

**SAN LUIS VALLEY
DEVELOPMENT RESOURCES GROUP**

**FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015**

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By Justin L. Smith at 4:54 pm, Apr 20, 2017



Wall,
Smith,
Bateman Inc.
Certified Public Accountants

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
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INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

To the Board of Directors
San Luis Valley Development Resources Group
Alamosa, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of San Luis Valley Development Resources Group (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Luis Valley Development Resources Group as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

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Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of activities, budgetary comparison information, and schedule of active loans are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 April 18, 2017, on our consideration of San Luis Valley Development Resources Group's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Luis Valley Development Resources Group's internal control over financial reporting and compliance.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

April 18, 2017

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	2016	2015
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 718,163	\$ 865,739
Restricted Cash and Cash Equivalents	1,885,741	1,726,555
Grants Receivable	27,181	52,293
Accrued Interest Receivable	13,128	13,128
Other Receivables	36,823	8,655
Other Assets	136	145
Total Current Assets	2,681,172	2,666,515
Noncurrent Assets		
Other Note Receivable	1,049,694	1,050,000
Loans Receivable		
EDA Title IX Loans	209,648	19,050
EDA Recap Loans	388,762	382,178
CDBG Loans	1,160,613	1,373,868
Unrestricted RLF	1,625,227	1,769,177
Allowance for Loan Losses	(39,576)	(52,418)
Total Loans Receivable	3,344,674	3,491,855
Real Estate Owned	117,891	129,956
Property and Equipment		
Land	90,270	90,270
Building	125,604	113,266
Equipment and Vehicles	100,195	81,071
Less: Accumulated Depreciation	(123,316)	(118,311)
Total Property and Equipment	192,753	166,296
Total Noncurrent Assets	4,705,012	4,838,107
TOTAL ASSETS	7,386,184	7,504,622
LIABILITIES		
Current Liabilities		
Accounts Payable	36,830	65,412
EZone Distributions Payable	478,683	491,521
Deferred Revenue	124,888	60,288
Deferred Gain on Sale	826,000	826,000
Other Liabilities	2,353	2,003
Total Current Liabilities	1,468,754	1,445,224
TOTAL LIABILITIES	1,468,754	1,445,224
NET ASSETS		
Net Assets - Unrestricted		
Reserved for Property, Plant and Equipment	192,753	166,296
Reserved for Loans	1,585,651	1,716,759
Unrestricted	2,114,055	1,938,117
Net Assets - Temporarily Restricted	1,151,496	1,364,751
Net Assets - Permanently Restricted	873,475	873,475
TOTAL NET ASSETS	\$ 5,917,430	\$ 6,059,398

The accompanying notes are an integral part of this financial statement.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2016 TOTAL</u>
REVENUES AND OTHER SUPPORT				
Grant Revenues	\$ 324,821	\$ 21,797	\$ -	\$ 346,618
Business Contributions	14,133	-	-	14,133
Community Contributions	43,823	4,355	-	48,178
City and County Contributions	5,539	-	-	5,539
Council of Governments Reimbursement	77,844	-	-	77,844
SLV CAA Reimbursement	29,453	-	-	29,453
Interest on Deposits	5,320	440	-	5,760
Lease Income	31,128	-	-	31,128
Miscellaneous Revenue	18,889	-	-	18,889
Revolving Loan Fund Program				
Interest on Loans	199,289	30,474	-	229,763
Amortization of Loan Discount	30,356	-	-	30,356
Loan Fees	14,282	7,961	-	22,243
Recovery of Legal and Collection Costs	2,869	1,184	-	4,053
In-Kind Service and Cash	218,900	-	-	218,900
Net Assets Released From Restrictions				
Satisfaction of Program Restrictions	279,466	(279,466)	-	-
TOTAL SUPPORT AND REVENUE	<u>1,296,112</u>	<u>(213,255)</u>	<u>-</u>	<u>1,082,857</u>
EXPENSES				
Program	999,477	-	-	999,477
Management and General	225,348	-	-	225,348
TOTAL EXPENSES	<u>1,224,825</u>	<u>-</u>	<u>-</u>	<u>1,224,825</u>
CHANGES IN NET ASSETS	71,287	(213,255)	-	(141,968)
NET ASSETS AT BEGINNING OF YEAR	<u>3,821,172</u>	<u>1,364,751</u>	<u>873,475</u>	<u>6,059,398</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,892,459</u>	<u>\$ 1,151,496</u>	<u>\$ 873,475</u>	<u>\$ 5,917,430</u>

The accompanying notes are an integral part of this financial statement.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2015 TOTAL</u>
REVENUES AND OTHER SUPPORT				
Grant Revenues	\$ 239,322	\$ 104,568	\$ -	\$ 343,890
Business Contributions	56,747	-	-	56,747
Community Contributions	4,725	1,100	-	5,825
City and County Contributions	3,758	-	-	3,758
Council of Governments Reimbursement	80,000	-	-	80,000
SLV CAA Reimbursement	24,871	-	-	24,871
Interest on Deposits	6,548	201	-	6,749
Lease Income	31,440	-	-	31,440
Miscellaneous Revenue	6,138	-	-	6,138
Revolving Loan Fund Program				
Interest on Loans	157,498	24,829	-	182,327
Amortization of Loan Discount	32,089	-	-	32,089
Loan Fees	18,026	1,219	-	19,245
Recovery of Legal and Collection Costs	455,560	1,422	-	456,982
Bad Debt Recovery	133,000	-	-	133,000
In-Kind Service and Cash	284,158	-	-	284,158
Net Assets Released From Restrictions				
Satisfaction of Program Restrictions	362,873	(362,873)	-	-
TOTAL SUPPORT AND REVENUE	<u>1,896,753</u>	<u>(229,534)</u>	<u>-</u>	<u>1,667,219</u>
EXPENSES				
Program	1,098,312	-	-	1,098,312
Management and General	94,002	-	-	94,002
TOTAL EXPENSES	<u>1,192,314</u>	<u>-</u>	<u>-</u>	<u>1,192,314</u>
CHANGES IN NET ASSETS	704,439	(229,534)	-	474,905
NET ASSETS AT BEGINNING OF YEAR	<u>3,116,733</u>	<u>1,594,285</u>	<u>873,475</u>	<u>5,584,493</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,821,172</u>	<u>\$ 1,364,751</u>	<u>\$ 873,475</u>	<u>\$ 6,059,398</u>

The accompanying notes are an integral part of this financial statement.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (141,968)	\$ 474,905
Adjustment to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	15,278	5,489
(Increase) Decrease in Grants Receivable	25,112	187,240
(Increase) Decrease in Other Receivables	(28,168)	(1,535)
(Increase) Decrease in Other Assets	9	-
(Increase) Decrease in Note Receivables	306	(860,000)
Increase (Decrease) in Accounts Payable	(28,582)	9,981
Increase (Decrease) in EZone Distributions Payable	(12,838)	125,462
Increase (Decrease) in Deferred Revenue	64,600	(100)
Increase (Decrease) in Deferred Gain on Sale	-	826,000
Increase (Decrease) in Other Liabilities	350	386
	(105,901)	767,828
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net Change in Loans	159,246	600,838
Purchase of Property and Equipment	(41,735)	(6,552)
	117,511	594,286
CASH FLOWS FROM FINANCING ACTIVITIES:	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	11,610	1,362,114
CASH, BEGINNING OF YEAR	2,592,294	1,230,180
CASH, END OF YEAR	\$ 2,603,904	\$ 2,592,294
 SUPPLEMENTAL DISCLOSURES		
Supplemental Schedule of non cash investing and financing activities		
Loans transferred to Real Estate Owned during the year	\$ 10,000	\$ -
Sale of Real Estate Owned Financed by DRG	\$ -	\$ 1,050,000
Reconciliation to the Statements of Financial Position		
Cash and Cash Equivalents	\$ 718,163	\$ 865,739
Restricted Cash and Cash Equivalents	1,885,741	1,726,555
	\$ 2,603,904	\$ 2,592,294

The accompanying notes are an integral part of this financial statement.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The San Luis Valley Development Resources Group (“DRG”) is organized to promote economic development within the San Luis Valley area by formulating and implementing development programs designed to create or retain full-time permanent jobs and income.

On January 1, 1994, the assets and liabilities of San Luis Valley Economic Development Council were absorbed by San Luis Valley Regional Development and Planning Commission, and the new name, San Luis Valley Development Resources Group, was adopted. The primary reason for the consolidation of these two organizations was the encouragement of their funding sources to combine their resources to increase efficiency and coordination in the delivery of services.

The San Luis Valley Development Resources Group operates a revolving loan fund, making loans to businesses in the San Luis Valley under strict guidelines that include job creation. The original revolving loan funds were obtained through federal grants.

Basis of Presentation

Financial statement presentation follows the not-for-profit organization recommendations of the Financial Accounting Standards Board in its Financial Accounting Standards Codification, FASC 958-205-05. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Basis of Accounting

The financial statements of the San Luis Valley Development Resources Group have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. At December 31, 2016 and 2015, \$1,009,798 and \$1,086,296, respectively were exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through the Public Deposit Protection Act.

Loans and Related Earnings

The source of funding for the revolving loan fund program is derived from Community Development Block Grants and Economic Development Administration (EDA) grants and follow CDBG/EDA general guidelines. Accordingly, the portfolio segments mirror the source of funds used for lending: EDA Title IX, EDA Recap, CDBG, and unrestricted.

The San Luis Valley Revolving Loan Fund provides commercial financing to for-profit businesses located in the six counties encompassing the San Luis Valley including Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache. The financing is available for business expansion, start-ups, and retentions. Businesses must be able to provide permanent jobs in the assisted projects and fill a majority of those positions with low- or moderate-income persons.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015

The San Luis Valley Micro Enterprise Loan Program (MEP) was created to assist eligible low and moderate income business owners with financing for business start-ups and expansions. In order to qualify, the micro enterprise business is defined as a “commercial enterprise with five or fewer employees, including owners.” The business owners must qualify as low-moderate income persons.

These loans fill the void which is left when other sources of financing are exhausted. They remove some of the risk for the local lenders which, in many cases, will allow them to make loans that would otherwise be outside of their lending criteria. DRG is not a “lender of last resort” nor is their funding intended to compete with local lenders. Loans are stated at unpaid principal balances, less allowance for loan losses.

Nonperforming Loans

All loans are considered delinquent after 60 days of non-payment and in default after 90 days or when, based on current information, it is probable DRG will not be able to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. Factors considered include payment status, collateral value, and business status i.e.: declaration of bankruptcy, store closing, etc. It has been management’s practice to work diligently with said borrowers in an effort to bring them back into compliance including modifications to the promissory notes and other work out procedures. Charge off of the loan will be completed when it is determined that there is no chance for successful completion of the contractual agreement.

The recognition of income on a loan is discontinued and previously accrued interest is reversed, when interest or principal payments become ninety (90) days past due, unless, in the opinion of management, the outstanding interest remains collectible. Past due status is determined based on contractual terms. Interest is subsequently recognized only as received until the loan is returned to accrual status. A loan is restored to accrual status when all interest and principal payments are current and the borrower has demonstrated to management the ability to make payments of principal and interest as scheduled.

Allowance for Loan Loss

Loan loss allowances are estimated based on management’s periodic review of the collectability of the loan portfolio in light of historical experience, nature of the loan, economic, and adverse situations that may affect the borrower’s ability to repay the estimated value of any collateral. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

Foreclosed Real Estate

Real estate properties acquired through, or in lieu of, loan foreclosure are initially recorded at the lower of cost or estimated fair value less estimated selling costs at the date of foreclosure. Any write-downs based on the asset’s fair value at date of acquisition are either charged to the allowance for loan losses if an allowance was previously recorded, or directly to bad debt expense. After foreclosure, valuations are periodically performed by management and property held for sale is carried at the lower of the new cost basis or fair value less cost to sell.

Property and Equipment

Property and equipment are recorded at cost, or estimated acquisition value. Fixed assets over \$500 are capitalized. Depreciation is computed using the straight-line method over estimated useful lives of three to thirty years. Cash grants or donations that must be used to acquire equipment or vehicles are reported as restricted support. Absent donor stipulations regarding how long those assets must be maintained, the Organization reports expirations of donor restrictions when the acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. If a donor stipulates how long the asset must be used for a specific purpose, the asset will remain in either temporarily restricted net assets or permanently restricted net assets, depending on the time period.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015

Donated Services

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Restricted and Unrestricted Revenue and Support

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Federal grant awards received are classified as deferred revenues until expended for the purposes of the grants, since they are conditional promises to give.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 2 INCOME TAXES

The DRG is exempt from federal income taxes on income substantially related to the Organization's exempt purpose under Section 501(c)(3) of the Internal Revenue Code. Under Colorado state statutes, any Organization receiving exemption from federal income taxes is also exempt from Colorado income taxes.

The DRG files federal income tax returns. The federal income tax returns prior to fiscal year 2013 are closed. The DRG's policy for evaluating uncertain income tax positions is to only take income tax positions that are more likely than not to be sustained if the taxing authorities were to examine the positions. If applicable, the DRG classifies interest and penalties as interest expense.

NOTE 3 RESTRICTED CASH

Restricted cash balances represent amounts received in current and prior years restricted by donors and the board for specific purposes and which are reported as unrestricted, temporarily or permanently restricted net assets.

The restricted cash of \$1,885,741 and \$1,726,555 as of December 31, 2016 and 2015, respectively, is used for the revolving loan fund programs.

NOTE 4 LOANS

The loans receivable are recorded on the statements of financial position at the unpaid principal balance less an allowance for loans deemed by management to be uncollectible.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015

The table below presents total outstanding loans and an age analysis at December 31, 2016 and 2015.

	2016					
	60-89 days past due	90 days more due	or past due	Total past due	Total current or less than 60 days past due	Total Outstanding 2016
EDA Title IX	\$ -	\$ -	-	\$ -	\$ 209,649	\$ 209,649
EDA Recap	-	-	-	-	388,762	388,762
CDBG	765,882	121,302	-	887,184	273,428	1,160,612
Unrestricted	-	32,772	-	32,772	1,592,455	1,625,227
Total Loans	<u>\$ 765,882</u>	<u>\$ 154,074</u>	-	<u>\$ 919,956</u>	<u>\$ 2,464,294</u>	<u>\$ 3,384,250</u>

Percentage Outstanding	23%	5%	27%	73%
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Allowance for Loan Losses	<u>(39,576)</u>
Net Loans Receivable	<u>\$ 3,344,675</u>

	2015					
	60-89 days past due	90 days more due	or past due	Total past due	Total current or less than 60 days past due	Total Outstanding
EDA Title IX	\$ -	\$ -	-	\$ -	\$ 19,050	\$ 19,050
EDA Recap	34,214	21,347	-	55,561	326,617	382,178
CDBG	63,531	-	-	63,531	1,310,337	1,373,868
Unrestricted	35,736	-	-	35,736	1,733,441	1,769,177
Total Loans	<u>\$ 133,481</u>	<u>\$ 21,347</u>	-	<u>\$ 154,828</u>	<u>\$ 3,389,445</u>	<u>\$ 3,544,273</u>

Percentage Outstanding	4%	1%	4%	96%
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Allowance for Loan Losses	<u>(52,418)</u>
Net Loans Receivable	<u>\$ 3,491,855</u>

Credit Quality Indicators

The credit quality of each portfolio segment is monitored on the basis of aging/delinquency, and this information is provided in the table above.

Nonperforming Loans

The table below includes nonperforming loans and loans past due 90 days or more and still accruing interest at December 31, 2016 and 2015. See Note 1 – *Summary of Significant Accounting Policies* for further information on the criteria to determine if a loan is classified as nonperforming. There are no non-performing loans at December 31, 2016 and 2015. The DRG has two loans and one loan, respectively, past due 90 days or more and still accruing interest at December 31, 2016 and 2015.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015

	Nonperforming Loans		Accruing Past Due 90 Days or More	
	December 31,		December 31,	
	2016	2015	2016	2015
EDA Recap	\$ -	\$ -	\$ -	\$ 21,347
CDBG	-	-	121,302	-
Unrestricted	-	-	32,772	-
Total Loans	\$ -	\$ -	\$ 154,074	\$ 21,347

The DRG has no commitments to loan additional funds to the borrowers whose loans have been modified.

Allowance for Credit Losses

The following is an analysis of the transactions in the allowance for loan losses account by portfolio segment:

	EDA Title IX	EDA Recap	CDBG	Unrestricted	Total Allowance
Balance at December 31, 2014	\$ -	\$ 31,353	\$ 9,115	\$ 45,794	\$ 86,262
Provision charged to operating expense	-	-	-	-	-
Loans charged off (net of recoveries)	-	-	-	(33,844)	(33,844)
Balance at December 31, 2015	-	31,353	9,115	11,950	52,418
Provision charged to operating expense	-	-	-	-	-
Loans charged off (net of recoveries)	-	(11,346)	-	(1,496)	(12,842)
Balance at December 31, 2016	<u>\$ -</u>	<u>\$ 20,007</u>	<u>\$ 9,115</u>	<u>\$ 10,454</u>	<u>\$ 39,576</u>

Noninterest Bearing Loan Receivable

During 1997 the Center Sanitation District received a grant and a loan from CDBG. The grant and loan were used to build a wastewater treatment facility. In accordance with the agreement, the Center Sanitation District began repaying the loan in 1998, upon completion of the facility. The original amount of the loan was \$1,456,591. The loan is non-interest bearing. The note receivable was discounted to current market value by imputing an interest rate of 8%. At the inception of the loan \$555,971 was reported as grant revenue and \$900,620 was deferred. At December 31, the loan receivable consisted of the following:

	2016	2015
Note Receivable	\$ 582,113	\$ 638,651
Unamortized Discount on Note Receivable	(208,317)	(238,673)
Net Note Receivable	<u>\$ 373,796</u>	<u>\$ 399,978</u>

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 5 FORECLOSED REAL ESTATE

At December 31, 2016 and 2015, SLV DRG had foreclosed real estate held for sale of \$117,891 and \$129,956 respectively. The assets are initially recorded at the lower of the related loan balance or fair value of the collateral less estimated selling costs, with any valuation adjustments charged to the allowance for loan losses. After their initial recognition, foreclosed assets are valued at the lower of the amount recorded at acquisition date or the current fair value less estimated costs to sell. Any resulting valuation adjustments, in addition to gains and losses realized on sales and net operating expenses, are recorded in non-interest expense. Foreclosure losses in 2016 and 2015 amounted to \$22,065 and \$0, respectively. Real estate taxes recognized in other expenses were approximately \$2,420 in 2016 and \$20,318 in 2015.

NOTE 6 REVOLVING LOAN FUND ACTIVITY

The DRG reports new grant monies received as either permanently restricted revenue or temporarily restricted revenue, depending upon the grantor stipulations.

Economic Development Administration (EDA) Title IX and Recap interest income received on outstanding loans is recorded as temporarily restricted revenue until related administrative expenses are paid. At the end of each year, any unused interest income is required to be transferred to the permanently restricted fund, per grant instructions. All EDA Title IX and Recap loan principal repayments are permanently restricted, since they will always have federal requirements.

The Organization has received Community Development Block Grants (CDBG) at various times. These monies are subject to federal regulations until all funds from a specific CDBG grant have been loaned once. After all monies have been loaned out, per grant requirements, the repayments and interest income received by DRG no longer have any federal requirements. The Organization records all CDBG grants received as temporarily restricted income. After all amounts have been loaned once, and federal grantor requirements have been met, these amounts are reclassified as unrestricted net assets, where they may be used for administrative expenses or to make new loans, as the board of directors determines.

The Organization operates a large unrestricted revolving loan fund. This fund is made up of principal payments on monies that were originally federal grants, but no longer have any federal requirements.

NOTE 7 OTHER NOTES RECEIVABLE

On October 20, 2015, SLV DRG sold real estate in Monte Vista known as the Staley Plant for \$1,800,000. SLVDRG agreed to carry back a \$1,050,000 note at 5.5% interest for 120 months with 180 month amortization. The revolving loan funds provided \$250,000 on similar terms. The down payment of \$500,000 was used to repay late fees, attorney fees, taxes, accrued interest, and collection costs. The remainder was applied to the principal due to the EDA Title IX, EDA Recap and Nonfed loan funds. Principal payments of \$306 and \$0 were made in 2016 and 2015 leaving a balance of \$1,049,694 and \$1,050,000 at December 31, 2016 and 2015.

NOTE 8 GRANT SUPPORT AND OTHER REVENUES

OEDIT Enterprise Zone Marketing Grant – This is a grant used to administer and promote the San Luis Valley/Upper Arkansas Valley Enterprise Zone. The grant provides funds for advertising and recruitment of companies that may want to relocate here, as well as the expansion of existing companies.

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EDA Planning Grant – These monies are restricted for administrative uses.

CDOT – These grants are to assist with transportation planning in the transportation planning region, which includes the six counties in the San Luis Valley and Chaffee County. Grants will vary from year to year depending on the needs of the San Luis Valley but have included transit studies, multi-modal planning, and ongoing assistance to the Colorado Department of Transportation to address transportation needs of the San Luis Valley. Additional grants have been received to study transit needs of the San Luis Valley and establish a Local Coordinating Council to develop transit alternatives.

Solar Feasibility Study – Various local governments in the San Luis Valley provide support to conduct a feasibility study concerning the viability of a multi-county solar generating facility.

CDBG – This grant has federal lending and reporting requirements until all amounts have been loaned once.

Counties and Cities – Various local governments in the San Luis Valley provide support for the operating and administrative expenses of the Organization. These counties and cities do not control, or affect the operations of the San Luis Valley Development Resources Group.

San Luis Valley Council of Governments (SLVCOG) - SLVCOG was created to promote regional cooperation and coordination among local governments and between levels of government for the geographic area comprised of the counties of Alamosa, Conejos, Costilla, Mineral, Rio Grande and Saguache, referred to as the "Region". In order to assure the orderly development of the Region, and provide for the needs of future generations, the Council of Governments will serve as an advisory coordinating agency to harmonize the activities of federal, state, county, and municipal agencies within the Region, to render assistance and service, and create public interest and participation. The Council of Governments shall promote regional activities designed to strengthen local governments and their capacities to deal with local and regional issues. The Executive Board of Directors for DRG is the interim board for the San Luis Valley Council of Governments.

Economic Impact Analysis of Alternative Irrigated Cropping - The San Luis Valley Development Resources Group, San Luis Valley Council of Governments, Colorado Water Institute and CSU Extension are partnering in a study to provide insights into key questions regarding positive approaches for maintaining the sustainability of groundwater. The economy in the San Luis Valley is firmly connected to agriculture with a significant share of its gross domestic product coming from agricultural sales and associated income. This research project describes the economic activity in the San Luis Valley and considers the likely distribution of economic changes that come from reducing cropping acres.

SLV Broadband Strategic Plan - The San Luis Valley Council of Governments (SLVCOG) in partnership with the San Luis Valley Development Resources Group (SLVDRG) is undertaking a broadband study and creation of a strategic plan for the development of regional deployment of broadband the valley. This project addresses needs identified in the San Luis Valley Comprehensive Economic Development Strategies (CEDS) developed as an Economic Development District and is part of the SLV Colorado Blueprint Strategies for community and economic development.

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NOTE 9 PROPERTY AND EQUIPMENT

Property and Equipment at December 31 are summarized as follows:

	2016	2015
Land	\$ 90,270	\$ 90,270
Building	125,604	113,266
Equipment and office furniture	55,911	36,787
Vehicles	44,284	44,284
Less: Accumulated Depreciation	(123,316)	(118,311)
Property and Equipment, net	\$ 192,753	\$ 166,296

Depreciation charged to expense during 2016 and 2015 was \$15,278 and \$5,489 respectively.

NOTE 10 LOAN LEVERAGING

All loans approved by DRG are leveraged by local financial institutions and other sources. Leveraging requirements are an integral component of EDA Title IX, EDA Recap, and CDBG contract agreements. The following schedule outlines the loans made during the periods with associated leveraging.

	2016		2015	
	Leveraged Participation	DRG Participation	Leveraged Participation	DRG Participation
	CDBG	\$ 5,500	\$ 10,000	\$ 10,000
EDA Title IX	363,680	214,220	-	-
EDA Recap	185,000	185,000	224,000	60,000
Unrestricted	77,750	153,264	277,000	509,920
	\$ 631,930	\$ 562,484	\$ 511,000	\$ 644,920

NOTE 11 SAN LUIS VALLEY/UPPER ARKANSAS AREA ENTERPRISE ZONE

The San Luis Valley Development Resources Group is designated as a pass-through Organization for the San Luis Valley/Upper Arkansas Area (SLV/UAA) Enterprise Zone, and the Executive Director of DRG has been appointed as the Zone Administrator. Donors deliver checks written to the SLV/UAA Enterprise Zone directly to the approved project. The individual project director prepares an Enterprise Zone Certificate to be approved and delivers the check and the Certificate to the Zone Administrator. The Zone Administrator must approve all EZ Certificates. The Office Manager then deposits all donations into the Enterprise Zone escrow account. The Office Manager forwards the appropriate amount to each designated project, along with the approved Enterprise Zone Certificates. During the years ended December 31, 2016 and 2015, the SLV Development Resources Group received \$1,910,297 and \$1,953,834, respectively for the SLV/UAA Enterprise Zone and forwarded \$1,910,297 and \$1,953,834, respectively to the approved projects.

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NOTE 12 ASSETS RELEASED FROM RESTRICTIONS

Program restriction accomplished:

	<u>2016</u>	<u>2015</u>
EDA Title IX Interest Income Expenses	\$ 10,812	\$ 1,240
CDBG Loan Principal Expenses	223,255	284,158
EDA Recap Interest Income Expenses	29,247	26,431
Creede Community Relief Fund	-	1,100
SLV Food Bank	-	20,376
Colorado Malting USDA	-	28,423
SLVCOG Water Study	7,490	916
SLV Strategic Broadband	8,662	229
Total Assets Released from Restrictions	<u>\$ 279,466</u>	<u>\$ 362,873</u>

NOTE 13 NET ASSET RESTRICTIONS

Temporarily restricted net assets at December 31 are available for the following purposes:

	<u>2016</u>	<u>2015</u>
CDBG Loan Principal	<u>\$ 1,151,496</u>	<u>\$ 1,364,751</u>

Permanently restricted net assets at December 31 are available for the following purposes:

	<u>2016</u>	<u>2015</u>
EDA Title IX Revolving Loan Fund	\$ 259,351	\$ 259,351
EDA Recap Revolving Loan Fund	<u>614,124</u>	<u>614,124</u>
Total	<u>\$ 873,475</u>	<u>\$ 873,475</u>

NOTE 14 CONCENTRATIONS

Virtually all of the Organization's support is provided by various federal, state, and local governmental grants. Lack of funding from these grantors would have an adverse impact on the Organization; however, the Organization does not expect such a decrease in funding. Approximately 30% of the organizations funding comes from revolving loan fund interest and fee income which helps to offset funding decreases from grantors.

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NOTE 15 STATEMENT OF ACTIVITY - SCHEDULE OF EXPENSES

Expenses were incurred for the following in:

2016	<u>PROGRAM</u>	<u>MANAGEMENT</u>	<u>TOTAL</u>
Advertising	\$ 8,916	\$ 4,413	\$ 13,329
Auto	7,246	-	7,246
Contract Services	15,598	3,521	19,119
Conferences and Seminars	17,136	-	17,136
Economic Contributions	5,364	-	5,364
Office Expense	29,148	2,508	31,656
Office Rent	24,200	500	24,700
Dues and Subscriptions	1,202	1,157	2,359
Insurance	2,612	2,189	4,801
Miscellaneous	265	6,545	6,810
Personnel	263,195	139,037	402,232
Taxes/Licenses	41,726	24,047	65,773
Fringe Benefits	32,228	15,605	47,833
Utilities	-	4,703	4,703
Travel	4,246	412	4,658
Telephone	-	5,433	5,433
Depreciation	-	15,278	15,278
Project Expense	292,971	-	292,971
Loan Collection Costs	8,104	-	8,104
REO Expense	22,065	-	22,065
Principal Repayment Transfer to Unrestricted	223,255	-	223,255
TOTAL	<u>\$ 999,477</u>	<u>\$ 225,348</u>	<u>\$ 1,224,825</u>
2015	<u>PROGRAM</u>	<u>MANAGEMENT</u>	<u>TOTAL</u>
Auto	\$ 7,065	\$ -	\$ 7,065
Contract Services	40,343	4,897	45,240
Conferences and Seminars	18,969	-	18,969
Economic Contributions	4,725	-	4,725
Office Expense	16,661	648	17,309
Office Rent	25,200	-	25,200
Dues and Subscriptions	1,383	805	2,188
Insurance	4,026	3,060	7,086
Miscellaneous	805	3,095	3,900
Personnel	286,660	51,286	337,946
Taxes/Licenses	48,489	8,344	56,833
Fringe Benefits	36,426	5,235	41,661
Utilities	-	5,607	5,607
Travel	5,523	17	5,540
Telephone	-	5,519	5,519
Depreciation	-	5,489	5,489
Project Expense	220,870	-	220,870
Loan Collection Costs	97,009	-	97,009
Principal Repayment Transfer to Unrestricted	284,158	-	284,158
TOTAL	<u>\$ 1,098,312</u>	<u>\$ 94,002</u>	<u>\$ 1,192,314</u>

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NOTE 16 DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. Eligible employees of the Organization are provided with pensions through the Local Government Division Trust Fund (LGDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the LGDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

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Contributions. Eligible employees and the Organization are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31,	
	2016	2015
Employer Contribution Rate	10.00%	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	-1.02%	-1.02%
Amount Apportioned to the LGDTF	8.98%	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	2.20%	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	1.50%	1.50%
Total Employer Contribution Rate to the LGDTF	12.68%	12.68%

¹Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Organization is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were \$49,494 and \$43,200, for the years ended December 31, 2016 and 2015, respectively.

Pension Funding Status

At December 31, 2016, the Organization's proportionate share of the net pension liability was \$660,832 based on Organization's contributions to the LGDTF for the calendar year 2015 relative to the total contributions of participating employers to the LGDTF. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. Total contributions made to the LGDTF for the year ended December 31, 2015 was \$72,012,551. The funded status of the plan was 76.9%, and the net pension liability of the plan was \$1,101,581,000 at December 31, 2015.

At December 31, 2015, the Organization's proportionate share of the net pension liability was \$524,553 based on Organization's contributions to the LGDTF for the calendar year 2014 relative to the total contributions of participating employers to the LGDTF. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. Total contributions made to the LGDTF for the year ended December 31, 2014 was \$69,480,737. The funded status of the plan was 80.7%, and the net pension liability of the plan was \$896,309,000 at December 31, 2014.

At December 31, 2015, Organization's proportion was 0.06 percent, which was an increase of 0.001 percent from its proportion measured as of December 31, 2014.

At December 31, 2014, Organization's proportion was 0.05 percent, which was a decrease of 0.001 percent from its proportion measured as of December 31, 2013.

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Actuarial assumptions. The total pension liability in the December 31, 2014 and 2013 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.85 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation:

- The following programming changes were made:
 - Valuation of the full survivor benefit without any reduction for possible remarriage.
 - Reflection of the employer match on separation benefits for all eligible years.
 - Reflection of one year of service eligibility for survivor annuity benefit.
 - Refinement of the 18 month annual increase timing.
 - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- The following methodology changes were made:
 - Recognition of merit salary increases in the first projection year.
 - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
 - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
 - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA’s Board on November 13, 2012, and an economic assumption study, adopted by PERA’s Board on November 15, 2013 and January 17, 2014.

The LGDTF’s long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Geometric Real Rate of Return</u>
U.S. Equity- Large Cap	26.76%	5.00%
U.S. Equity- Small Cap	4.40%	5.19%
Non U.S. Equity- Developed	22.06%	5.29%
Non U.S. Equity- Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	<u>100.00%</u>	

* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

Discount rate for 2016. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

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- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Discount rate for 2015. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Organization's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of the net pension liability	\$ 1,013,123	\$ 660,832	\$ 368,642

Pension plan fiduciary net position- Detailed information about the LGDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

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NOTE 17 OTHER POSTEMPLOYMENT BENEFITS

Health Care Trust Fund

Plan Description - The San Luis Valley Development Resources Group contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained online at www.copera.org/investments/pera-financial-reports.

Funding Policy - The San Luis Valley Development Resources Group is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the DRG are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending December 31, 2016, 2015, and 2014, the DRG's employer contributions to the HCTF were \$3,981, \$3,475, and \$3,276 respectively, equal to their required contributions for each year.

NOTE 18 DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

Employees of the San Luis Valley Development Resources Group who are members of the LGDTF (see Note 16) may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the 401(k) Plan provisions to the State Legislature. PERA issues a publicly available annual report for Colorado PERA's 401(k) and DC Plans. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy

The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$18,000 for calendar year 2016 and 2015). In addition, catch-up contributions, up to \$6,000 for calendar years 2016 and 2015, were allowed for participants who had attained age 50 before the close of the plan year, subject to the limitations of IRC §414(v). The contribution requirements for the San Luis Valley Development Resources Group are established under Title 24, Article 51, Section 1402 of the CRS, as amended. For the years ending December 31, 2016, and 2015, the 401(k) Plan member contributions from the San Luis Valley Development Resources Group were \$23,558 and \$23,165, respectively. Employer matching contributions were \$2,580 and \$2,537 for the years ending December 31, 2016 and 2015, respectively.

NOTE 19 FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Organization is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These

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financial instruments include irrevocable letters of credit, commitments to originate loans, and undisbursed balances to borrowers. Those instruments involve, to varying degrees, elements of credit and interest-rate risk. The contract or notional amounts of those instruments reflect the extent of the Organization's involvement in particular classes of financial instruments.

The Organization's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual notional amount of those instruments. The Organization uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. The Organization had financial instruments; the contract amounts of which represent credit risks include loan commitments, which had a contract or notional amount of \$41,500 and \$0 at December 31, 2016 and 2015, respectively. In addition, there were undisbursed funds in the amount of \$72,801 and \$3,903 at December 31, 2016 and 2015, respectively.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Organization evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if it is deemed necessary by the Organization upon extension of credit, is based on management's credit evaluation of the counterparty.

NOTE 20 FAIR VALUE OF FINANCIAL INSTRUMENTS

The DRG's financial instruments are cash and cash equivalents, restricted cash and cash equivalents, grants receivable, accrued interest receivable, other receivables, other assets, loan principal receivable, accounts payable, EZone distributions payable, deferred revenue, and other liabilities. The recorded value of all the financial instruments approximates the fair value due to their short-term nature, with the following exception. Loan principal receivable is recorded at cost which management believes approximates fair value.

Determination of Fair Value

The Organization uses fair value measurement to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the *Fair Value Measurements and Disclosures* topic of FASB ASC 820, fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Organization's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in immediate settlement of the instruments.

The recent fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value, a reasonable point within the range, is most representative of fair value under current market conditions.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015

Fair Value Hierarchy

In accordance with this guidance, the Organization groups its financial assets and financial liabilities generally measured at fair value in three levels, based in the market in which the assets and liabilities are traded and the reliability of the assumptions used to determine the fair value.

- Level 1- Valuation is based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2- Valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quotes prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.
- Level 3- Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

Fair Value of Financial Instruments Measured and Adjusted on a Nonrecurring Basis

Following is a description of the Organization's valuation methodologies used for nonfinancial instruments measured at fair value on a nonrecurring basis:

Foreclosed Assets

Foreclosed assets consist of loan collateral which has been repossessed through foreclosure. This collateral is comprised of commercial property including equipment. Foreclosed assets are recorded as held for sale initially at the lower of the loan balance or fair value of the collateral less estimated selling costs. Subsequent to foreclosure, valuations are updated periodically, and the assets may be marked down further, reflecting a new cost basis. The foreclosed assets have been valued using a market approach. The values were determined using market prices of similar real estate assets. Repossessed machinery and equipment was valued at management's estimate of recovery value.

Fair value of assets and liabilities measured and adjusted on a nonrecurring basis at December 31, are as follows:

	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
December 31, 2016				
Foreclosed real estate, net	<u>\$ 117,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117,891</u>
<u>December 31, 2015</u>				
Foreclosed real estate, net	<u>\$ 129,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,956</u>

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 21 COMMITMENTS AND CONTINGENCIES

The Organization participates in a number of federal and state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount of expenditures, if any, which may be disallowed by the granting agencies cannot be determined at this time although the Organization expects such amounts to be immaterial.

NOTE 22 COMMON CONTROL

San Luis Valley Community Action Agency (SLVCAA)- The mission of SLVCAA is to assist the low income and poverty population of the San Luis Valley become self-sufficient, obtain medical care in an effort to maintain good health, provide nutrition, increase education and employment assistance, assist with safe and reasonable housing, link them to programs, and help them learn to manage their income through partnerships with non-profit and local government agencies who provide direct assistance.

SLVCAA was formed in 2009 as a regional organization, and became a 501(c)(3) in 2011, to administer the Community Service Block Grant (CSBG) through the Colorado Department of Local Affairs. Previously, this grant was administered by the counties themselves. The board of the SLVCAA approached DRG in March 2010 requesting that they consider administering the grant as the Organization did not have sufficient funds to hire and maintain the staff required to fulfill the scope of work. The SLVCAA paid the DRG \$29,453 and \$24,871 for administration of CSBG for the years ending December 31, 2016 and 2015, respectively.

The Organization, while a stand alone 501(c)(3), is under the control of the DRG. SLVCAA has its own tri-partite board, as required by CSBG regulations. They report to the DRG board of executive directors. The Organization is managed under the umbrella of DRG.

NOTE 23 SUBSEQUENT EVENTS

The DRG is subject to the provisions of FASB ASC 855-10-50, *Subsequent Events*, which establishes a requirement for disclosing the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements were issued or the date the financial statements were available to be issued. The DRG has evaluated subsequent events through April 18, 2017, the date the financial statements were available to be issued.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
SUPPLEMENTAL SCHEDULE OF ACTIVITIES
UNRESTRICTED FUNDS
For the Year Ended December 31, 2016

	UNRESTRICTED FUND	ENTERPRISE ZONE	NONFEDERAL LOANS PRINCIPAL	EDA PLANNING GRANT	CDOT ADMIN GRANT	SLV CAA	UNRESTRICTED TOTALS
SUPPORT AND REVENUES							
Grant Revenues	\$ 78,335	\$ 20,900	\$ -	\$ 66,000	\$ 10,722	\$ 148,864	\$ 324,821
Business Contributions	1,100	13,033	-	-	-	-	14,133
Community Matching Contributions	43,823	-	-	-	-	-	43,823
City and County Contributions	5,539	-	-	-	-	-	5,539
Council of Governments Reimbursements	77,844	-	-	-	-	-	77,844
SLV CAA Reimbursements	29,453	-	-	-	-	-	29,453
Interest on Deposits	5,219	-	101	-	-	-	5,320
Lease Income	31,128	-	-	-	-	-	31,128
Miscellaneous Revenue	15,687	3,202	-	-	-	-	18,889
Revolving Loan Fund Program							
Interest on Loans	199,289	-	-	-	-	-	199,289
Amortization of Loan Discount	-	-	30,356	-	-	-	30,356
Loan Fees	14,282	-	-	-	-	-	14,282
Recovery of Legal and Collection Costs	2,869	-	-	-	-	-	2,869
Operating Transfers	-	27,262	223,255	28,286	-	-	278,803
TOTAL SUPPORT AND REVENUES	504,568	64,397	253,712	94,286	10,722	148,864	1,076,549
EXPENSES							
Program Expenses							
Advertising	6,416	2,500	-	-	-	-	8,916
Auto	6,244	902	-	100	-	-	7,246
Contract Services	9,598	1,500	-	-	500	-	11,598
Conferences and Seminars	11,424	771	-	4,485	456	-	17,136
Economic Contributions	5,364	-	-	-	-	-	5,364
Office Expense	17,757	1,516	-	8,977	580	-	28,830
Office Rent	11,500	3,000	-	2,500	-	-	17,000
Dues and Subscriptions	674	512	-	16	-	-	1,202
Insurance	1,510	694	-	-	-	-	2,204
Personnel	144,043	31,067	-	62,541	2,868	-	240,519
Taxes/Licenses	21,194	8,902	-	8,858	29	-	38,983
Fringe Benefits	18,631	-	-	6,809	3,388	-	28,828
Travel	1,744	-	-	-	2,502	-	4,246
Project Expense	120,091	13,033	2,430	-	399	144,999	280,952
Loan Collection Costs	4,922	-	-	-	-	-	4,922
REO Expense	22,065	-	-	-	-	-	22,065
Management and General							
Advertising	4,413	-	-	-	-	-	4,413
Contract Services	3,521	-	-	-	-	-	3,521
Office Expense	2,508	-	-	-	-	-	2,508
Office Rent	500	-	-	-	-	-	500
Dues and Subscriptions	1,157	-	-	-	-	-	1,157
Depreciation	15,278	-	-	-	-	-	15,278
Insurance	2,189	-	-	-	-	-	2,189
Miscellaneous	6,545	-	-	-	-	-	6,545
Personnel	139,037	-	-	-	-	-	139,037
Taxes/Licenses	24,047	-	-	-	-	-	24,047
Fringe Benefits	15,605	-	-	-	-	-	15,605
Travel	412	-	-	-	-	-	412
Telephone	5,433	-	-	-	-	-	5,433
Utilities	4,703	-	-	-	-	-	4,703
Operating Transfers	59,903	-	-	-	-	-	59,903
TOTAL EXPENSES	688,428	64,397	2,430	94,286	10,722	144,999	1,005,262
CHANGE IN NET ASSETS	(183,860)	-	251,282	-	-	3,865	71,287
NET ASSETS, BEGINNING OF YEAR	737,382	-	3,083,790	-	-	-	3,821,172
NET ASSETS, END OF YEAR	\$ 553,522	\$ -	\$ 3,335,072	\$ -	\$ -	\$ 3,865	\$ 3,892,459

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
SUPPLEMENTAL SCHEDULE OF ACTIVITIES
TEMPORARILY RESTRICTED FUNDS
For the Year Ended December 31, 2016

	EDA TITLE IX INTEREST INCOME	CDBG LOAN PRINCIPAL	EDA RECAP INTEREST INCOME	SLVCOG WATER STUDY	SLV STRATEGIC BROADBAND	TEMPORARILY RESTRICTED TOTALS
SUPPORT AND REVENUES						
Grant Revenues	\$ -	\$ 10,000	\$ -	\$ 3,711	\$ 8,086	\$ 21,797
Community Matching Contributions	-	-	-	3,779	576	4,355
Interest on Deposits	90	-	350	-	-	440
Revolving Loan Fund Program						
Interest on Loans	7,709	-	22,765	-	-	30,474
Loan Fees	3,013	-	4,948	-	-	7,961
Recovery of Legal and Collection Costs	-	-	1,184	-	-	1,184
TOTAL SUPPORT AND REVENUES	10,812	10,000	29,247	7,490	8,662	66,211
EXPENSES						
Program Expenses						
Contract Services	1,500	-	2,500	-	-	4,000
Office Expense	10	-	308	-	-	318
Office Rent	1,200	-	6,000	-	-	7,200
Insurance	-	-	408	-	-	408
Miscellaneous	265	-	-	-	-	265
Personnel	5,183	-	14,105	3,156	232	22,676
Taxes/Licenses	836	-	1,907	-	-	2,743
Fringe Benefits	597	-	1,786	954	63	3,400
Project Expenses	-	-	272	3,380	8,367	12,019
Loan Collection Costs	1,221	-	1,961	-	-	3,182
Principal Repayment Transfer to Unrestricted	-	223,255	-	-	-	223,255
TOTAL EXPENSES	10,812	223,255	29,247	7,490	8,662	279,466
CHANGE IN NET ASSETS	-	(213,255)	-	-	-	(213,255)
NET ASSETS, BEGINNING OF YEAR	-	1,364,751	-	-	-	1,364,751
NET ASSETS, END OF YEAR	\$ -	\$ 1,151,496	\$ -	\$ -	\$ -	\$ 1,151,496

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
SUPPLEMENTAL SCHEDULE OF ACTIVITIES
PERMANENTLY RESTRICTED FUNDS
For the Year Ended December 31, 2016

	EDA TITLE IX REVOLVING LOAN FUND	EDA RECAP REVOLVING LOAN FUND	PERMANENTLY RESTRICTED TOTALS
SUPPORT AND REVENUE			
Grant Revenues	\$ -	\$ -	\$ -
Bad Debt Recovery	-	-	-
In-Kind Service and Cash	-	-	-
TOTAL SUPPORT AND REVENUE	-	-	-
EXPENSES			
Program Expenses			
Bad Debt Expense	-	-	-
TOTAL EXPENSES	-	-	-
CHANGES IN NET ASSETS	-	-	-
NET ASSETS, BEGINNING OF YEAR	259,351	614,124	873,475
NET ASSETS, END OF YEAR	\$ 259,351	\$ 614,124	\$ 873,475

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
ECONOMIC DEVELOPMENT ADMINISTRATION GRANT NO. ED16DEN3020023
SCHEDULE OF SUPPORT AND REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2016
With Comparative Totals for the Year Ended December 31, 2016

	<u>Budget</u>	<u>2016 Actual</u>	<u>Variance</u>	<u>2015 Actual</u>
SUPPORT AND REVENUES				
Federal EDA Grant	\$ 66,000	\$ 66,000	\$ -	\$ 62,000
Local Matching Fund				
Cash	28,286	28,286	-	26,572
	<u>94,286</u>	<u>94,286</u>	<u>-</u>	<u>88,572</u>
TOTAL SUPPORT AND REVENUES				
EXPENSES				
EDA Grant Expenses				
Personnel	66,390	62,541	3,849	61,153
Fringe Benefits	17,925	15,667	2,258	17,502
Travel	1,174	-	1,174	-
Supplies	200	380	(180)	1,284
Contractual	-	-	-	1,000
Indirect Costs	8,597	8,597	-	-
Other	-	7,101	(7,101)	7,633
	<u>94,286</u>	<u>94,286</u>	<u>-</u>	<u>88,572</u>
TOTAL GRANT EXPENSES				
CHANGE IN NET ASSETS	-	-	-	-
NET ASSETS, BEGINNING OF YEAR	-	-	-	-
NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
SCHEDULE OF ACTIVE LOANS
December 31, 2016 and 2015

	12/31/2015 LOAN BALANCES	2016 NEW LOANS	2016 DISBURSED (UNDISBURSED) FUNDS	2016 PRINCIPAL PAYMENTS	2016 LOANS WRITTEN OFF	12/31/2016 TOTAL LOANS RECEIVABLE	LESS: ALLOWANCE FOR UNCOLLECTIBLE	12/31/2016 NET LOANS RECEIVABLE
PERMANENTLY RESTRICTED:								
EDA TITLE IX RLF	\$ 19,051	\$ 214,220	\$ (10,173)	\$ (13,449)	\$ -	\$ 209,649	\$ -	\$ 209,649
EDA RECAP RLF	382,178	185,000	(62,628)	(94,441)	(21,347)	388,762	(20,006)	368,756
TEMPORARILY RESTRICTED:								
2014 CDBG RLF	1,083,733	10,000	-	(169,440)	-	924,293	-	924,293
2012 CDBG RLF	121,494	-	-	(18,376)	-	103,118	-	103,118
2009 CDBG RLF	52,510	-	-	(12,192)	-	40,318	(9,115)	31,203
2002 CDBG RLF	116,130	-	-	(23,247)	-	92,883	-	92,883
Total CDBG RLF	1,373,867	10,000	-	(223,255)	-	1,160,612	(9,115)	1,151,497
UNRESTRICTED RLF	1,769,177	153,264	3,903	(299,621)	(1,496)	1,625,227	(10,454)	1,614,773
TOTAL	<u>\$ 3,544,273</u>	<u>\$ 562,484</u>	<u>\$ (68,898)</u>	<u>\$ (630,766)</u>	<u>\$ (22,843)</u>	<u>\$ 3,384,250</u>	<u>\$ (39,575)</u>	<u>\$ 3,344,675</u>

	12/31/2014 LOAN BALANCES	2015 NEW LOANS	2015 DISBURSED (UNDISBURSED) FUNDS	2015 PRINCIPAL PAYMENTS	2015 LOANS WRITTEN OFF	12/31/2015 TOTAL LOANS RECEIVABLE	LESS: ALLOWANCE FOR UNCOLLECTIBLE	12/31/2015 NET LOANS RECEIVABLE
PERMANENTLY RESTRICTED:								
EDA TITLE IX RLF	\$ 26,021	\$ -	\$ -	\$ (6,970)	\$ -	\$ 19,051	\$ -	\$ 19,051
EDA RECAP RLF	407,772	60,000	7,470	(93,064)	-	382,178	(31,353)	350,825
TEMPORARILY RESTRICTED:								
2014 CDBG RLF	1,108,580	75,000	-	(99,847)	-	1,083,733	-	1,083,733
2012 CDBG RLF	180,437	-	-	(58,943)	-	121,494	-	121,494
2009 CDBG RLF	156,072	-	-	(103,562)	-	52,510	(9,115)	43,395
2002 CDBG RLF	137,936	-	-	(21,806)	-	116,130	-	116,130
Total CDBG RLF	1,583,025	75,000	-	(284,158)	-	1,373,867	(9,115)	1,364,752
UNRESTRICTED RLF	1,583,873	509,920	(3,903)	(320,312)	(401)	1,769,177	(11,950)	1,757,227
TOTAL	<u>\$ 3,600,691</u>	<u>\$ 644,920</u>	<u>\$ 3,567</u>	<u>\$ (704,504)</u>	<u>\$ (401)</u>	<u>\$ 3,544,273</u>	<u>\$ (52,418)</u>	<u>\$ 3,491,855</u>

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

Audit EIN: 84-0896112
Total Amount: \$827,686

Federal Agency Prefix	CFDA Three Digit Extension	Federal Program Name	Amount Expended	Cluster Name	Federal Program Total	Cluster Total	Loan / Loan Guarantee	If no (Direct Award), Name of Pass-through Entity	If no (Direct Award), Identifying Number Assigned by the Pass-through Entity, if assigned
10	773	RURAL BUSINESS OPPORTUNITY GRANTS	\$ 8,086	N/A	\$ 8,086	\$ -	N		
11	302	ECONOMIC DEVELOPMENT_SUPPORT FOR PLANNING ORGANIZATIONS	66,000	N/A	66,000	-	N		
21	11	307	ECONOMIC ADJUSTMENT ASSISTANCE	190,065	ECONOMIC DEVELOPMENT CLUSTER	587,879	587,879	Y	
11	307	ECONOMIC ADJUSTMENT ASSISTANCE	397,814	ECONOMIC DEVELOPMENT CLUSTER	587,879	587,879	Y		
14	228	COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII	10,000	N/A	10,000	-	Y	RIO GRANDE COUNTY	F15CDB14590
20	205	HIGHWAY PLANNING AND CONSTRUCTION	10,722	HIGHWAY PLANNING AND CONSTRUCTION CLUSTER	10,722	10,722	N	COLORADO DEPARTMENT OF TRANSPORTATION	
93	569	COMMUNITY SERVICES BLOCK GRANT	144,999	N/A	144,999	-	N	COLORADO DEPARTMENT OF LOCAL AFFAIRS	
Total Expenditures			<u>\$ 827,686</u>						

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of San Luis Valley Development Resources Group under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of San Luis Valley Development Resources Group, it is not intended to and does not present the financial position, changes in net assets or cash flows of San Luis Valley Development Resources Group.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the 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. Pass-through entity identifying numbers are presented where available. San Luis Valley Development Resources Group did elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance for the Economic Development Support for Planning Organizations and Community Service Block Grant programs for the year ended December 31, 2016. In addition, the Organization did not pass-through federal funds to subrecipients.

**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**



**Wall,
Smith,
Bateman** Inc.

To the Board of Directors
San Luis Valley Development Resources Group
Alamosa, 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 San Luis Valley Development Resources Group (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 18, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

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

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

April 18, 2017

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



**Wall,
Smith,
Bateman** Inc.

To the Board of Directors
San Luis Valley Development Resources Group
Alamosa, Colorado

Report on Compliance for Each Major Federal Program

We have audited San Luis Valley Development Resources Group's (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2016. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, San Luis Valley Development Resources Group complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

April 18, 2017

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

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 that are **not** considered to be material weakness(es)? _____yes X none reported
- § Noncompliance material to financial statements noted? _____yes X no

Federal Awards

Internal control over major programs:

- § Material weakness(es) identified? _____yes X no
- § Significant deficiency(ies) identified that are **not** considered to be material weakness(es)? _____yes X none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
11.307	Economic Development Cluster

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

Auditee qualified as a low-risk auditee? X yes _____no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV - Prior Year Audit Findings

None