
Colorado Health Facilities Authority

**Financial Report
with Supplementary Information
September 30, 2023**

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Independent Auditor's Report

To the Board of Directors
Colorado Health Facilities Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Colorado Health Facilities Authority (the "Authority") as of and for the years ended September 30, 2023 and 2022 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Colorado Health Facilities Authority as of September 30, 2023 and 2022 and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Audits of the Financial Statements* section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audits 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 an opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS 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.

To the Board of Directors
Colorado Health Facilities Authority

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 Authority'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 Authority'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, 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, which 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 Supplementary Information

Management is responsible for the accompanying schedule of bonds outstanding, which is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Our opinion on the financial statements do not cover such information, and we do not express an opinion or any form of assurance thereon.

To the Board of Directors
Colorado Health Facilities Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2023 on our consideration of Colorado Health Facilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Colorado Health Facilities Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Colorado Health Facilities Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Plante & Moran, PLLC". The signature is written in a cursive, flowing style.

December 20, 2023

The following discussion and analysis presents management's discussion of the financial position and results of operations of Colorado Health Facilities Authority (the "Authority") during the fiscal years ended September 30, 2023, 2022 and 2021. This information is being presented to provide additional information regarding the activities of the Authority and to meet the disclosure requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This analysis should be read in conjunction with the Independent Auditors' Report, financial statements, and accompanying notes to the financial statements.

The Authority was created by the Colorado Legislature in 1977 as a financing vehicle to enable non-profit public and private health care institutions to access the tax-exempt capital market when financing or refinancing health care facilities. The Authority does not receive any state of Colorado ("State") funds and is not a State agency. Its operations are funded through annual fees charged to the organizations on whose behalf the Authority issues bonds and other debt obligations (together, "bonds").

The Authority's statute does not provide that the moral authority of the State can be pledged. To the contrary, it explicitly provides that any bonds issued by the Authority are not an indebtedness, a debt or a liability of the State, or any political subdivision of the State. All bond documents, bonds, and offering circulars pertaining to bonds issued by the Authority state that the bonds are not the obligations of the State or the Authority but are the financial obligations of the health care institutions.

As the Authority has no liability with respect to these bonds and has no beneficial interest in the related assets held by the trustees, the Authority excludes these bonds and related assets held by the trustees from its financial statements.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: 1) the financial statements and 2) notes to the financial statements that provide enhanced disclosure of some of the information in the financial statements.

The statement of net position presents information on all of the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This statement provides information about the nature and the amounts of investments in resources (assets) and the amounts due to the Authority's creditors (liabilities). It provides one way to measure the financial health of the Authority by providing the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the Authority. This information should be considered along with other non-financial factors, such as the change in economic conditions.

The Authority's revenue and expenses are accounted for in the statement of revenue, expenses, and changes in net position. This statement measures operations over the year and can be used to determine whether the Authority has recovered all of its costs through its revenue sources.

The final required financial statement is the statement of cash flows. This statement reports cash receipts, cash disbursements, and net changes in cash resulting from operating, investing, capital and related financing activities, and non-capital financing activities. This statement provides answers to such questions as where did cash come from, how was cash used, and what was the change in the cash balance during the period.

Management's Discussion and Analysis

Years Ended September 30, 2023, 2022, and 2021

Condensed Financial Information

	2023	September 30, 2022	2021
Assets			
Current assets	\$1,479,717	\$1,631,059	\$2,227,980
Non-current assets	9,454,252	9,125,139	8,355,781
Total assets	<u>10,933,969</u>	<u>10,756,198</u>	<u>10,583,761</u>
Deferred outflows of resources	291,784	77,821	227,593
Liabilities			
Current liabilities	884,690	987,709	839,432
Non-current liabilities	815,591	314,686	731,012
Total liabilities	<u>1,700,281</u>	<u>1,302,395</u>	<u>1,570,444</u>
Deferred inflows of resources	9,031	467,494	364,728
Total liabilities and deferred inflows of resources	<u>1,709,312</u>	<u>1,769,889</u>	<u>1,935,172</u>
Net position			
Net investment in capital assets	(36,473)	(34,618)	-
Restricted indemnification trust	2,154,430	2,071,201	2,009,459
Unrestricted	7,398,484	7,027,547	6,866,723
Total net position	<u><u>\$9,516,441</u></u>	<u><u>\$9,064,130</u></u>	<u><u>\$8,876,182</u></u>

Management's Discussion and Analysis

Years Ended September 30, 2023, 2022, and 2021

Condensed Financial Information (continued)

	For the Years Ended		
	2023	September 30, 2022	2021
Operating revenue			
Annual service fees	\$1,964,563	\$1,762,402	\$1,773,410
Less refunds	(666,624)	(585,578)	(676,477)
Initial fees	449,764	678,317	395,234
Total operating revenue	<u>1,747,703</u>	<u>1,855,141</u>	<u>1,492,167</u>
Operating expenses			
Direct costs of financings	375,987	535,703	319,414
General and administrative expenses	1,134,831	892,218	816,226
Total operating expenses	<u>1,510,818</u>	<u>1,427,921</u>	<u>1,135,640</u>
Non-operating revenue (expense)	<u>215,426</u>	<u>(239,272)</u>	<u>(2,594)</u>
Change in net position	452,311	187,948	353,933
Net position - beginning of year	9,064,130	8,876,182	8,522,249
Net position - end of year	<u><u>\$9,516,441</u></u>	<u><u>\$9,064,130</u></u>	<u><u>\$8,876,182</u></u>

Financial Analysis

Net Position

Total assets of the Authority increased \$177,771 or 1.6%, from \$10,756,198 on September 30, 2022, to \$10,933,969 on September 30, 2023, and total liabilities increased \$397,886 or 30.5%, from \$1,302,395 on September 30, 2022 to \$1,700,281 on September 30, 2023. The increase in total assets is primarily due to an increase in the fair value of investments. The increase in total liabilities is primarily due to the Authority's proportionate share of the net pension liability. Total assets of the Authority increased \$172,437 or 1.6%, from \$10,583,761 on September 30, 2021, to \$10,756,198 on September 30, 2022, and total liabilities decreased \$268,049 or 17.1%, from \$1,570,444 on September 30, 2021 to \$1,302,395 on September 30, 2022. The increase in total assets is primarily due to an increase in investments, which resulted from investment purchases due to cash flow generated from operations and an increase in the Authority's proportionate share of the net pension asset. The decrease in total liabilities is primarily due to a decrease in the Authority's proportionate share of the net pension liability.

Deferred outflows of resources increased \$213,963, or 274.9% from \$77,821 on September 30, 2022, to \$291,784 on September 30, 2023, and deferred inflows of resources decreased \$458,463, or 98.1%, from \$467,494 on September 30, 2022, to \$9,031 on September 30, 2023. The increase in deferred outflows of resources and decrease in deferred inflows of resources is primarily due to the changes in actuarial assumptions and expectations embedded in accounting for the pension plan. Deferred outflows of resources decreased \$149,772, or 65.8% from \$227,593 on September 30, 2021, to \$77,821 on September 30, 2022, and deferred inflows of resources increased \$102,766, or 28.2%, from \$364,728 on September 30, 2021, to \$467,494 on September 30, 2022. The decrease in deferred outflows of resources and increase in deferred inflows of resources is primarily due to the changes in actuarial assumptions and expectations embedded in accounting for the pension plan.

Financial Analysis (continued)

Net Position (continued)

The net position of the Authority on September 30, 2023, 2022 and 2021 was \$9,516,441, \$9,064,130, and \$8,876,182, respectively. As of September 30, 2023, 2022 and 2021 approximately \$2,000,000 is set aside in an irrevocable indemnification trust. An additional \$7,298,484, \$6,927,547, and \$6,766,723, respectively, has been designated by the Board of Directors (the "Board") to satisfy certain obligations of the Authority, described as follows. Pursuant to its statute, the Authority issues bonds with a maximum maturity of 40 years. The Authority has the responsibility of monitoring compliance with certain covenants in the financing documents and the ongoing financial and operating performance of its borrowers in accordance with such documents. The Authority is also involved in the remarketing of bonds, tax audits of bonds, workouts of bonds, and other post-issuance matters affecting its bonds. In the event the Authority is precluded from issuing bonds due to legislative changes or otherwise issues bonds less frequently than in the past and, therefore, experiences a decrease in revenues generated by such bond issues, the Authority needs to maintain sufficient reserves to provide for administrative costs over the next 40 years. These costs cover such items as personnel, office rent, insurance expenses, and legal and other outside consultants' fees, in addition to the Authority's share of the Public Employees' Retirement Association of Colorado's pension shortfall. Net position of \$7,398,484, \$7,027,547, and \$6,866,723, respectively, is classified as unrestricted according to accounting standards.

Statements of Revenue, Expenses, and Changes in Net Position

Operating Activities

The Authority's operations consist of issuing bonds and loaning the proceeds thereof to health care and long term care providers. The Authority also hosts educational seminars for the providers and sponsors and participates in various State associations, comprised of hospitals and long-term care facilities, as well as in national organizations comprised of entities involved in tax-exempt health care finance.

The Authority charges financing and administrative fees for its services as discussed herein and further in Note 2 to the accompanying financial statements.

The total operating revenue for the year ended September 30, 2023, was \$1,747,703 a decrease of \$107,438, or 5.8%, from the prior year. The total operating revenue for the year ended September 30, 2022, was \$1,855,141, a decrease of \$362,974, or 24.3%, from the prior year. The initial fees are designed to cover the Authority's costs in issuing the bonds of the borrowing health care facilities and are paid by the borrowers at their closings. These fees are based on a percentage of the issuance amount, the type of issuance, and the time spent by legal professionals in connection with an issue. The initial fees decreased \$228,553, or 33.7% in 2023 when compared to 2022. This is primarily due to the fact that the Authority closed six bond issues for the fiscal year 2023 compared to nine for the fiscal year 2022. The initial fees increased \$283,083, or 71.6% in 2022 when compared to 2021. This is primarily due to the fact that the Authority closed nine bond issues for the fiscal year 2022 compared to six for the fiscal year 2021. The annual fees cover the operating expenses of the Authority since it receives no funding from the State. The gross annual service fees increased \$202,161, or 11.5%, in 2023 when compared to 2022, due to an increase in bond issuances that included new funds verse refunding. The gross annual service fees decreased \$11,008, or 0.6%, in 2022 when compared to 2021, due to early bond payoffs that occurred within the beginning of the fiscal year.

Financial Analysis (continued)

Statements of Revenue, Expenses, and Changes in Net Position (continued)

Operating Activities (continued)

Total operating expenses increased \$82,897 or 5.8%, for the year ended September 30, 2023, when compared to the same period in 2022. This is primarily due to an increase in legal counsel costs related to legal review and work related to the FAML I Program and COHFA’s leave policy. Other general and administrative expenses increased \$242,613 or 27.2%, primarily due to an increase in pension liability expense and an increase in auditing and accounting expenses. Total operating expenses increased \$292,281 or 25.7%, for the year ended September 30, 2022, when compared to the same period in 2021. This is primarily due to an increase in financial advisor costs and legal counsel costs related to new financings. Other general and administrative expenses increased \$75,992 or 9.3%, primarily due to an increase in depreciation expense related to the Authority’s operating lease.

Non-Operating Activities

The only non-operating revenue shown on the Authority's financial statements is investment income earned on the investments held as part of the Authority's operating fund and trust. These investments are both Board-designated as well as unrestricted money. Investment income increased \$454,698, or 190%, from 2022 to 2023 due to favorable fair value of current investments and an increase of 0.79% in interest rates related to the investments remaining outstanding as of fiscal year end 2023 verse fiscal year end 2022. Investment income decreased \$236,678, or 91.2%, from 2021 to 2022 due to unfavorable fair value of current investments and a decrease of 0.26% in interest rates related to the investments remaining outstanding as of fiscal year end 2022 verse fiscal year end 2021.

Debt Administration

For the year ended September 30, 2023, the Authority issued \$835,320,000 in bonds in six bond issues. For the year ended September 30, 2022, the Authority issued \$1,881,232,704 in bonds in nine bond issues. For the year ended September 30, 2021, the Authority issued \$795,120,000 in bonds in six bond issues.

Budget Analysis

The Authority had budgeted a surplus of \$810,416 for fiscal year 2023 before taking into account the refund to borrowers of a portion of their previously paid annual fees. The actual surplus was \$1,118,935 for fiscal year 2023. After a refund to borrowers of \$666,624 the remaining surplus was \$452,311. This is due to an increase in fair value of investments. The actual surplus was \$773,526 for fiscal year 2022. After a refund to borrowers of \$585,578, the remaining surplus was \$187,948. This is due to an increase in operating expenses related to the amortization of the Authority’s operating lease.

	For the Years Ended			
	September 30,			
	2023	2023	2022	2022
	(Actual)	(Budgeted)	(Actual)	(Budgeted)
Revenue	\$1,963,129	\$2,348,987	\$1,615,869	\$2,558,003
Expenses	<u>1,510,818</u>	<u>1,538,571</u>	<u>1,427,921</u>	<u>1,309,090</u>
Revenue over expenses	<u>\$452,311</u>	<u>\$810,416</u>	<u>\$187,948</u>	<u>\$1,248,913</u>

Requests for Information

This financial report is designed to provide a general overview of the Authority’s financial results for all those with an interest in the Authority’s finances. Questions concerning any of the information provide in this report or requests for information should be addressed to the Executive Director, 3033 E 1st Avenue Suite 301, Denver, CO 80206.

Colorado Health Facilities Authority

Statement of Net Position

September 30, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 793,434	\$ 975,669
Accounts receivable	524,093	435,545
Prepaid expenses and other assets	162,190	219,845
Total current assets	1,479,717	1,631,059
Noncurrent assets:		
Net pension asset	-	51,923
Indemnification trust	2,154,430	2,071,201
Lease right-of-use asset - Net	278,207	368,435
Assets limited as to use	7,021,615	6,633,580
Total noncurrent assets	9,454,252	9,125,139
Total assets	10,933,969	10,756,198
Deferred Outflows of Resources - Deferred amortization related to pension plan	291,784	77,821
Liabilities		
Current liabilities:		
Accounts payable	677,181	727,818
Accrued liabilities	41,251	47,388
Unearned revenue	71,408	124,136
Current portion of lease liability	94,850	88,367
Total current liabilities	884,690	987,709
Noncurrent liabilities:		
Long-term portion of lease liability	219,830	314,686
Net pension liability	595,761	-
Total liabilities	1,700,281	1,302,395
Deferred Inflows of Resources - Deferred amortization related to pension plan	9,031	467,494
Net Position		
Net investment in capital assets	(36,473)	(34,618)
Restricted indemnification trust	2,154,430	2,071,201
Unrestricted	7,398,484	7,027,547
Total net position	\$ 9,516,441	\$ 9,064,130

Colorado Health Facilities Authority

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenue		
Annual service fees	\$ 1,964,563	\$ 1,762,402
Less refunds	(666,624)	(585,578)
Initial fees	449,764	678,317
Total operating revenue	<u>1,747,703</u>	<u>1,855,141</u>
Operating Expenses		
Direct costs of financing:		
Financial consulting	210,585	337,711
Legal costs through closing	104,046	167,492
Post-closing legal costs	54,896	24,439
Multistate fee expense	5,961	5,414
Other	499	647
General and administrative expenses:		
Salaries and related	628,168	453,429
Office rent and expenses	121,858	108,225
Professional services	170,395	135,847
Amortization	90,228	90,229
Legislative relations	50,086	48,895
Council dues and meetings	19,224	29,492
Meetings	34,343	14,092
Public information/Business development	19,529	11,009
Trust expenses	1,000	1,000
Total operating expenses	<u>1,510,818</u>	<u>1,427,921</u>
Operating Income	236,885	427,220
Nonoperating Revenue (Expense)		
Investment income - Net	62,043	78,569
Net increase (decrease) in fair value of investments	168,809	(298,831)
Interest expense	(15,426)	(19,010)
Total nonoperating revenue (expense)	<u>215,426</u>	<u>(239,272)</u>
Change in Net Position	452,311	187,948
Net Position - Beginning of year	<u>9,064,130</u>	<u>8,876,182</u>
Net Position - End of year	<u><u>\$ 9,516,441</u></u>	<u><u>\$ 9,064,130</u></u>

Colorado Health Facilities Authority

Statement of Cash Flows

Years Ended September 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Cash receipts from customers	\$ 1,606,427	\$ 2,027,332
Cash payments to other suppliers of goods or services	(785,404)	(889,526)
Cash payments to employees for services	(659,047)	(591,771)
Net cash and cash equivalents provided by operating activities	161,976	546,035
Cash Flows from Capital and Related Financing Activities		
Principal payments on leases	(88,373)	(74,011)
Payments of interest on leases	(15,426)	(19,010)
Net cash and cash equivalents used in capital and related financing activities	(103,799)	(93,021)
Cash Flows from Investing Activities		
Proceeds from sales of investments	2,362,900	2,125,000
Purchase of investments	(2,653,315)	(3,231,131)
Interest and dividend income	62,043	78,569
Purchases of investments - Indemnification trust	(12,040)	(364)
Net cash and cash equivalents used in investing activities	(240,412)	(1,027,926)
Net Decrease in Cash and Cash Equivalents	(182,235)	(574,912)
Cash and Cash Equivalents - Beginning of year	975,669	1,550,581
Cash and Cash Equivalents - End of year	\$ 793,434	\$ 975,669
Adjustments to Reconcile Operating Income to Net Cash and Cash Equivalents from Operating Activities:		
Operating income	\$ 236,885	\$ 427,220
Adjustments to reconcile operating income to net cash and cash equivalents from operating activities:		
Amortization	90,228	90,229
Changes in assets and liabilities:		
Accounts receivable	(88,548)	48,055
Other current assets	57,655	(26,046)
Accounts payable	(50,637)	20,783
Accrued liabilities	(6,137)	(11,003)
Unearned revenue	(52,728)	124,136
Net pension asset/liability and pension-related deferred outflows/inflows of resources	(24,742)	(127,339)
Total adjustments	(74,909)	118,815
Net cash and cash equivalents provided by operating activities	\$ 161,976	\$ 546,035
Significant Noncash Transactions - Net increase (decrease) in fair value of investments	\$ 168,809	\$ (298,831)

September 30, 2023 and 2022

Note 1 - Nature of Business

Organization

Colorado Health Facilities Authority (the "Authority") is an independent public body and political subdivision created, effective July 1, 1977, by an Act of the General Assembly of the State of Colorado. Although the Authority is not considered a component unit of the State of Colorado, the Authority is considered a related party to the State of Colorado.

The purpose of the Authority is to provide access to tax-exempt capital markets for nonprofit public and private health care institutions and senior housing facilities in order to refund or refinance outstanding indebtedness and to finance additional facilities and other capital expenditures.

While the Authority issues tax-exempt revenue bonds and enters into leases on behalf of the borrowing institutions, the Authority is not liable with respect to the bonds or lease payments outstanding. The balances included in the accompanying financial statements represent the financial position of the Authority and do not include balances related to the bonds issued or leases financed.

Component Unit

In 2003, the Authority's board of directors (the "Board") approved the creation of the Colorado Health Facilities Authority Trust (the "Trust"). Since the Trust's governing body is the same as that of the Authority, the Trust is reported as a blended component unit.

Note 2 - Significant Accounting Policies

Basis of Accounting

The Authority is accounted for as a single-column business-type activity. The accompanying financial statements have been prepared on the accrual basis of accounting and the economic resources measurement focus in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Authority considers all investments with an original maturity of three months or less when purchased to be cash and cash equivalents, unless held within the investment portfolio.

Accounts Receivable

Accounts receivable arise in the normal course of business related to the annual fees charged to borrowers. The provision for uncollectible amounts is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future losses. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance, which is tracked by the Authority on an ongoing basis. The losses ultimately incurred could differ materially in the near term from the amounts estimated in determining the allowance. As of September 30, 2023 and 2022, no allowance was considered necessary.

Investments

Investments are recorded at fair value. Interest, dividends, and realized and unrealized gains and losses are included in nonoperating income and expenses when incurred. It is the Authority's intention to hold the investment portfolio on a long-term basis even though the underlying investments may have a short-term maturity.

Note 2 - Significant Accounting Policies (Continued)

Assets Limited as to Use

The Board maintains a policy on the accumulation and maintenance of reserves whereby it determined that it was necessary to designate all reserves over \$100,000 to the maintenance of operations and obligations for the next 40 years, ending at the final maturity date of the bonds it has issued. Pursuant to its statute, the Authority issues bonds with a maximum maturity of 40 years. The Authority has the responsibility of monitoring compliance with certain covenants in the financing documents and the ongoing financial and operating performance of its borrowers in accordance with such documents. The Authority is also involved in the remarketing of bonds. In the event the Authority is precluded from issuing bonds due to legislative changes or otherwise issues bonds less frequently than in the past and, therefore, experiences a decrease in revenue generated by such bond issues, the Authority needs to maintain sufficient reserves to provide for administrative costs over the next 40 years. These costs cover such items as personnel, office rent, insurance expenses, and legal and other outside consultants' fees in addition to the Authority's share of the Public Employees' Retirement Association of Colorado's (PERA) pension shortfall. This designated reserve of \$7,021,615 and \$6,633,580 at September 30, 2023 and 2022, respectively, is maintained in cash and investments; it is classified as assets limited as to use in the accompanying statement of net position and is to be updated annually by the Board. These funds may be expended only upon specific action by the Board.

Net Position and Related Reserves

The Authority's net position is classified as follows:

- Net investment in capital assets - Consists of lease right-of-use asset net of accumulated amortization reduced by the amount of lease liability to finance the asset
- Restricted indemnification trust - Consists of trust assets
- Unrestricted - Consists of the remaining net position that is available for unrestricted use

Restricted Indemnification Trust

The trust assets and interest accrued thereon of \$2,154,430 and \$2,071,201 as of September 30, 2023 and 2022, respectively, are currently maintained in U.S. Treasury bills and a Federated Treasury Obligation Fund and are classified as restricted indemnification trust in the accompanying statement of net position.

Revenue and Expenses

The Authority's statement of revenue, expenses, and changes in net position distinguishes between operating and nonoperating revenue and expenses. Operating revenue results from exchange transactions associated with arranging financing and includes annual service fees and initial fees. Nonexchange income includes investment income and miscellaneous income and is reported as nonoperating. Operating expenses are all expenses incurred to provide financing and the administrative expenses of the Authority.

September 30, 2023 and 2022

Note 2 - Significant Accounting Policies (Continued)

The Authority charges two types of fees to the borrowers: an initial fee and an annual service fee. A portion of the initial fee may be collected prior to the issuance of bonds. In the event that bonds are not issued, any fees collected in excess of legal and other expenses incurred related to the issuance are refundable to the potential borrower. Thus, initial fees are recorded as revenue collected in advance and recognized as revenue when the related expenses are incurred, with any excess recognized when the bonds are issued. If legal and other expenses incurred exceed fees collected prior to bond issuance, such expenses are deferred and recorded as expense when the bonds are issued. Annual service fees are payable quarterly in arrears based on the bond anniversary date for issuances of borrowers with bonds outstanding of \$100,000,000 or less on a cumulative basis and are based on the Authority's fiscal year end for issuances of borrowers with bonds outstanding of more than \$100,000,000 on a cumulative basis. During the years ended September 30, 2023 and 2022, the Authority determined to refund \$666,624 and \$585,578, respectively, of its annual fees to the borrowers.

Leases

The Authority is a lessee for a noncancelable lease of office space. The Authority recognizes a lease liability and an intangible right-of-use lease asset (lease asset) in the accompanying financial statements.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) the lease term, and (3) lease payments.

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Risk Management

The Authority has a risk management program under which the various risks of loss associated with its business operations are identified and managed. The risk management techniques utilized include a combination of standard policies and procedures and purchased insurance. Commercial general liability, medical, property losses, workers' compensation, and public officials' liability are all managed through purchased insurance. There were no insurance losses that exceeded insurance coverage in each of the past three fiscal years. In addition, the Board entered into an agreement to create a trust to pay or reimburse, upon satisfaction of certain requirements, any indemnification claims of past, present, or future directors, officers, and employees of the Authority. The Trust is currently funded in the amount of approximately \$2,000,000.

Note 2 - Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; the disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Pension

The Authority participates in the Local Government Division Trust Fund (the "LGDTF"), a cost-sharing, multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado. The LGDTF provides retirement and disability, postretirement annual increases, and death benefits for members or their beneficiaries. The net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense have been determined using the economic resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*; GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*; and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Upcoming Accounting Pronouncement

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Authority's financial statements for the year ending September 30, 2025.

Note 3 - Deposits and Investments

Colorado statutes require that the Authority use eligible public depositories for all cash deposits, as defined by the Public Deposit Protection Act (PDPA). Under the PDPA, the depository is required to pledge eligible collateral having a market value at all times equal to at least 102 percent of the aggregate public deposits held by the depository not insured by the FDIC.

Eligible collateral, as defined by the PDPA, primarily includes obligations of, or guarantees by, the U.S. government, the State of Colorado, or any political subdivision thereof and obligations evidenced by notes secured by first-lien mortgages or deeds of trust on real property. The Authority's deposits and investments include the following:

	2023		
	Deposits	Investments	Total
Cash and cash equivalents	\$ 793,434	\$ -	\$ 793,434
Assets limited as to use	-	7,021,615	7,021,615
Indemnification trust	-	2,154,430	2,154,430
Total deposits and investments	<u>\$ 793,434</u>	<u>\$ 9,176,045</u>	<u>\$ 9,969,479</u>

September 30, 2023 and 2022

Note 3 - Deposits and Investments (Continued)

	2022		
	Deposits	Investments	Total
Cash and cash equivalents	\$ 975,669	\$ -	\$ 975,669
Assets limited as to use	-	6,633,580	6,633,580
Indemnification trust	-	2,071,201	2,071,201
Total deposits and investments	<u>\$ 975,669</u>	<u>\$ 8,704,781</u>	<u>\$ 9,680,450</u>

The bank balances on deposit were \$817,191 and \$977,553 at September 30, 2023 and 2022, respectively.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3*, establishes and modifies disclosure requirements related to interest risk, custodial credit risk, concentration of credit risk, and foreign currency risk. The Authority's investment portfolio is not exposed to foreign currency risk.

As of September 30, 2023 and 2022, the Authority had the following investments:

Investment Type	2023	
	Fair Value	Weighted-average Maturity in Years
U.S. Treasury obligations	\$ 8,275,804	1.19
Federated Treasury Obligation Fund	3,166	N/A
U.S. government agency securities	396,900	0.16
Total	<u>\$ 8,675,870</u>	

Investment Type	2022	
	Fair Value	Weighted-average Maturity in Years
U.S. Treasury obligations	\$ 8,318,903	1.66
Federated Treasury Obligation Fund	3,166	N/A
U.S. government agency securities	382,212	1.16
Total	<u>\$ 8,704,281</u>	

Interest Rate Risk

In accordance with its investment policy, the Authority manages credit risk by investing surplus funds, in accordance with Colorado statutes, at the maximum interest rates available for maturities coincident with the need for those funds. The Authority manages its exposure to declines in fair values by purchasing investments with different maturities, not to exceed 10 years.

Credit Risk

The Authority adheres to an investment policy of purchasing investments restricted to direct U.S. Treasury obligations, U.S. agency obligations, obligations issued by any state or any of its political subdivisions, repurchase agreements secured by U.S. Treasury or U.S. agency obligations, and qualified certificates of deposit or time deposits that are insured by the FDIC. The Authority's investments in U.S. Treasury obligations were rated A-1+ by Standard & Poor's and P-1 by Moody's. The Authority's investment in the Federated Treasury Obligation Fund was rated A-1+ by Standard & Poor's and P-1 by Moody's. The Authority's U.S. government agency securities were rated A-1+ to AA+ by Standard & Poor's and P-1 to Aa1 by Moody's.

September 30, 2023 and 2022

Note 4 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Authority has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Authority’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The following tables present information about the Authority’s assets measured at fair value on a recurring basis at September 30, 2023 and 2022 and the valuation techniques used by the Authority to determine those fair values:

	Assets Measured at Fair Value on a Recurring Basis at September 30, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2023
U.S. Treasury obligations	\$ 8,275,804	\$ -	\$ -	\$ 8,275,804
U.S. government agency securities	-	396,900	-	396,900
Federated Treasury Obligation Fund	3,166	-	-	3,166
Total	\$ 8,278,970	\$ 396,900	\$ -	\$ 8,675,870

	Assets Measured at Fair Value on a Recurring Basis at September 30, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2022
U.S. Treasury obligations	\$ 8,318,903	\$ -	\$ -	\$ 8,318,903
U.S. government agency securities	-	382,212	-	382,212
Federated Treasury Obligation Fund	3,166	-	-	3,166
Total	\$ 8,322,069	\$ 382,212	\$ -	\$ 8,704,281

September 30, 2023 and 2022

Note 4 - Fair Value Measurements (Continued)

U.S. Treasury bills and the Federated Treasury Obligation Fund classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for the securities. U.S. government agency securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing model.

There were no changes to the valuation methodologies used for the years ended September 30, 2023 and 2022.

Note 5 - Lease Right-of-use Assets

Lease right-of-use asset activity of the Authority was as follows:

	Balance October 1, 2022	Additions	Disposals and Adjustments	Balance September 30, 2023
Lease right-of-use asset	\$ 473,702	\$ -	\$ -	\$ 473,702
Accumulated amortization	105,267	90,228	-	195,495
Lease right-of-use asset - net	<u>\$ 368,435</u>	<u>\$ (90,228)</u>	<u>\$ -</u>	<u>\$ 278,207</u>
	Balance October 1, 2021	Additions	Disposals and Adjustments	Balance September 30, 2022
Lease right-of-use asset	\$ 473,702	\$ -	\$ -	\$ 473,702
Accumulated amortization	15,038	90,229	-	105,267
Lease right-of-use asset - Net	<u>\$ 458,664</u>	<u>\$ (90,229)</u>	<u>\$ -</u>	<u>\$ 368,435</u>

Note 6 - Budget Policies

The Authority prepares a nonappropriated operating budget annually. This budget is adopted by the Board, which reviews actual results as compared to the budget on a quarterly basis. The budget is prepared on the accrual basis of accounting.

Note 7 - Leases

The Authority leases office space from a third party. Payments are generally fixed monthly, and the noncancelable term of the leasing arrangement matures in 2026. The discount rate applicable to this leasing arrangement is 4.25 percent.

Note 7 - Leases (Continued)

Future principal and interest payment requirements related to the Authority's lease liability at September 30, 2023 are as follows:

Years Ending	Principal	Interest	Total
2024	\$ 94,850	\$ 11,545	\$ 106,395
2025	101,669	7,382	109,051
2026	108,858	2,922	111,780
2027	9,303	33	9,336
Total	\$ 314,680	\$ 21,882	\$ 336,562

Lease liability activity for the Authority is as follows for the years ended September 30:

2023						
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year	
Lease liability	\$ 403,053	\$ -	\$ (88,373)	\$ 314,680	\$ 94,850	
2022						
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year	
Lease liability	\$ 477,064	\$ -	\$ (74,011)	\$ 403,053	\$ 88,367	

Note 8 - Pension Plan

Plan Description

The Authority's employees are provided with pensions through the Local Government Division Trust Fund, a cost-sharing, multiple-employer defined benefit pension plan (the "Plan") administered by PERA. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same bases as they are reported by PERA. Title 24, Article 51, Part 4 of the Colorado Revised Statutes (CRS) grants the authority to establish benefit provisions to the state Legislature. PERA issues a publicly available financial report that can be obtained online at www.copera.org or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, CO 80203 or by calling PERA at 303-832-9550 or 800-759-PERA (7372).

Benefits Provided

The Local Government Division Trust Fund provides retirement, disability, and death benefits for members or their beneficiaries. Retirement benefits are based upon a defined or fixed multiplier, age, years of credited services, and highest average salary (HAS). For most employees, HAS is one-twelfth of the average of the highest annual salaries that are associated with three periods of 12 consecutive months under PERA-covered employment. The basic retirement benefit equals 2.5 percent times HAS times years of service. Employees with 25 years of continuous service are eligible to retire at age 50. Employees are eligible for service-related disability benefits with five or more years of service. Disability benefits are divided into a two-tier disability program consisting of a short-term disability program and a disability retirement benefit. At benefit commencement, the member can choose from different payment options, some of which can continue after the retiree's death to a named beneficiary and for which the benefit amount is appropriately adjusted.

Note 8 - Pension Plan (Continued)

Contributions

Plan members and the Authority are required to contribute to the Plan at a rate set by Colorado statute. The contribution requirements are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8 percent; for the Authority, it is 10.75 percent of covered salary. A portion of the Authority's contribution, 1.02 percent for the years ended September 30, 2023 and 2022, is allocated for the Health Care Trust Fund. The Authority is also required to pay an amortization equalization disbursement of 2.2 percent of the total payroll for calendar years 2023 and 2022 and a supplemental amortization equalization of 1.5 percent of total payroll for calendar years 2023 and 2022. The total contribution rate to the pension plan was 13.46 and 13.20 percent for calendar years 2023 and 2022, respectively. The Authority's employer contributions to PERA for the years ended September 30, 2023 and 2022 were \$76,869 and \$68,022, respectively, equal to its required contributions for the year.

Net Pension Liability (Asset)

At September 30, 2023 and 2022, the Authority reported a liability (asset) of \$595,761 and \$(51,923), respectively, for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2022 and 2021. The total pension liability used to calculate the net pension liability (asset) was determined as of December 31, 2022 and 2021 using standard roll-forward techniques on an actuarial valuation as of December 31, 2021 and 2020, respectively. The Authority's proportion of the net pension liability (asset) was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating local governments, actuarially determined. At December 31, 2022, the Authority's proportion was 0.0594 percent, which was a decrease of 0.0012 percent from its proportion measured as of December 31, 2021. At December 31, 2021, the Authority's proportion was 0.0606 percent, which was a decrease of 0.0023 percent from its proportion measured as of December 31, 2020.

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

For the years ended September 30, 2023 and 2022, the Authority recognized pension (expense) benefit of \$(52,126) and \$59,318, respectively.

At September 30, 2023 and 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 228,456	\$ -	\$ -	\$ 452,892
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	5,658	6,226	26,570	14,602
Difference between expected and actual experience	-	2,805	-	-
The Authority's contributions to the plan subsequent to the measurement date	57,670	-	51,251	-
Total	\$ 291,784	\$ 9,031	\$ 77,821	\$ 467,494

Note 8 - Pension Plan (Continued)

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date of \$57,670 will be recognized as a reduction of the net pension liability (asset) in the year ending September 30, 2024. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date will reduce the net pension liability (asset) and, therefore, will not be included in future pension expense):

Years Ending September 30	Amount
2024	\$ (36,906)
2025	31,474
2026	88,006
2027	142,509
Total	<u>\$ 225,083</u>

Actuarial Assumptions

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Local Government Division Trust Fund
Inflation	2.30%
Salary increases (including inflation)	3.20-11.30%
Investment rate of return (net of investment expenses)	7.25%

Mortality rates were based on the PubG-2010 Employee Table with generational projection using scale MP-2019.

The Plan's total pension liability was determined by actuarial valuations as of December 31, 2021, and accepted actuarial procedures were applied to roll forward the pension liability (asset) to December 31, 2022. The actuarial assumptions used in the December 31, 2021 valuations were based on the results of the 2020 actuarial experience analysis for the period from January 1, 2016 through December 31, 2019.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent for the plan years ended December 31, 2022 and 2021. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the Authority's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 8 - Pension Plan (Continued)

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis, in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected 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

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Authority, calculated using the discount rate of 7.25 percent, as well as what the Authority's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease	Current Discount Rate	1 Percentage Point Increase
The Authority's proportionate share of the net pension liability as of September 30, 2023	\$ 1,000,133	\$ 595,761	\$ 257,235
The Authority's proportionate share of the net pension liability (asset) as of September 30, 2022	356,012	(51,923)	(393,142)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERA plan financial report.

Note 9 - Defeased Bond Issues

A number of the conduit debt bond issues facilitated by the Authority have been defeased with the proceeds of refunding bonds or escrow deposits made by the borrower institutions. In these instances, cash, U.S. government obligations, or other securities permitted by the bond indentures are deposited with a trustee in an irrevocable escrow account to be used solely to retire the bonds being refunded at a future date. This escrow deposit must be a sufficient amount to pay maturing principal, interest, and applicable call premiums on the advance refunded bonds when due. The escrowed assets are pledged solely to the bondholders of the refunded issues. The lien and secured interests of the bond trustee and the Authority created by the bond indenture and loan agreement governing the advance-refunded bond issue are defeased or released at the time the escrow deposit is made. As such, defeased bond issues are not considered to be outstanding as of September 30, 2023 and 2022, as applicable, in the schedule of bonds outstanding and the balance disclosed in Note 11.

September 30, 2023 and 2022

Note 10 - Defaults

Certain bond issues may be declared to be in default from time to time. While the Authority is not responsible for the repayment of the bonds, it can incur costs to assist in the resolution of the defaults. The Authority has been informed that several bond issues for long-term care facilities are currently in default. These borrowers are in negotiations with their lenders to resolve these matters.

Note 11 - Conduit Debt Obligations

The Authority issues tax-exempt revenue bonds on behalf of nonprofit public and private health care institutions and senior housing facilities in order to refund or refinance outstanding indebtedness and to finance additional facilities and other capital expenditures. The properties financed are pledged as collateral, and the bonds are payable solely from payments received from the institutions and facilities on the underlying mortgage and promissory notes. In addition, no commitments beyond the collateral, the payments from the institutions and facilities, and maintenance of the tax-exempt status of the conduit debt obligation were extended by the Authority for any of the bonds. The aggregate outstanding principal of the bonds at September 30, 2023 and 2022 was \$9,910,675,074 and \$9,567,190,373, respectively.

Required Supplemental Information

Colorado Health Facilities Authority

Required Supplemental Information Schedule of the Authority's Proportionate Share of the Net Pension Liability (Asset) Local Government Division Trust Pension Plan

	Last Ten Plan Years									
	Plan Years Ended December 31									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability (asset)	0.05942 %	0.06056 %	0.06290 %	0.06476 %	0.07305 %	0.06682 %	0.06819 %	0.07081 %	0.07125 %	0.07105 %
Authority's proportionate share of the net pension liability (asset) \$	595,761 \$	(51,923) \$	327,954 \$	473,673 \$	918,348 \$	744,009 \$	920,864 \$	780,019 \$	638,632 \$	584,678 \$
Authority's covered payroll \$	487,994 \$	428,440 \$	440,500 \$	446,050 \$	479,106 \$	421,538 \$	413,346 \$	402,141 \$	390,429 \$	379,055 \$
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	122.08 %	(12.12)%	74.45 %	106.19 %	191.68 %	176.50 %	222.78 %	193.97 %	163.57 %	154.25 %
Plan fiduciary net position as a percentage of total pension liability	82.99 %	101.49 %	90.88 %	86.26 %	75.96 %	79.37 %	73.65 %	76.87 %	80.72 %	77.66 %

Note: The amounts presented for each fiscal year were determined as of December 31.

Colorado Health Facilities Authority

Required Supplemental Information
 Schedule of the Authority's Contributions
 Local Government Division Trust Pension Plan

	Last Ten Fiscal Years									
	Years Ended September 30									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 76,869	\$ 68,022	\$ 63,055	\$ 62,268	\$ 66,915	\$ 58,383	\$ 57,540	\$ 56,325	\$ 54,683	\$ 53,488
Contributions in relation to the statutorily required contribution	76,869	68,022	63,055	62,268	66,915	58,383	57,540	56,325	54,683	53,488
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered Payroll	\$ 487,994	\$ 428,440	\$ 400,500	\$ 446,050	\$ 463,656	\$ 421,538	\$ 436,450	\$ 416,129	\$ 399,145	\$ 387,520
Contributions as a Percentage of Covered Payroll	15.75 %	15.88 %	15.74 %	13.96 %	14.43 %	13.85 %	13.18 %	13.54 %	13.70 %	13.80 %

Note: The amounts presented for each fiscal year were determined as of September 30.

Other Supplementary Information

Colorado Health Facilities Authority

Schedule I - Schedule of Bonds Outstanding

Bond Issue	Amount Outstanding as of September 30,	
	2023	2022
Aberdeen Ridge, Series 2021	140,020,000	140,020,000
Advent Health, Series 2014	72,200,000	75,000,000
Advent Health, Series 2016A-C	271,155,000	371,215,000
Advent Health, Series 2018	343,395,000	343,395,000
AdventHealth, Series 2019	437,075,000	437,075,000
AdventHealth, Series 2021	461,785,000	461,785,000
AdventHealth, Series 2023	227,075,000	-
AdventHealth, Series 2023	58,210,000	-
Allosource Project, Series 2010	7,840,000	9,295,000
Allosource Project, Series 2015	4,379,312	5,222,081
American Baptist Homes, Series 2013	47,715,000	47,925,000
American Baptist Homes, Series 2016	6,090,000	6,285,000
American Eagle Seris 2022	218,992,704	218,992,704
Augustana Elk Run Assisted Living Project, Series 2013	-	875,000
Bethesda Living Centers, Series 2018	116,365,000	118,150,000
Boulder Community Hospital Project, Series 2000	6,640,000	7,610,000
Boulder Community Hospital Project, Series 2014	26,000,000	27,000,000
Boulder Community Hospital Project, Series 2020	49,170,000	50,235,000
Boulder Community Hospital Project, Series 2022	23,825,000	24,540,000
Boulder Mental Health Partners, Series 2021	9,907,326	10,362,000
Catholic Health Initiatives, Series 2013A	-	254,765,000
Catholic Health Initiatives, Series 2013B	90,000,000	90,000,000
Catholic Health Initiatives, Series 2015	-	10,700,000
Children's Hospital Colorado, Series 2013	73,045,000	73,255,000
Children's Hospital Colorado, Series 2016	203,075,000	209,800,000
Children's Hospital Colorado, Series 2019	8,405,179	11,062,592
Children's Hospital Colorado, Series 2019, Series B	235,360,000	235,360,000
Children's Hospital Colorado, Series 2020	103,440,000	104,575,000
Children's Hospital Colorado, Equipment Series 2020	14,843,604	17,204,621
Children's Hospital Colorado, Equipment Series 2022	15,857,465	18,536,791
Christian Living Communities, Series 2016	54,420,000	56,560,000
Christian Living Communities, Series 2019	22,265,000	24,095,000
Christian Living Communities Cappella, Series 2019	21,495,000	21,775,000
Christian Living Neighborhoods, Series 2022	31,870,000	31,975,000
Colorado Senior Residences - Casey's Pond, Series 2012	44,705,000	44,705,000
CommonSpirit Health, Series 2019 A-1	2,043,210,000	2,043,210,000
CommonSpirit Health, Series 2022	496,500,000	-
Covenant Living Communities and Services, Series 2015 A	74,775,000	78,490,000
Covenant Living Communities and Services, Series 2015 B	2,535,000	3,715,000
Covenant Living Communities and Services, Series 2018A	59,780,000	59,780,000
Covenant Living Communities and Services, Series 2020	241,390,000	243,810,000
Craig Hospital, Series 2022A	12,595,000	12,595,000

Colorado Health Facilities Authority

Schedule I - Schedule of Bonds Outstanding (Continued)

Bond Issue	Amount Outstanding as of September 30,	
	2023	2022
Craig Hospital, Series 2022B	11,080,000	11,080,000
Crossroads, Series 2022	3,004,600	
The Denver Hospice Project, Series 2019	6,980,186	7,164,329
Devereux Foundation, Series 2012	1,305,425	1,528,531
Frasier Meadows Manor Inc. Project, Series 2017	-	36,450,000
Frasier Meadows Manor Inc. Project, Series 2017	41,395,000	43,005,000
Frasier Meadows Manor Inc. Project, Series 2020 A	39,100,000	39,100,000
Frasier Meadows Manor Inc. Project, Series 2020 B	7,026,148	8,851,022
Frasier Meadows Manor Inc. Project, Series 2023	35,440,000	-
Goodwill of Colorado, Series 2019	26,332,167	27,211,692
Intermountain Series 2022	1,369,600,000	1,369,600,000
Mental Health Center of Denver, Series 2014	20,320,000	20,840,000
Montrose Memorial Hospital, Series 2020	16,470,000	17,810,000
Montrose Memorial Hospital, Series 2023	15,000,000	-
National Jewish Medical and Research Center Project, Series 20	7,400,000	7,900,000
National Jewish Medical and Research Center Project, Series 20	7,675,000	9,880,000
National Jewish Medical and Research Center Project, Series 20	70,735,000	72,050,000
Open Arms, Series 2020	-	3,000,000
Parkview Medical Center, Series 2012	18,355,000	19,670,000
Parkview Medical Center, Series 2014	2,350,000	3,495,000
Parkview Medical Center, Series 2015	37,745,000	38,395,000
Parkview Medical Center, Series 2016	70,590,000	70,590,000
Parkview Medical Center, Series 2017	10,965,000	12,120,000
Parkview Medical Center, Series 2020	80,320,000	80,770,000
Pathways Hospice	8,175,772	8,175,773
Peak Vista Community Health Centers, Series 2020	19,264,920	23,500,000
Plan De Salud del Valle, Series 2020	10,724,042	11,762,002
Ralston Creek, Series 2017	46,730,000	46,730,000
Rocky Mountain Human Services/Denver Options	4,228,989	4,724,301
Rocky Mountain Youth Clinic, Series 2010	762,828	827,415
Sanford Health, Series 2019A	680,295,000	699,015,000
Sisters of Charity of Leavenworth Health System, Series 2016	110,980,000	110,980,000
Sisters of Charity of Leavenworth Health System, Series 2016	466,085,000	466,085,000
Sunny Vista, Series 2015	41,505,000	41,990,000
Volunteers of America Care Facilities Obligated Group Projects, I	12,305,000	13,635,000
Vail Valley Medical Center, Series 2012	4,629,407	6,669,519
Vail Valley Medical Center, Series 2015	98,260,000	98,840,000
Valley View Hospital, Series 2015	42,440,000	43,030,000
Valley View Hospital, Series 2017	35,790,000	37,860,000
Valley View Hospital, Series 2022	51,905,000	51,905,000
	\$ 9,910,675,074	\$ 9,567,190,373

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Directors
Colorado Health Facilities Authority

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 Colorado Health Facilities Authority (the "Authority"), which comprise the statement of net position as of September 30, 2023 and the related statements of revenue, expenses, and changes in net position and cash flows, for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 20, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as Finding 2023-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

To Management and the Board of Directors
Colorado Health Facilities Authority

The Authority's Response to the Finding

Government Auditing Standards require the auditor to perform limited procedures on the Authority's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Plante & Moran, PLLC". The signature is written in a cursive, flowing style.

December 20, 2023

Reference Number: 2023-001

Finding Type: Significant deficiency

Criteria: Entities are required to maintain an effective system of internal control over financial reporting.

Condition: Year-end audit procedures identified several reconciliation and data input errors that were not identified as part of Colorado Health Facilities Authority's (the "Authority") year-end close processes. Audit procedures identified variances in supporting documentation compared to the general ledger related to cash, investments and accounts payables. Some variances were the result of dates of various transactions being entered incorrectly into the accounting system. Management corrected all errors and/or provided updated supporting documentation that agree to the general ledger.

Context: Audit procedures identified variances in the balances of cash, investments and accounts payable as compared to supporting documentation, which resulted in revisions to the supporting documentation and/or adjustments within the accounting system in order to properly reconcile between the supporting documentation and general ledger.

Cause: Although the Authority has year-end close procedures in place, review controls did not operate effectively to identify the variances found during the audit procedures.

Effect: Numerous reconciliation and data input errors were identified during the audit procedures, which resulted in revisions to supporting documentation and/or general ledger balances.

Recommendation: The Authority should review internal control procedures in place to ensure review is done with enough precision to identify variances.

Views of Responsible Officials and Planned Corrective Actions: Management agrees additional control is needed for cash accounts. In addition, a revision of the controls for Accounts Payable, Accounts Receivable, and Investments is necessary. This will be the responsibility of the Associate Executive Director. Below is a listing of the new controls and updated controls:

New Cash Control - Associate Executive Director will create a listing of all cash outflows from the accounting software monthly in addition to the monthly bank reconciliation. Dates will be cross-checked to the monthly bank statement and verified by the Administrative Assistant.

Updated AP & AR Controls - Associate Executive Director will perform a quarterly AP and AR reconciliation. This is currently conducted annually.

Updated Investment Control - Associate Executive Director will perform a quarterly investment reconciliation. This is currently conducted annually.