

LA JUNTA HEALTH SERVICE DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2020

LA JUNTA HEALTH SERVICE DISTRICT

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-6
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET	7
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION	8
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES/NET POSITION	9
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	10
NOTES TO THE FINANCIAL STATEMENTS	11-16
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	17
ADDITIONAL INFORMATION	
INDIVIDUAL STATEMENTS	18-19

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INDEPENDENT AUDITORS' REPORT

Board of Directors
La Junta Health Service District
La Junta, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the La Junta Health Service District as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the La Junta Health Service District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the La Junta Health Service District as of December 31, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

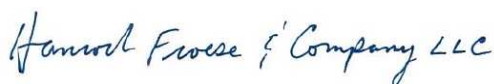
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the La Junta Health Service District's basic financial statements. The individual fund financial statements, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



HANCOCK FROESE & COMPANY LLC

February 26, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

LA JUNTA HEALTH SERVICE DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the La Junta Health Service District (the "District") offers readers of the District's annual financial report this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2020. Readers are encouraged to consider the information presented here in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

1. Assets of the District exceeded liabilities by \$2,546,284 of which \$514,515 is unrestricted and may be used to meet the District's on-going obligations.
2. Restricted Net Position includes \$18,700 required by TABOR, the emergency contingency required by Article X, Section 20 of the Colorado Constitution, \$1,361,856 required for debt service and \$15,501 restricted for future expenditures.
3. Net Investment in Capital Assets is \$635,712 which is net of any accumulated depreciation and related debt. As of December 31, 2020, there was no depreciation or related debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four parts – management discussion and analysis (this section), the basic financial statements including the notes to financial statements, required supplementary information, and a section that presents individual statements. This discussion and analysis serves as an introduction to the La Junta Health Service District's basic financial statements.

The financial statements presented herein include all of the activities of the District as prescribed by GASB Statement No. 34. The La Junta Health Service District is a statutory special district governed by an elected five-member board. The government wide financial statements and the fund statements have been presented on the same statement with adjustments reflecting the difference in the two presentations because the District maintains only one fund as of December 31, 2020 (General Fund).

Government Wide Financial Statements:

The financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. These statements use the accrual basis of accounting with the measurement focus on that of economic resources. All assets and liabilities, both financial and capital, short-term and long-term, are included. All revenues and expenses during the year, regardless of when cash is received, are reported. The government-wide financial statements consist of two statements:

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net the position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information reporting how the District's net position changed during the most recent fiscal year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Fund Financial Statements:

A fund is a grouping of related accounts, used to maintain control over resources segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The La Junta Health Service District maintains only governmental funds, which are used to report the operating activities of the District.

Governmental funds: Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, however, governmental fund financial statements focus on how money flows into and out of those funds and the balances at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Such information provides a detail short-term view of the District's general government operations and may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's financing decisions. To facilitate this comparison between governmental funds and governmental activities, reconciliation is provided for both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance.

**LA JUNTA HEALTH SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The District maintains one individual governmental fund. Information is presented separately in the *governmental funds* Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance for the Governmental Funds. Individual fund information is presented for the General Fund, which is a major fund.

Notes to the Basic Financial Statements:

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the La Junta Health Service District's financial statements.

Required Supplementary Information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District. The La Junta Health Service District adopts an annual appropriated budget. A budgetary comparison schedule has been provided to demonstrate compliance with the budget requirement for all major funds.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$2,546,284 at the end of the current fiscal year.

The major assets of the entity at December 31, 2020 consist of cash held in a local bank, which totaled \$220,679, investments consisting of treasury bills which have a fair market value of \$1,249,723, receivable for sales taxes of \$175,178 and prepaid expenses of \$267,842. Other significant assets are land acquired for \$50,142 and construction in progress totaling \$585,570.

The District had accounts payable of \$2,850 at December 31, 2020.

The following is a condensed summary of the District's net position as December 31, 2020:

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
ASSETS		
Current and Other Assets	\$ 1,913,422	\$ 1,330,020
Capital Assets Net of Depreciation	<u>635,712</u>	<u>331,309</u>
Total Assets	<u>\$ 2,549,134</u>	<u>\$ 1,661,329</u>
LIABILITIES		
Accounts Payable and Accrued Expenses	<u>\$ 2,850</u>	<u>\$ 52,499</u>
NET POSITION		
Net Investment in Capital Assets	635,712	331,309
Restricted	1,396,057	896,506
Unrestricted	<u>514,515</u>	<u>381,015</u>
Total Net Position	<u>2,546,284</u>	<u>1,608,830</u>
Total Liabilities and Net Position	<u>\$ 2,549,134</u>	<u>\$ 1,661,329</u>

**LA JUNTA HEALTH SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following table reflects a condensed summary of activities and changes in net position for December 31, 2020:

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Expenses		
District's Operations	\$ 53,277	\$ 47,145
Program Revenues		
Operating Contributions	<u>15,500</u>	<u>-</u>
Net Program Expense	<u>37,777</u>	<u>47,145</u>
General Revenues		
Sales Taxes	967,471	921,912
Interest	7,342	7,889
Unrealized Gains	<u>418</u>	<u>3,928</u>
Total General Revenues	<u>975,231</u>	<u>933,729</u>
Change in Net Position	937,454	886,584
Net Position – January 1	<u>1,608,830</u>	<u>722,246</u>
Net Position – December 31	<u>\$ 2,546,284</u>	<u>\$ 1,608,830</u>

FUND FINANCIAL STATEMENT ANALYSIS:

GENERAL FUND

The General Fund is the only fund of the La Junta Health Service District that had any activity in it in fiscal year 2020. The General Fund provides resources for operations of the District and the following table is a summary of the District's Balance Sheet as of December 31, 2020:

Balance Sheet

	<u>General Fund</u>	
	<u>2020</u>	<u>2019</u>
Assets	<u>\$ 1,645,580</u>	<u>\$ 1,326,597</u>
Liabilities	<u>\$ 2,850</u>	<u>\$ 52,499</u>
Fund Balance		
Restricted	1,396,057	896,506
Unrestricted	<u>246,673</u>	<u>377,592</u>
Total Fund Balance	<u>1,642,730</u>	<u>1,274,098</u>
Total Liabilities and Fund Balance	<u>\$ 1,645,580</u>	<u>\$ 1,326,597</u>

**LA JUNTA HEALTH SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following table reflects the revenue and expenditures of the general fund for year-end December 31, 2020:

Statement of Revenues over Expenditures

	<u>2020</u>	<u>2019</u>
Revenues		
Taxes	\$ 967,471	\$ 921,912
Interest	7,342	7,889
Unrealized Gains	<u>418</u>	<u>3,928</u>
Total Revenues	975,231	933,729
Expenditures		
District's Operations	<u>622,099</u>	<u>324,660</u>
Revenues Over (Under) Expenditures	353,132	609,069
Other Financing Sources (Uses)		
Contributions	<u>15,500</u>	<u>-</u>
Net Change in Fund Balance	368,632	609,069
Fund Balance January 1	<u>1,274,098</u>	<u>665,029</u>
Fund Balance December 31	<u>\$ 1,642,730</u>	<u>\$ 1,274,098</u>

Districts operations mainly consist of capital outlay, professional fees, insurance and consulting pertaining to the construction of a skilled nursing facility.

BUDGETARY HIGHLIGHTS

The revenues and expenditures budget comparison for year ended December 31, 2020 for the major governmental fund was:

**General Fund
2020**

	<u>Final Budget</u>	<u>Actual</u>
Revenues & Other Financing Sources	\$ 15,004,500	\$ 990,731
Expenditures & Other Financing Uses	<u>15,478,950</u>	<u>622,099</u>
Revenues over (under) Expenditures	<u>\$ (474,450)</u>	<u>\$ 368,632</u>

CAPITAL ASSETS

The District's capital assets consist of land acquired for \$50,142 and expenditures associated with the construction of a skilled nursing facility totaling \$585,570 that is considered Construction in Progress as of December 31, 2020.

LONG-TERM LIABILITIES

As of December 31, 2020, the District had no long-term liabilities.

REQUESTS FOR INFORMATION

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of its finances and to demonstrate the District's accountability for the money it receives. Questions about this report and requests for additional financial information can be obtained by contacting the La Junta Health Service District at P.O. Box 969, La Junta, CO 81050.

BASIC FINANCIAL STATEMENTS

LA JUNTA HEALTH SERVICE DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

DECEMBER 31, 2020

	GOVERNMENTAL FUND	ADJUSTMENTS PAGE 8	STATEMENT OF NET POSITION
ASSETS			
Cash	\$ 93,045	\$ -	\$ 93,045
Restricted Cash for:			
Debt Service	112,133	-	112,133
Future Expenditures	15,501	-	15,501
Restricted Investments - Debt Service	1,249,723	-	1,249,723
Sales Tax Receivable	175,178	-	175,178
Prepays	-	267,842	267,842
Land	-	50,142	50,142
Construction in Progress	-	585,570	585,570
TOTAL ASSETS	\$ 1,645,580	\$ 903,554	\$ 2,549,134
LIABILITIES			
Accounts Payable	\$ 2,850	\$ -	\$ 2,850
FUND BALANCE			
Restricted for:			
Emergencies - TABOR	18,700	(18,700)	-
Debt Service	1,361,856	(1,361,856)	-
Future Expenditures	15,501	(15,501)	-
Unassigned	246,673	(246,673)	-
TOTAL FUND BALANCE	1,642,730	(1,642,730)	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,645,580		
NET POSITION			
Net Investment in Capital Assets		635,712	635,712
Restricted for:			
Emergencies - TABOR		18,700	18,700
Debt Service		1,361,856	1,361,856
Future Expenditures		15,501	15,501
Unrestricted		514,515	514,515
TOTAL NET POSITION		2,546,284	2,546,284
TOTAL LIABILITIES AND NET POSITION		\$ 903,554	\$ 2,549,134

SEE NOTES TO FINANCIAL STATEMENTS

LA JUNTA HEALTH SERVICE DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2020

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT
OF NET POSITION ARE DIFFERENT BECAUSE:

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,642,730

CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL
RESOURCES AND THEREFORE ARE NOT REPORTED IN FUNDS.

The Cost of Capital Assets is	\$ 635,712	
Accumulated Depreciation is	-	
		635,712

PAYMENTS WHICH REFLECT COSTS APPLICABLE TO FUTURE ACCOUNTING
PERIODS REQUIRE THE USE OF CURRENT FINANCIAL RESOURCES
AND THEREFORE ARE REPORTED AS EXPENDITURES IN
GOVERNMENTAL FUNDS.

Prepaid Insurance	3,542	
Prepaid Furniture, Furnishings and Equipment	264,300	
		267,842

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,546,284

LA JUNTA HEALTH SERVICE DISTRICT

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE/NET POSITION

YEAR ENDED DECEMBER 31, 2020

	GOVERNMENTAL FUND	ADJUSTMENTS PAGE 10	STATEMENT OF ACTIVITIES
EXPENDITURES/EXPENSES			
General Government	\$ 317,696	\$ (264,419)	\$ 53,277
Capital Outlay	304,403	(304,403)	-
TOTAL EXPENDITURES/EXPENSES	<u>622,099</u>	<u>(568,822)</u>	<u>53,277</u>
PROGRAM REVENUES:			
Operating Contributions	15,500	-	15,500
TOTAL PROGRAM REVENUES	<u>15,500</u>	<u>-</u>	<u>15,500</u>
NET PROGRAM EXPENSE	<u>606,599</u>	<u>(568,822)</u>	<u>37,777</u>
GENERAL REVENUES:			
Sales Taxes	967,471	-	967,471
Interest	7,342	-	7,342
Unrealized Gains	418	-	418
TOTAL GENERAL REVENUES	<u>975,231</u>	<u>-</u>	<u>975,231</u>
REVENUES OVER (UNDER) EXPENDITURES	368,632	(368,632)	-
CHANGE IN NET POSITION	<u>-</u>	<u>937,454</u>	<u>937,454</u>
FUND BALANCE/NET POSITION JANUARY 1,	<u>1,274,098</u>	<u>334,732</u>	<u>1,608,830</u>
FUND BALANCE/NET POSITION DECEMBER 31,	<u>\$ 1,642,730</u>	<u>\$ 903,554</u>	<u>\$ 2,546,284</u>

SEE NOTES TO FINANCIAL STATEMENTS

LA JUNTA HEALTH SERVICE DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF
ACTIVITIES ARE DIFFERENT BECAUSE:

NET CHANGE IN FUND BALANCE \$ 368,632

GOVERNMENTAL FUNDS REPORT CAPITAL OUTLAYS AS EXPENDITURES.
HOWEVER, IN THE STATEMENT OF ACTIVITIES THE COST OF THOSE ASSETS
IS ALLOCATED OVER THEIR ESTIMATED USEFUL LIVES AND REPORTED AS
DEPRECIATION EXPENSE. THIS IS THE AMOUNT BY WHICH CAPITAL OUTLAYS
DIFFER FROM DEPRECIATION IN THE CURRENT PERIOD.

Capital Outlay	\$ 304,403	
Depreciation Expense	-	
		304,403

PAYMENTS WHICH REFLECT COSTS APPLICABLE TO FUTURE ACCOUNTING
PERIODS REQUIRE THE USE OF CURRENT FINANCIAL RESOURCES
AND THEREFORE ARE REPORTED AS EXPENDITURES IN
GOVERNMENTAL FUNDS.

Prepaid Insurance	119	
Prepaid Furniture, Furnishings and Equipment	264,300	
		264,419

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 937,454

NOTES TO THE FINANCIAL STATEMENTS

LA JUNTA HEALTH SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE -1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL

The La Junta Health Service District (the "District") is a statutory special district governed by an elected five-member board. In 2017, the City of La Junta, Colorado electorate approved a ballot issue authorizing a sales tax at a rate not to exceed 1% until all debt authorized by said ballot issue is satisfied and then continuing at a rate not to exceed 0.5% with the proceeds of such debt and taxes used to acquire, construct, equip, operate and maintain a new long-term care and nursing home facility. The District is a quasi-municipal corporation and a political subdivision of the State of Colorado with all the powers of a health service district provided by law; and that the facilities, services, and financial arrangements of the District shall conform as far as practical to the approved Service Plan and Resolution of Approval of the La Junta Health Service District Service Plan adopted by the City Council for the City of La Junta, Colorado.

The accounting policies of the La Junta Health Service District conform to accounting principles generally accepted in the United States of America as applicable to governmental entities. The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. A summary of significant policies is as follows:

THE FINANCIAL REPORTING ENTITY

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that the exclusion would cause the District's financial situation to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District does not have a component unit which meets the GASB criteria.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Sales taxes are recognized as revenues in the year for which they are earned. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, interest, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grant and entitlement awards are recorded as revenue when earned. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

General Fund – The general fund is the general operation fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

LA JUNTA HEALTH SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE -1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND EQUIVALENTS

The District considers all liquid investments, other than those limited as to use, with the original maturities of three months or less to be cash equivalents.

RESTRICTED CASH

The cash represents sales tax revenue received from the State of Colorado that is restricted for debt service and cash received from donors restricted for a future project.

CAPITAL ASSETS

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation if acquired by gift. The District capitalizes all capital assets exceeding \$5,000. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. As of December 31, 2020, there were no capital assets being depreciated by the District.

NET POSITION / FUND BALANCE

In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets – This component consists of capital assets, net of accumulated depreciation, reduced by outstanding debt, if applicable, attributed to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted net position – This component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets are assets which have restrictions placed on the use of the assets through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted net position – This component consists of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

The District implemented GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint;

LA JUNTA HEALTH SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE -1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NET POSITION / FUND BALANCE (Continued)

Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. Assigned fund balance is established through the adoption or amendment of the budget as intended for specific purposes.

RESTRICTED RESOURCES

When both restricted and unrestricted resources are available in governmental funds, the District applies expenditures against restricted fund balance first, followed by committed fund balance, assigned fund balance and unassigned fund balance.

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY BUDGETS

The District follows these procedures in establishing the budgetary data reflected in the financial statements: Prior to October 15, the Board of Directors receives a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain taxpayer comments.

Prior to December 15, the budget is legally enacted through passage of a resolution.

Revisions that alter the total expenditures of any fund generally must be approved by the Board. Budget amounts in the accompanying financial statements include revisions to the original appropriation ordinance.

NOTE -2 DEPOSITS AND INVESTMENTS

DEPOSITS:

The District's investment policies are approved by the Board and governed by Colorado statute. The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories; state regulators determined eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2020, \$237,206 of the District's bank balance of \$487,206 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

INVESTMENTS:

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value loss resulting from increasing interest rates. The Colorado revised statute 24-75-601 limits investment maturities to five years or less without governing board approval. This law, among other things, outlines the types of securities that public entities in Colorado may acquire and hold as investments. These include U.S. government and agency securities, certain bonds of political subdivisions, bankers' acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds, guaranteed insurance contracts and U.S. dollar-denominated corporate or bank debt.

LA JUNTA HEALTH SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE –2 DEPOSITS AND INVESTMENTS (Continued)

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

At December 31, 2020, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Investment Maturities (in years)</u>	
					<u>Less Than One Year</u>	<u>1-5 Years</u>
U.S. Treasuries	\$ <u>-</u>	\$ <u>1,249,723</u>	\$ <u>-</u>	\$ <u>1,249,723</u>	\$ <u>1,249,723</u>	\$ <u>-</u>

Credit Risk - State law limits investments for local governments to U.S. treasury issues, other federally backed notes and credits, and other agency offerings (not based on derivatives) without limitation. Other investment instruments including bank obligations, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State law further limits investments in money market funds that are organized according to the Federal Investment Company Act of 1940, as specified in rule 2a-7, as amended, as long as such rule does not increase remaining maturities beyond a maximum of three years. Investments in these funds require that the institution have assets in excess of \$1 billion or the highest credit rating from one or more of a nationally recognized rating agency.

NOTE –3 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Transfers Increases</u>	<u>Transfers Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 50,142	\$ -	\$ -	\$ 50,142
Construction in Progress	<u>281,167</u>	<u>304,403</u>	<u>-</u>	<u>585,570</u>
Total Capital Assets	\$ <u>331,309</u>	\$ <u>304,403</u>	\$ <u>-</u>	\$ <u>635,712</u>

NOTE -4 RISK MANAGEMENT

The District is exposed to various risks of loss from torts; thefts of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims did not exceed this commercial coverage during 2020.

NOTE -5 TAX SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

LA JUNTA HEALTH SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE -5 TAX SPENDING AND DEBT LIMITATIONS (Continued)

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. Emergency reserves have been provided for as required by Article X, Section 20 of the constitution of the State of Colorado. \$18,700 of the fund balance has been reserved in compliance with this requirement.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualifications as an enterprise will require judicial interpretation. Accordingly, the possibility exists that the District's interpretation of certain TABOR provisions may subsequently be determined to be incorrect. This could result in a potential refund of revenue unless voters approve retention of such revenue. The ultimate outcome of these matters cannot presently be determined and no provision for any liability for a refund of revenue has been made in the financial statements.

On November 7, 2017 the voters of the District approved the ballot issue authorizing a debt increase, a tax increase and to allow the collection, retention, and expenditure of revenues generated.

NOTE -6 NET POSITION

Restricted net position represents net position whose users are subject to constraints that are either 1.) legally imposed by creditors (such as debt covenants), grantors, or laws or regulations of other governments, or 2.) imposed by law through constitutional provisions or enabling legislation. Restricted net position at December 31, 2020 is as follows:

	Governmental Activities
Emergencies - TABOR	\$ 18,700
Debt Service	1,361,856
Future Expenditures	<u>15,501</u>
	<u>\$ 1,396,057</u>

Restricted for Emergencies – TABOR – This represents approximately 3% of the District's 2020 fiscal year spending as that term is defined in the Colorado constitution. Under these provisions of the constitution, this portion of the District's net position can be used for declared emergencies only and the District must maintain 3% or more of its spending in this restricted account. The District does not believe this restriction meets the definition of a stabilization arrangement under generally accepted accounting principles.

Restricted for Debt Service – This represents unspent cash received from sales tax that has not been spent on debt. The District is required, by the vote of the people, to use 50% of the sales tax collected to service future debt payments.

Restricted for Future Expenditures – This represents unspent cash received from a donor for the construction of a gazebo.

LA JUNTA HEALTH SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE -7 FUND BALANCES

At December 31, 2020, fund balances for governmental funds consist of the following:

	<u>Restricted Fund Balance</u>			<u>Total</u>
	<u>Emergencies TABOR</u>	<u>Debt Service</u>	<u>Future Expenditures</u>	
General Fund	<u>\$ 18,700</u>	<u>\$ 1,361,856</u>	<u>\$ 15,501</u>	<u>\$ 1,396,057</u>

NOTE -8 SUBSEQUENT EVENTS

The District evaluated its December 31, 2020 financial statements for subsequent events through the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to impact tax revenues. Other financial impact could occur though such potential impact is unknown at this time.

The District has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

REQUIRED SUPPLEMENTARY INFORMATION

LA JUNTA HEALTH SERVICE DISTRICT

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Sales Taxes	\$ 1,000,000	\$ 1,000,000	\$ 967,471	\$ (32,529)
Interest	4,500	4,500	7,342	2,842
Unrealized Gain	-	-	418	418
TOTAL REVENUES	1,004,500	1,004,500	975,231	(29,269)
EXPENDITURES				
Salaries	65,000	65,000	27,219	37,781
Dues and Memberships	2,000	2,000	-	2,000
Construction Consultants	250,000	250,000	568,703	(318,703)
Insurance	10,000	10,000	3,542	6,458
Professional Fees	20,000	20,000	5,162	14,838
Rent	7,200	7,200	5,131	2,069
Office Supplies	8,500	8,500	12,342	(3,842)
Capital Outlay	14,500,000	14,500,000	-	14,500,000
Debt Service	616,250	616,250	-	616,250
TOTAL EXPENDITURES	15,478,950	15,478,950	622,099	14,856,851
REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES	(14,474,450)	(14,474,450)	353,132	14,827,582
OTHER FINANCING SOURCES				
Contributions	-	-	15,500	15,500
Debt Proceeds	14,000,000	14,000,000	-	(14,000,000)
REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	(474,450)	(474,450)	368,632	843,082
FUND BALANCE JANUARY 1	1,274,098	1,274,098	1,274,098	-
FUND BALANCE DECEMBER 31	\$ 799,648	\$ 799,648	\$ 1,642,730	\$ 843,082

ADDITIONAL INFORMATION

LA JUNTA HEALTH SERVICE DISTRICT

GENERAL FUND

BALANCE SHEET

DECEMBER 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 93,045	\$ 280,889
Restricted Cash for:		
Debt Service	112,133	141,074
Future Expenditures	15,501	-
Restricted Investments - Debt Service	1,249,723	745,632
Sales Tax Receivable	175,178	159,002
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 1,645,580</u>	<u>\$ 1,326,597</u>
LIABILITIES		
Accounts Payable	<u>\$ 2,850</u>	<u>\$ 52,499</u>
FUND BALANCE		
Restricted for:		
Emergencies - TABOR	18,700	9,800
Debt Service	1,361,856	886,706
Future Expenditures	15,501	-
Unassigned	246,673	377,592
	<u> </u>	<u> </u>
TOTAL FUND BALANCE	<u>1,642,730</u>	<u>1,274,098</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,645,580</u>	<u>\$ 1,326,597</u>

LA JUNTA HEALTH SERVICE DISTRICT

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED DECEMBER 31, 2020 and 2019

	2020	2019
REVENUES		
Sales Taxes	\$ 967,471	\$ 921,912
Interest	7,342	7,889
Unrealized Gain	418	3,928
TOTAL REVENUES	<u>975,231</u>	<u>933,729</u>
EXPENDITURES		
Salaries	27,219	21,684
Dues and Memberships	-	130
Consulting	568,703	281,167
Insurance	3,542	3,423
Professional Fees	5,162	5,275
Rent	5,131	5,031
Office Supplies	12,342	7,950
TOTAL EXPENDITURES	<u>622,099</u>	<u>324,660</u>
REVENUES OVER EXPENDITURES	353,132	609,069
OTHER FINANCING SOURCES (USES)		
Contributions	15,500	-
NET CHANGE IN FUND BALANCE	368,632	609,069
FUND BALANCE JANUARY 1	<u>1,274,098</u>	<u>665,029</u>
FUND BALANCE DECEMBER 31	<u>\$ 1,642,730</u>	<u>\$ 1,274,098</u>