

La Junta Health Service District doing business as Bluestem Village

Basic Financial Statements and
Independent Auditors' Reports

December 31, 2024 and 2023

**La Junta Health Service District
doing business as Bluestem Village
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INDEPENDENT AUDITORS' REPORT

Board of Directors
La Junta Health Service District
doing business as 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 doing business as Bluestem Village (the District) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the 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 financial position of the District as of December 31, 2024, and the changes in its 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2024, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Other Matters – Predecessor Auditor

The financial statements of the District for the year ended December 31, 2023, were audited by Wipfli LLP, who expressed an unmodified opinion on those statements on September 27, 2024.

As part of our audit of the 2024 financial statements, we also audited the adjustments described in Note 2 that were applied to restate the 2023 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2023 financial statements of the District other than with respect to the adjustments, and, accordingly, we do not express an opinion or any other form of assurance on the 2023 financial statements as a whole.

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 the District'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.

Auditors' 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 auditors' 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, including omissions, 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 the 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 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

Management has not presented the management’s discussion and analysis that GAAP requires to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements 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 schedule of budget and actual revenues and expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards, 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 GAAS. In our opinion, the 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 29, 2025, on our consideration of the 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 for the year ended December 31, 2024. The purpose of this 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 District’s internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

D3A PLLC

Spokane Valley, Washington
September 29, 2025

La Junta Health Service District
doing business as Bluestem Village
Statements of Net Position
December 31, 2024 and 2023

ASSETS	2024	2023
<i>Current assets</i>		
Cash and cash equivalents	\$ 1,874,763	\$ 1,052,791
Receivables:		
Sales tax	206,239	194,521
Resident	6,443	-
Other	19,957	17,752
Property insurance	1,917,702	83,207
Prepaid expenses	55,956	59,007
Total current assets	4,081,060	1,407,278
<i>Noncurrent assets</i>		
Cash and cash equivalents limited as to use	3,724	1,495,565
Cash and cash equivalents restricted by construction loan agreement	16,109	516,114
Depreciable capital assets, net	15,256,524	15,804,890
Non depreciable capital assets	50,142	50,142
Total noncurrent assets	15,326,499	17,866,711
Total assets	\$ 19,407,559	\$ 19,273,989

See accompanying notes to financial statements.

La Junta Health Service District
doing business as Bluestem Village
Statements of Net Position (Continued)
December 31, 2024 and 2023

LIABILITIES AND NET POSITION	2024	2023
<i>Current liabilities</i>		
Accounts payable	\$ 379,688	\$ 143,304
Accrued interest payable	408,487	159,288
Accrued payroll and related liabilities	117,716	103,606
Total current liabilities	905,891	406,198
<i>Non current liabilities</i>		
Capital accounts payable	1,020,779	1,008,300
Long-term debt	14,428,215	14,315,906
Total non current liabilities	15,448,994	15,324,206
Total liabilities	16,354,885	15,730,404
<i>Net position</i>		
Net investment in capital assets	(138,604)	2,026,391
Restricted for construction by Western Alliance	16,109	516,114
Unrestricted	3,175,169	1,001,080
Total net position, restated	3,052,674	3,543,585
Total liabilities and net position	\$ 19,407,559	\$ 19,273,989

See accompanying notes to financial statements.

La Junta Health Service District
doing business as Bluestem Village
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2024 and 2023

	2024	2023
<i>Operating revenues</i>		
Net resident revenue	\$ 295,188	\$ 50,464
Other	56,294	34,358
Total operating revenues	351,482	84,822
<i>Operating expenses</i>		
Salaries and wages	1,525,569	628,148
Employee benefits	251,872	140,197
Supplies	47,890	83,716
Depreciation	791,398	120,859
Professional fees and purchased services	402,899	328,438
Insurance	157,362	93,303
Utilities	201,997	29,352
Other	201,077	157,742
Total operating expenses	3,580,064	1,581,755
<i>Operating loss</i>	(3,228,582)	(1,496,933)
<i>Nonoperating revenues (expenses)</i>		
Sales tax revenue	1,192,443	1,137,817
Investment income	95,189	108,561
Interest	(801,912)	(400,128)
Total nonoperating revenues (expenses), net	485,720	846,250
Excess of expenses over revenue before gain on insurance claim	(2,742,862)	(650,683)
<i>Extraordinary item - Gain on insurance claim</i>	2,251,951	83,207
Change in net position	(490,911)	(567,476)
Net position, beginning of year	3,543,585	4,111,061
Net position, end of year, restated	\$ 3,052,674	\$ 3,543,585

See accompanying notes to financial statements.

La Junta Health Service District
doing business as Bluestem Village
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
<i>Change in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Cash received from and on behalf of residents	\$ 288,745	\$ 50,464
Cash received from other revenue	54,089	16,606
Cash paid to or on behalf of employees	(1,763,331)	(664,739)
Cash paid to suppliers and contractors	(771,790)	(712,009)
Net cash from operating activities	(2,192,287)	(1,309,678)
<i>Cash flows from capital and related financing activities</i>		
Proceeds from sales tax	1,180,725	1,136,994
Purchase of capital assets	(230,553)	(2,702,069)
Interest paid	(552,713)	(294,121)
Proceeds from issuance of long-term debt	112,309	3,858,252
Proceeds from insurance claim	417,456	-
Net cash from capital and related financing activities	927,224	1,999,056
<i>Cash flows from investing activities</i>		
Interest income	95,189	108,561
Net change in cash and cash equivalents	(1,169,874)	797,939
Cash and cash equivalents, beginning of year	3,064,470	2,266,531
Cash and cash equivalents, end of year	\$ 1,894,596	\$ 3,064,470

See accompanying notes to financial statements.

La Junta Health Service District
doing business as Bluestem Village
Statements of Cash Flows (Continued)
Years Ended December 31, 2024 and 2023

	2024	2023
<i>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</i>		
Cash and cash equivalents in current assets	\$ 1,874,763	\$ 1,052,791
Cash and cash equivalents limited as to use	3,724	1,495,565
Cash and cash equivalents restricted by construction loan agreement	16,109	516,114
Total cash and cash equivalents	\$ 1,894,596	\$ 3,064,470
<i>Reconciliation of Operating Loss to Net Cash from Operating Activities</i>		
Operating loss	\$ (3,228,582)	\$ (1,496,933)
<i>Adjustments to reconcile operating loss to net cash from operating activities</i>		
Depreciation	791,398	120,859
(Increase) decrease in assets:		
Resident accounts receivable	(6,443)	-
Other receivables	(2,205)	(17,752)
Prepaid expense	3,051	(59,007)
Increase in liabilities:		
Accounts payable	236,384	39,549
Accrued payroll and related liabilities	14,110	103,606
Net cash from operating activities	\$ (2,192,287)	\$ (1,309,678)

See accompanying notes to financial statements.

**La Junta Health Service District
doing business as Bluestem Village
Notes to Financial Statements
Years Ended December 31, 2024 and 2023**

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting 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.

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, resulting in the State approving Bluestem to begin admitting residents again.

b. Summary of Significant Accounting Policies

Use of estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Enterprise fund accounting – The District’s accounting policies conform to accounting GAAP as applicable to proprietary funds of governments. The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Cash and cash equivalents – Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

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

Cash and cash equivalents limited as to use – Cash and cash equivalents limited as to use, stated at fair value, is designated by the board to prepare for the repayment of future debt.

Prepaid expenses – Prepaid expenses are expenses paid during the fiscal year relating to expenses to be incurred in future periods. Prepaid expenses are amortized over the expected benefit period of the related expense. Prepaid expenses include prepaid insurance and maintenance contracts.

**La Junta Health Service District
doing business as Bluestem Village
Notes to Financial Statements (Continued)
Years Ended December 31, 2024 and 2023**

1. Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Accrued compensation and related liabilities – 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.

For all accruals for compensated absences, payroll-related expenses, such as employer payroll taxes and retirement contributions, that relate to the compensated absences are also estimated and accrued.

Net position – Net position of the District is classified into 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* are assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. *Unrestricted net position* is remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*. The District had restricted net positions in both 2024 and 2023 for funds received for construction from the construction loan.

Operating revenues and expenses – The District's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services. Nonexchange revenues, including taxes and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services other than financing costs.

Change in accounting principles – In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to update the recognition and measurement guidance for compensated absences. The District adopted Statement No. 101 during the year ended December 31, 2024. See Note 1 for additional information on the compensated absences recorded by the District. This change in accounting principle resulted in additional accrued paid time off of \$11,000 being recognized at December 31, 2024, 2023, and 2022. Net position as of December 31, 2022, decreased by \$11,000. The change in accounting principle had no impact on change in net position in 2024 or 2023.

Reclassifications – Certain prior year amounts have been reclassified to conform with the current year presentation.

Subsequent events – Subsequent events have been reviewed through September 29, 2025, the date on which the financial statements were available to be issued.

La Junta Health Service District
doing business as Bluestem Village
Notes to Financial Statements (Continued)
Years Ended December 31, 2024 and 2023

2. Prior Year Restatement:

The District has restated its 2023 financial statements to correct the recognition of deferred financing costs. As a result, the District’s 2023 net position has been restated to reflect this change. The impact of the restatement is as follows:

Net position at December 31, 2023, as previously reported	\$ 4,014,197
Adjustment to deferred finance fees	(470,612)
Net position at December 31, 2023, as restated	\$ 3,543,585

3. Bank Deposits and Investments:

Deposits – The Colorado Public Deposit Protection Act (CPDPA) requires financial institutions to collateralize any uninsured public deposits. The bank balance at each institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Any excess of deposits over the FDIC limit not insured is covered by collateral pledged by the financial institution in accordance with the CPDPA.

Custodial credit risk – Custodial credit risk is the risk that, in the event of a depository institution failure, the District’s deposits may not be returned. The District does not have a deposit policy for custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through CPDPA.

Investments – Colorado state statutes authorize the District to invest in United States Treasury bills, obligations of any other United States agencies, obligations of the World Bank, general obligation bonds of any state or any of their subdivisions, revenue bonds of any state or any of their subdivisions, banker’s acceptance notes, commercial paper, corporate securities, repurchase agreements, money market funds, and guaranteed investment contracts. All investments must be held by the District, in their name, or in the custody of a third-party on behalf of the local government.

Concentration of credit risk – Concentration of credit risk is the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification (investments acquired from a single issuer). The District has a policy limiting the amount it may invest in any one issuer or multiple issuers. Interest rate risk – Interest rate risk is the risk that changes in market interest rates could adversely affect an investment’s fair value. The District has a policy specifically managing its exposure to fair value losses arising from changing interest rates.

**La Junta Health Service District
doing business as Bluestem Village
Notes to Financial Statements (Continued)
Years Ended December 31, 2024 and 2023**

4. Property Insurance Receivable:

In November 2023, the District experienced water damage to its facility due to a failure in the fire suppression system as discussed in Note 1a. The total claim provided to the insurance company was approximately \$2,533,000. The claim included costs associated with the cleanup of the flooding and damage, the repairs to the fire suppression system and facility, and to cover lost revenues due to the business interruption. The District experienced a business interruption, as it was unable to accept new residents until the fire suppression system was repaired. As of December 31, 2024, the insurance company paid approximately \$615,000 on the claim. As of December 31, 2024, the District recognized approximately \$1,918,000 in insurance claim receivables which was paid in March 2025 once the cleanup and damages had been completed, and the District was allowed to, once again, begin accepting new residents. The District engaged a consultant to help determine the amount of loss to claim. The consultant's fee was 10 percent of the total claim proceeds received. As of December 31, 2024, the District has recorded a payable of approximately \$198,000 for the proceeds received in March 2025.

5. Patient Accounts Receivable:

The District's patient accounts receivable balance at December 31, 2024, was \$6,443. There was no allowance for uncollectable accounts due to having only three self-pay residents as of the year ended December 31, 2024.

6. Sales Taxes:

In 2017, the City of La Junta, Colorado electorate approved a ballot issue authorizing a sales tax at a rate not to exceed 1 percent until all debt authorized by said ballot issue is satisfied and then continuing at a rate not to exceed 0.5 percent with the proceeds to such debt and taxes used to acquire, construct, equip, operate and maintain Bluestem Village. Sales tax revenue is recorded as revenue in the year it is earned.

7. Capital Assets:

Capital assets are assets with an individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are stated at their estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are charged to operations as incurred. Gains or losses on sales and retirements are included in nonoperating revenues and expenses. Depreciation is provided over the estimated useful lives of assets, as determined from the American Hospital Association's published tables and management's estimate by the straight-line method using these asset lives:

Land improvements	20 to 35 years
Building and improvements	5 to 40 years
Major moveable equipment	1 to 15 years

La Junta Health Service District
doing business as Bluestem Village
Notes to Financial Statements (Continued)
Years Ended December 31, 2024 and 2023

7. Capital Assets (continued):

Capital asset additions, retirements, transfers, and balances were as follows:

	Balance December 31, 2023	Additions	Retirements	Transfers	Balance December 31, 2024
<i>Capital assets not being depreciated</i>					
Land	\$ 50,142	\$ -	\$ -	\$ -	\$ 50,142
<i>Capital assets being depreciated</i>					
Land improvements	998,093	-	-	-	998,093
Building and improvements	13,506,979	124,789	-	-	13,631,768
Major moveable equipment	1,420,677	118,243	-	-	1,538,920
Total capital assets being depreciated	15,925,749	243,032	-	-	16,168,781
<i>Less accumulated depreciation for</i>					
Land improvements	(7,991)	(47,947)	-	-	(55,938)
Building and improvements	(84,596)	(569,657)	-	-	(654,253)
Major moveable equipment	(28,272)	(173,794)	-	-	(202,066)
Total accumulated depreciation	(120,859)	(791,398)	-	-	(912,257)
<i>Total capital assets being depreciated, net</i>	15,804,890	(548,366)	-	-	15,256,524
Capital assets, net	\$ 15,855,032	\$ (548,366)	\$ -	\$ -	\$ 15,306,666

	Balance December 31, 2022	Additions	Retirements	Transfers	Balance December 31, 2023
<i>Capital assets not being depreciated</i>					
Land	\$ 50,142	\$ -	\$ -	\$ -	\$ 50,142
Construction in progress	13,780,541	2,987,366	(490,572)	(16,277,335)	-
Total capital assets not being depreciated	13,830,683	2,987,366	(490,572)	(16,277,335)	50,142
<i>Capital assets being depreciated</i>					
Land improvements	-	-	-	998,093	998,093
Building and improvements	-	-	(393,263)	13,900,242	13,506,979
Major moveable equipment	-	41,677	-	1,379,000	1,420,677
Total capital assets being depreciated	-	41,677	(393,263)	16,277,335	15,925,749
<i>Less accumulated depreciation for</i>					
Land improvements	-	(7,991)	-	-	(7,991)
Building and improvements	-	(84,596)	-	-	(84,596)
Major moveable equipment	-	(28,272)	-	-	(28,272)
Total accumulated depreciation	-	(120,859)	-	-	(120,859)
<i>Total capital assets being depreciated, net</i>	-	(79,182)	(393,263)	16,277,335	15,804,890
Capital assets, net	\$ 13,830,683	\$ 2,908,184	\$ (883,835)	\$ -	\$ 15,855,032

**La Junta Health Service District
doing business as Bluestem Village
Notes to Financial Statements (Continued)
Years Ended December 31, 2024 and 2023**

8. Employee Retirement Plan:

The District sponsors a deferred compensation plan created in accordance with Internal Revenue Code Section 457, named the Bluestem Village 457b Plan. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Employees become eligible to participate beginning on the first day of employment. Employee contributions to the plan totaled approximately \$27,000 and \$8,000 for the years ended December 31, 2024 and 2023, respectively.

9. Long-term Debt:

A schedule of changes in the District’s long-term debt follows:

	Balance December 31, 2023	Additions	Reductions	Balance December 31, 2024	Amounts Due Within One Year
Construction loan	\$ 14,315,906	\$ 112,309	\$ -	\$ 14,428,215	\$ -

	Balance December 31, 2022	Additions	Reductions	Balance December 31, 2023	Amounts Due Within One Year
Construction loan	\$ 10,457,654	\$ 3,858,252	\$ -	\$ 14,315,906	\$ -

The terms of the District’s long-term debt follow:

Construction Loan – 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:

- The United States Department of Agriculture - Rural Housing Service, acting through the United States Department of Agriculture - Rural Development will provide funding to the District in an aggregate amount of no greater than \$12,310,000 (the “USDA Direct Loans”).
- 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 percent by USDA (the “USDA Guaranteed Loan” and, together with the USDA Direct Loans, the “USDA Permanent Financing”).

On March 20, 2025, the District closed on the USDA Permanent Financing of approximately \$12,300,000, which will amortize over a period not to exceed 35 years at an interest rate of 2.25 percent. The District also closed on a guaranteed loan for approximately \$2,872,000, which will be amortized over a period of 25 years at an interest rate of 7.34 through the USDA but managed by Western Alliance Business Trust. The District also closed on a loan for approximately \$718,000 which will be amortized over 25 years at an interest rate of 6.59 percent through Western Alliance Business Trust.

**La Junta Health Service District
doing business as Bluestem Village
Notes to Financial Statements (Continued)
Years Ended December 31, 2024 and 2023**

10. Net Resident Service Revenue:

Net resident service revenue is reported at the estimated net realizable amounts from resident, 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.

As of December 31, 2024, the District only had self-pay residents.

11. Contingencies:

Risk management – The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption, errors and omissions; employee injuries; and natural disasters. The District manages the risk of liability claims through commercial insurance coverage.

Medical malpractice claims – The District obtains medical malpractice insurance through Health Care Industry Liability Reciprocal Insurance. Health Care Industry Liability Reciprocal Insurance offers the District a professional liability policy on a “claims made” basis with primary limits of \$1,000,000 per claim and an annual aggregate limit of \$3,000,000. The policy has no deductible.

No liability has been accrued for future coverage for acts occurring in this or prior years. It is also possible that claims may exceed coverage obtained in any given year.

Litigation – The District is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of potential litigations, claims, and disputes will not be material to the financial position or results of operations of the District.

Industry regulations – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues, with respect to investigations and allegations concerning possible violations of fraud and abuse of statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the District is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

Taxpayer’s Bill of Rights – Colorado voters passed an amendment to the state constitution, Article X, Section 20, known as the Taxpayer’s Bill of Rights. This amendment has several limitations including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of this amendment. However, the District has made certain interpretations of the amendment’s language in order to determine its compliance.

While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

SUPPLEMENTAL INFORMATION

La Junta Health Service District
doing business as Bluestem Village
Schedule of Budget and Actual Revenues and Expenses
Year Ended December 31, 2024

	Actual	Budget	Favorable (Unfavorable) Variance
<i>Operating revenues</i>			
Net resident revenue	\$ 295,188	\$ 5,244,224	\$ (4,949,036)
Other	56,294	77,850	(21,556)
Total operating revenues	351,482	5,322,074	(4,970,592)
<i>Operating expenses</i>			
Salaries and wages and benefits	1,777,441	3,931,460	2,154,019
Depreciation	791,398	-	(791,398)
Other	1,011,225	1,565,644	554,419
Total operating expenses	3,580,064	5,497,104	1,917,040
<i>Operating loss</i>	(3,228,582)	(175,030)	(3,053,552)
<i>Other revenues (expenses)</i>			
Sales tax revenue	1,192,443	1,100,000	92,443
Investment income	95,189	25,000	70,189
Extraordinary item - Gain on insurance claim	2,251,951	-	2,251,951
Interest expense	(801,912)	(487,076)	(314,836)
Total other revenues (expenses), net	2,737,671	637,924	2,099,747
Change in net position	\$ (490,911)	\$ 462,894	\$ (953,805)

SINGLE AUDIT

AUDITORS' SECTION



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*

Board of Directors
La Junta Health Service District
doing business as Bluestem Village
La Junta, Colorado

We have audited, in accordance with the 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, the financial statements of La Junta Health Service District doing business as Bluestem Village (the District), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated September 29, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001 and 2024-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and 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 disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

D3A PLLC

Spokane Valley, Washington
September 29, 2025



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
THE MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
La Junta Health Service District
doing business as 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 doing business as Bluestem Village's (the District) 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 the District's major federal program for the year ended December 31, 2024. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of audit findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with GAAS; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the 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 the major federal program. Our audit does not provide a legal determination of the 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 District's federal programs.

Auditors' 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 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 the 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 the 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 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 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 Auditors' 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.

D3A PLLC

Spokane Valley, Washington
September 29, 2025

**La Junta Health Service District
 doing business as Bluestem Village
 Schedule of Audit Findings and Questioned Costs
 Year Ended December 31, 2024**

Section I – Summary of Auditors’ Results

Financial Statements:

Type of auditors’ report issued:	<i>Unmodified</i>		
Internal control over financial reporting:			
• Material weakness(es) identified?	<u> X </u> yes		no
• Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u>	none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u>	no

Federal Awards:

Internal control over major federal programs:			
• Material weakness(es) identified?	<u> </u> yes	<u> X </u>	no
• Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u>	none reported
Type of auditors’ report issued on compliance for major federal program:	<i>Unmodified</i>		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u> yes	<u> X </u>	no

Identification of major federal programs:

<i>Federal Assistance Listing Number</i>	<i>Name of Federal Program or Cluster</i>
<u>10.766</u>	<u>Community Facilities Loans and Grants Cluster</u>

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

Auditee qualified as low-risk auditee? yes X no

**La Junta Health Service District
 doing business as Bluestem Village
 Schedule of Audit Findings and Questioned Costs (Continued)
 Year Ended December 31, 2024**

Section II – Financial Statement Findings

2024-001 Auditor Detected Adjusting Journal Entries

[] Compliance Finding [] Significant Deficiency [X] Material Weakness

<i>Criteria</i>	No significant or material adjustments should be detected by auditors during the audit process.
<i>Condition</i>	There were multiple auditor detected adjusting journal entries posted that were material in the aggregate.
<i>Context</i>	This finding appears to be a <i>systemic</i> problem.
<i>Cause</i>	The District lacks policies and procedures to ensure proper reconciliation of the statement of net position accounts.
<i>Effect</i>	Financial reports may be inaccurate and could affect management and Board decision making.
<i>Recommendation</i>	We recommend the District adopt policies and procedures for all major financial transaction cycles. These policies and procedures should include procedures for reconciling all statement of net position accounts on a monthly basis to ensure proper financial reporting.
<i>Management's Response</i>	We acknowledge the findings and concur with the auditor's recommendations. We recognize the importance of reconciling all statement of net position accounts to ensure accurate financial reporting. We have contracted with an accounting agency to provide guidance and support with our financial reporting going forward.

**La Junta Health Service District
 doing business as Bluestem Village
 Schedule of Audit Findings and Questioned Costs (Continued)
 Year Ended December 31, 2024**

2024-002 Prior Period Adjustment

[] Compliance Finding [] Significant Deficiency [X] Material Weakness

<i>Criteria</i>	No significant or material adjustments should be detected by auditors during the audit process.
<i>Condition</i>	There was a material prior-period adjustment proposed related to the recognition of deferred financing costs that should have been expensed when incurred.
<i>Context</i>	This finding appears to be a <i>isolated</i> problem.
<i>Cause</i>	Costs associated with the issuance of debt in fiscal year 2021 were recognized as deferred in the prior period, but the costs should have been expensed when they were incurred.
<i>Effect</i>	Financial reports may be inaccurate and could affect management and Board decision making.
<i>Recommendation</i>	We recommend the District adopt policies and procedures for following Governmental Accounting Standards Board accounting standards to ensure proper financial reporting.
<i>Management's Response</i>	We acknowledge the findings and concur with the auditor's recommendations. We recognize the importance of reconciling all statement of net position accounts to ensure accurate financial reporting. We have contracted with an accounting agency to provide guidance and support with our financial reporting going forward.

Section III – Federal Award Findings and Questioned Costs

No matters were reported for 2024.

AUDITEE'S SECTION

**La Junta Health Service District
doing business as Bluestem Village
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2024**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Total Federal Expenditures
United States Department of Agriculture Community Facilities Loans and Grants Cluster		
Community Facilities Loans and Grants	10.766	\$ 14,428,215

See accompanying independent auditors' report and notes to the schedule of expenditures of federal awards.

Notes to the Schedule of Expenditures of Federal Awards:

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of La Junta Health Service District doing business as Bluestem Village (the District) under programs of the federal government for the year ended December 31, 2024. The information in this Schedule is presented in accordance with the requirements of 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 assets, or cash flows of the District.

2. Summary of Significant Accounting Policies:

Expenditures reported on this Schedule are reported on the 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. The District has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Loan and Loan Guarantees:

Included in the accompanying Schedule are funds expended on the construction of a new assisted living building in La Junta, Colorado. The construction is being funded by interim financing from Western Alliance Business Trust. A United States Department of Agriculture Rural Development Direct Loan and Guaranteed Loan will repay the interim financing when construction is completed. The interim financing balance at December 31, 2024, was \$14,428,215.



**La Junta Health Service District
doing business as Bluestem Village
Corrective Action Plan
Year Ended December 31, 2024**



The current year Schedule of Audit Findings and Questioned Costs reported one matter in Section II –Financial Statement Findings and no matters in Section III - Federal Award Findings and Questioned Costs:

Current year audit findings:

2024-001 Auditor Detected Adjusting Journal Entries

Corrective action planned:

The District acknowledges the audit findings and concurs with the auditor's recommendations. The District will implement a board policy and procedures to reconcile all balance sheet accounts on a monthly basis to ensure proper financial reporting. In addition, the District will continue to contract with Ark Valley Bookkeeping on an ongoing basis for accounting needs and to assist in training the new Business Office Manager.

Anticipated completion date: November 30, 2025

Contact person responsible for corrective action:

Formation of the Board Policy: Johnnie DeLeon & Board of Directors

Implementing the new Board Policy: Jordan Tateyama (Business Office Manager), Kimberly Morlan (Nursing Home Administrator) & Ark Valley Bookkeeping

2024-002 Prior Period Adjustment

Corrective action planned:

The District acknowledges the audit findings and concurs with the auditor's recommendations. The District recognizes the importance of reconciling all statement of net position accounts to ensure accurate financial reporting. We have contracted with an accounting firm (Ark Valley Bookkeeping) to provide guidance and support with our accounting and financial reporting going forward.

Anticipated completion date: November 30, 2025

Contact person responsible for corrective action:

Jordan Tateyama (Business Office Manager), Kimberly Morlan (Nursing Home Administrator) and Ark Valley Bookkeeping

