

# La Junta Health Service District d/b/a Bluestem Village

Financial Statements

Year Ended December 31, 2023



## **Independent Auditor's Report**

Board of Directors  
La Junta Health Service District d/b/a Bluestem Village  
La Junta, Colorado

### ***Report on the Audit of the Financial Statements***

#### ***Opinion***

We have audited the accompanying financial statements of La Junta Health Service District d/b/a Bluestem Village (the "District"), which comprise the statement of net position as of December 31, 2023, and the related statements of revenue, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of La Junta Health Service District d/b/a Bluestem Village as of December 31, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of La Junta Health Service District d/b/a Bluestem Village 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 opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 La Junta Health Service District d/b/a Bluestem Village's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

In performing an audit in accordance with GAAS 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 La Junta Health Service District d/b/a Bluestem Village'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 La Junta Health Service District d/b/a Bluestem Village'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***

Management has omitted the management's discussion and analysis that GAAP requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion is not affected by this missing information.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information comprised of the Schedule of Revenues and Expenses – Budget and Actual and the *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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2024, on our consideration of La Junta Health Service District d/b/a Bluestem Village'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 La Junta Health Service District d/b/a Bluestem Village'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 d/b/a Bluestem Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Wipfli LLP".

Wipfli LLP

Wausau, Wisconsin

September 27, 2024

# La Junta Health Service District d/b/a Bluestem Village

## Statement of Net Position

December 31, 2023

Current assets:		
Cash	\$	1,068,549
Restricted cash		500,356
Resident accounts receivable		2,572
Other accounts receivable		98,387
Sales tax receivable		194,521
Prepays and other		59,007
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Total current assets		1,923,392
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Noncurrent assets:		
Assets limited as to use		1,495,565
Nondepreciable capital assets		50,142
Depreciable capital assets - Net		15,804,890
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Total noncurrent assets		17,350,597
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<b>TOTAL ASSETS</b>	\$	<b>19,273,989</b>
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Current liabilities:		
Accounts payable	\$	1,091,527
Accrued liabilities:		
Payroll and payroll taxes		92,606
Interest		159,288
Other		60,077
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Total current liabilities		1,403,498
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Noncurrent liabilities - long-term debt		13,845,294
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Total liabilities		15,248,792
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Net position:		
Net investment in capital assets		938,497
Unrestricted		3,086,700
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Total net position		4,025,197
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<b>TOTAL LIABILITIES AND NET POSITION</b>	\$	<b>19,273,989</b>
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See accompanying notes to financial statements.

# La Junta Health Service District d/b/a Bluestem Village

## Statements of Revenue, Expenses, and Change in Net Position

Year Ended December 31, 2023

Operating revenue:		
Net resident service revenue	\$	50,464
Other		30
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Total operating revenue		50,494
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Operating expenses:		
Wages and benefits		768,345
Contracted services		328,438
Supplies and other		364,114
Depreciation		120,858
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Total operating expenses		1,581,755
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Loss from operations		(1,531,261)
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Nonoperating income (expense):		
Sales tax		1,137,817
Investment income		108,561
Other non operating income		117,535
Interest expense		(400,128)
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Total nonoperating income (expense)		963,785
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Change in net position		(567,476)
Net position at beginning of year		4,592,673
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Net position at end of year	\$	4,025,197

See accompanying notes to the financial statements

# La Junta Health Service District d/b/a Bluestem Village

## Statements of Cash Flows Year Ended December 31, 2023

Increase (decrease) in cash and cash equivalents and restricted cash:	
Cash flows from operating activities:	
Cash received from resident services	\$ 47,922
Cash paid for employee compensation and fringe benefits	(675,739)
Cash paid to suppliers	(668,944)
Net cash from operating activities	(1,296,761)
Cash flows from capital and related financing activities:	
Sales tax funds received for operations	1,136,994
Other non operating revenue received	19,148
Acquisition of capital assets	(3,085,230)
Proceeds from long-term debt	3,858,252
Interest paid	(296,373)
Net cash from capital and related financing activities	1,632,791
Net cash from investing activities:	
Net change in assets limited as to use	233,737
Interest income received	77,221
Net cash from capital and related financing activities	310,958
Change in cash and cash equivalents and restricted cash	646,988
Cash and cash equivalents and restricted cash at beginning of year	925,622
Cash and cash equivalents and restricted cash at end of year	\$ 1,572,610
Reconciliation of loss from operations to net cash and restricted cash from operating activities:	
Loss from operations	\$ (1,531,261)
Adjustments to reconcile loss from operations to net cash and restricted cash from operating activities:	
Depreciation expense	120,858
Amortization expense	2,252
Changes in operating assets and liabilities:	
Accounts receivable	(2,572)
Prepays and other	(59,007)
Accounts payable	20,286
Accrued liabilities	152,683
Total adjustments	234,500
Net cash from operating activities	\$ (1,296,761)
<b>Reconciliation to statement of net position:</b>	
Cash and cash equivalents	\$ 1,068,549
Restricted cash	500,356
Cash and cash equivalents included in assets limited as to use	3,705
Total	\$ 1,572,610
<b>Non cash capital and related financing information -</b>	
Capital assets included in accounts payable	\$ 1,071,241

See accompanying notes to financial statements.

# La Junta Health Service District d/b/a Bluestem Village

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies**

#### **The Entity**

The La Junta Health Service District (the "District") is a statutory special district governed by an elected five-member board. 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 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 District was formed to construct and operate Bluestem Village, a 56-bed nursing home which began operations in November 2023. Shortly after beginning operations, the fire suppression system for Bluestem Village failed. At the time of the failure, Bluestem had admitted three residents. The fire suppression system failure caused water damage to the facility and resulted in Bluestem being unable to accept any new residents until the fire suppression system is repaired. As of the date of these financial statements, the fire suppression system repairs have been completed on part of the building resulting in the state approving Bluestem to admit up to 28 residents. The fire suppression system repairs on the remainder of the building are in process.

The accompanying financial statements include the operations of La Junta Health Service District d/b/a Bluestem Village.

#### **Method of Accounting**

The District's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The District applies guidance issued by the Governmental Accounting Standards Board (GASB).

#### **Use of Estimates in Preparation of Financial Statements**

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during that period. Actual results may differ from these estimates.

#### **Cash and Cash Equivalents**

The District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### **Restricted Cash**

Restricted cash includes amounts restricted under the debt agreement to pay for construction related costs.

# La Junta Health Service District d/b/a Bluestem Village

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Assets limited as to use**

Assets limited as to use, stated at fair value, represents cash and cash equivalents and a United States Treasury Obligation the Board of Directors has designated for debt service reserve fund and a capital replacement fund required by the United States Department of Agriculture loan letter of commitment.

#### **Fair Value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

#### **Resident Accounts Receivable and Credit Policy**

Resident accounts receivable are uncollateralized resident obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from local residents. The District bills third-party payors on the resident's behalf or, if a resident is uninsured, the resident is billed directly. Once claims are settled with the primary payor, any secondary insurance is billed, and residents are billed for copay and deductible amounts that are the residents' responsibility. Payments on accounts receivable are applied to the specific claim identified on the remittance advice or statement. The District does not have a policy to charge interest on past due accounts.

The carrying amounts of accounts receivable are reduced by allowances that reflect management's best estimate of the amounts that will not be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross revenue and a credit to accounts receivable. In addition, management provides for probable uncollectible amounts, primarily from uninsured patients and amounts for which patients are personally responsible, through a charge to operations and a credit to a valuation allowance based on its assessment of historical collection likelihood and the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to resident accounts receivable.

Resident accounts receivable are recorded in the accompanying statements of net position net of allowances for doubtful accounts.

# La Junta Health Service District d/b/a Bluestem Village

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Capital Assets and Depreciation

Capital assets are recorded at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Maintenance and repair costs are recognized in the period they are incurred. Gains or losses on disposition of capital assets are reflected in nonoperating revenue (expense). All capital assets other than land are depreciated using the straight-line method of depreciation based on the estimated useful lives. Estimated useful lives range from 5 to 15 years for furnishings, movable equipment, and vehicles and from 20 to 35 years for land improvements, buildings, and fixed equipment.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from income or loss before contributed capital. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted expendable net position. Absent explicit donor stipulations about how long these assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

#### Compensated Absences

The District's policy allows employees to earn various amounts of paid time off (PTO) benefits for each year employed. PTO can be accumulated up to a maximum of 136, 176, and 216 hours for employees with 0-2 years of tenure, 3-9 years of tenure, and 10+ years of tenure respectively. Employees can carry 40 hours of PTO to the next year.

All part-time, temporary, and on-call employees earn 1 hour of sick leave for every 30 hours worked in accordance with the Colorado Healthy Families and Workforce Act. Sick leave may accumulate to 48 hours per year with the ability to rollover 48 hours to the following year, however, no more than 48 hours of sick leave may be used in one year. Upon separation, employees are paid out for accrued and available sick leave.

Benefits that require payment in future years are accrued in the year in which they are earned.

#### Net Position

Net position of the District is classified in three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is noncapital net position that must be used for a particular purpose as specified by creditors, grantors, or contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. *Unrestricted net position* is remaining net position that does not meet the definitions above.

When the District has both restricted and unrestricted resources available for an expenditure, it is the District's policy to use restricted resources first.

# La Junta Health Service District d/b/a Bluestem Village

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Operating Revenue and Expenses**

The District's statements of revenue, expenses, and change in net position distinguish between operating and nonoperating revenue and expenses. Operating revenue includes exchange transactions associated with providing healthcare services. Nonexchange revenue, sales tax revenue, and contributions received for purposes other than capital asset acquisition are reported as nonoperating income. Operating expenses are all expenses incurred to provide healthcare services.

#### **Net Resident Service Revenue**

Net resident service revenue is reported at the estimated net realizable amounts from residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

#### **Sales Tax Revenue**

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 to such debt and taxes used to acquire, construct, equip, operate and maintain a new 56-bed skilled nursing facility, Bluestem Village. Sales tax revenue is recorded as revenue in the year it is earned.

### **Note 2: Deposits, Credit Risk and Interest Rate Risk**

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, 2023, \$1,369,881 of the District's bank balance of \$1,570,605 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

# La Junta Health Service District d/b/a Bluestem Village

## Notes to Financial Statements

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### Note 2: Deposits, Credit Risk and Interest Rate Risk (Continued)

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.

### Note 3: Assets Limited as to Use

Assets limited as to use consists of cash and cash equivalents totaling \$3,705 and a United States Treasury Obligation with a value of \$1,491,860 at December 31, 2023. These funds have been designated by the Board of Directors to fund a debt service and capital replacement reserve required by the USDA loan letter of commitment.

### Note 4: Fair Value Measurements

The following is a description of the valuation methodologies used for assets measured at fair value.

Government obligations are valued using quotes from pricing vendors based on recent trading activity and other observable market data.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the District believes their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value could result in a different fair value measurement at the reporting date.

Information regarding assets at fair value on a recurring basis as of December 31, 2023 is as follows:

	Recurring Fair Value Measurements Using			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Government obligations	\$	-	\$ 1,491,860	\$ 1,491,860
			\$	-
				\$ 1,491,860

Reconciliation of the fair value table to amounts reported in the balance sheet are as follows as of December 31, 2023:

Assets limited as to use	\$ 1,495,565
Less - Cash and cash equivalents	3,705
Total	\$ 1,491,860

# La Junta Health Service District d/b/a Bluestem Village

## Notes to Financial Statements

### Note 5: Capital Assets

Capital asset balances and activity for the year ended December 31, 2023, were as follows:

	Beginning Balance	Increase	Decreases	Transfers	Ending Balance
<b>Nondepreciable capital assets:</b>					
Land	\$ 50,142	\$ -	\$ -	\$ -	\$ 50,142
Construction in progress	13,780,541	2,987,366	(490,572)	(16,277,335)	-
<b>Total nondepreciable capital assets</b>	<b>13,830,683</b>	<b>2,987,366</b>	<b>(490,572)</b>	<b>(16,277,335)</b>	<b>50,142</b>
<b>Depreciable capital assets:</b>					
Land improvements	-	-	-	998,093	998,093
Buildings and fixed equipment	-	-	(393,263)	13,900,242	13,506,979
Furnishings and movable equipment	-	41,676	-	1,379,000	1,420,676
<b>Total depreciable capital assets</b>	<b>-</b>	<b>41,676</b>	<b>(393,263)</b>	<b>16,277,335</b>	<b>15,925,748</b>
<b>Less - Accumulated depreciation</b>	<b>-</b>	<b>120,858</b>	<b>-</b>	<b>-</b>	<b>120,858</b>
<b>Total depreciable capital assets - Net</b>	<b>-</b>	<b>(79,182)</b>	<b>(393,263)</b>	<b>16,277,335</b>	<b>15,804,890</b>
<b>Total capital assets - Net</b>	<b>\$ 13,830,683</b>	<b>\$ 2,908,184</b>	<b>\$ (883,835)</b>	<b>\$ -</b>	<b>\$ 15,855,032</b>

# La Junta Health Service District d/b/a Bluestem Village

## Notes to Financial Statements

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### Note 6: Long-Term Debt

In September 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. Upon completion of the construction, the Western Alliance Business Trust loan will be refinanced with funds 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 no 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 no 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").

The Western Alliance Business Trust loan agreement contains various restrictive covenants, including certain financial covenants. The corporation failed to meet the restrictive covenants and obtained a waiver through at least December 31, 2024.

The USDA permanent financing will amortize over a period not to exceed 35 years at an interest rate of 2.25%. Terms of the Western Alliance Business Trust permanent financing loan are not yet determined. The permanent financing has not been finalized as of the date of these financial statements and, as a result, long term debt obligations are reported as noncurrent liabilities as of December 31, 2023.

Long-term debt outstanding was as follows at 2023:

	Beginning Balance	Additions	Ending Balance
Long-term debt	\$ 10,457,654	\$ 3,858,252	\$ 14,315,906
Less - deferred financing fees	472,864	(2,252)	470,612
Long-term debt, net	\$ 9,984,790	\$ 3,860,504	\$ 13,845,294

### Note 7: Malpractice Insurance

The District's professional liability insurance is obtained through HealthCap and covers losses of up to \$1,000,000 per claim and \$3,000,000 per year for claims incurred during a policy year regardless of when the claim was filed (claims-incurred coverage). The professional liability insurance policy is renewable annually and has been renewed by the insurance carrier for the annual period extending through January 1, 2025.

## **Supplementary Information - Budget Information**

**La Junta Health Service District d/b/a Bluestem Village**  
**Schedule of Revenues and Expenses - Budget and Actual**  
**Year Ended December 31, 2023**

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Operating revenue:</b>			
Net resident service revenue	\$ 1,450,852	\$ 50,464	\$ (1,400,388)
Other	-	30	30
<b>Total operating revenue</b>	<b>1,450,852</b>	<b>50,494</b>	<b>(1,400,358)</b>
<b>Operating expenses:</b>			
Wages and benefits	909,376	768,345	141,031
Contracted services	375,805	328,438	47,367
Supplies and other	554,976	364,114	190,862
Depreciation	-	120,858	(120,858)
<b>Total operating expenses</b>	<b>1,840,157</b>	<b>1,581,755</b>	<b>258,402</b>
<b>Loss from operations</b>	<b>(389,305)</b>	<b>(1,531,261)</b>	<b>(1,141,956)</b>
<b>Nonoperating income (expense):</b>			
Sales tax	-	1,137,817	1,137,817
Investment income	-	108,561	108,561
Other non operating income (loss)	-	117,535	117,535
Interest expense	(72,456)	(400,128)	(327,672)
<b>Total nonoperating income</b>	<b>(72,456)</b>	<b>963,785</b>	<b>1,036,241</b>
<b>Change in net position</b>	<b>\$ (461,761)</b>	<b>\$ (567,476)</b>	<b>\$ (105,715)</b>

**Notes to Schedule:**

Annual budgets are adopted as required by Colorado Statutes. Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis that is consistent with GAAP.

Management believes the facility is compliant with the rules of Colorado's Taxpayer's Bill of Rights (TABOR).

See Independent Auditor's Report

## **Supplementary Information - Uniform Guidance**

# La Junta Health Service District d/b/a Bluestem Village

## Schedule of Expenditures of Federal Awards

Year Ended December 31, 2023

Federal Grantor/Program Title	Federal Assistance Listing Number	Federal Expenditures
U.S. Department of Agriculture - Community Facilities Loans and Grants	10.766	\$ 3,858,252
Total expenditures of federal awards		\$ 3,858,252

See notes to schedule of expenditures of federal awards.  
See Independent Auditor's Report.

# La Junta Health Services District d/b/a Bluestem Village

## Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2023

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### **Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal award activity of La Junta Health Services District d/b/a Bluestem Village (the "District"). 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* (the "Uniform Guidance"). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

### **Note 2: Significant Accounting Policies**

Expenditures on the Schedule are reported on the accrual basis of accounting and 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.

### **Note 3: Community Facilities Loans and Grants**

The District has borrowed funds from a lender based upon a letter of commitment with the United States Department of Agriculture – Rural Development Community Facilities Loans and Grants program. The loan outstanding at the beginning of the year, totaling \$10,457,654, is included in the federal expenditures presented in the Schedule. The District received \$3,858,252 in additional loan proceeds during 2023. The balance of the outstanding loan at December 31, 2023, was \$14,315,906.

### **Note 4: Indirect Cost**

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

### **Note 5: Subrecipients**

The District passed no federal awards through to subrecipients.

## **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 d/b/a Bluestem Village  
La Junta, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of La Junta Health Service District d/b/a Bluestem Village, which comprise the statement of financial position as of December 31, 2023, and the related statements of revenue, expenses, and changes in net position and cash flows for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise La Junta Health Service District d/b/a Bluestem Village's basic financial statements, and have issued our report thereon dated September 27, 2024.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered La Junta Health Service District d/b/a Bluestem Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of La Junta Health Service District d/b/a Bluestem Village's internal control. Accordingly, we do not express an opinion on the effectiveness of La Junta Health Service District d/b/a Bluestem Village'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 reasonable possibility that a material misstatement of La Junta Health Service District d/b/a Bluestem Village's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or 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 weakness or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023.001, 2023.002, and 2023.003 that we consider to be material weaknesses.

## Report on Compliance and Other Matters

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

## La Junta Health Service District d/b/a Bluestem Village's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on La Junta Health Service District d/b/a Bluestem Village's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. La Junta Health Service District d/b/a Bluestem Village responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

## 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 La Junta Health Service District d/b/a Bluestem Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering La Junta Health Service District d/b/a Bluestem Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Wipfli LLP

Wausau, Wisconsin  
September 27, 2024

## **Independent Auditor’s Report on Compliance for Each Federal Major Program and on Internal Control Over Compliance Required by the Uniform Guidance and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

Board of Directors  
La Junta Health Service District d/b/a Bluestem Village  
La Junta, Colorado

### **Report on Compliance for the Major Federal Program**

#### ***Opinion on the Major Federal Program***

We have audited La Junta Health Service District d/b/a Bluestem Village’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 its major federal program for the year ended December 31, 2023. La Junta Health Service District’s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, La Junta Health Service District d/b/a Bluestem Village complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

#### ***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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 La Junta Health Service District d/b/a Bluestem Village 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 the major federal program. Our audit does not provide a legal determination of 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 La Junta Health Service District's federal program.

## ***Auditor's Responsibility 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 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 GAAS, 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 La Junta Health Service District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *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 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 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 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.

*Wipfli LLP*

Wipfli LLP

Wausau, Wisconsin  
September 27, 2024

# La Junta Health Services District d/b/a Bluestem Village

## Schedule of Findings and Questioned Costs

Year Ended December 31, 2023

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### Section I - Summary of Auditor's Results

#### *Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?   x   yes        no

Significant deficiency(ies) identified ?        yes          x   none reported

Noncompliance material to the financial statements?        yes          x   no

#### *Federal Awards*

Internal control over compliance:

Material weakness(es) identified?        yes          X   no

Significant deficiency(ies) identified ?        yes          X   none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance [2 CFR 200.516(a)]?        yes          x   no

#### Identification of major federal programs:

Federal Assistance Listing Number	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 a low-risk auditee?	<u>  X  </u> yes <u>      </u> no

# La Junta Health Service District d/b/a Bluestem Village

## Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2023

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### Section II – Financial Statement Findings

#### **Finding 2023.001 Internal Control Over Preparation of the Financial Statements**

**Condition:** The District’s internal control over financial reporting does not end at the general ledger but extends to the financial statements and notes. As part of our professional services for the year ended December 31, 2023, we were requested to draft the financial statements and accompanying notes to the financial statements.

**Criteria:** *Government Auditing Standards* consider the inability to report financial data reliably in accordance with GAAP to be an internal control deficiency.

**Cause:** The District’s finance staff do not receive and maintain adequate training related to GAAP to enable them to independently prepare the financial statements and related notes to the financial statements.

**Effect:** The independent auditor’s assistance in preparation of the financial statements is needed to provide the necessary understanding of the current accounting and disclosure requirements.

**Recommendation:** We recommend management and those charged with governance continue to evaluate the degree of risk associated with this condition because of cost or other considerations.

**View of responsible Officials:** The District acknowledges it is not feasible, or cost justified, to prepare GAAP-basis financial statements. Management will continue to rely on the audit firm to draft financial statements and related footnote disclosures and will review and approve these prior to the issuance of the annual financial statements.

# La Junta Health Service District d/b/a Bluestem Village

## Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2023

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**Finding 2023.002      Property and Equipment Financial Reporting**

Condition:            As part of our professional services for the year ended December 31, 2023, we assisted management in properly reporting capital assets in accordance with generally accepted accounting principles.

Criteria:             *Government Auditing Standards* consider the inability to report financial data reliably in accordance with GAAP to be an internal control deficiency.

Cause:                The District's finance staff did not appropriately capitalize and depreciate capital assets related to the new building when those assets were placed into service in 2023.

Effect:                The independent auditor's assistance in properly reporting capital assets was needed to provide the necessary understanding of the current accounting and disclosure requirements.

Recommendation:   We recommend the District's internal staff implement appropriate accounting and financial reporting practices related to capital assets.

View of responsible Officials:            The District will adopt appropriate accounting and financial reporting practices related to capital assets.

**Finding 2023.003      Financial Reporting Controls**

Condition:            The District does not have processes in place to reconcile all trial balance accounts on a regular basis, to have prepared reconciliations reviewed by an independent person, or to have approval by an independent person documented for all manual journal entries.

Criteria:             Proper approval of journal entries and account reconciliations is an important control to minimize the risk of inaccurate financial statements.

Cause:                The District has not yet developed formal processes related to financial reporting.

Effect:                Failure to reconcile all trial balance accounts on a regular basis and have all reconciliations and manual journal entries approved by an independent person increases the risk of financial misstatement.

Recommendation:   We recommend all balance sheet accounts be reconciled on a regular basis and documentation be maintained that account reconciliations and manual journal entries have been reviewed by an independent person.

View of responsible Officials:            The District will adopt appropriate accounting and financial reporting practices for reconciliation of all balance sheet accounts and documentation of independent review of reconciliations and manual journal entries.

# La Junta Health Service District d/b/a Bluestem Village

## Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2023

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### **Section III – Federal Award Findings**

None

### **Section III – Status of Prior Year Findings and Questioned Costs**

None