

**SAN LUIS VALLEY
DEVELOPMENT RESOURCES GROUP**

**FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016**

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Office of the State Auditor

July 11, 2018



**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, 2017 and 2016, 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, 2017 and 2016, 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

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 June 18, 2018, 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

June 18, 2018

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 708,201	\$ 718,163
Restricted Cash and Cash Equivalents	365,974	1,885,741
Grants Receivable	90,052	27,181
Accrued Interest Receivable	52,675	13,128
Other Receivables	14,559	36,823
Other Assets	215	136
Total Current Assets	1,231,676	2,681,172
Noncurrent Assets		
Other Note Receivable	1,024,752	1,049,694
Loans Receivable		
EDA Title IX Loans	223,580	209,648
EDA Recap Loans	546,038	388,762
CDBG Loans	1,052,276	1,160,613
Unrestricted RLF	3,234,948	1,625,227
Allowance for Loan Losses	(71,299)	(39,576)
Total Loans Receivable	4,985,543	3,344,674
Real Estate Owned	82,991	117,891
Property and Equipment		
Land	90,270	90,270
Building	125,604	125,604
Equipment and Vehicles	101,624	100,195
Less: Accumulated Depreciation	(138,754)	(123,316)
Total Property and Equipment	178,744	192,753
Total Noncurrent Assets	6,272,030	4,705,012
TOTAL ASSETS	7,503,706	7,386,184
LIABILITIES		
Current Liabilities		
Accounts Payable	27,498	36,830
EZone Distributions Payable	490,035	478,683
Deferred Revenue	182,792	124,888
Other Liabilities	1,319	2,353
Total Current Liabilities	701,644	642,754
Noncurrent Liabilities		
Deferred Gain on Sale	784,700	826,000
Total Noncurrent Liabilities	784,700	826,000
TOTAL LIABILITIES	1,486,344	1,468,754
NET ASSETS		
Net Assets - Unrestricted		
Reserved for Property, Plant and Equipment	178,744	192,753
Reserved for Loans	3,163,649	1,585,651
Unrestricted	748,290	2,114,055
Net Assets - Temporarily Restricted	1,044,158	1,151,496
Net Assets - Permanently Restricted	882,521	873,475
TOTAL NET ASSETS	\$ 6,017,362	\$ 5,917,430

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, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2017 TOTAL</u>
REVENUES AND OTHER SUPPORT				
Grant Revenues	\$ 260,766	\$ 130,162	\$ -	\$ 390,928
Business Contributions	1,000	3,250	-	4,250
City and County Contributions	1,533	-	-	1,533
Council of Governments Reimbursement	79,800	-	-	79,800
SLV CAA Reimbursement	47,184	-	-	47,184
Interest on Deposits	5,702	269	-	5,971
Lease Income	25,040	-	-	25,040
Gain on Sale of Assets	41,300	-	-	41,300
Miscellaneous Revenue	30,273	-	-	30,273
Interest on DRG Loans Receivable	55,549	-	-	55,549
Revolving Loan Fund Program				
Interest on Loans	145,771	35,608	-	181,379
Amortization of Loan Discount	28,842	-	-	28,842
Loan Fees	22,819	4,675	-	27,494
Recovery of Legal and Collection Costs	1,379	868	-	2,247
In-Kind Service and Cash	159,338	-	9,046	168,384
Net Assets Released From Restrictions				
Satisfaction of Program Restrictions	282,170	(282,170)	-	-
TOTAL SUPPORT AND REVENUE	1,188,466	(107,338)	9,046	1,090,174
EXPENSES				
Program	798,076	-	-	798,076
Management and General	192,166	-	-	192,166
TOTAL EXPENSES	990,242	-	-	990,242
CHANGES IN NET ASSETS	198,224	(107,338)	9,046	99,932
NET ASSETS AT BEGINNING OF YEAR	3,892,459	1,151,496	873,475	5,917,430
NET ASSETS AT END OF YEAR	\$ 4,090,683	\$ 1,044,158	\$ 882,521	\$ 6,017,362

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>737,180</u>	<u>345,677</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	(487,645)	345,677	-	(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>\$ 3,333,527</u>	<u>\$ 1,710,428</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
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 99,932	\$ (141,968)
Adjustment to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	15,438	15,278
(Increase) Decrease in Grants Receivable	(62,871)	25,112
(Increase) Decrease in Other Receivables	22,264	(28,168)
(Increase) Decrease in Other Assets	(79)	9
(Increase) Decrease in Other Note Receivables	24,942	306
Increase (Decrease) in Accounts Payable	(9,332)	(28,582)
Increase (Decrease) in EZone Distributions Payable	11,352	(12,838)
Increase (Decrease) in Deferred Revenue	57,904	64,600
Increase (Decrease) in Deferred Gain on Sale	(41,300)	-
Increase (Decrease) in Other Liabilities	(1,034)	350
	<u>117,216</u>	<u>(105,901)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES:	<u>117,216</u>	<u>(105,901)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net Change in Loans	(1,645,516)	159,246
Purchase of Property and Equipment	(1,429)	(41,735)
	<u>(1,646,945)</u>	<u>117,511</u>
NET CASH USED BY INVESTING ACTIVITIES:	<u>(1,646,945)</u>	<u>117,511</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,529,729)	11,610
CASH, BEGINNING OF YEAR	<u>2,603,904</u>	<u>2,592,294</u>
CASH, END OF YEAR	<u>\$ 1,074,175</u>	<u>\$ 2,603,904</u>
 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	\$ 25,000	\$ -
Reconciliation to the Statements of Financial Position		
Cash and Cash Equivalents	\$ 708,201	\$ 718,163
Restricted Cash and Cash Equivalents	365,974	1,885,741
	<u>\$ 1,074,175</u>	<u>\$ 2,603,904</u>

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

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016

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, 2017 and 2016, \$544,041 and \$1,009,798, 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, 2017 and 2016

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, 2017 and 2016

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.

Reclassifications

Certain amounts in 2016 have been reclassified to conform to the 2017 financial statement presentation.

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 2014 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 \$365,974 and \$1,885,741 as of December 31, 2017 and 2016, respectively, is used for the revolving loan fund programs.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016

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.

The table below presents total outstanding loans and an age analysis at December 31, 2017 and 2016.

	2017				
	60-89 days past due	90 days or more past due	Total past due	Total current or less than 60 days past due	Total Outstanding
EDA Title IX	\$ -	\$ -	\$ -	\$ 223,580	\$ 223,580
EDA Recap	-	-	-	546,038	546,038
CDBG	-	675,906	675,906	376,370	1,052,276
Unrestricted	-	131,905	131,905	3,103,043	3,234,948
Total Loans	\$ -	\$ 807,811	\$ 807,811	\$ 4,249,031	\$ 5,056,842
Percentage Outstanding	0%	16%	16%	84%	
				Allowance for Loan Losses	(71,299)
				Net Loans Receivable	\$ 4,985,543
	2016				
	60-89 days past due	90 days or more past due	Total past due	Total current or less than 60 days past due	Total Outstanding
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	\$ 765,882	\$ 154,074	\$ 919,956	\$ 2,464,294	\$ 3,384,250
Percentage Outstanding	23%	5%	27%	73%	
				Allowance for Loan Losses	(39,576)
				Net Loans Receivable	\$ 3,344,674

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.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016

Nonperforming Loans

The table below includes nonperforming loans and loans past due 90 days or more and still accruing interest at December 31, 2017 and 2016. See Note 1 – *Summary of Significant Accounting Policies* for further information on the criteria to determine if a loan is classified as nonperforming. There is one non-performing loan at December 31, 2017 and no non-performing loans at December 31, 2016. The DRG has one loan and two loans, respectively, past due 90 days or more and still accruing interest at December 31, 2017 and 2016.

	Nonperforming Loans		Accruing Past Due 90 Days or More	
	December 31,		December 31,	
	2017	2016	2017	2016
EDA Recap	\$ -	\$ -	\$ -	\$ -
CDBG	675,906	-	-	121,302
Unrestricted	-	-	131,905	32,772
Total Loans	\$ 675,906	\$ -	\$ 131,905	\$ 154,074

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, 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	-	20,007	9,115	10,454	39,576
Provision charged to operating expense	-	-	-	30,000	30,000
Loans charged off (net of recoveries)	-	1,724	-	-	1,724
Balance at December 31, 2017	\$ -	\$ 21,731	\$ 9,115	\$ 40,454	\$ 71,300

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:

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016

	2017	2016
Note Receivable	\$ 537,563	\$ 582,113
Unamortized Discount on Note Receivable	(179,475)	(208,317)
Net Note Receivable	\$ 358,088	\$ 373,796

NOTE 5 FORECLOSED REAL ESTATE

At December 31, 2017 and 2016, SLV DRG had foreclosed real estate held for sale of \$82,991 and \$117,891 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 2017 and 2016 amounted to \$9,900 and \$22,065, respectively. Real estate taxes recognized in other expenses were approximately \$2,406 in 2017 and \$2,420 in 2016.

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 \$51,848 and \$306 were made in 2017 and 2016 leaving a balance of \$997,844 and \$1,049,694 at December 31, 2017 and 2016.

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During 2017, SLV DRG incurred \$30,000 notes receivable for the sale of equipment and other projects. Principal payments of \$7,689 were made in 2017 leaving a balance of \$26,907.

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.

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 Great Outdoors (SLVGO) – SLVGO is a regional cooperative initiative formed to create and implement a long-term and continually developing plan for trails and outdoor recreation in the six counties of the San Luis Valley. In partnership with San Luis Valley Development Resource Group, SLVGO works as a collective impact organization to increase responsible recreation, health and wellness, cultural heritage, and place-based and sustainable outdoor economic development as benefits to the residents of the SLV and its visitors.

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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.

NOTE 9 PROPERTY AND EQUIPMENT

Property and Equipment at December 31 are summarized as follows:

	2017	2016
Land	\$ 90,270	\$ 90,270
Building	125,604	125,604
Equipment and office furniture	57,340	55,911
Vehicles	44,284	44,284
Less: Accumulated Depreciation	(138,754)	(123,316)
Property and Equipment, net	\$ 178,744	\$ 192,753

Depreciation charged to expense during 2017 and 2016 was \$15,437 and \$15,278, 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.

	2017		2016	
	Leveraged	DRG	Leveraged	DRG
	Participation	Participation	Participation	Participation
CDBG	\$ 476,000	\$ 51,000	\$ 5,500	\$ 10,000
EDA Title IX	-	37,274	363,680	214,220
EDA Recap	284,250	247,413	185,000	185,000
Unrestricted	7,159,000	1,920,330	77,750	153,264
	\$ 7,919,250	\$ 2,256,017	\$ 631,930	\$ 562,484

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

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appropriate amount to each designated project, along with the approved Enterprise Zone Certificates. During the years ended December 31, 2017 and 2016, the SLV Development Resources Group received \$1,835,272 and \$1,910,297, respectively for the SLV/UAA Enterprise Zone and forwarded \$1,835,272 and \$1,910,297, respectively to the approved projects.

NOTE 12 ASSETS RELEASED FROM RESTRICTIONS

Program restriction accomplished:

	<u>2017</u>	<u>2016</u>
EDA Title IX Interest Income Expenses	\$ 14,998	\$ 10,812
CDBG Loan Principal Expenses	159,338	223,255
EDA Recap Interest Income Expenses	26,422	29,247
SLVCOG Water Study	-	7,490
SLVGO/CCI	77,096	-
SLV Strategic Broadband	4,316	8,662
Total Assets Released from Restrictions	<u>\$ 282,170</u>	<u>\$ 279,466</u>

NOTE 13 NET ASSET RESTRICTIONS

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

	<u>2017</u>	<u>2016</u>
CDBG Loan Principal	<u>\$ 1,044,158</u>	<u>\$ 1,151,496</u>

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

	<u>2017</u>	<u>2016</u>
EDA Title IX Revolving Loan Fund	\$ 262,057	\$ 259,351
EDA Recap Revolving Loan Fund	<u>620,464</u>	<u>614,124</u>
Total	<u>\$ 882,521</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 19% 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:

2017	<u>PROGRAM</u>	<u>MANAGEMENT</u>	<u>TOTAL</u>
Advertising	\$ -	\$ 680	\$ 680
Auto	3,494	-	3,494
Bad Debt Expense	30,000	-	30,000
Contract Services	19,661	4,699	24,360
Conferences and Seminars	12,519	-	12,519
Economic Contributions	33	-	33
Office Expense	36,280	4,148	40,428
Office Rent	16,200	-	16,200
Dues and Subscriptions	206	1,373	1,579
Insurance	-	5,138	5,138
Miscellaneous	161	3,701	3,862
Personnel	195,284	107,821	303,105
Taxes/Licenses	28,320	19,477	47,797
Fringe Benefits	21,183	20,753	41,936
Utilities	-	4,727	4,727
Travel	3,596	29	3,625
Telephone	-	4,183	4,183
Depreciation	-	15,437	15,437
Project Expense	244,642	-	244,642
Loan Collection Costs	2,107	-	2,107
REO Expense	16,006	-	16,006
Principal Repayment Transfer to Unrestricted	159,338	-	159,338
Operating Income Transfer to Permanent	9,046	-	9,046
TOTAL	<u>\$ 798,076</u>	<u>\$ 192,166</u>	<u>\$ 990,242</u>

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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>

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.

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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.

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,	
	2017	2016
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 Organization were \$41,215 and \$49,494, for the years ended December 31, 2017 and 2016, respectively.

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Pension Funding Status

At December 31, 2017, the Organization's proportionate share of the net pension liability was \$869,600 based on Organization's contributions to the LGDTF for the calendar year 2016 relative to the total contributions of participating employers to the LGDTF. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. Total contributions made to the LGDTF for the year ended December 31, 2016 was \$76,856,666. The funded status of the plan was 73.6%, and the net pension liability of the plan was \$1,350,341,000 at December 31, 2016.

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, 2016, Organization's proportion was 0.064 percent, which was an increase of 0.004 percent from its proportion measured as of December 31, 2015.

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.

Actuarial assumptions. The December 31, 2015 actuarial valuation used 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
Discount rate	7.50 percent
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)

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and were effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 10.45 percent

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Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
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)

Mortality rates used in the December 31, 2015 valuation 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. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 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.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changes to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changes, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and 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 by the investment consultant 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.

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, 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>30 Year Expected Geometric Real Rate of Return</u>
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
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 7.25%.

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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 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.
- 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.

Discount rate 2016. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- 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 3.50%.

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- 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 and effective as of the measurement date, 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.
- 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 of 7.25 percent 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, and therefore, the discount rate is 7.25 percent.

As of the prior measurement date, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use the municipal bond index rate, and therefore, the discount rate was 7.50 percent.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate. The following presents the LGDTF's collective net pension liability calculated using the discount rate of 7.25 percent as of the measurement date, as well as if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent):

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Discount rate net pension liability	\$ 1,282,186	\$ 869,600	\$ 527,934

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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.

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, 2017, 2016, and 2015 the DRG's employer contributions to the HCTF were \$3,315, \$3,981, and \$3,475 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 2017 and 2016). In addition, catch-up contributions, up to \$6,000 for calendar years 2017 and 2016, 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, 2017, and 2016, the 401(k) Plan member contributions from the San Luis Valley Development Resources Group were \$37,567 and \$23,558, respectively. Employer matching contributions were \$2,324 and \$2,580 for the years ending December 31, 2017 and 2016, respectively.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016

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 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 \$0 and \$41,500 at December 31, 2017 and 2016, respectively. In addition, there were undisbursed funds in the amount of \$32,750 and \$72,801 at December 31, 2017 and 2016, 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, 2017 and 2016

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.

Foreclosed real estate decreased during 2017 as a result of the sale of equipment for \$25,000 and the write down of property of \$9,900. Fair value of assets and liabilities measured and adjusted on a nonrecurring basis at December 31, are as follows:

	Fair Value	(Level 1)	(Level 2)	(Level 3)
<u>December 31, 2017</u>				
Foreclosed real estate, net	\$ 82,991	\$ -	\$ -	\$ 82,991
<u>December 31, 2016</u>				
Foreclosed real estate, net	\$ 117,891	\$ -	\$ -	\$ 117,891

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016

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 \$47,184 and \$29,453 for administration of CSBG for the years ending December 31, 2017 and 2016, 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, and is included in these financial statements.

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 June 18, 2018, 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, 2017

	UNRESTRICTED FUND	ENTERPRISE ZONE	NONFEDERAL LOANS PRINCIPAL	EDA PLANNING GRANT	CDOT ADMIN GRANT	SLV CAA	UNRESTRICTED TOTALS
SUPPORT AND REVENUES							
Grant Revenues	\$ 4,514	\$ 21,000	\$ -	\$ 70,000	\$ 8,716	\$ 156,536	\$ 260,766
Business Contributions	1,000	-	-	-	-	-	1,000
City and County Contributions	1,533	-	-	-	-	-	1,533
Council of Governments Reimbursements	79,800	-	-	-	-	-	79,800
SLV CAA Reimbursements	47,184	-	-	-	-	-	47,184
Interest on Deposits	5,601	-	101	-	-	-	5,702
Lease Income	25,040	-	-	-	-	-	25,040
Gain on Sale of Assets	41,300	-	-	-	-	-	41,300
Miscellaneous Revenue	30,273	-	-	-	-	-	30,273
Interest on DRG Loans Receivable	55,549	-	-	-	-	-	55,549
Revolving Loan Fund Program							
Interest on Loans	145,771	-	-	-	-	-	145,771
Amortization of Loan Discount	-	-	28,842	-	-	-	28,842
Loan Fees	22,819	-	-	-	-	-	22,819
Recovery of Legal and Collection Costs	1,379	-	-	-	-	-	1,379
Operating Transfers	-	24,174	159,338	30,000	-	-	213,512
TOTAL SUPPORT AND REVENUES	461,763	45,174	188,281	100,000	8,716	156,536	960,470
EXPENSES							
Program Expenses							
Auto	3,494	-	-	-	-	-	3,494
Contract Services	12,161	1,500	-	2,000	-	-	15,661
Conferences and Seminars	7,534	-	-	4,985	-	-	12,519
Economic Contributions	33	-	-	-	-	-	33
Office Expense	26,103	402	-	9,107	630	-	36,242
Office Rent	1,200	-	-	6,000	-	-	7,200
Dues and Subscriptions	206	-	-	-	-	-	206
Personnel	79,651	35,397	-	61,072	4,603	-	180,723
Taxes/Licenses	9,703	7,828	-	8,511	-	-	26,042
Fringe Benefits	10,525	-	-	8,261	1,197	-	19,983
Bad Debt Expense	-	-	30,000	-	-	-	30,000
Travel	1,087	47	-	64	2,286	-	3,484
Project Expense	6,034	-	-	-	-	156,932	162,966
Loan Collection Costs	2,107	-	-	-	-	-	2,107
REO Expense	15,246	-	-	-	-	-	15,246
Management and General							
Advertising	680	-	-	-	-	-	680
Contract Services	4,699	-	-	-	-	-	4,699
Office Expense	4,148	-	-	-	-	-	4,148
Dues and Subscriptions	1,373	-	-	-	-	-	1,373
Depreciation	15,437	-	-	-	-	-	15,437
Insurance	5,138	-	-	-	-	-	5,138
Miscellaneous	3,701	-	-	-	-	-	3,701
Personnel	107,821	-	-	-	-	-	107,821
Taxes/Licenses	19,477	-	-	-	-	-	19,477
Fringe Benefits	20,753	-	-	-	-	-	20,753
Travel	29	-	-	-	-	-	29
Telephone	4,183	-	-	-	-	-	4,183
Utilities	4,727	-	-	-	-	-	4,727
Operating Transfers	54,174	-	-	-	-	-	54,174
TOTAL EXPENSES	421,424	45,174	30,000	100,000	8,716	156,932	762,246
CHANGE IN NET ASSETS	40,339	-	158,281	-	-	(396)	198,224
NET ASSETS, BEGINNING OF YEAR	553,522	-	3,335,072	-	-	3,865	3,892,459
NET ASSETS, END OF YEAR	\$ 593,861	\$ -	\$ 3,493,353	\$ -	\$ -	\$ 3,469	\$ 4,090,683

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
SUPPLEMENTAL SCHEDULE OF ACTIVITIES
TEMPORARILY RESTRICTED FUNDS
For the Year Ended December 31, 2017

	EDA TITLE IX INTEREST INCOME	CDBG LOAN PRINCIPAL	EDA RECAP INTEREST INCOME	SLV GO	SLV STRATEGIC BROADBAND	TEMPORARILY RESTRICTED TOTALS
SUPPORT AND REVENUES						
Grant Revenues	\$ -	\$ 52,000	\$ -	\$ 73,846	\$ 4,316	\$ 130,162
Business Contributions	-	-	-	3,250	-	3,250
Interest on Deposits	35	-	234	-	-	269
Revolving Loan Fund Program						
Interest on Loans	11,389	-	24,219	-	-	35,608
Loan Fees	3,574	-	1,101	-	-	4,675
Recovery of Legal and Collection Costs	-	-	868	-	-	868
TOTAL SUPPORT AND REVENUES	<u>14,998</u>	<u>52,000</u>	<u>26,422</u>	<u>77,096</u>	<u>4,316</u>	<u>174,832</u>
EXPENSES						1,000
Program Expenses						
Contract Services	1,500	-	2,500	-	-	4,000
Office Expense	30	-	8	-	-	38
Office Rent	3,000	-	6,000	-	-	9,000
REO Expense	-	-	760	-	-	760
Travel	-	-	112	-	-	112
Miscellaneous	84	-	77	-	-	161
Personnel	6,150	-	8,411	-	-	14,561
Taxes/Licenses	968	-	1,310	-	-	2,278
Fringe Benefits	560	-	640	-	-	1,200
Project Expenses	-	-	264	77,096	4,316	81,676
CDBG Principal Repayment Transfer to Unrestricted and EDA Net Income						
Transfer to Permanently Restricted	2,706	159,338	6,340	-	-	168,384
TOTAL EXPENSES	<u>14,998</u>	<u>159,338</u>	<u>26,422</u>	<u>77,096</u>	<u>4,316</u>	<u>282,170</u>
CHANGE IN NET ASSETS	-	(107,338)	-	-	-	(107,338)
NET ASSETS, BEGINNING OF YEAR	<u>-</u>	<u>1,151,496</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,151,496</u>
NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ 1,044,158</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,044,158</u>

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
SUPPLEMENTAL SCHEDULE OF ACTIVITIES
PERMANENTLY RESTRICTED FUNDS
For the Year Ended December 31, 2017

	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	-	-	-
Transfer from Temporarily Restricted Net Assets	2,706	6,340	9,046
TOTAL SUPPORT AND REVENUE	2,706	6,340	9,046
EXPENSES			
Program Expenses			
Bad Debt Expense	-	-	-
TOTAL EXPENSES	-	-	-
CHANGES IN NET ASSETS	2,706	6,340	9,046
NET ASSETS, BEGINNING OF YEAR	259,351	614,124	873,475
NET ASSETS, END OF YEAR	\$ 262,057	\$ 620,464	\$ 882,521

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, 2017
With Comparative Totals for the Year Ended December 31, 2017

	<u>Budget</u>	<u>2017 Actual</u>	<u>Variance</u>	<u>2016 Actual</u>
SUPPORT AND REVENUES				
Federal EDA Grant	\$ 70,000	\$ 70,000	\$ -	\$ 66,000
Local Matching Fund				
Cash	30,000	30,000	-	28,286
TOTAL SUPPORT AND REVENUES	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>94,286</u>
EXPENSES				
EDA Grant Expenses				
Personnel	61,072	61,072	-	62,541
Fringe Benefits	16,490	16,772	(282)	15,667
Travel	6,000	5,049	951	4,585
Supplies	500	17	483	380
Contractual	4,000	2,000	2,000	-
Indirect Costs	9,090	9,090	-	8,597
Other	2,848	6,000	(3,152)	2,516
TOTAL GRANT EXPENSES	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>94,286</u>
CHANGE IN NET ASSETS	-	-	-	-
NET ASSETS, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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, 2017 and 2016

	12/31/2016 LOAN BALANCES	2017 NEW LOANS	2017 DISBURSED (UNDISBURSED) FUNDS	2017 PRINCIPAL PAYMENTS	2017 LOANS WRITTEN OFF	12/31/2017 TOTAL LOANS RECEIVABLE	LESS: ALLOWANCE FOR UNCOLLECTIBLE	12/31/2017 NET LOANS RECEIVABLE
PERMANENTLY RESTRICTED:								
EDA TITLE IX RLF	\$ 209,649	\$ 37,274	\$ -	\$ (23,343)	\$ -	\$ 223,580	\$ -	\$ 223,580
EDA RECAP RLF	388,762	247,413	8,750	(98,887)	-	546,038	(21,730)	524,308
TEMPORARILY RESTRICTED:								
2014 CDBG RLF	924,293	51,000	-	(110,743)	-	864,550	-	864,550
2012 CDBG RLF	103,118	-	-	(16,788)	-	86,330	-	86,330
2009 CDBG RLF	40,318	-	-	(8,559)	-	31,759	(9,115)	22,644
2002 CDBG RLF	92,883	-	-	(23,247)	-	69,636	-	69,636
Total CDBG RLF	1,160,612	51,000	-	(159,338)	-	1,052,274	(9,115)	1,043,159
UNRESTRICTED RLF	1,625,227	1,920,330	-	(310,609)	-	3,234,948	(40,454)	3,194,494
TOTAL	\$ 3,384,250	\$ 2,256,017	\$ 8,750	\$ (592,176)	\$ -	\$ 5,056,841	\$ (71,299)	\$ 4,985,542

	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	\$ 3,544,273	\$ 562,484	\$ (68,898)	\$ (630,766)	\$ (22,843)	\$ 3,384,250	\$ (39,575)	\$ 3,344,675

**SAN LUIS VALLEY DEVELOPMENT RESOURCE GROUP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures (\$)</i>
<i>Economic Development Cluster</i>			
Department of Commerce			
Economic Adjustment Assistance	11.307		\$ 194,891
Economic Adjustment Assistance	11.307		400,958
<i>Total Economic Adjustment Assistance</i>			<u>595,849</u>
<i>Total Department of Commerce</i>			<u>595,849</u>
<i>Highway Planning and Construction Cluster</i>			
Department of Transportation			
Highway Planning and Construction		Colorado Department of Transportation	8,716
	20.205		<u>8,716</u>
<i>Total Highway Planning and Construction</i>			<u>8,716</u>
<i>Total Department of Transportation</i>			<u>8,716</u>
<i>Total Clusters</i>			<u>604,565</u>
<i>Other Programs</i>			
Department of Commerce			
Economic Development Support for Planning Organizations	11.302		70,000
<i>Total Economic Development Support for Planning Organizations</i>			<u>70,000</u>
<i>Total Department of Commerce</i>			<u>70,000</u>
Department of Housing and Urban Development			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	Rio Grande County	52,000
<i>Total Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii</i>			<u>52,000</u>
<i>Total Department of Housing and Urban Development</i>			<u>52,000</u>
United States Department of Agriculture			
Rural Business Opportunity Grants	10.773		4,316
<i>Total Rural Business Opportunity Grants</i>			<u>4,316</u>
<i>Total United States Department of Agriculture</i>			<u>4,316</u>
Department of Health and Human Services			
Community Services Block Grant		Colorado Department of Local Affairs	156,932
	93.569		<u>156,932</u>
<i>Total Community Services Block Grant</i>			<u>156,932</u>
<i>Total Department of Health and Human Services</i>			<u>156,932</u>
<i>Total Other Programs</i>			<u>283,248</u>
<i>Total Expenditures of Federal Awards</i>			<u><u>\$ 887,813</u></u>

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2017

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, 2017. 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, 2017. 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, 2017, 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 June 18, 2018.

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

June 18, 2018

**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, 2017. 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.

Basis for Qualified Opinion on the Economic Development Cluster

As described in the accompanying schedule of findings and questioned costs, the Organization did not comply with requirements regarding CFDA 11.307 Economic Development Cluster as described in Finding 2017-001 for Reporting. Compliance with such requirements is necessary, in our opinion, for the Organization to comply with the reporting requirements applicable to that program.

Certified Public Accountants

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

Qualified Opinion on the Economic Development Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Organization complied, in all material aspects, with the types of compliance requirements referred to above that could have a direct and material effect on the Economic Development Cluster for the year ended December 31, 2017.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2017-001 to be a material weakness.

The Organization's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

June 18, 2018

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2017

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? X yes _____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: Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? X yes _____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

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2017

Section III – Federal Award Findings and Questioned Costs

Finding 2017-001: Economic Development Cluster, CFDA No. 11.307
U.S. Department of Commerce

Compliance Requirements: Reporting

Grant No.: Not applicable

Type of finding: Internal Control Over Compliance (material weakness) and compliance (material noncompliance)

Condition: The September 30, 2017 ED-209 Revolving Loan Fund Semi-Annual Financial Report incorrectly reported current RLF dollars loaned as \$392,535. The correct amount was \$692,535.

Cause: The typographical error was not identified prior to report submission.

Criteria: 13 CFR 307.14 (b) states that the RLF recipients must certify as part of the RLF report to EDA that the RLF is operating in accordance with the applicable RLF Plan and that the information provided is complete and accurate.

Effect: The Organization understated the current RLF dollars loaned by \$300,000 on the September 30, 2017 ED-209 RLF Semi-Annual Financial Report.

Recommendation: The Organization should develop policies and procedures to implement monitoring controls over the federal program reporting requirements.

Grantee's Response: See corrective action plan.

Section IV - Prior Year Audit Findings

None



**SAN LUIS VALLEY
DEVELOPMENT RESOURCES GROUP**

CORRECTIVE ACTION PLAN

Oversight Agency: U.S. Department of Commerce

San Luis Valley Development Resource Group respectfully submits the following corrective action plan for the year ended December 31, 2017.

Independent Accountants: Wall, Smith, Bateman Inc.
Certified Public Accountants
700 Main Street, Suite 200, P.O. Box 809
Alamosa, CO 81101

Audit period: Year ended December 31, 2017

The findings from the December 31, 2017 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section I of the schedule, Summary of Auditors' Results, does not include findings and is not addressed.

Section III – Federal Award Findings and Questioned Costs

**Finding 2017-001: Economic Development Cluster, CFDA No. 11.307
U.S. Department of Commerce**

Compliance Requirement: Reporting

Grant No.: Not Applicable


Type of finding: Internal Control (material weakness) and compliance (material noncompliance)

Recommendation: The Organization should develop policies and procedures to implement monitoring controls over the federal program reporting requirements.

Grantee's Response: San Luis Valley Development Resources Group has consulted with its contact at EDA and a revised 9/30/2017 ED-209 was submitted and accepted on June 14, 2018. No further formal correction action plan is necessary.

If the U.S. Department of Commerce have questions regarding this plan, please call the responsible party at (719) 589-6099.

Sincerely yours,


Kevin Wilkins, Executive Director
San Luis Valley Development Resources Group