COLORADO VETERANS COMMUNITY LIVING CENTER AT FITZSIMONS

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORTS

YEAR ENDED JUNE 30, 2020

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COLORADO VETERANS COMMUNITY
LIVING CENTER AT FITZSIMONS
FINANCIAL AUDIT
YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

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

January 18, 2021

Members of the Legislative Audit Committee

This report contains the results of a financial audit of the Colorado Veterans Community Living Center at Fitzsimons. 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 McPherson, Goodrich, Paolucci, & Mihelich, PC (MGPM, PC) to conduct a financial statement audit of the Colorado Veterans Community Living Center at Fitzsimons (the Center) for its Fiscal Year Ended June 30, 2020. MGPM, PC performed this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

The purpose and scope of our audit was to:

- Express our opinion on the financial statements of the Center as of and for the year ended June 30, 2020. This included a review of internal control in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

- Evaluate progress in implementing prior audit findings and recommendations.

SUMMARY OF MAJOR AUDIT FINDINGS AND RECOMMENDATIONS

We expressed an unmodified opinion on the Center's financial statements as of and for the year ended June 30, 2020.

SUMMARY OF PROGRESS IN IMPLEMENTING PRIOR AUDIT RECOMMENDATIONS

The audit report for the year ended June 30, 2016 did not identify any findings or recommendations.

DESCRIPTION OF THE CENTER

The Colorado Veterans Community Living Center at Fitzsimons (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	180
Average daily census for the year ended June 30, 2020	151
Average occupancy percentage for the year ended June 30, 2020	83.9%
Average veterans' occupancy percentage for the year ended June 30, 2020	90.1%
Patient days for the year ended June 30, 2020	55,312

FINDINGS AND RECOMMENDATIONS

We have audited the financial statements of Colorado Veterans Community Living Center at Fitzsimons (the Center) for the Fiscal Year Ended June 30, 2020 and have issued our report thereon dated January 18, 2021. 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 18, 2021 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 RECOMMENDATION

There were no audit recommendations included in the report to the Legislative Audit Committee for the year ended June 30, 2016.

FINANCIAL AUDIT REPORT SECTION

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INDEPENDENT AUDITORS' REPORT

Members of the Legislative Audit Committee

Report on the Financial Statements

We have audited the accompanying financial statements of the Colorado Veterans Community Living Center at Fitzsimons (the Center), an enterprise fund of the State of Colorado, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Colorado Veterans Community Living Center at Fitzsimons, an enterprise fund of the State of Colorado, as of June 30, 2020, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Financial Statement Presentation

As discussed in Note 1, the financial statements present only the Colorado Veterans Community Living Center at Fitzsimons and do not purport to, and do not present fairly the financial position of the State of Colorado, as of June 30, 2020, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8-12 and the schedule of the Center's proportionate share of the net pension liability on page 39, the schedule of the Center's contributions to the Public Employees' Retirement Association local government division trust fund on page 40, the Center's proportionate share of the net OPEB liability on page 41, and the Center's OPEB contribution to the Health Care Trust fund on page 42, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2021, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

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

January 18, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section, prepared by the Colorado Veterans Community Living Center, presents an analysis of the Colorado Veterans Community Living Center at Fitzsimons's performance and an overview of the Center's financial activities for the fiscal year ended June 30, 2020. The financial statements, an integral part of this analysis and figures reported on the outputs from CORE (Colorado Operating Resource Engine), reflect the Center's fiscal year 2019-2020 performances, and are incorporated and referred to throughout this Management Discussion and Analysis. The analysis below includes comparative information from fiscal year 2018-2019 and is based on the Condensed Statement of Net Position and the Condensed Statement of Revenue, Expenses and Changes in Net Position provided.

FINANCIAL HIGHLIGHTS

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

- The Center's Total Assets increased by $274,590 which is a 0.78% increase from fiscal year 2018-2019.
- The Center's Total Operating Revenue increased by $356,393, which is a 1.43% increase from fiscal year 2018-2019.
- The Center's Cash Operating Expenditures increased by $4,256,335, which is a 20.59% increase from fiscal year 2018-2019.
- The Center's Non-Cash Operating Expenditures decreased by $4,694,178, which is a 316.86% decrease from fiscal year 2018-2019.
- The Center's Change in Net Position increased by $2,876,992 which is a 44.59% increase from fiscal year 2018-2019.

OVERVIEW OF THE FINANCIAL STATEMENT

The Management's Discussion and Analysis consists of three parts: Financial Highlight and Overview, Financial Analysis of Financial Statements, and Supplementary Information, to include Budget Execution, Capital Expenditures and Fiscal Year 2020-2021 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 of the Center's assets, liabilities, and deferred outflows and deferred 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 of 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 Veterans Community Living Center at Fitzsimons is a State of Colorado agency with the general mission of "To honor and serve our nation's veterans, their spouses and Gold Star Parents by creating opportunities for meaningful activity, continued growth and feelings of self-worth in resident-centered long-term care and supportive living environment". The Center is operated by the Division of 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 Center's indirect costs. Financial Management Reports are reviewed monthly at the 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

	2020	2019	Dollar Change	Total Percent Change
Current Assets	18,461,018	18,084,332	376,686	2.08%
Current Assets-Restricted	152,162	121,167	30,995	25.58%
Non-Current Assets	16,908,685	17,041,776	(133,091)	-0.78%
Total Assets (excluding restricted)	**35,369,703**	**35,126,108**	**243,595**	**0.69%**
Total Restricted Assets	**152,162**	**121,167**	**30,995**	**25.58%**
TOTAL ASSETS	**35,521,865**	**35,247,275**	**274,590**	**0.78%**
Deferred out flows of resources related to pension	4,145,621	6,660,562	(2,514,941)	-37.76%
Current Liabilities	2,785,646	2,119,672	665,974	31.42%
Current Liabilities-Restricted	67,192	16,137	51,055	316.38%
Non-Current Liabilities	38,808,182	43,528,609	(4,720,427)	-10.84%
TOTAL LIABILITIES	**41,661,020**	**45,664,418**	**(4,003,398)**	**-8.77%**
Deferred inflows of resources related to pension	15,499,456	23,065,597	(7,566,141)	-32.80%
Net Assets Invested in Capital Assets, net of related debt	16,304,808	16,376,427	(71,619)	-0.44%
Restricted for resident purposes	85,686	105,030	(19,344)	-18.40%
Unrestricted	(33,882,484)	(43,303,635)	9,420,181	19.44%
Total Net Position	**(17,491,990)**	**(26,822,178)**	**9,329,188**	**34.78%**

As shown in **Table A,** the Center's Total Assets increased by $274,590 to $35,521,865 in fiscal year 2019-2020 from $35,247,275 in fiscal year 2018-2019. The majority of this increase is a result of the following items: 1) $117,979 increase for cash and equivalent, 2) $261,268 increase for receivable, which was due to an increase in Medicaid patients and increase in net income.

The decrease in deferred outflows of resources related to pension and the decrease in deferred inflows of resources related to pension is the result of decrease in the pension and other post-employment benefit (OPEB) liabilities related to GASB Statements No. 68 and 75.

The decrease in Total Liabilities for the same period is also shown in **Table A** and majority of this decrease is a result of the following items: 1) $4,656,410 decreases in GASB 68 pension liability, 2) $463,772 increase in fringe liability clearing an accrued payroll, 3) $154,435 increase in accounts payable is related to medical expenses for residents.

The following is a schedule of net position excluding the effects of the reporting requirements of GASB 68 and GASB 75.

	2020	2019	Dollar Change	Total Percent Change
Total Net Position	(17,492,987)	(26,822,178)	9,329,191	34.78%
Add back Unfunded Pension Liability	46,879,479	56,808,938	(9,929,459)	-17.48%
Add back -Unfunded Other Post-Employment Benefits (Asset))/Liability	1,656,689	1,719,369	(62,680)	-3.65%
Net Position excluding pension and OPEB effect	31,043,181	31,706,129	(662,948)	-2.09%

The Center's net position excluding the effects of GASB 68 and GASB 75 decreased by $662,948 mainly due to increases in expenses.

Statement of Revenue, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Change in Net Position provides the information as to the nature and the source of the changes seen in the Statements of Net Position. **Table B** provides a summary of revenues and expenses of the Center's for fiscal year 2019-2020 as compared to the previous year.

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

	2020	2019	Dollar Change	Total Percent Change
Total Operating Revenue	25,263,348	24,906,955	356,393	1.43%
Non-Operating Revenue	2,837,695	756,356	2,081,339	275.18%
Restricted Revenue	31,064	29,392	1,672	5.69%
Total Revenue	**28,132,107**	**25,692,703**	**2,439,404**	**9.49%**
Operating Expenses - Cash	24,930,057	20,673,722	4,256,335	20.59%
Operating Expenses - Non Cash (Pension Expenses (GASB 68 & 75) Depr. & Bad Debt)	(6,175,649)	(1,481,471)	(4,694,178)	-316.86%
Non-Operating Expenses-Cash (Capital Leasing)	21,104	22,967	(1,863)	-8.12%
Restricted Expense	51,125	27,502	23,623	85.90%
Total Expenses	**18,826,637**	**19,242,720**	**(416,083)**	**-2.16%**
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTION	**9,305,470**	**6,449,983**	**2,855,487**	**44.27%**
Capital Contribution	23,718	2,213	21,505	971.76%
CHANGE IN NET POSITION	**9,329,188**	**6,452,196**	**2,876,992**	**44.59%**

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

- The Center's operating revenues increased by $356,393 mainly due to increase in rate of VA per diem and Medicaid.
- The Center's non-operating revenues increased by $2,081,339 due to general fund received for the direct care staff compression pay.

- Operating Expense-Cash increased due to inflationary influence in the area of raw food, medical purchase as well as the direct care staff compression pay and hazard pay due to the COVID-19 pandemic. Normally, there is minimal opportunity for the Center to reduce expenses to any significant degree due to the nature of its operation, that of providing health care and quality of life for the residents. 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 pension expenses and increase of operation expense-cash. The pension expenses decreased by $4,694,178 due to the changes in funding, actuarial assumptions, and experience.

- **Table B** reflects that the Center experienced a $9,305,470 Net Income Before Capital Contribution during FY2019-2020.

BUDGETARY HIGHLIGHTS

The Center's Fiscal Year 2019-2020 financial operations resulted in revenues below the budgeted amounts by $837,301. This was a result of decrease in patient census due to the COVID-19 pandemic. Cash expenditures were over the budgeted amount by $112,092 due the purchase of personal protection equipment (PPE) and hazard pay during the COVID-19 pandemic.

CAPITAL ASSETS AND DEBT ACTIVITIES

Capital Assets

During fiscal year 2019-2020 the Center invested $429,201 in capital assets. This investment included $187,852 for the building improvement , related to the parking lot repaving, card access system, and the greenhouse, and $541,349 for the Construction in Progress related to the Pharmacy expansion.

Debt Activities

During fiscal year 2019-2020, the Center has paid down capital lease debt of $665,350 to $603,876. 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. In addition, the COVID-19 pandemic also impacted the center's census and expenditure. A budget has been prepared for fiscal year 2020-2021 that includes projections related to expenses increase and corresponding decrease in revenues due to the COVID-19 pandemic. The projected net loss in FY2020-2021 would be covered by the cash fund that the center has. The center will continue to monitor all expenses closely due to the decrease of census as a result of the COVID-19 pandemic.

CONTACTING COLORADO VETERANS COMMUNITY LIVING CENTER AT FITZSIMONS

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Colorado Veterans Community Living Center at Fitzsimons' 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 Veterans Community Living Centers at 1575 Sherman Street 10th floor Denver CO 80203 or phone 303-866-6671.

COLORADO VETERANS COMMUNITY
LIVING CENTER AT FITZSIMONS
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 15,281,107
Restricted cash, resident benefit fund	152,162
Accounts receivable	4,059,391
Allowance for uncollectible accounts receivable	(2,123,862)
Due from other governments	1,125,441
Other current assets	118,941
TOTAL CURRENT ASSETS	18,613,180
NONCURRENT ASSETS	
Capital assets -	
Land and improvements	7,977,317
Buildings	20,576,779
Furniture and equipment	1,204,012
Vehicles	99,016
Construction in progress	982,615
Accumulated depreciation	(13,931,054)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	16,908,685
TOTAL ASSETS	$ 35,521,865
Deferred outflows of resources related to pension and other post employment benefits	$ 4,145,621
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts and vouchers payable	$ 768,873
Retainage payable	65,964
Accrued salaries payable	607,322
Accrued fringes	1,008,250
Accrued interest payable	12,130
Deposits held in trust for residents	67,192
Unearned revenue	150,314
Current portion of liability for compensated absences	106,102
Current portion of liability under capital lease	66,691
TOTAL CURRENT LIABILITIES	2,852,838
NONCURRENT LIABILITIES	
Net other post employment benefit liability	1,431,569
Net pension liability	35,750,764
Liability for compensated absences, net of current	1,088,663
Liability under capital lease, net of current	537,186
TOTAL NONCURRENT LIABILITIES	38,808,182
TOTAL LIABILITIES	$ 41,661,020
Deferred inflows of resources related to pension and other post employment beneifts	$ 15,499,456
NET POSITION	
Invested in capital assets, net of related debt	16,304,808
Restricted for resident benefit fund	85,686
Unrestricted	(33,883,484)
TOTAL NET POSITION	$ (17,492,990)

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

COLORADO VETERANS COMMUNITY
LIVING CENTER AT FITZSIMONS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2020

OPERATING REVENUE	
Patient charges for services	$ 8,305,901
VA per diem reimbursement	16,953,255
Miscellaneous revenue	4,192
TOTAL OPERATING REVENUE	25,263,348
OPERATING EXPENSES	
Personnel services and employee benefits	19,768,532
Pension expense	(9,980,184)
Departmental indirect costs	2,999,425
Advertising	5,862
Care and subsistence - client benefits	32,334
Equipment rental	279,998
Food and food service supplies	656,931
Insurance	19,725
Legal services	34,296
Medical and laboratory services and supplies	1,703,787
Office operations	636
Other operating services and supplies	264,890
Professional services	800,652
Repairs and maintenance	253,397
Non-capitalized equipment	138,771
Telephones	175,251
Utilities	287,874
Vehicles and travel	10,568
Depreciation	862,294
Reportable claims	111,968
Bad debt expense	327,402
TOTAL OPERATING EXPENSES	18,754,409
OPERATING INCOME (LOSS)	6,508,939
NONOPERATING REVENUE (EXPENSES)	
Investment income	379,792
State grant	2,457,903
Interest expense	(21,104)
Donations - resident fund fund, net of benefit expenses	(20,197)
Interest income - resident funds	137
TOTAL NONOPERATING REVENUE (EXPENSES)	2,796,531
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	9,305,470
CAPITAL CONTRIBUTIONS	23,718
CHANGE IN NET POSITION	9,329,188
NET POSITION, beginning of year	(26,822,178)
NET POSITION, end of year	$ (17,492,990)

The accompanying notes are an integral part of this statement.

COLORADO VETERANS COMMUNITY
LIVING CENTER AT FITZSIMONS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from patients and third-party payors	$ 7,543,357
Cash received from federal government	17,174,182
Cash payments to employees for services	(18,160,576)
Cash payments to suppliers for goods and services	(5,215,388)
Cash payments for other expenses	(2,999,425)
NET CASH USED BY OPERATING ACTIVITIES	(1,657,850)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State grant	2,481,621
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	2,481,621
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(729,203)
Payment on anticipation warrants	(272,574)
Capital lease payments	(62,428)
Interest paid on capital leases and anticipation warrants	(21,517)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,085,722)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	582,313
NET CASH PROVIDED BY INVESTING ACTIVITIES	582,313
NET INCREASE IN CASH AND CASH EQUIVALENTS	320,362
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	14,960,745
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 15,281,107
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	$ 6,508,943
Adjustments to reconcile operating loss to net cash provided by operating activities -	
Depreciation	862,294
Bad debt expense	327,402
Pension liability adjustment	(9,707,611)
Changes in assets and liabilities -	
Restricted cash	(137)
Accounts receivable	(588,669)
Other current assets	3,514
Unearned revenue	591,876
Accounts payable and accrued expenses	42,924
Liability for compensated absences	301,614
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ (1,657,850)

The accompanying notes are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Colorado Veterans Community Living Center at Fitzsimons ("the Center") is part of the State of Colorado ("the State") Department of Human Services.

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

The Financial Reporting Entity

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

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

Fund Accounting

The Center uses an enterprise fund to report its financial position, changes in financial 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.

Basis of Accounting

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

Net Position

Net position is classified into three components – net investments in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

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

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

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

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

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 schedule is required to be presented.

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

Accounts Receivable

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

Capital Assets

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

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

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

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 liability and are measured using an estimate of current employees that will eventually retire.

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.

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

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, deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position 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. Some, but not all, of these changes were in effect as of June 30, 2020.

Other Post Employment Benefit (OPEB) Plan

The Center participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

Fair Value Measurement

The Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Center's recurring fair value measurements as of June 30, 2020 are described in Note 3.

New Accounting Pronouncements

The GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance in May 2020. The objective of GASB 95 is to postpone effective dates to provide temporary relief in light of the COVID-19 pandemic. The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statement No. 83, Certain Asset Retirement Obligations, Statement No. 84, Fiduciary Activities, Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, Statement No. 90, Majority Equity Interests, Statement No. 91, Conduit Debt Obligations, Statement No. 92, Omnibus 2020 and Statement No. 93, Replacement of Interbank Offered Rates The effective dates of the following pronouncement is postponed by 18 months: Statement No. 87, Leases.

The Center has elected to delay implementation of these standards in accordance with Standard No. 95.

NOTE 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 fund is used for various resident needs and activities. The Resident Trust fund consists of personal funds belonging to the individual residents. The assets, liabilities, net position, revenue, and expenses of these funds are included in the Statement of Net Position and the Statement of Revenue, Expenses, and Changes in Net Position. Below are amounts from these funds included in the financial statements:

STATEMENT OF NET POSITION

	June 30, 2020 Patient Benefit Fund	June 30, 2020 Resident Trust Fund
Assets:		
Cash and cash equivalents	$ 84,970	$ 67,192
Accounts receivable	716	-
	$ 85,686	$ 67,192
Liabilities and Net Position		
Deposits held in trust for residents	-	67,192
Restricted for resident purposes	85,686	-
	$ 85,686	$ 67,192

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

	Year Ended June 30, 2020
Patient Benefit Fund:	
Non-operating Revenue:	
Donations	$ 30,927
Interest	137
Non-operating Expenses:	
Materials and supplies	(51,125)
Change in net position	(20,061)
Net position, beginning of year	105,747
Net position, end of year	$ 85,686

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents are summarized as follows:

Proprietary Fund:	
Unrestricted	
Cash on hand	$ 1,000
Demand deposits	42,062
Cash with State Treasurer	15,238,045
	$ 15,281,107

NOTE 3 – CASH AND CASH EQUIVALENTS (cont'd)

Restricted
Patient Benefit and Resident Funds:

Restricted		
Cash on hand	$	1,100
Demand Deposits		151,062
	$	152,162

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 and invests them in securities approved 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. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2020, the Center had cash on deposit with the State treasurer of $14,916,487, which represented approximately 0.15 percent of the total $9,633.8 million fair value of deposits in the State Treasurer's Pool(Pool). As of June 30, 2020, the Pool's resources included $16.0 million of cash on hand and $9,617.8 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 unrealized gains/losses included in income reflects only the change in fair value for the fiscal year.

Additional information on investments of the State Treasurer's Pool may be obtained in the state's Comprehensive Annual Financial Report for the year ended June 30, 2020.

At June 30, 2020, the Center's had no deposits that were 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 fair 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 as described above. A June 30, 2020, none of the Center's deposits were exposed to custodial credit risk because of federal depository insurance and the pledge of eligible collateral.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2020 consist of the following:

Patient fees, net of allowance for doubtful accounts of $1,232,003	$ 57,749
Medicaid reimbursements, net of allowance for doubtful accounts of $771,126	916,041
Other receivables, net of allowance for doubtful accounts of $120,733	961,739
Total accounts receivable	$ 1,935,529
VA per diem reimbursements-Due from Other Governments	$ 1,125,441

NOTE 5 – CAPITAL ASSETS

Following is a summary of Capital Assets:

	July 1, 2019	Additions	Deletions	June 30, 2020
Nondepreciable Assets:				
Land	$ 3,312,000	-	-	$ 3,312,000
Construction in Progress	441,266	541,349	-	982,615
Total capital assets not being depreciated	3,753,266	541,349	-	4,294,615
Depreciable Assets:				
Improvements	$ 4,665,317	-	-	$ 4,665,317
Buildings	20,388,927	187,852	-	20,576,779
Furniture and equipment	1,246,688	-	(42,676)	1,204,012
Vehicles	99,016	-	-	99,016
Total capital assets being depreciated	26,399,948	187,852	42,676	26,545,124
Less: Accumulated Depreciation				
Improvements	(3,859,401)	(230,649)	-	(4,090,050)
Buildings	(7,872,078)	(587,795)	-	(8,459,873)
Furniture and equipment	(1,280,941)	(43,850)	42,676	(1,282,115)
Vehicles	(99,016)	-	-	(99,016)
Total accumulated depreciation	(13,111,436)	(862,294)	42,676	(13,931,054)
Total Net Capital Assets	$ 17,041,778	$ (133,093)	$ -	$ 16,908,685

NOTE 6 – CAPITAL LEASE PAYABLE

The following is a summary of changes in capital lease payable for the year ended June 30, 2020:

	Balance July 01, 2019	Additions	Repayments	Balance June 30, 2020
$1,224,502 capital lease, beginning October 2012, with an interest rate of 3.35%. Principal and interest payments of 18,044 are payable quarterly and adjust annually through maturity, July 2027.	$ 665,350	$ -	$ 61,473	$ 603,877
Total capital lease payable	$ 665,350	-	$ 61,473	$ 603,877

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

Fiscal Year Ending June 30	
2021	$ 86,101
2022	90,253
2023	90,609
2024	93,767
2025-2028	324,592
	685,322
Less amount representing interest	(81,445)
	$ 603,877

NOTE 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, worker's compensation and medical claims are covered under the self-insurance fund managed by the Department of Personnel & Administration for the State of Colorado. Property claims are covered by commercial insurance and claims settled have not exceeded coverage limits for the last three years. A further description of the state's risks is contained in the State's Comprehensive Annual Financial Report.

NOTE 8 – DEFINED BENEFIT PENSION PLAN

Plan Description: Eligible employees of the Center are provided with pensions through the State Division Trust Fund (SDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Cont'd)

Benefits provided as of December 31, 2019: PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2019, 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, the annual increase for 2019 is 0.00 percent for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lesser of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. 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 retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Cont'd)

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, 2020: 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 2019 through June 2020 are summarized in the table below:

	January 1, 2019 Through June 30, 2019	July 1, 2019 Through June 30, 2020	July 1, 2020 Through December 31, 2020
Employee contribution (all employees except State Troopers)	8.00%	8.75%	10.00%

"Contribution rates for the SDTF 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:

	January 1, 2018 Through June 30, 2019	July 1, 2019 Through June 30, 2020	July 1, 2020 Through December. 31, 2020
Employer contribution rate	10.15%	10.40%	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)%	(1.02)%
Amount apportioned to the SDTF	9.13%	9.38%	9.88%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.00%	5.00%	5.00%
Total employer contribution rate to the SDTF	**19.13%**	**19.38%**	**19.88%**

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. A portion of the direct distribution allocated to the SDTF is considered a non-employer contribution for financial reporting purposes.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Cont'd)

Subsequent to the SDTF's December 31, 2019, measurement date, HB 20-1379 Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, $225 million direct distribution allocated to the State, School, Judicial, and DPS Divisions, as required under Senate Bill 18-200.

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 $2,485,496 for the year ended June 30, 2020.

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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019. The Center's proportion of the net pension liability was based on The Center's contributions to the SDTF for the calendar year 2019 relative to the total contributions of participating employers and the State as a non-employer contributing entity for participating employers of the SDTF that are outside of the State's financial reporting entity .

At June 30, 2020, The Center reported a liability of $35,750,764 for its proportionate share of the net pension liability.

At December 31, 2019, The Center's proportion was 0.3684201 percent, which was an increase of 0.0001331 from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, The Center recognized pension expense (benefit) of $(7,365,345). At June 30, 2020, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,335,727	$ -
Changes of assumptions or other inputs	-	10,254,089
Net difference between projected and actual earnings on pension plan investments	-	3,851,722
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,334,146	1,051,437
Contributions subsequent to the measurement date	1,358,660	N/A
Total	$ 4,028,533	$ 15,157,248

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Cont'd)

$1,358,660 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year ended June 30:	
2021	$ (10,774,482)
2022	$ (250,936)
2023	$ (151,178)
2024	$ (1,310,780)
2025	$ -
Thereafter	$ -

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

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.17 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	1.25 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

[1] For 2019, the annual increase was 0.00 percent

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

Healthy, 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 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Cont'd)

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

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

The actuarial assumptions used in the December 31, 2018 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.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the SDTF, 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 percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	**100.00%**	

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 rate of return assumption of 7.25%.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Cont'd)

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including scheduled increases in SB 18-200 and the additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. 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 included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- As specified in law, the State provides an annual direct distribution of $225 million, which commenced 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.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, 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 fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- The projected benefit payments reflect the lowered AI cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.

- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Cont'd)

Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Sensitivity of the 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 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$45,992,257	$ 35,750,764	$ 27,083,939

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

Other Pension Plans

Voluntary Investment Program (PERAPlus 401(K) Plan)

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

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

Defined Contribution Retirement Plan (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 comprehensive annual financial report as referred to above.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Cont'd)

Funding Policy – All participating employees in the PERA DC Plan and the Center are required to contribute a percentage of the participating employees' PERA-includable salary to the PERA DC Plan. The employee and employer contribution rates for the period July 2019 through June 2020 are summarized in the tables below :

	January 1, 2019 Through June 30, 2019	July 1, 2019 Through June 30, 2020	July 1, 2020 Through December 31, 2020
Employee Contribution Rates:			
Employee contribution (all employees except State Troopers)	8.00%	8.75%	10.00%
Employer Contribution Rates:			
(On behalf of all employees except State Troopers)	10.15%	10.40%	10.90%

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

	As of June 30, 2019
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 [1]	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 [1]	5.00%
Total employer contribution rate to the SDTF[1]	**10.00%**

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

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.80 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.

PERAPlus 457 Plan

The PERA Deferred Compensation Plan (457 Plan) was established July 1, 2009 as a continuation of the State's deferred compensation plan, which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 Plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2019, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by the percentage of their PERA contribution) to a maximum of $19,000. Participants who are age 50 and older, an contributing the maximum amount allowable were allowed to make an additional $6,000 contribution in 2019. Contributions and earnings are tax-deferred.

The Center made contributions to Other Pensions Plans totaling $36,058, to the PERA DC plan, during Fiscal Year 2020.

NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

General Information about the OPEB Plan

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

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

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

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

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

NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (cont'd)

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

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Center is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Center were $129,662 for the year ended June 30, 2020.

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

At June 30, 2020, the Center reported a liability of $1,431,569 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The Center's proportion of the net OPEB liability was based on the Center's contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the Center's proportion was 0.127364 percent, which was an increase of 0.0021094 from its proportion measured as of December 31, 2018.

NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (cont'd)

For the year ended June 30, 2020, the Center recognized OPEB expense (benefit) of $(50,726). At June 30, 2020, the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 4.751	$ 240,556
Changes of assumptions or other inputs	$ 11,877	-
Net difference between projected and actual earnings on OPEB plan investments	-	$ 23,895
Changes in proportion and differences between contributions recognized and proportionate share of contributions	$ 28,952	$ 77,757
Contributions subsequent to the measurement date	$ 71,508	N/A
Total	$ 117,088	$ 342,208

$71,508 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2021	$ (63,593)
2022	(63,590)
2023	(56,672)
2024	(67,053)
2025	(43,172)
Thereafter	(2,548)

NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (cont'd)

Actuarial assumptions. The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.60 percent in 2019, gradually decreasing to 4.50 percent in 2029
Medicare Part A premiums	3.50 percent in 2019, gradually rising to 4.50 percent in 2029

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

The actuarial assumptions used in the December 31, 2018, 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. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following monthly costs/premiums are assumed for 2019 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	$601	$240
Kaiser Permanente Medicare Advantage HMO	602	236

The 2019 Medicare Part A premium is $437 per month.

NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (cont'd)

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

Medicare Plan	Cost for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	$562
Kaiser Permanente Medicare Advantage HMO	571

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
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 for the determination of the total pension liability for each of the Division Trust Funds as shown below are 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.

NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (cont'd)

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

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

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

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

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

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.

- The morbidity assumptions were updated to reflect the assumed standard aging factors.

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

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, 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 percentage and then adding expected inflation.

NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (cont'd)

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

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 rate of return assumption of 7.25%.

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
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	1,397,563	1,431,569	1,470,866

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019, 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 3.50%.

NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (cont'd)

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$ 1,618,677	$ 1,431,569	$ 1,271,553

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

NOTE 10 – CONTINGENCIES AND COMMITMENTS

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

Taxpayer Bill of Rights – Colorado voters passed an amendment to the state constitution in November 1992 which contains several limitations, including revenue raising, spending and other specific requirements affecting state and local governments. The amendment, commonly known as the TABOR Amendment, is complex and subject to judicial interpretation; however, the management of the Center believes it is in compliance with the requirements of the amendment. 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 4.37% of its revenue recognized during Fiscal Year 2020 from the State of Colorado.

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

REQUIRED SUPPLEMENTARY

INFORMATION

COLORADO STATE VETERANS COMMUNITY LIVING CENTER AT FITZSIMONS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY JUNE 30, 2020

Last 10 Fiscal Years [a, b]

Dollar amounts in thousands

Fiscal year ended June 30,	2020	2019	2018	2017	2016	2015	2014
Center's proportion of the net pension liability	0.368420091%	0.355113238%	0.373424065%	0.3690736491%	0.3687532296%	0.3813035779%	0.3913765394%
Center's proportionate share of the net pension liability	$ 35,751	$ 40,407	$ 74,752	$ 67,792	$ 35,751	$ 40,407	$ 34,863
Center's covered payroll	$ 12,502	$ 10,673	$ 10,970	$ 10,650	$ 10,464	$ 10,240	$ 10,275
Center's proportionate Share of the net pension liability as a percentage of its employee payroll	285.96%	378.59%	681.42%	636.54%	341.66%	394.60%	339.30%
Plan fiduciary net position as a percentage of the total pension liability	62.24%	55.10%	43.20%	42.60%	56.11%	59.84%	61.08%

[a] Amounts prior to fiscal 2014 are not available

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

COLORADO STATE VETERANS COMMUNITY LIVING CENTER AT FITZSIMONS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CENTER'S CONTRIBUTION
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION JUNE 30, 2020
Last 10 Fiscal Years [a, b]

Fiscal year ended June 30,	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 2,485,496	$ 2,041,653	$ 2,098,484	$ 1,989,508	$ 1,864,450	$ 1,729,112	$ 1,641,148
Contributions in relation to the contractually required contribution	$ 2,485,496	$ 2,041,653	$ 2,098,484	$ 1,989,508	$ 1,864,450	$ 1,729,112	$ 1,641,148
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Center's covered payroll	$ 12,502,496	$ 10,672,518	$ 10,969,599	$ 10,650,471	$ 10,464,286	$ 10,240,231	$ 10,275,241
Contributions as a percentage of covered payroll	19.88%	19.13%	19.13%	18.68%	17.82%	16.89%	15.97%

[a] Amounts prior to fiscal 2014 are not available. In future reports, additional years will be added until 10 years of historical data are presented

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

COLORADO STATE VETERANS COMMUNITY LIVING CENTER AT FITZSIMONS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY JUNE 30, 2020
Last 10 Fiscal Years [a, b]

Dollar amounts in thousands

Fiscal year ended June 30,	2020	2019	2018
Center's proportion of the net OPEB liability	0.1273640000%	0.1252546000%	0.1335530000%
Center's proportionate share of the net OPEB liability	$ 1,432	$ 1,704	$ 1,736
Center's covered payroll	$ 12,712	$ 10,673	$ 10,970
Center's proportionate Share of the net pension liability as a percentage of its covered payroll	12.26%	15.97%	15.82%
Plan fiduciary net position as a percentage of the total pension liability	24.49%	17.00%	17.53%

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

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

COLORADO STATE VETERANS COMMUNITY LIVING CENTER AT FITZSIMONS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CENTER'S OPEB CONTRIBUTION
HEALTH CARE TRUST FUND JUNE 30, 2020
Last 10 Fiscal Years [a, b]

Fiscal year ended June 30,	2020	2019	2018
Contractually required contribution	$ 129,662	$ 108,860	$ 111,890
Contributions in relation to the contractually required contribution	$ 129,662	$ 108,860	$ 111,890
Contribution deficiency	$ -	$ -	$ -
Center's covered payroll	$12,711,761	$10,672,518	$10,969,599
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%

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

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

NET PENSION LIABILITY –

Changes in benefit terms and actuarial assumptions

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 follow:

- 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, 2015 measurement period for pension compared to the prior year.

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

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

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

OTHER POST-EMPLOYMENT BENEFITS-

Changes in benefit terms and actuarial assumptions

There were no changes in assumptions or other inputs effective for the December 31, 2019 measurement period for OPEB compared to the prior year.
There were no changes in assumptions or other inputs effective for the December 31, 2018 measurement period for OPEB compared to the prior year.
There were no changes in assumptions or other inputs effective for the December 31, 2017 measurement period for OPEB.

REQUIRED AUDITOR COMMUNICATION

TO THE

LEGISLATIVE AUDIT COMMITTEE

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

REQUIRED AUDITOR COMMUNICATION TO THE LEGISLATIVE AUDIT COMMITTEE

Members of the Legislative Audit Committee:

We have audited the financial statements of the Colorado Veterans Community Living Center at Fitzsimons (the Center) for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in the engagement letter dated June 4, 2020. Professional standards also require that we communicate to you the following information related to our audit.

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 2020. Several accounting policies were postponed due to the COVID-19 pandemic described in Note 1. 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 estimate affecting the financial statements was the allowance for uncollectible accounts. Management's estimate of the allowance for uncollectible accounts is based on management's review of the specific accounts and the determination of the collectability of each account. We evaluated the key factors and assumptions used to develop the allowance for uncollectible accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

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. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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 auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested and received certain representations from management that are included in the management representation letter dated January 18, 2021.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

Restriction on Use

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

Mc Pherson, Goodrich, Paolucci & Mihalich, P.C.

January 18, 2021

GOVERNMENT AUDITING

STANDARDS REPORT

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

Independent Auditor's Report

Members of the Legislative Audit Committee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States , the financial statements of the Colorado State Veterans Community Living Center at Fitzsimons (the Center), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated January 18, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

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

January 18 ,2021