

**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE**

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORTS**

**YEAR ENDED JUNE 30, 2022**

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REPORT NUMBER 2206F

**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE  
FINANCIAL AUDIT  
YEAR ENDED JUNE 30, 2022**

**TABLE OF CONTENTS**

|  | <u>Page</u> |
|--|-------------|
| TRANSMITTAL LETTER AND REPORT SUMMARY  | 1           |
| RECOMMENDATION LOCATOR   | 3           |
| DESCRIPTION OF THE COLORADO VETERANS<br>COMMUNITY LIVING CENTER AT RIFLE   | 4           |
| FINDINGS AND RECOMMENDATIONS   | 5           |
| DISPOSITION OF PRIOR AUDIT RECOMMENDATIONS   | 11          |
| <b>FINANCIAL AUDIT REPORT SECTION</b>  |             |
| Independent Auditors' Report   | 12          |
| Management's Discussion and Analysis   | 15          |
| <b>FINANCIAL STATEMENTS</b>  |             |
| Proprietary Fund-  |             |
| Statement of Net Position  | 21          |
| Statement of Revenues, Expenses and Changes in Net Position  | 22          |
| Statement of Cash Flows  | 23          |
| Fiduciary Funds-   |             |
| Statement of Net Position  | 24          |
| Statement of Changes in Fiduciary Net Position   | 25          |
| Notes to Financial Statements  | 26          |
| <br>* * * * *  |             |
| Required Supplementary Information   | 51          |
| Required Auditor Communication to the Legislative Audit Committee  | 59          |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters<br>Based on an Audit of Financial Statements performed in accordance with <i>Government<br/>Auditing Standards</i> | 64          |



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December 16, 2022

Members of the Legislative Audit Committee

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

### **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 Rifle (the Center) for its Fiscal Year Ended June 30, 2022. 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, 2022. 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, 2022.

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

## **SUMMARY OF PROGRESS IN IMPLEMENTING PRIOR AUDIT RECOMMENDATIONS**

The last stand-alone audit of the Center was conducted for the Fiscal Year 2018. The audit report for the year ended June 30, 2018, included one prior recommendation. The disposition of this audit recommendation as of June 30, 2022, was as follows:

|                       |          |
|-----------------------|----------|
| Implemented           | 0        |
| Partially implemented | 0        |
| Not implemented       | <u>1</u> |
| Total                 | <u>1</u> |

RECOMMENDATION LOCATOR

| Rec. No. | Page No. | Recommendation Summary   | Agency Addressed                                  | Agency Response | Implementation Date |
|----------|----------|--|---|-----------------|---------------------|
| 2022-001 |          | The Center should strengthen internal controls over financial reporting in order to ensure accurate implementation of relevant accounting standards. | Colorado Veterans Community Living Center - Rifle | Partially Agree | December, 2022      |
| 2022-002 |          | The Center's management and The Colorado Department of Human Services should implement a plan to improve the Center's overall financial condition.   | Colorado Veterans Community Living Center - Rifle | Disagree        | On-Going            |

## DESCRIPTION OF THE CENTER

The Colorado Veterans Community Living Center at Rifle (the Center), was established under Section 26-12-201, C.R.S., as a skilled-care nursing facility. It provides health services (including long-term care, short-term rehabilitation, short-term "respite" care and end of life services) 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 honorably discharged veterans, veteran's spouses or widows, and "Gold-Star Parents" (non-veterans, any of whose children have died while serving in the Armed Forces). Preference for admission is given to Colorado veterans and the Center must maintain a 75 percent veteran's occupancy (the Center received a waiver from the Department of Veteran's Affairs(VA) for Fiscal Year 2021-2022 due to Covid-19). 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 Veterans Community Living Centers within the Colorado Department of Human Services, Office of Community Access and Independence.

## **WORKLOAD AND STATISTICAL FACTORS**

|   |        |
|---|--------|
| Authorized capacity   | 89     |
| Average daily census for the year ended June 30, 2022                   | 45.64  |
| Average occupancy percentage for the year ended June 30, 2022           | 51.28% |
| Average veteran's occupancy percentage for the year ended June 30, 2022 | 73.07% |
| Patient days for the year ended June 30, 2022                           | 16,658 |



## FINDINGS AND RECOMMENDATIONS

### **Finding 2022-001      Controls over the Presentation and Implementation of new GASB Accounting Pronouncements**

The Living Center at Rifle's (Center) accounting division is responsible for all of the Center's financial accounting and reporting, including the accurate entry and approval of financial transactions in the Center's accounting system and preparation of its financial statements. Because governmental operations are diverse and constrained by numerous legal and fiscal requirements, a basic principle of governmental Generally Accepted Accounting Principles, or GAAP, is fund accounting. A fund represents part of the activities of an organization, so that each fund separates its activities in the accounting records and has a self-balancing set of accounts. In order to more easily demonstrate compliance with legal restrictions or limitations, governmental transactions and balances are accounted for through separate funds across several sets of financial statements. For example, the Center uses Fund 8130, Patient Benefit Fund; and Fund 9000, Resident Trust Fund, within the State's financial accounting system, the Colorado Operations Resource Engine (CORE), for the accounting for the Center's financial activities.

The Governmental Accounting Standards Board (GASB) establishes GAAP for state and local government entities through the issuance of GASB statements, which the Center must comply with when preparing its financial statements. For example, the Center was required to implement GASB Statement No. 84-*Fiduciary Activities* (GASB 84) in Fiscal Year 2021 which required Fund 8130 (Patient Benefit Fund) and Fund 9000 (Resident Trust Fund) to be reported separately in the financial statements. Fiduciary activities involve assets which are held by a government for the benefit of others. The Patient Benefit Fund tracks donations received for the benefit of current patients, while the Resident Trust Fund includes individual patient funds held by the Center for use by a specified patient. Because the Office of the State Auditor audits the State's Living Centers on a rotating four-year basis rather than every year, an individual audit of the Center was not performed in Fiscal Year 2021 and, therefore, the Center did not prepare separate financial statements in accordance with GAAP for that year.

In addition, the Center was required to implement a new GASB statement during Fiscal Year 2022, GASB Statement No. 87-*Leases* (GASB 87). GASB 87 required the Center to evaluate all of its lease and financing agreements for proper financial statement reporting of the lease liabilities and related assets within its financial statements in accordance with this standard. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time. A right-of-use asset pertains to the lessee's right to occupy, operate or hold a leased asset during a rental period. The value of this right-of-use asset is lowered periodically over the remaining life or rental period of the asset with the offset being amortization expense.

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

The purpose of the audit work was to review the Center's implementation of GASB 87 and GASB 84 reporting, as it related to the Center's financial presentation and recording of information on the Center's Fiscal Year 2022 financial statements.

We reviewed the Center's financial statements for the proper recording and implementation of GASB 87 related to leases and reviewed the recording of the Center's right-to-use asset along with the corresponding debt and amortization expenses related to the right to use asset(s) being added to the capital assets. For GASB No. 84-*Fiduciary Activities*, we reviewed the presentation of Fund 8130 and Fund 9000 to determine if any portion of the activity met the criteria for reporting under GASB No. 84, and whether that activity was properly reported as a fiduciary activity, as applicable

## How were the results of our audit work measured?

We measured the results of our audit against the following:

- GASB Statement No. 84 –
  - This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.
- GASB Statement No. 87 – Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset.
  - A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.
  - A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.
- State Fiscal Rule 1-2 (3.5), *Internal Controls*, requires that state agencies “implement internal accounting and administrative controls that reasonably ensure that financial transactions are accurate, reliable, conform to the Fiscal Rules, and reflect the underlying realities of the accounting transaction (substance rather than form).” For example, internal accounting and administrative controls include periodic staff training on fiscal year end accounting processes, development of procedures, and implementation of new governmental accounting standards.
- The Office of the State Controller has adopted the Standards for Internal Control in the Federal Government (Green Book), published by the Government Accountability Office, as the State’s standard for internal controls, which all state agencies must follow. Green Book, Paragraph OV2.14, Roles in an Internal Control System, states that management is responsible for designing an internal control system which includes controls over the preparation of financial reporting in accordance with professional standards and applicable laws and regulations.

## What problems did the audit work identify?

The Center did not properly implement new accounting pronouncements GASB 84 or GASB 87. Specifically:

- GASB 84 – The Center did not report the Resident Trust Fund and the Patient Benefit Fund as fiduciary funds within its financial statements. Rather, the Center improperly reported activity and fiscal year-end balances related to the Resident Trust Fund of \$249,333 in assets, revenue of \$401,327, and expenses of \$308,190; and related to the Patient Benefit Fund of assets of \$132,011, revenue of \$79,404, and expenses of \$18,219, within the enterprise fund statements of the Center. When we reported this error to the Center, the Center corrected this within its Fiscal Year 2022 financial statements; however, the State Controller did not make an adjustment to correct the error in the State’s Fiscal Year 2022 financial reporting because it was determined to be immaterial to the State’s financial statements.
- GASB 87 – The Center incorrectly reported on its financial statements the current year activity and disclosures related to one lease arrangement. Specifically, the Center understated its right to use asset by \$11,091, overstated its notes payable by \$72,463, overstated its interest expense by \$78,762, and understated its depreciation expense by \$7,279. When we reported this error to the Center, the Center did not correct the error within its Fiscal Year 2022 financial statements, but made correcting entries to its Fiscal Year 2023 accounting activity.

## Why did these problems occur?

The Center’s accounting staff did not have sufficient internal controls over financial reporting to ensure that its financial statements were prepared in accordance with all relevant accounting standards. Specifically, they did not have adequate knowledge of these new GASB standards and did not attend sufficient training to ensure they understood how to effectively implement them for the Center’s financial statements. For example, although the OSC provided all State agencies with an implementation workbook to serve as an inventory and calculation tool for leases applicable under GASB 87, and provided training and guidance for the implementation of GASB 87, the training provided was limited. Ultimately, the Center was responsible for ensuring they understood all provisions of the new standards and how they apply for their financial reporting, seeking out and attending other training opportunities, and reaching out to the Department of Human Services or the Office of the State Controller for guidance.

## Why do these problems matter?

Without adequate controls in place over financial activities, the Center cannot ensure the accurate and timely reporting of its financial information and, ultimately, the State’s financial statements. Due to the Center’s failure to properly implement GASB, 84 and 87, the Center’s financial statements were materially misstated for Fiscal Year 2022. The Center also risks material misstatements in its future year financial statements if it does not ensure it appropriately implements new GASB statements.

Classification of Finding: **Material Weakness**

This finding does not apply to a prior audit recommendation.

## Recommendation No. 2022-001:

The Colorado Veterans Community Living Center – Rifle should strengthen its internal controls over financial reporting in order to ensure that its financial statements are prepared accurately and in accordance with all relevant accounting standards. This should include reaching out to the Department of Human Services or the Office of the State Controller for guidance in implementing new Governmental Accounting Standards Board pronouncements, and seeking out opportunities for and requiring accounting staff to attend trainings on financial reporting issues, including new GASB pronouncements.

The Colorado Veterans Community Living Center in Rifle (Rifle) partially agrees with this recommendation. Rifle agrees that a correction was necessary related to GASB 84 for presentation purposes. This correction was made in December of 2022 and before the audit was officially published. In addition, Rifle agrees with the GASB 87 finding and has made the noted corrections to the errors in State Fiscal Year 2023. The tool Rifle utilized to comply with GASB 87 was updated to ensure that these adjustments would not occur in subsequent reporting periods. However, Rifle disagrees that this was an internal control error that would require additional trainings and/or support. Rifle intends on continuing engagement with the Department of Human Services and the Office of the State Controller as it normally does with the roll-out of new GASB pronouncements.

**Auditor’s Addendum**

Adequate Internal controls, including training, increase the likelihood that the Colorado Veterans Community Living Center – Rifle (Rifle) will implement new Governmental Accounting Standards Board (GASB) pronouncements accurately and in a timely manner. As noted in the finding, the issues we identified indicate that Rifle’s current internal controls were not sufficient and Rifle did not adequately implement the new GASB pronouncements. Rifle should seek out and attend training opportunities over new GASB pronouncements to reduce the risk of this occurring in the future.

**Finding 2022-002 Continued Decline in Financial Condition**

The Center is an 89-bed facility that provides long-term care for veterans of the United States Armed Forces and their qualifying dependents. The Center receives federal funding from the U.S Department of Veterans Affairs as well as Medicare, Medicaid, payments from residents and private insurance carriers.

The Colorado Department of Human Services (CDHS), which oversees the State’s living centers, combines the financial activity of the Rifle, Homelake, Fitzsimons, and Florence living centers at the statewide level. Therefore, all living centers report their cash as combined at the statewide level and pool their cash with the State Treasurer. This allows for any negative cash balance reported by an individual living center to be netted against positive cash balances at one or more of the other living centers. For example, the Center has been unable to maintain positive cash flow consistently and has operated at a loss since 2009, which has resulted in it reporting a negative cash balance since that time. The Center’s negative cash balance of \$8,173,895 at the end of Fiscal Year 2022 has been reclassified and reported as “Other Liabilities” within the Center’s Statement of Net Position” in accordance with generally accepted accounting standards.

The Office of the State Auditor audits financial activity for the State’s living centers each year as part of its Statewide Financial and Compliance Audit, but contracts for an audit of the individual living centers on a rotational basis. As a result, each center undergoes a separate financial and compliance audit once every four years. The Rifle Living Center had audits conducted for Fiscal Years 2010, 2014, 2018, and 2022. A prior finding related to the Center’s negative cash balance was first reported with the Center’s Fiscal Year 2010 audit and has continued to be a prior audit recommendation that has not been fully implemented by the Center.

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

The purpose of the audit work was to evaluate the Center’s audited financial statements for the Center’s sustainability related to its negative cash balance. We measured the operating trends to determine the sustainability of the Center. We reviewed cash balances and census information related to audited financial statements.

As part of the audit work, we analyzed the cash balance of the Center in Fiscal Years 2022, 2018, 2014, and 2010 along with census data from those same years.

**How were the results of our audit work measured?**

We considered the Center’s response to the prior recommendation to create and monitor a plan to reverse operating trends and repay the liability incurred with the other living centers.

**What problems did the audit work identify?**

The Center has continued to experience significant operating losses and related negative cash balances over at least the last 12 years. As shown from the results of the Center’s current and three prior standalone audits included in the table below, the Center’s operational expenses have generally exceeded revenues over the past 12 years. The revenue over the four year period from 2018 to 2022 decreased 28.81 percent, while expenses decreased by only 3.80 percent and the last three audits showed net operating losses. In addition, the Center’s cash balance has further decreased from an approximate \$1,000,000 negative balance at the end of Fiscal Year 2010, to an over \$8,000,000 negative balance at the end of Fiscal Year 2022, and the Center’s operating loss has increased from a loss of \$931,217 for Fiscal Year 2010 to a loss of \$1,855,669 for Fiscal Year 2022. Each living center also tracks census as an important metric which represents the average number of beds that are occupied during any given year. Census has a direct correlation to revenues. Declining census numbers over time, and the COVID pandemic restrictions in recent years, have contributed to the Center’s continued decline in financial condition.

The chart below shows, for Fiscal Years 2010, 2014, 2018, and 2022, the Center’s negative cash balance as of June 30 for each fiscal year then ended, the average daily census, percentage of capacity, operating revenues, operating expenses, and operating losses for each fiscal year:

| Fiscal Year | Total Capacity | Average Daily Census | Percentage of Capacity | Ending Cash Balance. | Operating Revenues | Operating Expenses | Operating Losses |
|-------------|----------------|----------------------|------------------------|----------------------|--------------------|--------------------|------------------|
| 2010        | 89 residents   | 70.83 residents      | 79.58%                 | \$ (1,053,652)       | \$7,655,834        | \$ 8,587,051       | \$ (931,217)     |
| 2014        | 89 residents   | 69.50 residents      | 78.09%                 | \$ (3,926,781)       | \$8,369,644        | \$ 8,524,894       | \$ (155,250)     |
| 2018        | 89 residents   | 84.80 residents      | 95.28%                 | \$ (3,175,040)       | \$9,168,145        | \$ 16,112,357      | \$(6,944,212)    |
| 2022        | 89 residents   | 45.64 residents      | 51.28%                 | \$ (8,173,895)       | \$6,527,125        | \$ 8,382,794       | \$(1,855,669)    |

**Why did these problems occur?**

Neither the Department nor the Center has taken sufficient steps to address the Center’s operating losses, negative cash balances, and overall declining fiscal condition. For example, the Center has not implemented a Business Plan with the goal of improving the Center’s financial condition, or establish sufficient monitoring processes for measuring operational results and making necessary adjustments to spending or overall operations. Further, although the State living centers’ pooled cash account is reconciled and monitored at the combined living center level by Department staff, this reconciliation does not identify each individual living center’s portion of the cash balance, which would give Department staff essential information for identifying individual center’s operational results and allow for the Department to target efforts to improve centers’ financial stability, such as in the case with the Rifle Living Center.

## Why do these problems matter?

It is vital for the Center to take steps to improve its current financial outlook. The Center's working capital shortfalls jeopardize its continuing operations and, as a result, the Center may have to obtain additional funding to improve its financial condition. These continuing shortfalls could also jeopardize the financial position of other living centers whose cash balances may be exhausted as a result of the Rifle Living Center's continued operating losses. If management is unable to improve the financial viability of the Center, it may be necessary to cease operations or explore other options for funding in order to protect the financial position of other viable living centers.

Classification of Finding: **Other Matter**

This finding applies to a prior audit recommendation 2010-003.

## Recommendation No. 2022-002:

The Rifle Living Center's management and the Colorado Department of Human Services (CDHS) should implement a plan to continue to monitor the Center's operating trends and take steps, as appropriate, to improve the Center's overall financial condition and to reduce and/or eliminate the Center's negative cash balance. This could include exploring options for funding to reduce or eliminate cash shortfalls within the Center.

### Response: Disagree

### Implementation: On-going

The Rifle Living Center (Center) disagrees with the recommendation around the overall financial condition of the Center. Pursuant to C.R.S. 26-12-108, "[t]he state shall credit all such moneys to the central fund for veterans community living centers..." This central fund was intended to be a shared cash fund that would collectively ensure that all of the Veteran's Community Living Centers (VCLCs) were made whole and maintained financial stability through this financial mechanism. Further, the Center believes that the General Assembly's creation of a centralized fund was intentional and in part, to support locations across the state of Colorado to ensure families can remain in close proximity to their loved ones in the care at the VCLCs various locations.

In addition, the Center and the Department of Human Services (Department) appropriately tracks and monitors a variety of financial factors to adjust operations when needed. This monitoring includes reviewing current census, revenues, expenditures, etc. This monitoring happens at various levels within the Center and the Department, as well as with the General Assembly pursuant to C.R.S. 26-12-108 (1)(c).

Lastly, the Center would like to highlight that although there was a drop of almost half of Rifle's census in SFY 2022 due to the impacts of COVID 19, which means a large reduction in revenues, the Center saw an overall decrease of \$5 million in operating losses which suggests the Center is managing operating expenses accordingly.

### Auditor's Addendum

As noted in the finding, the issues we identified indicate that the Center's current financial condition and negative cash balance have increased over the last twelve years. Although the Center has access to the central fund created by the General Assembly, the continued operating losses would not only negatively impact the Center but the other living centers, as well. Therefore, it is important for the Center and Colorado Department of Human Services to have a plan in place that includes ongoing monitoring of the Center's operating trends and taking steps, as appropriate, to work towards an improvement of operating trends and reduction of the Center's negative cash balance.

## DISPOSITION OF PRIOR AUDIT RECOMMENDATIONS

Following is the audit recommendation for the year ended June 30, 2018, and its disposition at June 30, 2022.

### Recommendation

### Disposition

Recommendation No. 2 - Center management and the Department of Human Services should continue to work on the plan to reverse the operating trends and repay the loan to the other Living Centers. In addition, management should continue to monitor the progress of the plan on a regular basis and make adjustments as necessary.

Not implemented. See current Recommendation 2022-002.

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**FINANCIAL AUDIT REPORT SECTION**

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## **INDEPENDENT AUDITORS' REPORT**

Members of the Legislative Audit Committee

### **Opinion**

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of Colorado Veterans Community Living Center at Rifle (Center) of the State of Colorado, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Colorado Veterans Community Living Center at Rifle of the State of Colorado, as of June 30, 2022, and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State of Colorado, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Emphasis of Matter**

#### *Financial Statement Presentation*

As discussed in Note 1, the financial statements present only the Colorado Veterans Community Living Center at Rifle. They do not purport to, and do not, present fairly the financial position of the State of Colorado, as of June 30, 2022, and 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.

### *Change in Accounting Principle*

As described in Note 1 to the financial statements, the Center has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87 - Leases in the Fiscal Year 2022. Our opinion was not modified with respect to these matters.

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

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

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

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

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

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

## **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 schedules of the Center's proportionate share of the net pension liability, the Center's contribution to Public Employees Retirement Association, the Center's proportionate share of the net OPEB liability, and the Center's OPEB contribution to the Health Care Trust Fund on pages 41-47 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2022, 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, Paolucci & Mahlich, P.C.*

December 16, 2022

**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section, prepared by the Colorado State Veterans Community Living Center's budget director, presents an analysis of the Colorado State Veterans Community Living Center at Rifle's performance and an overview of the Center's financial activities for the fiscal year ended June 30, 2022. The financial statements, an integral part of this analysis and figures reported on the outputs from CORE (Colorado Operations Resource Engine), reflect the Center's fiscal year 2021-2022 performance, and are incorporated and referred to throughout this Management Discussion and Analysis. The analysis below includes comparative information from fiscal year 2020-2021 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 \$54,487 which is a 1.48% increase from fiscal year 2020-2021.
- The Center's Total Operating Revenue decreased by \$1,123,888, which is a 14.69% decrease from fiscal year 2020-2021.
- The Center's Cash Operating Expenditures decreased by \$1,152,627, which is a 10.95% decrease from fiscal year 2020-2021.
- The Center's Non-Cash Operating Expenditures increased by \$2,670,266, which is a 72.93% increase from fiscal year 2020-2021.
- The Center's Net Position decreased by \$1,000,539 which is a 4.68% decrease from fiscal year 2020-2021.

The reasons for the changes are discussed in the following paragraphs.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Management's Discussion and Analysis consists of three parts: Financial Highlights and Overview, Financial Analysis of Financial Statements, and Supplementary Information, to include Budget Execution, Capital Expenditures and Fiscal Year 2022-2023 Projections. The Financial Analysis includes notes, discussing in varying detail, the information in the financial statements as summarized in Table A and Table B.

**Fund Financial Statements**

***Statement of Net Position***

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

**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

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

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

***Statement of Cash Flows***

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

**FINANCIAL ANALYSIS**

**Summary of Operational Policies and Procedures**

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

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

**Financial Analysis**

***Statement of Net Position***

A condensed Statement of Net Position is included as **Table A** below. Increases or decreases in the Center's Assets are indicators of improving or deteriorating financial health. Consideration must be given to current assets, particularly Accounts Receivable and Cash, as compared to current liabilities when analyzing the Center's overall financial condition.

**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

TABLE A  
Condensed Statement of Net Position

|  | 2022                | 2021                | Dollar Change      | Total Percent Change |
|--|---------------------|---------------------|--------------------|----------------------|
| Current Assets   | 868,675             | 662,066             | 206,609            | 31.21%               |
| Non-Current Assets   | 2,879,123           | 3,031,245           | (152,122)          | -5.02%               |
| <b>TOTAL ASSETS</b>  | <b>3,747,798</b>    | <b>3,693,311</b>    | <b>54,487</b>      | <b>1.48%</b>         |
| Deferred outflows of resources related to pension          | 1,450,201           | 3,284,698           | (1,834,497)        | -55.85%              |
| Current Liabilities  | 1,519,577           | 1,195,055           | 324,522            | 27.15%               |
| Non-Current Liabilities                                    | 20,884,172          | 23,672,228          | (2,788,056)        | -11.77%              |
| <b>TOTAL LIABILITIES</b>                                   | <b>22,403,749</b>   | <b>24,867,283</b>   | <b>(2,463,534)</b> | <b>-9.91%</b>        |
| Deferred inflows of resources related to pension           | 5,181,207           | 3,497,144           | 1,684,063          | 48.16%               |
| Net Assets Invested in Capital Assets, net of related debt | 2,300,539           | 2,374,675           | (74,136)           | -3.12%               |
| Unrestricted   | (24,687,496)        | (23,761,093)        | (923,403)          | 3.89%                |
| <b>Total Net Position</b>                                  | <b>(22,386,957)</b> | <b>(21,386,418)</b> | <b>(1,000,539)</b> | <b>-4.68%</b>        |

As shown in **Table A**, the Center's total assets increased by \$54,487 to \$3,747,798 in FY 2021-2022 from \$3,693,311 in FY 2020-2021. The majority of this increase was a result of the following items, a \$205,721 increase for receivable and offset by the increase in capital assets of \$34,184 and an increase in accumulated depreciation of \$186,306, which total a decrease in non-current assets of \$152,122.

The decrease in deferred outflows of resources related to pension and the increase in deferred inflows of resources related to pension is the result of decrease in the pension liability according to the GASB 68.

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) \$2,082,105 increase in other liabilities which was due to increase in overdraft to the pooled cash account, 2) \$4,637,784 decrease in GASB 68 pension liability.

***Statement of Revenue, Expenses, and Changes in Net Position***

The Statement of Revenues, Expenses, and Change in Net Position provides the information as to the nature and the source of the changes seen in the Statements of Net Position. **Table B** provides a summary of revenues and expenses of the Center's for FY 2021-2022 as compared to the previous year.



**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

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

|   | 2022               | 2021             | Dollar Change      | Total Percent Change |
|---|--------------------|------------------|--------------------|----------------------|
| Total Operating Revenue   | 6,527,125          | 7,651,013        | (1,123,888)        | -14.69%              |
| Non-Operating Revenue   | 875,416            | 703,061          | 172,355            | 24.51%               |
| <b>Total Revenue</b>  | <b>7,402,541</b>   | <b>8,354,074</b> | <b>(951,533)</b>   | <b>-11.39%</b>       |
| Operating Expenses - Cash   | 9,373,901          | 10,526,528       | (1,152,627)        | -10.95%              |
| Operating Expenses - Non-Cash (Pension Expenses (GASB 68) Depr. & Bad Debt) | (991,107)          | (3,661,373)      | 2,670,266          | -72.93%              |
| Non-Operating Expenses-Cash (Capital Leasing & interest)                    | 20,286             | 23,169           | (2,883)            | -12.44%              |
| <b>Total Expenses</b>   | <b>8,403,080</b>   | <b>6,888,324</b> | <b>1,514,756</b>   | <b>21.99%</b>        |
| <b>NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTION</b>                        | <b>(1,000,539)</b> | <b>1,465,750</b> | <b>(2,466,289)</b> | <b>-168.26%</b>      |
| <b>CHANGE IN NET POSITION</b>   | <b>(1,000,539)</b> | <b>1,465,750</b> | <b>(2,466,289)</b> | <b>-168.26%</b>      |

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 decreased by \$1,123,888 mainly since the Center's census was down.
- Operating expense-cash decreased by \$1,152,627 mainly due to the decrease of the personal services expenses. The cost of the personal services decreased due to the shortage of staff and higher turnover rate in FY 2021-22. The center monitors all expenses closely and conducts monthly reviews with each manager to discuss departmental expenses.
- The increase in total expenses is due to the increase of pension expenses \$2,342,905 in operating expenses-non cash. The increase of pension expenses is due to the changes of assumptions.
- **Table B** reflects that the Center experienced a \$1,000,539 net loss during FY 2021-2022.
- **Table C** reflects the recording of the GASB 68 pension related liabilities and GASB 75 OPEB related liabilities on the net position. The Center's total net position decreased by \$846,217 during Fiscal Year 2022 compared to a \$1,488,553 decrease in net position during Fiscal Year 2021.

**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

| TABLE C                                 |                     |                     |
|---|---------------------|---------------------|
| Net Position excluding Pension and OPEB |                     |                     |
| (DR) CR                                 |                     |                     |
|   | Fiscal Year<br>2022 | Fiscal Year<br>2021 |
| Net Position (GAAP Basis)               | \$ (22,386,957)     | \$ (21,386,418)     |
| Add back : GASB 68 - Pension            | \$ 16,209,393       | \$ 20,125,694       |
| GASB 75 - OPEB                          | \$ 659,844          | \$ 693,392          |
| Prior period Adjustment                 | \$ -                | \$ -                |
| Net Position excluding Pension and OPEB | \$ (5,517,720)      | \$ (707,576)        |

The net loss for Fiscal Year 2022 was \$2,061,733 not considering the current Fiscal Year 2022 pension and OPEB adjustment of \$1,215,516. This compares to the Fiscal Year 2021 loss of \$5,275,357 which also does not consider the Fiscal Year 2021 pension and OPEB adjustment of \$3,809,695.

**BUDGETARY HIGHLIGHTS**

The Center's Fiscal Year 2021-2022 financial operations resulted in revenues, below the budgeted amounts by \$878,209. This was a result of decrease in patient census comparing the budget census. Cash expenditure was under the budget amount by \$826,371. This was because the facility monitors all expense closely and conducts monthly reviews with each manager to discuss departmental expenses.

**CAPITAL ASSETS AND DEBT ACTIVITIES**

***Capital Assets***

During fiscal year 2021-2022, the total new investment in capital assets was \$19,650 including construction in progress, land improvement etc.

***Debt Activities***

During fiscal year 2021-2022, the Center paid down lease obligations by \$100,504. The balance of lease obligations at June 30, 2022 was \$578,584. The Center has implemented GASB 87-Leases in FY 2021-22.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Economic factors continue to impact the Center's operations by increasing the costs associated with providing quality health care. A budget has been prepared for fiscal year 2022-2023 that includes projections related to expenses and corresponding increases in revenues through the increase in rates charged to residents for domiciliary and skilled nursing care. The effects of the pandemic continue to impact the Colorado Veterans Community Living Center at Rifle, primarily census, staff stability, retention, and recruitment.

**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

**CONTACTING COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE**

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Colorado State Veterans Community Living Center at Rifle's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information, contact the Budget Director of Colorado State Veterans Community Living Centers at 1575 Sherman Street 10<sup>th</sup> floor Denver CO 80203 or phone 720-415-4458.

**COLORADO VETERANS COMMUNITY LIVING CENTER - RIFLE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

**ASSETS**

**CURRENT ASSETS**

|   |    |                       |
|---|----|-----------------------|
| Cash and cash equivalents   | \$ | 83,187                |
| Accounts receivable (net of allowance for uncollectibles of \$51,069)   |    | 494,230               |
| Due from other governments (net of allowance for uncollectibles of \$0) |    | <u>291,258</u>        |
| <b>TOTAL CURRENT ASSETS</b>   |    | <u><b>868,675</b></u> |

**NONCURRENT ASSETS**

|   |  |                         |
|---|--|-------------------------|
| Capital assets -  |  |                         |
| Land and land improvements                                    |  | 141,419                 |
| Buildings   |  | 7,970,180               |
| Furniture and equipment                                       |  | 172,619                 |
| Vehicles  |  | 60,733                  |
| Software  |  | 78,747                  |
| Right of use leased asset                                     |  | 22,463                  |
| Construction in progress                                      |  | 34,862                  |
| Accumulated depreciation                                      |  | <u>(5,601,900)</u>      |
| <b>TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)</b> |  | <u><b>2,879,123</b></u> |
| <b>TOTAL NON CURRENT ASSETS</b>                               |  | <u><b>2,879,123</b></u> |

**TOTAL ASSETS**

|   |  |                         |
|---|--|-------------------------|
|   |  | <u><b>3,747,798</b></u> |
| Deferred outflows of resources related to pensions and OPEB |  | <u>1,450,201</u>        |

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

|   |    |                         |
|---|----|-------------------------|
| Accounts and vouchers payable                         | \$ | 757,144                 |
| Other current liabilities                             |    | 593,715                 |
| Accrued interest payable                              |    | 4,876                   |
| Current portion of lease liabilities                  |    | 104,345                 |
| Current portion of liability for compensated absences |    | <u>59,497</u>           |
| <b>TOTAL CURRENT LIABILITIES</b>                      |    | <u><b>1,519,577</b></u> |

**NONCURRENT LIABILITIES**

|  |  |                          |
|--|--|--------------------------|
| Net pension liability                            |  | 11,460,728               |
| Other liabilities                                |  | 8,173,895                |
| Net liability for other post employment benefits |  | 461,988                  |
| Lease liabilities                                |  | 474,239                  |
| Liability for compensated absences               |  | <u>313,322</u>           |
| <b>TOTAL NONCURRENT LIABILITIES</b>              |  | <u><b>20,884,172</b></u> |

**TOTAL LIABILITIES**

|  |  |                          |
|--|--|--------------------------|
|  |  | <u><b>22,403,749</b></u> |
| Deferred inflows of resources related to pensions and OPEB |  | <u>5,181,207</u>         |

**NET POSITION**

|                                  |  |                     |
|----------------------------------|--|---------------------|
| Net investment in capital assets |  | 2,300,539           |
| Unrestricted                     |  | <u>(24,687,496)</u> |

**TOTAL NET POSITION**

**\$ (22,386,957)**

The accompanying notes are an integral part of this statement.

**COLORADO VETERANS COMMUNITY LIVING CENTER - RIFLE  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2022**

|  |                               |
|--|-------------------------------|
| <b>OPERATING REVENUE</b>                 |                               |
| Patient charges for services             | \$ 3,661,482                  |
| VA per diem reimbursement                | 2,865,615                     |
| Miscellaneous revenue                    | <u>28</u>                     |
| <b>TOTAL OPERATING REVENUE</b>           | <u><b>6,527,125</b></u>       |
| <b>OPERATING EXPENSES</b>                |                               |
| Personnel services and employee benefits | 6,662,138                     |
| Pension and OPEB expense                 | (266,810)                     |
| Departmental indirect costs              | 698,738                       |
| Advertising                              | 5,962                         |
| Care and subsistence - client benefits   | 20,651                        |
| Equipment rental                         | 61,957                        |
| Food and food service supplies           | 179,527                       |
| Insurance                                | 2,397                         |
| Medical and laboratory supplies          | 211,793                       |
| Office                                   | 24,589                        |
| Other operating expenses                 | 127,955                       |
| Professional services                    | 14,476                        |
| Repairs and maintenance                  | 234,461                       |
| Non-capitalized equipment                | 61,718                        |
| Telephones                               | 20,362                        |
| Utilities                                | 89,188                        |
| Vehicles and travel                      | 9,283                         |
| Depreciation                             | 186,306                       |
| Bad debt expense                         | <u>38,103</u>                 |
| <b>TOTAL OPERATING EXPENSES</b>          | <u><b>8,382,794</b></u>       |
| <b>OPERATING INCOME (LOSS)</b>           | <u><b>(1,855,669)</b></u>     |
| <b>NONOPERATING REVENUE (EXPENSES)</b>   |                               |
| State grant                              | 875,416                       |
| Interest expense                         | <u>(20,286)</u>               |
| <b>TOTAL NONOPERATING REVENUE</b>        | <u><b>855,130</b></u>         |
| <b>CHANGE IN NET POSITION</b>            | <b>(1,000,539)</b>            |
| <b>NET POSITION, beginning of year</b>   | <u><b>(21,386,418)</b></u>    |
| <b>NET POSITION, end of year</b>         | <u><b>\$ (22,386,957)</b></u> |

The accompanying notes are an integral part of this statement.

**COLORADO VETERANS COMMUNITY LIVING CENTER - RIFLE**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2022**

|  |                       |
|--|-----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                       |
| Cash received from patients and third-party payors   | \$ 3,359,334          |
| Cash received from federal government  | 2,923,967             |
| Cash payments to employees for services  | (7,558,824)           |
| Cash payments to suppliers for goods and services  | (823,420)             |
| Cash payments for other expenses   | <u>(698,738)</u>      |
| NET CASH USED BY OPERATING ACTIVITIES  | <u>(2,797,681)</u>    |
| <br><b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                 |                       |
| Cash advanced from pooled cash   | <u>2,082,105</u>      |
| NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES                                       | <u>2,082,105</u>      |
| <br><b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                        |                       |
| Acquisition of capital assets  | (34,185)              |
| Principal payment on capital leases  | (77,976)              |
| Interest payment on capital leases   | (20,176)              |
| State capital grants   | <u>875,416</u>        |
| NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES                              | <u>743,079</u>        |
| <br>NET INCREASE IN CASH AND CASH EQUIVALENTS  | <br>27,503            |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR   | <u>55,684</u>         |
| CASH AND CASH EQUIVALENTS AT END OF YEAR   | <u>\$ 83,187</u>      |
| <br><b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b> |                       |
| Operating loss   | \$ (1,855,669)        |
| Adjustments to reconcile operating income to net cash used by operating activities -       |                       |
| Depreciation   | 186,306               |
| Bad debt expense   | 38,103                |
| Changes in assets and liabilities -  |                       |
| Accounts receivable  | (243,824)             |
| Prepaid expenses   | 26,615                |
| Accounts payable and accrued expenses  | 278,116               |
| Liability for compensated absences   | (11,811)              |
| Accrued pension and other post employment benefits   | <u>(1,215,517)</u>    |
| NET CASH USED BY OPERATING ACTIVITIES  | <u>\$ (2,797,681)</u> |

The accompanying notes are an integral part of this statement.

**COLORADO VETERANS COMMUNITY LIVING CENTER - RIFLE**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2022**

|                                   | <u>Custodial<br/>Funds</u> |
|-----------------------------------|----------------------------|
|                                   | <u>Resident<br/>Funds</u>  |
| <b>ASSETS</b>                     |                            |
| <b>ASSETS</b>                     |                            |
| Cash and cash equivalents         | <u>\$ 381,344</u>          |
| <b>TOTAL ASSETS</b>               | <u>381,344</u>             |
| <b>LIABILITIES AND NET ASSETS</b> |                            |
| <b>LIABILITIES</b>                |                            |
| Accounts and vouchers payable     | <u>5,300</u>               |
| <b>TOTAL LIABILITIES</b>          | <u>5,300</u>               |
| <b>NET POSITION</b>               |                            |
| Restricted for resident purposes  | <u>376,044</u>             |
| <b>TOTAL NET POSITION</b>         | <u>\$ 376,044</u>          |

The accompanying notes are an integral part of this statement.

**COLORADO VETERANS COMMUNITY LIVING CENTER - RIFLE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED JUNE 30, 2022**

|  | <b>Custodial<br/>Funds</b>   |
|--|------------------------------|
|  | <b>Resident<br/>Funds</b>    |
| <b>ADDITIONS</b>                           |                              |
| Collection of custodial funds              | \$ 401,021                   |
| Donations                                  | 79,387                       |
| Interest income                            | 323                          |
| <b>TOTAL ADDITIONS</b>                     | <b>480,731</b>               |
| <br><b>DEDUCTIONS</b>                      |                              |
| Patient and client care expenses           | 18,219                       |
| Distribution of custodial funds            | 308,190                      |
| <b>TOTAL DEDUCTIONS</b>                    | <b>326,409</b>               |
| <br><b>CHANGE IN NET POSITION</b>          | <br>154,322                  |
| <br><b>NET POSITION, beginning of year</b> | <br><u>221,722</u>           |
| <br><b>NET POSITION, end of year</b>       | <br><u><u>\$ 376,044</u></u> |

The accompanying notes are an integral part of this statement.



**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

The Financial Reporting Entity

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

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

Fund Accounting

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

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

Basis of Accounting

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

Net Position

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

**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2022**

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

- Invested 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 “invested in capital assets, net of related debt”.

Budget and Budgetary Accounting

With the exception of the State operating grant, appropriations for the Veterans Centers owned by the State are not included in the annual Long Bill (appropriations bill) passed by the General Assembly. Therefore, no budgetary comparison statement is required to be presented.

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

Accounts Receivable

The Center’s accounts receivable 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 its historical value. 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 per the American Hospital Guide on Estimated Useful Lives of Depreciable Assets, 2018 Edition, as follows:

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

Effective with its adoption of GASB 87, the Center accounts for all agreements meeting the definition of a lease resulting in inclusion of right of use assets within capital assets.

**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2022**

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

Compensated Absences

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

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

Pensions

The Center participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP of the SDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post Employment Benefit (OPEB) Plan

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

Fair Value Measurement

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

New Accounting Pronouncements

During the fiscal year 2022 the Center adopted the provisions of GASB Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the Center's leasing activities. It establishes requirements for the lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the Center's 2022 financial statements and had an effect on the beginning assets

**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022**

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

and liabilities of the Enterprise Fund. The Center recognized \$22,463 in net book value of assets for the intangible right to use lease and a lease liability of \$22,528 for computers leased in 2019 and 2020.

Statement of Cash Flows

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

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are summarized as follows:

Enterprise Fund

|                 |           |
|-----------------|-----------|
| Cash on hand    | \$ 1,000  |
| Demand deposits | 82,187    |
|                 | \$ 83,187 |

Patient Benefit and Resident Funds

|                 |            |
|-----------------|------------|
| Cash on hand    | \$ 525     |
| Demand deposits | 380,819    |
|                 | \$ 381,344 |

The Center deposits its fiduciary cash with and other temporary demand deposits in a local financial institution.

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 authorized by Section 24-75-601.1, C.R.S. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed. The Center currently has no deposits with the State Treasurer. See Note 6.

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.

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, 2022.

At June 30, 2022, the Center has \$213,006 in deposits 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

**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2022**

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

eligible collateral as security for all public deposits held by that institution that are not insured by depository insurance. The market value of the collateral that each institution pledges as security must equal at least 102% of the total uninsured deposits held by that institution. Generally, the eligible collateral in the collateral pools is held by the depository institution or its agent in the name of the depository institution.

Custodial credit risk is the risk that, in the event of a bank failure, the Center's deposits may not be returned to it. The Center's policy for custodial credit risk parallels Colorado statutes. At June 30, 2022, none of the Center's deposits were exposed to custodial credit risk because of federal depository insurance and the pledge of eligible collateral.

**NOTE 3 – RECEIVABLES**

Receivables at June 30, 2022 consist of the following:

|   |                   |
|---|-------------------|
| Patient fees, net of allowance for doubtful accounts of \$7,839             | \$ 119,857        |
| Other receivables, net of allowance for doubtful accounts of \$18,078       | 90,043            |
| Medicare reimbursements, net of allowance for doubtful accounts of \$23,679 | 137,682           |
| Medicaid reimbursements, net of allowance for doubtful accounts of \$1,473  | <u>146,648</u>    |
| Total accounts receivable   | <u>\$ 494,230</u> |
| <br>  |                   |
| VA per diem reimbursements  | <u>\$ 291,258</u> |
| Total due from other governments  | <u>\$ 291,258</u> |

**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2022**

**NOTE 4 – CAPITAL ASSETS**

Following is a summary of capital assets:

|  | <u>Balance</u><br><u>July 1, 2021</u> | <u>Additions</u>    | <u>Deletions</u> | <u>Balance</u><br><u>June 30, 2022</u> |
|--|---------------------------------------|---------------------|------------------|--|
| Nondepreciable assets –                    |                                       |                     |                  |  |
| Land                                       | \$ 54,200                             | \$ -                | \$ -             | \$ 54,200                              |
| Construction in progress                   | <u>32,997</u>                         | <u>1,865</u>        | <u>-</u>         | <u>34,862</u>                          |
| Total capital assets not being depreciated | <u>87,197</u>                         | <u>1,865</u>        | <u>-</u>         | <u>89,062</u>                          |
| Depreciable assets –                       |                                       |                     |                  |  |
| Land improvements                          | 77,426                                | 9,793               | -                | 87,219                                 |
| Buildings                                  | 7,970,180                             | -                   | -                | 7,970,180                              |
| Furniture and equipment                    | 164,627                               | 7,992               | -                | 172,619                                |
| Vehicles                                   | 60,733                                | -                   | -                | 60,733                                 |
| Software                                   | 78,747                                | -                   | -                | 78,747                                 |
| Right of use asset                         | <u>22,463</u>                         | <u>-</u>            | <u>-</u>         | <u>22,463</u>                          |
| Total capital assets being depreciated     | <u>8,374,176</u>                      | <u>17,785</u>       | <u>-</u>         | <u>8,391,961</u>                       |
| Less: Accumulated depreciation for –       |                                       |                     |                  |  |
| Land improvements                          | 77,429                                | 366                 | -                | 77,795                                 |
| Buildings                                  | 5,065,031                             | 167,816             | -                | 5,232,847                              |
| Furniture and equipment                    | 133,717                               | 7,034               | -                | 140,751                                |
| Vehicles                                   | 60,733                                | -                   | -                | 60,733                                 |
| Software                                   | 78,683                                | -                   | -                | 78,683                                 |
| Right of use asset                         | <u>-</u>                              | <u>11,091</u>       | <u>-</u>         | <u>11,091</u>                          |
| Total accumulated depreciation             | <u>5,415,593</u>                      | <u>186,307</u>      | <u>-</u>         | <u>5,601,900</u>                       |
| Capital assets being depreciated, net      | <u>2,958,583</u>                      | <u>(168,522)</u>    | <u>-</u>         | <u>2,790,061</u>                       |
| Total net capital assets                   | <u>\$ 3,045,780</u>                   | <u>\$ (166,657)</u> | <u>\$ -</u>      | <u>\$ 2,879,123</u>                    |

**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022**

**NOTE 5 – LEASE ARRANGEMENTS**

The following is a summary of changes in lease liabilities for the Fiscal Year Ended June 30, 2022:

| Lease                     | Balance<br>July 1,<br>2021 | Additional<br>Loans | Payments          | Balance<br>June 30,<br>2022 | Current<br>Portion |
|---------------------------|----------------------------|---------------------|-------------------|-----------------------------|--------------------|
| Energy Improvements       | \$656,560                  | \$ -                | \$ 89,413         | \$ 567,147                  | \$ 92,908          |
| Hewlett Packard Computers | <u>22,528</u>              | <u>-</u>            | <u>11,091</u>     | <u>11,437</u>               | <u>11,437</u>      |
| Total                     | <u>\$679,088</u>           | <u>\$ -</u>         | <u>\$ 100,504</u> | <u>\$ 578,584</u>           | <u>\$104,345</u>   |

The Center entered into an agreement with All American Investment Group, LLC in June of 2012. The lease is for energy improvements at the Center. The original lease was for \$1,085,976, with quarterly payments of \$27,616. The interest rate for the lease was 3.35% with a lease term of 15 years.

The computer equipment was leased from Hewlett Packard, beginning in May of 2019, for a term of three years beginning in May of 2019. The original lease was for \$33,792 with annual payments of approximately \$11,278 due at the beginning of the fiscal year. The interest rate is for 3.10% and is not renewable and the Center will not acquire the equipment at the end of three years.

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

| Years Ending<br><u>June 30</u> | <u>Principal</u>  | <u>Interest</u>  |
|--------------------------------|-------------------|------------------|
| 2023                           | \$ 104,345        | \$ 18,171        |
| 2024                           | 99,947            | 14,657           |
| 2025                           | 109,140           | 11,195           |
| 2026                           | 115,225           | 7,449            |
| 2027                           | 119,438           | 3,533            |
| Thereafter                     | <u>30,489</u>     | <u>255</u>       |
|                                | <u>\$ 578,584</u> | <u>\$ 55,260</u> |

**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022**

**NOTE 6 – OTHER LIABILITIES**

The balance in Other Liabilities represents the Center's cumulative excess withdrawals of \$8,173,389 from the combined pooled cash fund. Pursuant to CRS 26-12-108(1), the Veterans Community Living Centers (locations: Fitzsimons, Florence, Homelake and Rifle) share a combined cash fund balance. The fund allows for cross-center use of any positive fund balances. Therefore, although Rifle had a negative cash balance of \$8,173,389 as of June 30, 2022, the total fund cash balance after the Rifle negative cash balance was removed was \$17,711,352 at the end of the same period. This liability is for presentation purposes only.

**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 Annual Comprehensive Financial Report.

**NOTE 8 – PENSION PLANS**

**General Information about the Pension Plan**

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

*Benefits provided as of December 31, 2021:* 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 federal Internal Revenue Code.



**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022**

**NOTE 8 – PENSION PLANS (Cont'd.)**

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.

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007 will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the SDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

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

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

*Contributions provisions as of June 30, 2022:* Eligible employees of the Center and the State are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. Employee contribution rates for the period of July 1, 2021 through June 30, 2022 are summarized in the table below:

|   | July 1, 2021 Through<br>December 31, 2021 | January 1, 2022 Through<br>June 30, 2022 |
|---|---|--|
| Employee contribution **<br>(all employees other than State Troopers) | 10.50%                                    | 10.50%                                   |
| State Troopers  | 12.50%                                    | 12.50%                                   |

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

**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022**

**NOTE 8 – PENSION PLANS (Cont’d.)**

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

|  | July 1,<br>2021<br>Through<br>December 31,<br>2021 | January 1,<br>2022 Through<br>June 30, 2022 |
|--|--|---|
| Employer contribution rate **  | 10.90%   | 10.90%                                      |
| Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) | (1.02%)  | (1.02%)                                     |
| Amount apportioned to the SDTF   | 9.88%  | 9.88%                                       |
| Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411                                    | 5.00%  | 5.00%                                       |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411                      | 5.00%  | 5.00%                                       |
| Defined Contribution Supplement as specified in C.R.S. § 24-51-415   | 0.05%  | 0.10%                                       |
| <b>Total employer contribution rate to the SDTF</b>  | <b>19.93%</b>                                      | <b>19.98%</b>                               |

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

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the Center is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the Center were \$986,709 for the year ended June 30, 2022.

**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, 2021, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TPL to December 31, 2021. The Center’s proportion of the net pension liability was based on the Center’s contributions to the SDTF for the calendar year 2021 relative to the total contributions of participating employers and the State as a nonemployer contributing entity for participating employers of the SDTF that are outside of the State’s financial reporting entity.

At June 30, 2022, the Center reported a liability of \$ 11,460,728 for its proportionate share of the net pension liability.

At December 31, 2021, the Center’s proportion was 0.1553988806 percent, which was a decrease of 0.01433083 percent from its proportion measured as of December 31, 2020.

**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022**

**NOTE 8 – PENSION PLANS (Cont'd.)**

For the year ended June 30, 2022, the Center recognized pension expense (benefit) of \$(182,502). At June 30, 2022, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows of<br/>Resources</u> |
|---|---|--|
| Difference between expected and actual experience   | \$ 77,982                                 | \$ 15,944                                |
| Changes of assumptions or other inputs  | 408,618                                   | -  |
| Net difference between projected and actual earnings on pension plan investments                                | -   | 3,943,943                                |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 445,370                                   | 992,001                                  |
| Contributions subsequent to the measurement date  | 440,462                                   | N/A                                      |
| Total   | \$ 1,372,433                              | \$ 4,951,888                             |

\$440,462 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Fiscal Year ended June 30:</b> |               |
|-----------------------------------|---------------|
| 2023                              | \$ (692,685)  |
| 2024                              | \$(1,899,968) |
| 2025                              | \$ (950,017)  |
| 2026                              | \$ (477,247)  |
| 2027                              | \$ -          |
| Thereafter                        | \$ -          |

**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022**

**NOTE 8 – PENSION PLANS (Cont'd.)**

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

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

<sup>1</sup> Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

The TPL as of December 31, 2021, includes the anticipated adjustments to contribution rates and the AI cap, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.

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

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

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

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

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

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

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

**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022**

**NOTE 8 – PENSION PLANS (Cont'd.)**

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

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

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

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation, and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

| Asset Class    | Target Allocation | 30 Year Expected Geometric Real Rate of Return |
|----------------|-------------------|--|
| Global Equity  | 54.00%            | 5.60%  |
| Fixed Income   | 23.00%            | 1.30%  |
| Private Equity | 8.50%             | 7.10%  |
| Real Estate    | 8.50%             | 7.10%  |
| Alternatives   | 6.00%             | 4.70%  |
| <b>Total</b>   | <b>100.00%</b>    |  |

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

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

**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2022**

**NOTE 8 – PENSION PLANS (Cont'd.)**

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. 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, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.25% to 1.00%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.
- Benefit payments and contributions were assumed to be made at the middle of the year.

**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022**

**NOTE 8 – PENSION PLANS (Cont’d.)**

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

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

|  | 1% Decrease<br>(6.25%) | Current<br>Discount Rate<br>(7.25%) | 1% Increase<br>(8.25%) |
|--|------------------------|-------------------------------------|------------------------|
| Proportionate share of the net pension liability | \$ 16,164,946          | \$ 11,460,728                       | \$ 7,506,002           |

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

**NOTE 9 – OTHER RETIREMENT PLANS**

Voluntary Investment Program

*Plan Description* - Employees of the Center that are also members of the SDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available annual comprehensive financial report which includes additional information on the Voluntary Investment Program. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://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 hired on or after January 1, 2006, employees of certain community colleges hired on or after January 1, 2008, and certain classified employees of State Colleges and Universities hired on or after January 1, 2019, have the option to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, or the Defined Contribution Retirement Plan (PERA DC Plan).

**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022**

**NOTE 9 – OTHER RETIREMENT PLANS (cont'd)**

The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA’s Annual Comprehensive Financial Report as referred to above.

*Funding Policy* – All participating employees in the PERA DC Plan and the Center are required to contribute a percentage of the participating employees’ PERA-includable salary to the PERA DC Plan. The employee and employer contribution rates for the period July 1, 2021 through June 30, 2022 are summarized in the tables below:

|   | July 1, 2021<br>Through December<br>31, 2021 | January 1, 2022 Through<br>June 30, 2022 |
|---|--|--|
| <b>Employee Contribution Rates:**</b>                   |  |  |
| All employees other<br>than State Troopers              | 10.50%                                       | 10.50%                                   |
| State Troopers  | 12.50%                                       | 12.50%                                   |
| <b>Employer Contribution Rates:</b>                     |  |  |
| On behalf of all employees<br>other than State Troopers | 10.15%                                       | 10.15%                                   |
| State Troopers  | 12.85%                                       | 12.85%                                   |

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



**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022**

**NOTE 9 – OTHER RETIREMENT PLANS (cont'd)**

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

|   | July 1, 2021<br>Through December<br>31, 2021 | January 1, 2022<br>Through June 30,<br>2022 |
|---|--|---|
| Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411               | 5.00%  | 5.00%                                       |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 | 5.00%  | 5.00%                                       |
| Automatic Adjustment Provision (AAP), as specified in C.R.S. § 24-51-413                      | 0.50%  | 0.50%                                       |
| Defined Contribution statutory contribution as specified in C.R.S. § 24-51-1505               | 0.25%  | 0.25%                                       |
| Defined Contribution Supplement as specified in C.R.S. § 24-51-415                            | 0.05%  | 0.10%                                       |
| Total employer contribution rate to the SDTF **   | 10.80%                                       | 10.85%                                      |

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

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.08 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense.

**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2022**

**NOTE 10 – 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 annual comprehensive financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

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

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure 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% 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.

**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2022**

**NOTE 10 – 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 \$42,195 for the year ended June 30, 2022.

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

At June 30, 2022, the Center reported a liability of \$461,988 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2021. The Center's proportion of the net OPEB liability was based on the Center's contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employers to the HCTF.

At December 31, 2021, the Center's proportion was 0.05357 percent, which was a decrease of 0.00518 from its proportion measured as of December 31, 2020.

**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022**

**NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (cont'd)**

For the year ended June 30, 2022, the Center recognized OPEB expense of \$4,109. At June 30, 2022, the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | Deferred Outflows of<br>Resources | Deferred Inflows of<br>Resources |
|---|-----------------------------------|----------------------------------|
| Difference between expected and actual experience   | \$ 703                            | \$ 109,544                       |
| Changes of assumptions or other inputs  | 9,565                             | 25,060                           |
| Net difference between projected and actual earnings on OPEB plan investments                                   | -                                 | 28,597                           |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 46,116                            | 66,118                           |
| Contributions subsequent to the measurement date  | 21,384                            | N/A                              |
| Total   | 77,768                            | 229,319                          |

\$21,384 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, 2023. 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: |             |
|---------------------|-------------|
| 2023                | \$ (44,647) |
| 2024                | (47,569)    |
| 2025                | (43,080)    |
| 2026                | (20,344)    |
| 2027                | (14,668)    |
| Thereafter          | (2,627)     |

**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022**

**NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (cont'd)**

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

|   |  |
|---|--|
| Actuarial cost method   | Entry age  |
| Price inflation   | 2.3%   |
| Real wage growth  | 0.70%  |
| Wage inflation  | 3.00%  |
| Salary increases, including wage inflation  | 3.30% – 10.90%   |
| Long-term investment rate of return, net of pension plan investment expenses, including price inflation | 7.25%  |
| Discount rate   | 7.25%  |
| Health care cost trend rates  |  |
| PERA benefit structure:   |  |
| Service-based premium subsidy   | 0.00%  |
| PERACare Medicare plans   | 4.5% in 2021<br>6.00% in 2022<br>Gradually decreasing to<br>4.5% in 2029 |
| Medicare Part A premiums  | 3.75% in 2021,<br>Gradually increasing to<br>4.5% in 2029                |
| DPS benefit structure:  |  |
| Service-based premium subsidy   | 0.00%  |
| PERACare Medicare plans   | N/A  |
| Medicare Part A premiums  | N/A  |

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.

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2020, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2021 for the PERA Benefit Structure:

| Medicare Plan                            | Initial Costs for Members without Medicare Part A |                 |                                 |
|--|---|-----------------|---------------------------------|
|  | Monthly Cost                                      | Monthly Premium | Monthly Cost Adjusted to Age 65 |
| Medicare Advantage/Self-Insured Rx       | \$ 633  | \$ 230          | \$591                           |
| Kaiser Permanente Medicare Advantage HMO | \$ 596  | \$ 199          | \$ 562                          |

The 2021 Medicare Part A premium is \$471 (actual dollars) per month.

**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022**

**NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (cont'd)**

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates.

Effective December 31, 2020, 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<br>Medicare | Medicare<br>Part A |
|-------|----------------------|--------------------|
| 2021  | 4.50%                | 3.75%              |
| 2022  | 6.00%                | 3.75%              |
| 2023  | 5.80%                | 4.00%              |
| 2024  | 5.60%                | 4.00%              |
| 2025  | 5.40%                | 4.00%              |
| 2026  | 5.10%                | 4.25%              |
| 2027  | 4.90%                | 4.25%              |
| 2028  | 4.70%                | 4.25%              |
| 2029+ | 4.50%                | 4.50%              |

Mortality assumptions used in the December 31, 2020, valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF, but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

Pre-retirement mortality assumptions for the State and Local Government Divisions (members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022**

**NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (cont'd)**

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

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

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

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

- 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 2021 plan year.
- 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.

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

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

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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

**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022**

**NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (cont'd)**

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

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

Note: In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected 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  | 3.50%                      | 4.50%               | 5.50%                      |
| Ultimate PERACare Medicare trend rate | 3.50%                      | 4.50%               | 5.50%                      |
| Initial Medicare Part A trend rate    | 2.75%                      | 3.75%               | 4.75%                      |
| Ultimate Medicare Part A trend rate   | 3.50%                      | 4.50%               | 5.50%                      |
| Net OPEB Liability                    | \$448,721                  | \$461,988           | \$477,357                  |

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2021, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.



**COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022**

**NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (cont'd)**

- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

*Sensitivity of the Center’s proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 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<br>(6.25%) | Current<br>Discount Rate<br>(7.25%) | 1% Increase<br>(8.25%) |
|---|------------------------|-------------------------------------|------------------------|
| Proportionate share of the net OPEB liability | \$448,721              | \$461,988                           | \$477,357              |

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

**NOTE 11 – CONTINGENCIES AND COMMITMENTS**

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

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

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

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE  
SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION  
YEAR ENDED JUNE 30, 2022  
Last 10 Fiscal Years <sup>a,b</sup>

*Dollar amounts in thousands*

|   | <u>2021-22</u> | <u>2020-21</u> | <u>2019-20</u> | <u>2018-19</u> | <u>2017-18</u> | <u>2016-17</u> | <u>2015-16</u> | <u>2014-15</u> | <u>2013-14</u> |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Center's proportion of the net pension liability  | 0.1553988806%  | 0.1697297110%  | 0.1567516799%  | 0.1546528680%  | 0.1558813692%  | 0.1572713199%  | 0.1571333300%  | 0.1641118991%  | 0.1697566762%  |
| Center's proportionate share of the net pension liability   | \$ 11,461      | \$ 16,099      | \$ 15,211      | \$ 17,597      | \$ 31,204      | \$ 28,888      | \$ 16,548      | \$ 15,437      | \$ 15,122      |
| Center's covered payroll  | \$ 5,308       | \$ 5,726       | \$ 5,427       | \$ 5,221       | \$ 4,483       | \$ 4,409       | \$ 4,229       | \$ 4,375       | \$ 4,391       |
| Center's proportionate Share of the net pension liability<br>as a percentage of its covered payroll | 215.93%        | 281.16%        | 280.26%        | 337.05%        | 696.01%        | 655.15%        | 391.28%        | 352.85%        | 344.36%        |
| Plan fiduciary net position as a percentage of the total<br>pension liability                       | 73.05%         | 65.34%         | 62.24%         | 55.10%         | 43.20%         | 42.59%         | 56.11%         | 59.84%         | 61.08%         |

<sup>a</sup> Amounts prior to Fiscal Year 2014 are not available. In future reports, additional years will be added until 10 years of historical data are presented

<sup>b</sup> Amounts presented for each fiscal year were determined as of December 31

*See accompanying Independent Auditor's Report  
See notes to Required Supplementary Information*

COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE  
 SCHEDULE OF THE CENTER'S CONTRIBUTIONS  
 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION  
 YEAR ENDED JUNE 30, 2022  
 Last 10 Fiscal Years <sup>a, b</sup>

|  | <u>2021-22</u>   | <u>2020-21</u>   | <u>2019-20</u>   | <u>2018-19</u> | <u>2017-18</u> | <u>2016-17</u> | <u>2015-16</u> | <u>2014-15</u> | <u>2013-14</u> |
|--|------------------|------------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution                                  | \$ 1,069,873     | \$ 1,124,204     | \$ 1,038,263     | \$ 998,761     | \$ 857,654     | \$ 803,825     | \$ 732,902     | \$ 718,806     | \$ 681,978     |
| Contributions in relation to the contractually required contribution | <u>1,069,873</u> | <u>1,124,204</u> | <u>1,038,263</u> | <u>998,761</u> | <u>857,654</u> | <u>803,825</u> | <u>732,902</u> | <u>718,806</u> | <u>681,978</u> |
| Contribution deficiency  | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |
| Center's covered payroll   | \$ 5,307,636     | \$ 5,726,015     | \$ 5,427,406     | \$ 5,220,913   | \$ 4,483,291   | \$ 4,409,352   | \$ 4,229,093   | \$ 4,374,960   | \$ 4,391,360   |
| Contributions as a percentage of covered payroll                     | 20.16%           | 19.63%           | 19.13%           | 19.13%         | 19.13%         | 18.23%         | 17.33%         | 16.43%         | 15.53%         |

<sup>a</sup> Amounts prior to Fiscal Year 2014 are not available. In future reports, additional years will be added until 10 years of historical data are presented

<sup>b</sup> Amounts presented for each fiscal year were determined as of December 31

*See accompanying Independent Auditor's Report  
 See notes to Required Supplementary Information*

COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE  
 SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE  
 OF THE OTHER POST-EMPLOYMENT BENEFIT AMOUNTS  
 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION  
 YEAR ENDED JUNE 30, 2022  
 Last 10 Fiscal Years <sup>a, b</sup>

*Dollar amounts in thousands*

| Fiscal year ended June 30,   | <u>2021-22</u> | <u>2020-21</u> | <u>2019-20</u> | <u>2018-19</u> | <u>2017-18</u> |
|--|----------------|----------------|----------------|----------------|----------------|
| Center's proportion of the net OPEB liability  | 0.0535759737%  | 0.0587524092%  | 0.0536798897%  | 0.0539806974%  | 0.0548176416%  |
| Center's proportionate share of the net OPEB liability   | \$ 462         | \$ 558         | \$ 603         | \$ 734         | \$ 712         |
| Center's covered payroll   | \$ 5,308       | \$ 5,726       | \$ 5,427       | \$ 5,221       | \$ 4,483       |
| Center's proportionate Share of the net OPEB liability<br>as a percentage of its covered payroll | 8.70%          | 9.74%          | 11.11%         | 14.06%         | 15.88%         |
| Plan fiduciary net position as a percentage of the total<br>OPEB liability                       | 39.40%         | 32.78%         | 24.49%         | 17.00%         | 17.53%         |

<sup>a</sup> Amounts prior to Fiscal Year 2018 are not available. In future reports, additional years will be added until 10 years of historical data are presented

<sup>b</sup> Amounts presented for each fiscal year were determined as of December 31

*See accompanying Independent Auditor's Report  
 See notes to Required Supplementary Information*

COLORADO VETERANS COMMUNITY LIVING CENTER AT RIFLE  
 SCHEDULE OF THE CENTER'S OTHER POST-EMPLOYMENT BENEFIT CONTRIBUTIONS  
 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION  
 YEAR ENDED JUNE 30, 2022  
 Last 10 Fiscal Years <sup>a, b</sup>

| Fiscal year ended June 30,   | <u>2021-22</u> | <u>2020-21</u> | <u>2019-20</u> | <u>2018-19</u> | <u>2017-18</u> |
|--|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution                                  | \$ 46,789      | \$ 57,427      | \$ 48,607      | \$ 46,781      | \$ 46,030      |
| Contributions in relation to the contractually required contribution | <u>46,789</u>  | <u>57,427</u>  | <u>48,607</u>  | <u>46,781</u>  | <u>46,030</u>  |
| Contribution deficiency  | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |
| Center's covered payroll   | \$ 5,307,636   | \$ 5,726,015   | \$ 5,427,406   | \$ 5,220,913   | \$ 4,483,291   |
| Contributions as a percentage of covered payroll                     | 0.88%          | 1.00%          | 0.90%          | 0.90%          | 1.03%          |

<sup>a</sup> Amounts prior to Fiscal Year 2018 are not available. In future reports, additional years will be added until 10 years of historical data are presented

<sup>b</sup> Amounts presented for each fiscal year were determined as of December 31

*See accompanying Independent Auditor's Report  
 See notes to Required Supplementary Information*



COLORADO VETERANS COMMUNITY  
LIVING CENTER AT RIFLE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2022

**NET PENSION LIABILITY –**

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

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

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

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

COLORADO VETERANS COMMUNITY  
LIVING CENTER AT RIFLE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2022

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

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

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

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

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

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

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

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

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

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

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

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

COLORADO VETERANS COMMUNITY  
LIVING CENTER AT RIFLE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2022

**OTHER POST-EMPLOYMENT BENEFITS**

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

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

- The price inflation assumption was lowered from 2.40 percent to 2.30 percent, and the wage inflation assumption was lowered from 3.50 percent to 3.00 percent.
- The real rate of investment return assumption was increased to 4.95 percent per year, net of investment expenses from 4.85 percent per year, net of investment expenses.
- Salary scale assumptions were revised to align with the revised economic assumptions and to more closely reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumption for the State Division (members other than State Troopers) was changed to the PubG-2010 Employee Table with generational projection using scale MP-2019.
- The pre-retirement mortality assumption for the Judicial Division was changed to the PubG-2010(A) Above Median Employee Table with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the State Division (Members other than State Troopers) was changed to the PubG-2010 Health Retiree Table, adjusted as follows:
  - Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
  - Females: 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the Judicial Division was changed to the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019. The post-retirement non-disability beneficiary mortality assumption for the Division Trust Funds was changed to the Pub-2010 Contingent Survivor Table, adjusted as follows:
  - Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
  - Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.

COLORADO VETERANS COMMUNITY  
LIVING CENTER AT RIFLE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2022

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

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

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

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

**REQUIRED AUDITOR COMMUNICATION  
TO THE  
LEGISLATIVE AUDIT COMMITTEE**

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*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 Rifle (the Center) for the year ended June 30, 2022. 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 April 29, 2022. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

We noted and reported a material weakness in internal control over financial reporting related to the implementation of GASB 84 and GASB 87. Finding 2022-001.

We also noted and reported an other matter related to the continued decline in the financial condition of the Center. Finding 2022-002.

### Significant Audit Matters

#### *Significant Risks Identified*

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

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

There was a large amount of journal entries being posted. As part of audit procedures, we reviewed journal entries posted during the year. We did not identify any material misstatements in the accounting for journal entries.

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

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

An additional risk was related to COVID-19 and the policies and procedures used as the employees worked from home. We reviewed policies and procedures related to staff members working from home and the restrictions placed on staff and visitors entering the living center. We did not identify any policies or procedures that prevented information from being entered into the CORE system correctly.

We identified a risk regarding improper implementation of Statement of Governmental Accounting Standards Nos. 84, Fiduciary Activities and Statement of Governmental Accounting Standards Nos. 87, Leases. We reviewed the Center's implementation of GASBS 84 and 87 and found they were not implemented correctly; refer to Finding 2022-001 in the Schedule of Findings and Recommendations. To address the improper implementation of GASB 84, the fiduciary activities of the Center have been removed from the enterprise fund business-type activity and reported separately in fiduciary fund statements as custodial funds. To address the improper implementation of GASB 87, a proposed journal entry was prepared to record current year activity related to lease arrangements that were affected by this pronouncement.

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Center are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Center changed accounting policies related to the recording of Lease by adopting Statement of Governmental Accounting Standards No. 87, Leases, in Fiscal Year 2022. 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 accounts and 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 delays while attempting to complete audit work as scheduled. Information request deadlines that coincided with scheduled audit fieldwork were not met by the Center.



These items included a final unadjusted trial balance, fixed asset listing, support for accrued payroll and compensated absences. Additionally, information related to the implementation of GASB 87 and related support, client prepared financial statements and PERA supporting information was not received until several weeks after the scheduled fieldwork.

### *Corrected and Uncorrected Misstatements*

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

Relating to GASB 84-Fiduciary Activities, the Center reported the fiduciary activities with the enterprise fund, instead of presenting them separately.

### *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. There was a dispute with management regarding the reporting of a liability due to negative cash balances in the pooled cash account shared with the other Living Centers. We proposed that this negative cash balance be reported as a liability titled due to State Treasurer or due to Other Living Centers. Management at first disagreed that this was a liability, but eventually agreed to modify the financial statements and footnotes to include this balance as an other liability. We did not modify our report as a result of this dispute.

### *Management Representations*

We have requested and received certain representations from management that are included in the management representation letter dated December 16, 2022.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

## Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, and the Schedules of the Center's Proportionate Share of the Net Pension Liability, the Center's Contribution to Public Employees Retirement Association, the Center's Proportionate Share of the Net OPEB Liability, and the Center's OPEB Contribution to the Health Care Trust Fund, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted 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 our opinion or provide any assurance on the RSI.

### *Restriction on Use*

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

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

December 16, 2022

**Client:** VETERANS COMMUNITY LIVING CENTER AT RIFLE  
**Engagement:** 2022 Audit  
**Current Period:** 06/30/2022  
**Workpaper:** Adjusting Journal Entries

| Account                      | Description                           | Workpaper Reference | Debit                   | Credit                  | Net Income Effect       |
|------------------------------|---------------------------------------|---------------------|-------------------------|-------------------------|-------------------------|
| <b>001</b>                   |                                       | <b>153A</b>         |                         |                         |                         |
| To adjust GASB 87 liability. |                                       |                     |                         |                         |                         |
| B - 2621                     | Equipment Lease Payable GASB 87       |                     | 51,348.00               | 0.00                    |                         |
| B - 2820                     | Capital Lease Payable - Noncurrent    |                     | 21,115.00               | 0.00                    |                         |
| O - 6640                     | Lease Component Principal Expenditure |                     | 799.00                  | 0.00                    |                         |
| O - 6760                     | Financed Purchase Interest            |                     | 0.00                    | 21,115.00               |                         |
| O - 6840                     | Lease Component Interest              |                     | 0.00                    | 57,647.00               |                         |
| B - 1824                     | Right of Use Asset GASP 87            |                     | 11,091.00               | 0.00                    |                         |
| B - 1825                     | Accumulated Depr. - ROU GASB 87       |                     | 0.00                    | 7,279.00                |                         |
| O - 4130                     | Depreciation Expense                  |                     | 7,279.00                | 0.00                    |                         |
| O - 2260                     | Rental of IT Equip - PC's             |                     | 0.00                    | 10,371.00               |                         |
| B - 2420                     | Accrued Interest Payable              |                     | 4,780.00                | 0.00                    |                         |
| <b>Total</b>                 |                                       |                     | <u><b>96,412.00</b></u> | <u><b>96,412.00</b></u> | <u><b>81,055.00</b></u> |

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***GOVERNMENT AUDITING***  
***STANDARDS REPORT***

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*Certified Public Accountants*

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

Members of the Legislative Audit Committee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Colorado Veterans Community Living Center at Rifle (the Center), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated December 16, 2022.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and recommendations as item 2022-001, that we consider to be a material weaknesses.

## Report on Compliance and Other Matters

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

### 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, Poulos & Mitchell, P.C.*

December 16, 2022