La Junta Health Service District doing business as Bluestem Village

Basic Financial Statements and Independent Auditors' Reports

December 31, 2025 and 2024

ACCOUNTANTS | ADVISORS

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 years ended December 31, 2025 and 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, 2025 and 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

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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 Governmental Accounting Standards Board, 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 June 10, 2026, 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, grant agreements, and other matters for the years ended December 31, 2025. 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.

DZA PLLC

Spokane Valley, Washington
June 10, 2026

La Junta Health Service District
doing business as Bluestem Village
Statements of Net Position
December 31, 2025 and 2024

ASSETS	**2025**	**2024**
Current assets		
Cash and cash equivalents	**$ 2,037,756**	$ 1,874,763
Receivables:		
Resident, net	**241,891**	6,443
Sales tax	**214,654**	206,239
Other	-	19,957
Property insurance	**721,805**	1,917,702
Prepaid expenses	**83,570**	55,956
Total current assets	**3,299,676**	4,081,060
Noncurrent assets		
Cash and cash equivalents limited as to use	-	3,724
Cash and cash equivalents restricted by construction loan agreement	-	16,109
Cash and cash equivalents restricted for debt service - USDA loan 1	**27,950**	-
Cash and cash equivalents restricted for debt service - USDA loan 2	**14,009**	-
Cash and cash equivalents restricted for debt service - Western Alliance loan	**51,178**	-
Cash and cash equivalents restricted for capital asset replacement	**23,266**	-
Depreciable capital assets, net	**14,761,687**	15,256,524
Non depreciable capital assets	**50,142**	50,142
Total noncurrent assets	**14,928,232**	15,326,499
Total assets	**$ 18,227,908**	$ 19,407,559

See accompanying notes to financial statements.

La Junta Health Service District
doing business as Bluestem Village
Statements of Net Position (Continued)
December 31, 2025 and 2024

LIABILITIES AND NET POSITION	**2025**	**2024**
Current liabilities		
Accounts payable	**$ 593,783**	$ 379,688
Accrued interest payable	-	408,487
Accrued payroll and related liabilities	**279,158**	117,716
Long-term debt - current	**276,219**	-
Total current liabilities	**1,149,160**	905,891
Noncurrent liabilities		
Capital accounts payable	-	1,020,779
Long-term debt	**15,421,802**	14,428,215
Total noncurrent liabilities	**15,421,802**	15,448,994
Total liabilities	**16,570,962**	16,354,885
Net position		
Net investment in capital assets	**(886,192)**	(138,604)
Restricted by loan agreements	**116,403**	16,109
Unrestricted	**2,426,735**	3,175,169
Total net position	**1,656,946**	3,052,674
Total liabilities and net position	**$ 18,227,908**	$ 19,407,559

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, 2025 and 2024

	2025	2024
Operating revenues		
Net resident revenue	**$ 2,417,727**	$ 295,188
Other	**2,498**	56,294
Total operating revenues	**2,420,225**	351,482
Operating expenses		
Salaries and wages	**2,548,774**	1,525,569
Employee benefits	**355,633**	251,872
Supplies	**183,234**	47,890
Depreciation	**793,030**	791,398
Professional fees and purchased services	**663,967**	402,899
Insurance	**159,456**	157,362
Utilities	**203,792**	201,997
Other	**419,303**	201,077
Total operating expenses	**5,327,189**	3,580,064
Operating loss	**(2,906,964)**	(3,228,582)
Nonoperating revenues (expenses)		
Sales tax revenue	**1,244,172**	1,192,443
Investment income	**34,039**	95,189
Interest	**(521,058)**	(801,912)
Total nonoperating revenues (expenses), net	**757,153**	485,720
Excess of expenses over revenue before gain on insurance claim	**(2,149,811)**	(2,742,862)
Extraordinary item - gain on insurance claim	**754,083**	2,251,951
Change in net position	**(1,395,728)**	(490,911)
Net position, beginning of year	**3,052,674**	3,543,585
Net position, end of year	**$ 1,656,946**	$ 3,052,674

See accompanying notes to financial statements.

La Junta Health Service District
doing business as Bluestem Village
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
Change in Cash and Cash Equivalents		
Cash flows from operating activities		
Cash received from and on behalf of residents	**$ 2,182,279**	$ 288,745
Cash received from other revenue	**22,455**	54,089
Cash paid to or on behalf of employees	**(2,742,965)**	(1,763,331)
Cash paid to suppliers and contractors	**(1,443,271)**	(771,790)
Net cash from operating activities	**(1,981,502)**	(2,192,287)
Cash flows from capital and related financing activities		
Proceeds from sales tax	**1,235,757**	1,180,725
Purchase of capital assets	**(1,318,972)**	(230,553)
Interest paid	**(929,545)**	(552,713)
Proceeds from issuance of long-term debt	**17,401,113**	112,309
Cash paid on long-term debt	**(16,131,307)**	-
Proceeds from insurance claim	**1,949,980**	417,456
Net cash from capital and related financing activities	**2,207,026**	927,224
Cash flows from investing activities		
Interest income	**34,039**	95,189
Net change in cash and cash equivalents	**259,563**	(1,169,874)
Cash and cash equivalents, beginning of year	**1,894,596**	3,064,470
Cash and cash equivalents, end of year	**$ 2,154,159**	$ 1,894,596

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, 2025 and 2024

	2025	2024
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents in current assets	**$ 2,037,756**	$ 1,874,763
Cash and cash equivalents limited as to use	-	3,724
Cash and cash equivalents restricted by construction loan agreement	-	16,109
Cash and cash equivalents restricted for debt service - USDA loan 1	**27,950**	-
Cash and cash equivalents restricted for debt service - USDA loan 2	**14,009**	-
Cash and cash equivalents restricted for debt service - Western Alliance loan	**51,178**	-
Cash and cash equivalents restricted for capital asset replacement	**23,266**	-
Total cash and cash equivalents	**$ 2,154,159**	$ 1,894,596
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	**$ (2,906,964)**	$ (3,228,582)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation	**793,030**	791,398
(Increase) decrease in assets:		
Resident accounts receivable	**(235,448)**	(6,443)
Other receivables	**19,957**	(2,205)
Prepaid expenses	**(27,614)**	3,051
Increase in liabilities:		
Accounts payable	**214,095**	236,384
Accrued payroll and related liabilities	**161,442**	14,110
Net cash from operating activities	**$ (1,981,502)**	$ (2,192,287)

See accompanying notes to financial statements.

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. Towards the end of 2024, the fire suppression system repairs have been completed, resulting in the state approving Bluestem to begin admitting residents again. During 2025, the District was able to continue normal operations.

b. Summary of Significant Accounting Policies

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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 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 agreements to service the debt and to replace capital assets.

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 of Directors 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.

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 2025 for funds reserved for debt service and capital asset replacement and in 2024 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.

Upcoming accounting pronouncements – In April 2024, the Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which increases the usefulness of governments' financial statements by improving definitions and disclosures related to management's discussion and analysis, unusual or infrequent items, and nonoperating revenue. It also changes presentation requirements for component units and budgetary comparison information. These changes will improve the comparability of the financial statements. The new guidance is effective for the District's year ending December 31, 2026, although earlier application is encouraged. The District has not elected to implement this statement early; however, management is still evaluating the impact, if any, of this statement in the year of adoption.

Subsequent events – Subsequent events have been reviewed through June 10, 2026, the date on which the financial statements were available to be issued.

2. 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.

3. 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 $3,250,000. 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. The fire suppression system repairs were completed in 2024. As of December 31, 2025, the insurance company paid approximately $2,532,000 on the claim. As of December 31, 2025, the District recognized approximately $722,000 in insurance claim receivables which was paid in January 2026. 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, 2025, the District has recorded a payable of approximately $72,000 for the proceeds received in January 2026.

4. Patient Accounts Receivable:

Resident accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patient and resident accounts receivable, the District analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the District records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

Patient and resident accounts receivable reported as current assets by the District consisted of these amounts:

	2025	**2024**
Receivable from Medicaid	**$ 140,657**	$ -
Receivable from Medicare	**70,249**	-
Receivables from residents and their insurance carriers	**38,577**	6,443
Total resident accounts receivable	**249,483**	6,443
Less allowance for uncollectible accounts	**7,592**	-
Resident accounts receivable, net	**$ 241,891**	$ 6,443

5. 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.

6. 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

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

	Balance December 31, 2024	Additions	Retirements	Transfers	Balance December 31, 2025
Capital assets not being depreciated					
Land	$ 50,142	$ -	$ -	$ -	**$ 50,142**
Capital assets being depreciated					
Land improvements	998,093	34,655	-	-	**1,032,748**
Building and improvements	13,631,768	263,538	-		**13,895,306**
Major moveable equipment	1,538,920	-	-	-	**1,538,920**
Total capital assets being depreciated	16,168,781	298,193	-	-	**16,466,974**
Less accumulated depreciation for					
Land improvements	(55,938)	(49,488)	-	-	**(105,426)**
Building and improvements	(654,253)	(566,225)	-	-	**(1,220,478)**
Major moveable equipment	(202,066)	(177,317)	-	-	**(379,383)**
Total accumulated depreciation	(912,257)	(793,030)	-	-	**(1,705,287)**
Total capital assets being depreciated, net	15,256,524	(494,837)	-	-	**14,761,687**
Capital assets, net	$ 15,306,666	$ (494,837)	$ -	$ -	**$ 14,811,829**

6. Capital Assets (continued):

	Balance December 31, 2023	Additions	Retirements	Transfers	Balance December 31, 2024
Capital assets not being depreciated					
Land	$ 50,142	$ -	$ -	$ -	**$ 50,142**
Capital assets being depreciated					
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**
Less accumulated depreciation for					
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)**
Total capital assets being depreciated, net	15,804,890	(548,366)	-	-	**15,256,524**
Capital assets, net	$ 15,855,032	$ (548,366)	$ -	$ -	**$ 15,306,666**

7. 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 $75,000 and $27,000 for the years ended December 31, 2025 and 2024, respectively.

8. Long-term Debt:

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

	Balance December 31, 2024	Additions	Reductions	Balance December 31, 2025	Amounts Due Within One Year
Western Alliance - Construction Loan	**$** 14,428,215	$ 1,501,113	$ (15,929,328)	$ -	$ -
Western Alliance - USDA Guaranteed	-	2,872,000	(20,299)	2,851,701	28,855
Western Alliance Loan	-	718,000	(5,867)	712,133	8,288
USDA Note #1	-	9,000,000	(128,536)	8,871,464	174,787
USDA Note #2	-	3,310,000	(47,277)	3,262,723	64,289
Total long-term debt	**$ 14,428,215**	**$ 17,401,113**	**$ (16,131,307)**	**$ 15,698,021**	**$ 276,219**

	Balance December 31, 2023	Additions	Reductions	Balance December 31, 2024	Amounts Due Within One Year
Western Alliance - Construction Loan	**$** 14,315,906	**$** 112,309	**$** -	**$** 14,428,215	**$** -

8. Long-term Debt (continued):

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

The Western Alliance Construction Loan was entered into in September 2021 with Western Alliance Business Trust in an amount not to exceed $15,900,000, guaranteed by the United States Department of Agriculture (USDA), for the construction of a 56-bed skilled nursing facility. Upon completion of the construction, the Western Alliance Business Trust loan was refinanced by a USDA direct loan and a USDA guaranteed loan through Western Alliance Bank.

On March 20, 2025, the District closed on the USDA Permanent Financing of $12,300,000 and on a USDA 80% guaranteed loan for $3,590,000.

- Western Alliance – USDA Guaranteed loan, dated March 20, 2025, in the original amount of $2,872,000, for the purpose of refinancing the District's 2021 construction loan. The loan is payable in monthly installments of $19,768, including interest at 7.34 percent, through March 20, 2055. The debt is secured by the District's revenues.

- Western Alliance – Unguaranteed loan, dated March 20, 2025, in the original amount of $718,000, for the purpose of refinancing the District's 2021 construction loan. The loan is payable in monthly installments of $4,581, including interest at 6.59 percent, through March 20, 2055. The debt is secured by the District's revenues.

- USDA Note #1 direct loan, dated March 20, 2025, in the original amount of $9,000,000, for the purpose of refinancing the District's 2021 construction loan. The loan is payable in monthly installments of $31,050, including interest at 2.25 percent, through March 20, 2060. The debt is secured by the District's revenues.

- USDA Note #2 direct loan, dated March 20, 2025, in the original amount of $3,310,000, for the purpose of refinancing the District's 2021 construction loan. The loan is payable in monthly installments of $11,420, including interest at 2.25 percent, through March 20, 2060. The debt is secured by the District's revenues.

- The District's USDA loan and USDA Guaranteed loans include financial covenants that must be complied with as a condition of the loans. As of December 31, 2025, the District was not in compliance with the Debt Service Coverage Ratio covenant which requires that the District have gross receipts, along with other revenues, sufficient enough to pay all expenses (excluding depreciation and interest) and 125 percent of the loan payments for the fiscal year. During this noncompliance, the District may need to hire, at the expense of the District, an independent management consultant to prepare a fiscal strategy report that documents how the debt service requirement will be met.

8. Long-term Debt (continued):

Scheduled principal and interest repayments on long-term debt are as follows:

Year	Principal	Interest	Total
2026	$ 276,219	$ 525,603	$ 801,822
2027	284,406	517,414	801,820
2028	292,927	508,897	801,824
2029	301,789	500,034	801,823
2030	311,016	490,806	801,822
2031-2035	1,707,814	2,301,299	4,009,113
2036-2040	2,006,925	2,002,187	4,009,112
2041-2045	2,383,073	1,626,039	4,009,112
2046-2050	2,863,372	1,145,744	4,009,116
2051-2055	3,261,476	528,508	3,789,984
2056-2060	2,009,004	117,286	2,126,290
	$ 15,698,021	**$ 10,263,817**	**$ 25,961,838**

9. 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.

	2025	2024
Resident service revenue (net of contractual adjustments):		
Medicaid	**$ 1,633,762**	$ -
Medicare	**424,397**	-
Residents and their insurance carriers	**359,568**	295,188
Net patient service revenue	**$ 2,417,727**	$ 295,188

10. 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 an "occurrence" basis with primary limits of $1,000,000 per occurrence 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.

SUPPLEMENTARY INFORMATION

La Junta Health Service District
doing business as Bluestem Village
Schedule of Budget and Actual Revenues and Expenses
Year Ended December 31, 2025

	Actual	Budget	Favorable (Unfavorable) Variance
Operating revenues			
Net resident revenue	$ 2,417,727	$ 5,237,565	**$ (2,819,838)**
Other	2,498	99,100	**(96,602)**
Total operating revenues	2,420,225	5,336,665	**(2,916,440)**
Operating expenses			
Salaries and wages and benefits	2,904,407	4,166,402	**1,261,995**
Depreciation	793,030	765,215	**(27,815)**
Professional fees and purchased services	663,967	294,580	**(369,387)**
Other	965,785	1,565,453	**599,668**
Total operating expenses	5,327,189	6,791,650	**1,464,461**
Operating loss	(2,906,964)	(1,454,985)	**(1,451,979)**
Other revenues (expenses)			
Sales tax revenue	1,244,172	1,200,000	**44,172**
Investment income	34,039	15,000	**19,039**
Extraordinary item - gain on insurance claim	754,083	-	**754,083**
Interest expense	(521,058)	(431,377)	**(89,681)**
Total other revenues (expenses), net	1,511,236	783,623	**727,613**
Change in net position	$ (1,395,728)	$ (671,362)	**$ (724,366)**

SINGLE AUDIT

AUDITORS’ SECTION

ACCOUNTANTS | ADVISORS

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 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, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated June 10, 2026.

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 a certain deficiency in internal control, described in the accompanying schedule of findings and responses as items 2025-001 that we consider to be a significant deficiency.

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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 finding 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.

DZA PLLC

Spokane Valley, Washington
June 10, 2026

ACCOUNTANTS | ADVISORS

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, 2025. 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, 2025.

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 (*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.

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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.

DZA PLLC

Spokane Valley, Washington
June 10, 2026

La Junta Health Service District
doing business as Bluestem Village
Schedule of Audit Findings and Questioned Costs
Year Ended December 31, 2025

Section I – Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

Internal control over major federal programs:				
• Material weakness(es) identified?		yes	X	no
• Significant deficiency(ies) identified?		yes	X	none reported
Type of auditors' report issued on compliance for major federal program:	***Unmodified***			
Any audit findings disclosed that are required to be reported in accordance with 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: $1,000,000

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, 2025

Section II – Financial Statement Findings

2025-001 Auditor Detected Adjusting Journal Entries

	[ ] Compliance Finding [X] Significant Deficiency [ ] Material Weakness
Criteria	No significant or material adjustments should be detected by auditors during the audit process.
Condition	There were multiple auditor detected adjusting journal entries posted that were material in the aggregate.
Context	This finding appears to be a *systemic* problem.
Cause	The District lacks policies and procedures to ensure proper reconciliation of the statement of net position accounts.
Effect	Financial reports may be inaccurate and could affect management and Board decision making.
Recommendation	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. We also recommend the District assign a member of the finance team to oversee the District's monthly accounting to ensure proper accounting within the entity.
Management's Response	We acknowledge the findings and concur with the auditors' 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 2025.

AUDITEE'S SECTION

La Junta Health Service District
doing business as Bluestem Village
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2025

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			
Community Facilities Loans and Grants	10.766	$	15,900,000

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, 2025. 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. The construction project was completed in 2024. In 2025, the District closed on permanent financing through a United States Department of Agriculture (USDA) Rural Development Direct Loan and Guaranteed Loan which was used to repay the interim financing. The USDA Rural Development Direct Loan and Guaranteed Loan were closed on March 20, 2025, at $15,182,000. The District began repayment on April 20, 2025. The balance on the Rural Development Direct Loan and Guaranteed Loan was $14,985,888 at December 31, 2025.

La Junta Health Service District
doing business as Bluestem Village
Corrective Action Plan
Year Ended December 31, 2025

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

Current year audit findings:

<u>2025-001 Auditor Detected Adjusting Journal Entries</u>

Corrective action planned:

The District acknowledges the audit findings and concurs with the auditors' recommendations. The District will create and implement new Board policies and procedures to reconcile all balance sheet accounts on a monthly basis to ensure proper financial reporting. The District will also create and implement new Board policies for Internal Controls policies and procedures. In addition, the District will continue to contract with Ark Valley Bookkeeping on an ongoing basis for accounting needs and to assist the Business Office Manager with financial transactions guidance.

Anticipated completion date: June 30, 2026

Contact person responsible for corrective action:

- Formation of the Board Policy: Stephanie Baca, Johnnie DeLeon, and the Board of Directors
- Implementing the new Board Policy: Jordan Tateyama (Business Office Manager), Kimberly Morlan (Nursing Home Administrator), and Ark Valley Bookkeeping

La Junta Health Service District
doing business as Bluestem Village
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2025

Finding 2024-001	**Auditor Detected Adjusting Journal Entries**
Status	Not corrected, repeated as 2025-001
Financial year of initial occurrence:	2023
Planned corrective action:	See management's response on finding 2025-001 above.

Finding 2024-002	**Prior Period Adjustment**
Status	Corrected