

LA JUNTA HEALTH SERVICE DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2021

LA JUNTA HEALTH SERVICE DISTRICT

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HANCOCK FROESE & COMPANY LLC

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2021 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.

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, 2021, 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.

Basis for Opinions

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

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 La Junta Health Service District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the La Junta Health Service District'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 La Junta Health Service District's ability to continue as a going concern for a reasonable period of time.

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

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

Supplementary 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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the individual fund financial statements listed in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2022 on our consideration of the La Junta Health Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the La Junta Health Service District'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 La Junta Health Service District's internal control over financial reporting and compliance.



HANCOCK FROESE & COMPANY LLC

March 1, 2022

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, 2021. 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 \$3,602,013 of which \$270,938 is unrestricted and may be used to meet the District's on-going obligations.
2. Restricted Net Position includes \$61,500 required by TABOR, the emergency contingency required by Article X, Section 20 of the Colorado Constitution, \$1,771,509 required for debt service, \$15,707 restricted for future expenditures and \$500 restricted for a construction fund.
3. Net Investment in Capital Assets is \$1,481,859 which is net of any accumulated depreciation and related debt. As of December 31, 2021, there was no depreciation or related debt.
4. The District entered into a loan agreement with the USDA and Western Alliance Bank to provide interim financing (construction loan) and permanent financing for a 56 bed skilled nursing facility. Currently, in the construction phase, the loan is with Western Alliance Bank, with USDA providing monitoring over all draws and other matters related to the construction loan. The outstanding balance as of December 31, 2021 is \$1,155,270.

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, 2021 (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.

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

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.

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 \$3,602,013 at the end of the current fiscal year.

The major assets of the entity at December 31, 2021 consist of unrestricted cash held in a local bank, which totaled \$408,774, investments consisting of treasury bills which have a fair market value of \$1,694,475, receivable for sales taxes of \$201,697 and prepaid expenses of \$264,785. Other significant assets are land acquired for \$50,142 and construction in progress totaling \$2,586,987.

The District had accounts payable of \$539,602, accrued interest payable of \$3,216 and interim financing of \$1,155,270 at December 31, 2021.

The following is a condensed summary of the District's net position as December 31, 2021:

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
ASSETS		
Current and Other Assets	\$ 2,662,972	\$ 1,913,422
Capital Assets Net of Depreciation	<u>2,637,129</u>	<u>635,712</u>
Total Assets	<u>\$ 5,300,101</u>	<u>\$ 2,549,134</u>
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 542,818	\$ 2,850
NONCURRENT LIABILITIES		
Interim Financing	<u>1,155,270</u>	<u>-</u>
Total Liabilities	<u>1,698,088</u>	<u>2,850</u>
NET POSITION		
Net Investment in Capital Assets	1,481,859	635,712
Restricted	1,849,216	1,396,057
Unrestricted	<u>270,938</u>	<u>514,515</u>
Total Net Position	<u>3,602,013</u>	<u>2,546,284</u>
Total Liabilities and Net Position	<u>\$ 5,300,101</u>	<u>\$ 2,549,134</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, 2021:

	Governmental Activities	
	2021	2020
Expenses		
District's Operations	\$ 53,790	\$ 53,277
Program Revenues		
Operating Contributions	200	15,500
Net Program Expense	53,590	37,777
General Revenues		
Sales Taxes	1,108,634	967,471
Interest	685	7,342
Unrealized Gains	-	418
Total General Revenues	1,109,319	975,231
Change in Net Position	1,055,729	937,454
Net Position – January 1	2,546,284	1,608,830
Net Position – December 31	\$ 3,602,013	\$ 2,546,284

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 2021. 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, 2021:

Balance Sheet

	General Fund	
	2021	2020
Assets	\$ 2,398,187	\$ 1,645,580
Liabilities	\$ 539,602	\$ 2,850
Fund Balance		
Restricted	1,849,216	1,396,057
Unrestricted	9,369	246,673
Total Fund Balance	1,858,585	1,642,730
Total Liabilities and Fund Balance	\$ 2,398,187	\$ 1,645,580

**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, 2021:

Statement of Revenues over Expenditures

	<u>2021</u>	<u>2020</u>
Revenues		
Taxes	\$ 1,108,634	\$ 967,471
Interest	685	7,342
Unrealized Gains	<u>-</u>	<u>418</u>
Total Revenues	1,109,319	975,231
Expenditures		
District's Operations	<u>2,048,934</u>	<u>622,099</u>
Revenues Over (Under) Expenditures	<u>(939,615)</u>	<u>353,132</u>
Other Financing Sources (Uses)		
Contributions	200	15,500
Interim Financing Proceeds	<u>1,155,270</u>	<u>-</u>
Total Other Financing Sources	<u>1,155,470</u>	<u>15,500</u>
Net Change in Fund Balance	215,855	368,632
Fund Balance January 1	<u>1,642,730</u>	<u>1,274,098</u>
Fund Balance December 31	<u>\$ 1,858,585</u>	<u>\$ 1,642,730</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, 2021 for the major governmental fund was:

General Fund

2021

	<u>Final Budget</u>	<u>Actual</u>
Revenues & Other Financing Sources	\$ 16,408,000	\$2,264,789
Expenditures & Other Financing Uses	<u>16,437,255</u>	<u>2,048,934</u>
Revenues over (under)		
Expenditures	<u>\$ (29,255)</u>	<u>\$ 215,855</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 \$2,586,987 that is considered Construction in Progress as of December 31, 2021.

LONG-TERM LIABILITIES

As of December 31, 2021, the District had an outstanding balance on interim financing of \$1,155,270.

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, 2021

	GOVERNMENTAL FUND	ADJUSTMENTS PAGE 8	STATEMENT OF NET POSITION
ASSETS			
Cash	\$ 408,774	\$ -	\$ 408,774
Restricted Cash for:			
Debt Service	77,034	-	77,034
Future Expenditures	15,707	-	15,707
Construction	500	-	500
Restricted Investments - Debt Service	1,694,475	-	1,694,475
Sales Tax Receivable	201,697	-	201,697
Prepays	-	264,785	264,785
Land	-	50,142	50,142
Construction in Progress	-	2,586,987	2,586,987
TOTAL ASSETS	\$ 2,398,187	\$ 2,901,914	\$ 5,300,101
CURRENT LIABILITIES			
Accounts Payable	\$ 539,602	\$ -	\$ 539,602
Accrued Interest Payable	-	3,216	3,216
TOTAL CURRENT LIABILITIES	539,602	3,216	542,818
NONCURRENT LIABILITIES			
Interim Financing	-	1,155,270	1,155,270
TOTAL LIABILITIES	539,602	1,158,486	1,698,088
FUND BALANCE			
Restricted for:			
Emergencies - TABOR	61,500	(61,500)	-
Debt Service	1,771,509	(1,771,509)	-
Future Expenditures	15,707	(15,707)	-
Construction	500	(500)	-
Unassigned	9,369	(9,369)	-
TOTAL FUND BALANCE	1,858,585	(1,858,585)	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,398,187		
NET POSITION			
Net Investment in Capital Assets		1,481,859	1,481,859
Restricted for:			
Emergencies - TABOR		61,500	61,500
Debt Service		1,771,509	1,771,509
Future Expenditures		15,707	15,707
Construction		500	500
Unrestricted		270,938	270,938
TOTAL NET POSITION		3,602,013	3,602,013
TOTAL LIABILITIES AND NET POSITION		\$ 2,901,914	\$ 5,300,101

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, 2021

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 1,858,585
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CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL
 RESOURCES AND THEREFORE ARE NOT REPORTED IN FUNDS.

The Cost of Capital Assets is	\$ 2,637,129	
Accumulated Depreciation is	-	
		2,637,129

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	485	
Prepaid Furniture, Furnishings and Equipment	264,300	
		264,785

LONG-TERM LIABILITIES ARE NOT DUE AND PAYABLE IN THE CURRENT PERIOD
 AND THEREFORE ARE NOT REPORTED IN THE FUNDS.

Construction Loan	(1,155,270)	
Accrued Interest Payable	(3,216)	
		(1,158,486)

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 3,602,013</u></u>
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LA JUNTA HEALTH SERVICE DISTRICT

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

YEAR ENDED DECEMBER 31, 2021

	GOVERNMENTAL FUND	ADJUSTMENTS PAGE 10	STATEMENT OF ACTIVITIES
EXPENDITURES/EXPENSES			
General Government	\$ 47,517	\$ 6,273	\$ 53,790
Capital Outlay	2,001,417	(2,001,417)	-
TOTAL EXPENDITURES/EXPENSES	<u>2,048,934</u>	<u>(1,995,144)</u>	<u>53,790</u>
PROGRAM REVENUES:			
Operating Contributions	200	-	200
TOTAL PROGRAM REVENUES	<u>200</u>	<u>-</u>	<u>200</u>
NET PROGRAM EXPENSE	<u>2,048,734</u>	<u>(1,995,144)</u>	<u>53,590</u>
GENERAL REVENUES:			
Sales Taxes	1,108,634	-	1,108,634
Interest	685	-	685
Unrealized Gains	-	-	-
TOTAL GENERAL REVENUES	<u>1,109,319</u>	<u>-</u>	<u>1,109,319</u>
REVENUES OVER (UNDER) EXPENDITURES	(939,415)	939,415	-
OTHER FINANCING SOURCES			
Interim Financing Proceeds	1,155,270	(1,155,270)	-
NET CHANGE IN FUND BALANCE	215,855	(215,855)	-
CHANGE IN NET POSITION	<u>-</u>	<u>1,055,729</u>	<u>1,055,729</u>
FUND BALANCE/NET POSITION JANUARY 1,	<u>1,642,730</u>	<u>903,554</u>	<u>2,546,284</u>
FUND BALANCE/NET POSITION DECEMBER 31,	<u>\$ 1,858,585</u>	<u>\$ 1,743,428</u>	<u>\$ 3,602,013</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, 2021

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

NET CHANGE IN FUND BALANCE \$ 215,855

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	\$ 2,001,417	
Depreciation Expense	-	
	2,001,417	2,001,417

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		(3,057)
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THE GOVERNMENT FUNDS REPORT DEBT PROCEEDS AS AN OTHER FINANCING SOURCE,
WHILE REPAYMENT OF DEBT PRINCIPAL IS REPORTED AS AN EXPENDITURE. INTEREST IS
RECOGNIZED AS IT IS ACCRUED IN THE STATEMENT OF ACTIVITIES REGARDLESS OF WHEN
IT IS DUE. THE NET EFFECT OF THESE DIFFERENCES IS AS FOLLOWS:

Construction Loan	(1,155,270)	
Accrued Interest Payable	(3,216)	
	(1,158,486)	(1,158,486)

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES		\$ 1,055,729
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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 AND INVESTMENTS

The cash represents sales tax revenues and contributions received from the State of Colorado and other entities that is restricted for debt service, future projects and the construction of the skilled nursing facility.

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, 2021, 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, 2021, \$277,484 of the District's bank balance of \$527,484 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, 2021, the District had the following investments and maturities:

Investment Type	Level 1	Level 2	Level 3	Total	Investment Maturities (in years)	
					Less Than One Year	1-5 Years
U.S. Treasuries	\$ -	\$ 1,694,475	\$ -	\$ 1,694,475	\$ 1,694,475	\$ -

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, 2021 was as follows:

	Beginning Balance	Transfers Increases	Transfers Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 50,142	\$ -	\$ -	\$ 50,142
Construction in Progress	585,570	2,001,417	-	2,586,987
Total Capital Assets	\$ 635,712	\$ 2,001,417	\$ -	\$ 2,637,129

NOTE - 4 CHANGES IN LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions of the District for the year ended December 31, 2021:

	Balance December 31, 2020	Additions	Deletions	Balance December 31, 2021
Governmental Activities:				
Interim Financing (Construction Loan)	\$ -	\$ 1,155,270	\$ -	\$ 1,155,270

The District is required to establish a debt service reserve account for each loan in an amount at least equal to an average annual loan installment. This reserve will be accumulated at the rate of at least one-tenth of the average annual installment each year until the required level is reached, which is one average annual loan installment for each loan. Additionally, the District will establish a capital assets replacement reserve for capital assets anticipated to require replacement during the first 15 years of the facility operation. As of December 31, 2021, \$72,900 is restricted per the covenant and included in Restricted Cash for Debt Service on the balance sheet of the General Fund.

LA JUNTA HEALTH SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE - 4 CHANGES IN LONG-TERM OBLIGATIONS (Continued)

As of December 31, 2021, the note matures as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	<u>\$ 1,155,270</u>	<u>\$ 3,216</u>	<u>\$ 1,158,486</u>

Interim Financing - Construction Loan Agreement – On September 30, 2021, the District entered into a construction loan agreement with Western Alliance Business Trust in the amount not to exceed \$15,900,000 for the construction of a 56-bed skilled nursing facility. Western Alliance Business Trust negotiated the making of the Construction Loan Note, Series 2021 in anticipation of the receipt of and payable from the proceeds from the USDA Direct Loans, the proceeds from the USDA Guaranteed Loan, sales tax and net revenues. The State and Area Office staff of USDA Rural Development will administer the loan and/or grant funds for this project on behalf of the Rural Housing Service. Any changes in project cost, source of funds, scope of services, or any other significant change in the project or applicant must be reported to and approved by USDA Rural Development by written amendment.

Permanent Financing – Upon completion of the construction of the Project and in order to provide funds for the permanent financing of the Project, funds will be received from the following: (i) the United States Department of Agriculture – Rural Housing Service, acting through the United States Department of Agriculture – Rural Development (“USDA”) will provide funding to the District in an aggregate amount of not greater than \$12,310,000 (the “USDA Direct Loans”) and (ii) Western Alliance Business Trust proposes to make a loan to the District in an amount of not greater than \$3,590,000, guaranteed up to 80% by USDA (the “USDA Guaranteed Loan” and, together with the USDA Direct Loans, the “USDA Permanent Financing”).

Permanent Financing shall be pursuant to and in accordance with the Letter of Conditions provided by the USDA dated September 20, 2021 and a Conditional Commitment for Guarantee executed by USDA and Western Alliance Business Trust on September 28, 2021. As noted above, permanent financing will be provided as follows: (i) a Community Facilities Direct loan in the amount of \$9,000,000, (ii) a Community Facilities Direct loan in the amount of \$3,310,000, and (iii) a Community Facilities Direct Guaranteed loan in the amount of \$3,590,000. The loans will be repayable over a period not to exceed thirty-five (35) years from the date of loans’ closing at the market interest rate of (2.25%). The loans’ repayment will be made in amortized monthly installments.

The Community Facility Direct Loans will be secured by a Revenue Bond, in parity with the Guaranteed Lender, Western Alliance Business Trust. The Revenue Bond will be specifically tied to the sales tax in effect for specific purpose of debt service. No other entity is to encumber the annual sales tax revenue.

NOTE -5 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 2021.

NOTE -6 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.

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.

LA JUNTA HEALTH SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE -6 TAX SPENDING AND DEBT LIMITATIONS (Continued)

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. \$61,500 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 -7 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, 2021 is as follows:

	<u>Governmental Activities</u>
Emergencies - TABOR	\$ 61,500
Debt Service	1,771,509
Future Expenditures	15,707
Construction Fund	<u>500</u>
	<u>\$ 1,849,216</u>

Restricted for Emergencies – TABOR – This represents approximately 3% of the District's 2021 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 is set aside for future debt service and/or operating capital of the skilled nursing facility.

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

Restricted for Construction Fund – This represents unspent cash received for the construction of the skilled nursing facility.

LA JUNTA HEALTH SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE -8 FUND BALANCES

At December 31, 2021, 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>	<u>Construction Fund</u>	
General Fund	<u>\$ 61,500</u>	<u>\$ 1,771,509</u>	<u>\$ 15,707</u>	<u>\$ 500</u>	<u>\$ 1,849,216</u>

NOTE -9 SUBSEQUENT EVENTS

The District evaluated its December 31, 2021 financial statements for subsequent events through the date the financial statements were available to be issued.

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, 2021

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Sales Taxes	\$ 1,000,000	\$ 1,000,000	\$ 1,108,634	\$ 108,634
Interest	2,000	2,000	685	(1,315)
Unrealized Gain	-	-	-	-
TOTAL REVENUES	1,002,000	1,002,000	1,109,319	107,319
EXPENDITURES				
Salaries	37,500	37,500	29,383	8,117
Dues and Memberships	2,000	2,000	-	2,000
Construction Consultants	100,000	100,000	1,855,996	(1,755,996)
Insurance	10,000	10,000	485	9,515
Professional Fees	20,000	20,000	4,374	15,626
Rent	7,200	7,200	5,234	1,966
Office Supplies	25,000	25,000	8,041	16,959
Capital Outlay	15,465,000	15,465,000	145,421	15,319,579
Debt Service	770,555	770,555	-	770,555
TOTAL EXPENDITURES	16,437,255	16,437,255	2,048,934	14,388,321
REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES	(15,435,255)	(15,435,255)	(939,615)	14,495,640
OTHER FINANCING SOURCES				
Contributions	-	-	200	200
Debt Proceeds	15,406,000	15,406,000	1,155,270	(14,250,730)
TOTAL OTHER FINANCING SOURCES	15,406,000	15,406,000	1,155,470	(14,250,530)
REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	(29,255)	(29,255)	215,855	245,110
FUND BALANCE JANUARY 1	1,642,730	1,642,730	1,642,730	-
FUND BALANCE DECEMBER 31	\$ 1,613,475	\$ 1,613,475	\$ 1,858,585	\$ 245,110

ADDITIONAL INFORMATION

LA JUNTA HEALTH SERVICE DISTRICT

GENERAL FUND

BALANCE SHEET

DECEMBER 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 408,774	\$ 93,045
Restricted Cash for:		
Debt Service	77,034	112,133
Future Expenditures	15,707	15,501
Construction	500	-
Restricted Investments - Debt Service	1,694,475	1,249,723
Sales Tax Receivable	<u>201,697</u>	<u>175,178</u>
 TOTAL ASSETS	 <u>\$ 2,398,187</u>	 <u>\$ 1,645,580</u>
 LIABILITIES		
Accounts Payable	<u>\$ 539,602</u>	<u>\$ 2,850</u>
 FUND BALANCE		
Restricted for:		
Emergencies - TABOR	61,500	18,700
Debt Service	1,771,509	1,361,856
Future Expenditures	15,707	15,501
Construction	500	-
Unassigned	<u>9,369</u>	<u>246,673</u>
 TOTAL FUND BALANCE	 <u>1,858,585</u>	 <u>1,642,730</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 2,398,187</u>	 <u>\$ 1,645,580</u>

LA JUNTA HEALTH SERVICE DISTRICT

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED DECEMBER 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
REVENUES		
Sales Taxes	\$ 1,108,634	\$ 967,471
Interest	685	7,342
Unrealized Gain	-	418
	<u>1,109,319</u>	<u>975,231</u>
 EXPENDITURES		
Salaries	29,383	27,219
Consulting	1,855,996	568,703
Insurance	485	3,542
Professional Fees	4,374	5,162
Rent	5,234	5,131
Office Supplies	8,041	12,342
Capital Outlay	145,421	-
	<u>2,048,934</u>	<u>622,099</u>
TOTAL EXPENDITURES		
	<u>(939,615)</u>	<u>353,132</u>
REVENUES OVER(UNDER) EXPENDITURES		
 OTHER FINANCING SOURCES (USES)		
Contributions	200	15,500
Interim Financing Proceeds	1,155,270	-
	<u>1,155,470</u>	<u>15,500</u>
TOTAL OTHER FINANCING SOURCES		
NET CHANGE IN FUND BALANCE	215,855	368,632
FUND BALANCE JANUARY 1	<u>1,642,730</u>	<u>1,274,098</u>
FUND BALANCE DECEMBER 31	<u><u>\$ 1,858,585</u></u>	<u><u>\$ 1,642,730</u></u>

SINGLE AUDIT SECCION

LA JUNTA HEALTH SERVICE DISTRICT
LA JUNTA, COLORADO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2021

<u>PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Passed through to Sub- recipients</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE Communities Facilities Loans and Grants	10.766	N/A	N/A	<u>\$1,155,270</u>

LA JUNTA HEALTH SERVICE DISTRICT
LA JUNTA, COLORADO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE -1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the La Junta Health Service District under programs of the federal government for the year ended December 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a selected portion of the operations of the La Junta Health Service District, it is not intended to and does not present the financial position, changes in net assets of the La Junta Health Service District.

NOTE – 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE – 3 INDIRECT COST RATES

The La Junta Health Service District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE – 4 BALANCE OF OUTSTANDING LOAN

The United States Department of Agriculture (USDA) Facility Loan Grant is reported above under CFDA #10.766 with \$1,155,270 in federal expenditures during the year ended December 31, 2021. The loan balance at December 31, 2021 was \$1,155,270.

NOTE – 5 SUB-RECIPIENTS

No payments were made to sub-recipients in the fiscal year ended December 31, 2021.

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Patrick A. Hancock CPA 719-688-0812
Andrew H. Froese CPA 719-980-1962

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the La Junta Health Service District's (District), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the La Junta Health Service District's basic financial statements, and have issued our report thereon dated March 1, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the La Junta Health Service District'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the La Junta Health Service District's internal control. Accordingly, we do not express an opinion on the effectiveness of the La Junta Health Service District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the La Junta Health Service District'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 statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hancock Froese & Company LLC
Rocky Ford, Colorado
March 1, 2022

HANCOCK FROESE & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS
601 SOUTH EIGHTH STREET
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the La Junta Health Service District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the La Junta Health Service District's major federal programs for the year ended December 31, 2021. The La Junta Health Service District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the La Junta Health Service District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the La Junta Health Service District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the La Junta Health Service District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the La Junta Health Service District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the La Junta Health Service District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the La Junta Health Service District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 La Junta Health Service District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the La Junta Health Service District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the La Junta Health Service District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

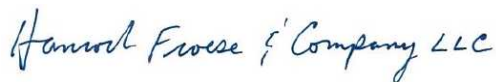
Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Hancock Froese & Company LLC

Rocky Ford, Colorado

March 1, 2022

**La Junta Health Service District
La Junta, Colorado**

**Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2021**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued Unmodified

Internal control over financial reporting as reported in the INDEPENDENT AUDITORS’ REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*:

- Material weakness(es) identified? ___ yes no X
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ___yes no X

Noncompliance material to financial statements noted ___yes no X

Federal Awards

Internal control over major programs as reported in the INDEPENDENT AUDITORS’ REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE:

- Material weakness(es) identified? ___ yes no X
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ___yes no X

Type of auditor’s report issued on compliance for major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a) ___yes no X

CFDA Number(s)	Name of Federal Program or Cluster
10.766	Community Facilities Loans and Grants

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee ___yes no X

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Section IV – Prior Year Findings

There were no findings in the prior year that were required to be reported.