Last 10 Fiscal Years *

(In the thousands)

Fiscal year ended June 30,	2021	2020	2019	2018
Center's proportion of the net OPEB liability	0.04044 %	0.03431 %	0.03259 %	0.03204 %
Center's proportionate share of the net OPEB liability	$ 384	$ 386	$ 442	$ 416
Center's covered-employee payroll	$ 4,398	$ 4,209	$ 3,829	$ 3,536
Center's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	8.73 %	9.17 %	11.54 %	11.76 %
Plan fiduciary net position as a percentage of the total OPEB liability	32.78 %	24.49 %	17.00 %	17.53 %

* The amounts presented for each year were determined as of December 31 of the previous year. This schedule is designed to provide information for ten years. However, until a full ten-year trend is compiled, information for those years for which information is available is presented.

COLORADO STATE VETERANS CENTER - HOMELAKE

Required Supplementary Information (Unaudited, Concluded)

Schedule of the Center's OPEB Contributions

Public Employees' Retirement Association

Last 10 Fiscal Years *

(In the thousands)

Fiscal year ended June 30,	2021	2020	2019	2018
Contractually required contribution	$ 44,142	$ 38,480	$ 35,103	$ 35,210
Contributions in relation to the contractually required contribution	(44,142)	(38,480)	(35,103)	(35,210)
Contribution deficiency	$ -	$ -	$ -	$ -
Center's covered employee payroll	$ 4,398,454	$ 4,209,392	$ 3,829,030	$ 3,536,189
Contributions as a percentage of covered employee payroll	1.00 %	0.91 %	0.92 %	1.00 %

* The amounts presented for each year were determined as of December 31 of the previous year. This schedule is designed to provide information for ten years. However, until a full ten-year trend is compiled, information for those years for which information is available is presented.

Notes to Required Supplementary Information - Other Post-Employment Benefits (Unaudited)
Fiscal Year 2021 Changes in Benefit Terms and Actuarial Assumptions

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.

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INDEPENDENT AUDITOR'S 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
Colorado Veterans Community Living Center at Homelake

We have audited, in accordance with U.S. generally accepted auditing standards 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 Colorado Veterans Community Living Center at Homelake, which comprise the statement of net position as of June 30, 2021, and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise Colorado Veterans Community Living Center at Homelake's basic financial statements, and have issued our report thereon dated January 10, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Colorado Veterans Community Living Center at Homelake's internal control over financial reporting (internal control) as a basis for designing 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 Colorado Veterans Community Living Center at Homelake's internal control. Accordingly, we do not express an opinion on the effectiveness of Colorado Veterans Community Living Center at Homelake'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 a 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Colorado Veterans Community Living Center at Homelake'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 financial statements. 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.*

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.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
January 10, 2022

REQUIRED AUDITOR COMMUNICATIONS

TO THE

LEGISLATIVE AUDIT COMMITTEE

State Auditor and Legislative Audit Committee
State of Colorado

We have audited the financial statements of the Veterans' Community Living Center at Homelake (the Center) for the year ended June 30, 2021, and have issued our report thereon dated January 10, 2022. Professional standards require that we communicate to you the following information related to our audit.

REQUIRED COMMUNICATIONS

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated June 15, 2021, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

With respect to the required supplementary information (RSI) accompanying the basic financial statements, we applied certain limited procedures to the RSI which consisted of inquiries of management about the methods of preparing the information and comparing the information 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 did not express an opinion on or provide any assurance on the information because the limited procedures did not provide us with sufficient evidence to express an opinion or provide any assurance.

Significant Audit Findings

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. No new accounting policies were adopted and the application of existing policies was not changed during 2021. 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 are:

- Allowance for doubtful accounts – based on specific identification of accounts and historical experience.

- Depreciation expense – based on management's estimate of useful lives.

- Net pension liability and net OPEB liabilities and related amounts – actuarially determined based on census data and economic assumptions.

- Management's estimate of the revenue recognized from U.S. Department of Health and Human Services (HHS) Coronavirus Aid, Relief, and Economic Security (CARES Act) Provider Relief Funds and the American Rescue Plan Act of 2021 (ARP) funds based on management's interpretation of the statutes and the guidelines issued by HHS and the Veterans Administration.

We have reviewed the basis for these estimates to satisfy ourselves as to their reasonableness in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are as follows:

- Note 8 – Defined Benefit Pension Plan
- Note 9 – Other Pension Plans
- Note 10 – Defined Benefit Other Post-Employment Benefit (OPEB) Plan
- Note 11 – Contingencies and Commitments
- Note 12 – Uncertainty and COVID-19 Relief Funding

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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. There were no such misstatements noted as part of our audit.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January10, 2022.

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 auditor's 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 Matters

We discussed the funds available to the Center under the CARES Act and American Rescue Plan as well as related compliance requirements, federal reporting, and accounting and reporting within the financial statements.

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We wish to thank the staff at the Center for the assistance provided to us during the course of our audit.

This letter is intended solely for the information and use of the Colorado State Auditor and Legislative Audit Committee of the State of Colorado, Colorado Department of Human Services, and management of Veterans' Community Living Center at Homelake 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.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
January 10, 2022