

Region 9 Economic Development District  
of Southwest Colorado, Inc.

FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S REPORT

September 30, 2020

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## INDEPENDENT AUDITOR'S REPORT

December 4, 2020

Board of Directors  
Region 9 Economic Development District of Southwest Colorado, Inc.  
Durango, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Region 9 Economic Development District of Southwest Colorado, Inc. as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 auditor's 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 opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Region 9 Economic Development District of Southwest Colorado, Inc., as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-9 and budgetary comparison information on page 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the

December 4, 2020

Region 9 Economic Development District of Southwest Colorado, Inc.

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basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Region 9 Economic Development District of Southwest Colorado Inc.'s basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis 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*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic 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 December 4, 2020, on our consideration of Region 9 Economic Development District of Southwest Colorado Inc.'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 Region 9 Economic Development District of Southwest Colorado, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read 'Beckstead & Co., LLC'.

**Economic Development District of Southwest Colorado, Inc.**  
**Management's Discussion and Analysis**  
**September 30, 2020**

**OVERVIEW OF SELECTED FINANCIAL STATEMENTS**

**Statement of Net Position.** The statement of net position for the Region 9 Economic Development District of Southwest Colorado (Region 9 EDD), Inc. is divided into two categories, Governmental Activities and Business Type Activities (the proprietary funds). The difference between assets and liabilities is reported as *net position*. It provides information pertaining to the nature of Region 9 EDD's assets and liabilities. The statement also provides the basis for determining the overall financial health of Region 9 EDD including liquidity and financial flexibility. On September 30, 2020 total assets for Governmental Activities were \$1,119,523 and total assets for the Business-type Activities were \$6,651,793. Total liabilities for Governmental Activities are \$1,089,015 with the primary liability being notes payable of \$591,135 for Region 9 EDD's building. Another liability is the internal balance of \$473,243 owed to non-governmental funds. The total liabilities of the Business-type Activities are \$1,149,040 and include a negative liability of (\$473,243), the internal balance owed from other funds. USDA IRP and RMAP notes payable are \$1,286,053. Net position for Governmental Activities is \$30,508. Net position for the Business-type Activities is \$5,502,753.

**Statement of Revenues, Expenses and Changes in Fund Balances – Governmental Funds.** The Governmental Funds include: The General Fund #100, Enterprise Zone Administration #600, Economic Development Administration (EDA) Planning programs #350 & #351, and the Community Technical Assistance Fund-#355 (which includes the Technical Assistance program and other special projects). These funds are reported within the general fund for financial reporting purposes. The statements of revenues, expenditures, and changes in fund balances measure the success of Region 9 EDD's governmental type operations and can be used to determine if intergovernmental grants and user fees are adequate to recover expenses. Total revenue for the fiscal year ended September 30, 2020 in the Governmental Funds was \$250,048 and total expenditures were \$392,323 for a deficit of (\$142,275) of revenue over expenditures before other financing sources and uses. After other financing sources of \$156,000, excess of revenues over expenditures for 2020 was \$13,725.

**Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds.** The statement of revenues, expenses, and changes in fund net position includes the activities of the various loan programs. Total operating revenue in the Proprietary Funds for the fiscal year ended September 30, 2020 was \$527,847 and the total operating expenses were \$934,861 for an operating loss of (\$407,014). This operating loss was covered with funds from nonoperating revenues (expenses). Intergovernmental grants of \$726,306 and a loss on an equity position of (\$16,788) generated income before transfers of \$302,504.

**Statement of Cash Flows – Proprietary Funds.** This statement reports the cash receipts, cash payments and net cash from operations, investments, intergovernmental grants, and related financial activities. On September 30, 2020, cash and cash equivalents were \$884,324 and at September 30, 2019 they were \$707,610.

## FINANCIAL ANALYSIS

A summary of the statement of net position is included in the following Table A. Increases or decreases in Region 9 EDD's net position are indicators of improving or deteriorating financial health. Region 9 EDD's primary and major assets are the notes receivable from the business loan program and cash on hand available for lending.

**TABLE A**

### Statement of Net Position

	<b>FY2019</b>	<b>FY2020</b>
Current and other assets	\$6,539,007	\$7,150,919
Capital assets, net	<u>633,278</u>	<u>620,397</u>
Total assets	<u>\$7,172,285</u>	<u>\$7,771,316</u>
Current liabilities	\$ 149,518	\$ 436,330
Long-term liabilities	<u>1,649,073</u>	<u>1,801,725</u>
Total liabilities	<u>\$ 1,798,591</u>	<u>\$ 2,238,055</u>
Net position:		
Invested in capital assets, net of related debt	\$ 34,392	\$ 29,262
Restricted	2,885,010	3,267,728
Unrestricted	<u>2,454,292</u>	<u>2,236,271</u>
Total net position	<u>\$ 5,373,694</u>	<u>\$ 5,533,261</u>

From October 1, 2019 to September 30, 2020 there was an increase in total assets of \$599,031 and an increase in total liabilities of \$439,464. The increase in liabilities is largely due to funds held by Region 9 EDD due to other Regions participating in the Statewide loan fund. Region 9 is the administrator for this grant.

### Revenues, Expenses and Changes in Fund Balance / Net Position

Table B summarizes activity in the Governmental Funds and Table C summarizes activity in the Proprietary Funds FY2019 and FY2020. Table B shows a slight decrease in revenue of \$8,047. Expenses decreased by \$105,111 and other financing sources decreased by \$77,000.

**TABLE B**

### Statements of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds

	<b>FY ended Sept. 30, 2019</b>	<b>FY ended Sept. 30, 2020</b>
Total revenues	\$ 258,095	\$ 250,048
Total expenditures	<u>497,434</u>	<u>392,323</u>
Excess (Deficit) of revenues over (under) expenditures	(239,339)	(142,275)
Other financing sources	<u>233,000</u>	<u>156,000</u>
Change in fund balance	<u>(6,339)</u>	<u>13,725</u>
Fund balance (deficit), beginning	<u>14,691</u>	<u>8,352</u>
Fund balance (deficit), ending	<u>\$ 8,352</u>	<u>\$ 22,077</u>

Table C shows a decrease in operating revenues of \$23,015 and an increase in operating expenses of \$186,029. Non-operating revenues increased by \$67,714 in 2020. The ending net position increased by \$146,504 from the previous year for a total net position of \$5,502,753.

**TABLE C**

**Statement of Activities –Business-Type Activities**

	<b>FY ended September 30, 2019</b>	<b>FY ended September 30, 2020</b>
Total operating revenues	\$ 550,862	\$ 527,847
Total operating expenses	<u>748,832</u>	<u>934,861</u>
Operating income (loss)	(197,970)	(407,014)
Non-operating revenues (expenses), Intergovernmental grant and change in fair value of assets held	641,804	709,518
Other financing sources (uses) Transfers out	<u>(233,000)</u>	<u>(156,000)</u>
Change in net position	210,834	146,504
Net position, beginning	<u>5,145,415</u>	<u>5,356,249</u>
Net position, ending	<u>\$ 5,356,249</u>	<u>\$ 5,502,753</u>

**FINANCIAL HIGHLIGHTS**

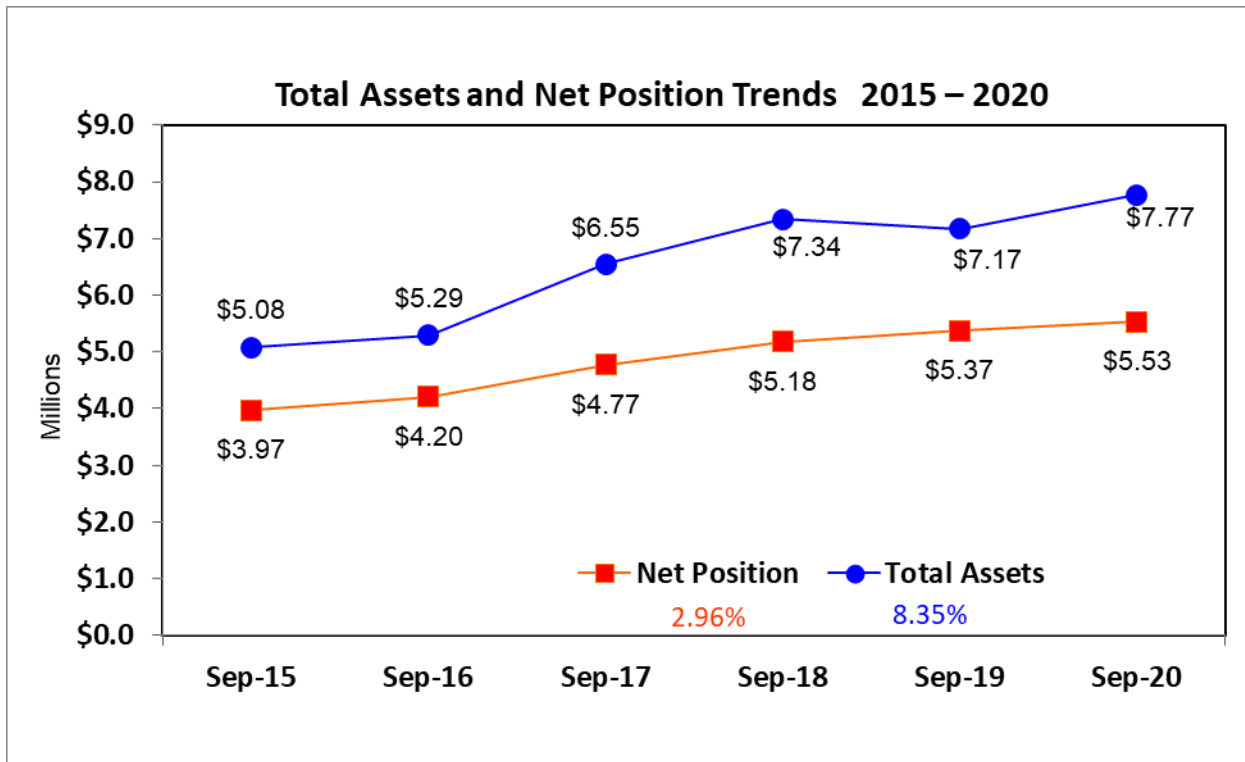
Region 9 EDD’s total (both Governmental and Business Type activities) net position on September 30, 2020 was \$5,533,261 including cash of \$866,022. The majority of assets are in the Business Type Activities in our loan program. Total Net Position increased by \$146,504 from the prior year.

The Governmental Funds had total revenues of \$250,048 and total expenditures of \$392,323 for revenue over expenses of (\$142,275). By comparison, in the previous fiscal year, the Governmental Funds had total revenues of \$258,095 and total expenditures of \$497,434 resulting in revenue over expenses of (\$239,339). The comparison shows a decrease in total expenditures from the previous year resulting in a positive gain on deficiency of revenues over expenditures of \$97,064. After other financing sources of \$156,000, the net change in fund balance is \$13,725.

For year 2020 the Proprietary Fund operating revenues of \$527,847 and operating expenses of \$934,861 resulted in an operating loss of (\$407,014). This loss was offset by Intergovernmental grants and other financing sources of \$709,518-for a change in net position after transfers of \$146,504. Compared to fiscal year 2019 the Proprietary Fund operating expenses of \$748,832 exceeded operating revenues of \$550,862 resulting in an operating loss of (\$197,970). Intergovernmental grants and a gain on sale of equity position offset the operating loss by \$641,804 for a change in net position after transfers of \$210,834. Ending net position for 2020 of \$5,502,753 compared to 2019 of \$5,356,249 and 2018 of \$5,145,415.

**MANAGEMENT’S DISCUSSION AND FINANCIAL ANALYSIS**

The Net Position is the Total Assets less liabilities. In year 2020 Total Assets increased 8.35% and Net Position increased by 2.96%. the trend of total asset growth continues in a positive direction even in the midst of the COVID-19 pandemic.



Preventing future declines and increasing unrestricted cash is important. Staff has successfully secured new lending capital sources as well as some funding that covers staff time. We are closely tracking our monthly loan goals to move towards sustainability. These measures of covering operating costs in addition to building our loan portfolio will help prevent future negative trends.

One factor that affects Region 9 EDD’s financial position are interest rates for loans and deposits. Another factor that contributes to Region 9 EDD’s Net Position is providing matching funds to programs that are not reimbursed. Region 9 EDD spent \$169,000 in FY2020 compared to \$229,000 FY2019; \$127,000 FY2018; and \$97,000 FY2017 for matching funds for the EDA Planning grant and other economic development initiatives. These activities are accounted for in Funds #350, #351 & #355. These funds also support other programs such as the local economic development groups and data publications.

The primary liabilities of Region 9 EDD are the building mortgage, the loans from the USDA for the Intermediary Re-lending Program (IRP) and the Rural Micro-Entrepreneur Assistance Program. The mortgage loan for the building was \$591,135 for FY20. The USDA notes payable for FY2020 was \$1,286,053. Two certificates of deposits totaling \$80,048 are pledged as security for the USDA IRP loans. One certificate of deposit for \$15,320 and a restricted bank account of \$11,040 are held as cash reserves for the USDA RMAP loans.

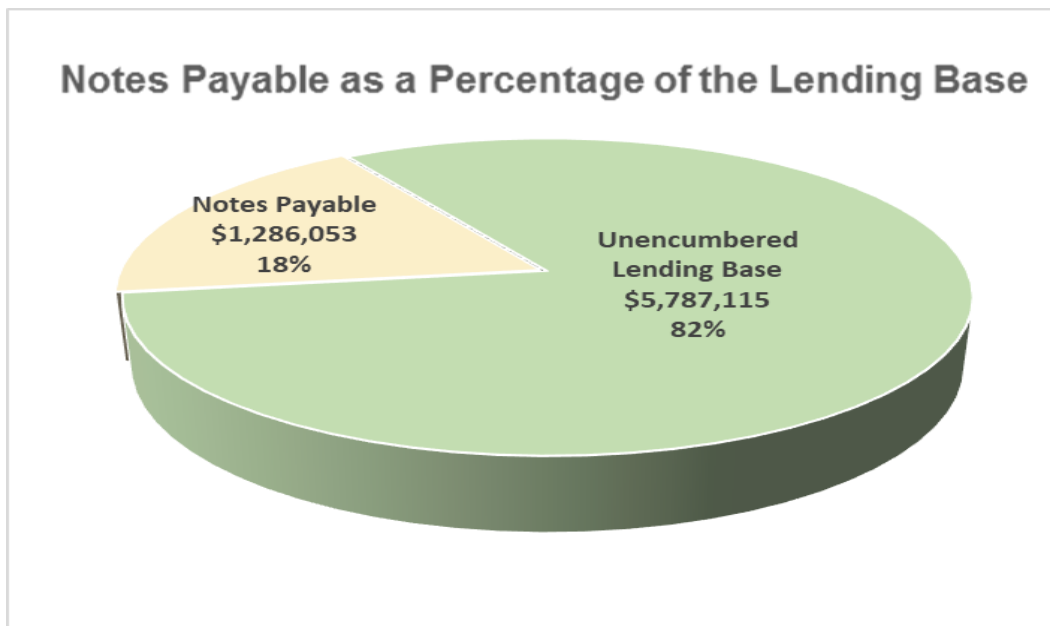
Region 9 EDD continues to support the efforts of Southwest Colorado Accelerator Program for Entrepreneurs (SCAPE) by investing in the Program’s companies and utilizing financial resources for development and operations. As of September 30, 2020, Region 9 EDD has invested \$44,042 in companies through four SCAPE investment funds, rather than the individual companies. In 2020, Region wrote down the SCAPE investments by \$16,788 for impairment.

## FINANCIAL POLICY PRIORITIES

A financial goal of Region 9 EDD is to grow the loan portfolio to a level that the interest received on the loans will pay for operational costs of the business loan programs as well as help pay for the governmental programs that Region 9 EDD administers. The current target is \$10 million with an annual goal of \$2M a year. This compares to the current loan balance (after allowance for loan loss) on September 30, 2020 of \$5,644,752. Loan portfolio growth takes place as more intergovernmental grants are received and loans are paid back. The organization expected that the COVID-19 pandemic would dramatically impact loan volume and defaults. Region 9 EDD made the decision to waive interest for two months and defer principal payments to keep clients solvent.

Another priority is to keep the amount of funds borrowed for the loan funds within an acceptable range. Region 9 EDD policy is that borrowed funds should not exceed 30% of the total Lending Base which is Notes Receivable; plus, unrestricted cash on hand to lend; plus, CDBG funds receivable.

September 30, 2020	
Gross Notes Receivable	\$ 6,232,575
Unrestricted Cash to Lend	\$ 474,576
Loan Funds Receivable	\$ 366,017
Lending Base	\$ 7,073,168
Notes Payable	\$ 1,286,053
Unencumbered Lending Base	\$ 5,787,115



Maintaining liquidity is an issue, especially in periods of high loan demand. Region 9 EDD relies on principal and interest payments on loans outstanding to cover operating costs and to provide liquid assets for additional loans. Region 9 EDD maintains an operating cash balance of \$100,000 in the primary bank account that is not included in the funds available for lending.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** Region 9 EDD’s investments in capital assets as of September 30, 2020 is \$620,397 (net of accumulated depreciation). Investments in capital assets include building, software, equipment, furniture & fixtures, and computers.

	<u>Total Book Value of Capital Assets</u>	
	2019	2020
Software	\$2,379	\$1,498
Loan Software	8,200	6,870
Equipment	3,331	1,950
Furniture & Fixtures	2,791	8,027
Computers	13,225	8,580
Phone System	3,626	2,417
Tuff Shed	1,405	936
Building	602,456	590,119
<b>Total</b>	<b>\$633,278</b>	<b>\$620,397</b>

**Long-term & Short-term Debt.** For FY20, Region 9 EDD had a total debt for its business-type activities due to United States Department of Agriculture (USDA) loans of \$1,286,053. This amount is comprised of 6 notes payable to the USDA. Five notes are through USDA’s Intermediary re-lending program (IRP). The original amount for each note was \$250,000, borrowed at 1% amortized over a 30-year period. The sixth note was through the Rural Microenterprise Assistance Program (RMAP). The original note amount was \$281,047 at 2% amortized over a twenty-year term. All notes are secured by restricted cash, receivables, contract rights, and general intangibles. The borrowed funds were loaned to businesses and are part of the receivables used as security. Additionally, in 2020 fiscal year, Region 9 EDD secured a line of credit through Dolores State Bank but did not utilize. The payable to outside business loan funds per the EDC Colorado Microloan (previously called Statewide Microloan) Program is secured with restricted cash.

	Beginning Balance	<u>Total Business-type activities</u>		Due Within One Year
		Additions / Reductions	Ending Balance	
USDA (IRP-Note 1)	\$133,622	\$ (8,900)	\$124,722	\$ 9,034
USDA (IRP-Note 2)	151,292	(8,770)	142,522	8,856
USDA (IRP-Note 3)	177,085	(8,513)	168,572	8,595
USDA (IRP-Note 4)	208,627	(8,527)	200,100	8,582
USDA (IRP- Note 5)	250,000		250,000	7,741
USDA (RMAP-Note 6)	187,132	(15,433)	171,699	15,421
USDA (RMAP-Note 7)		228,438	228,438	8,861
<b>Total Loans</b>	<b>1,107,758</b>	<b>178,295</b>	<b>1,286,053</b>	<b>67,090</b>

Total debt owed to USDA increased by \$178,295 during the current fiscal year. Regular annual payments are made in January for notes 1 & 2 with the maturity dates in January 2033 and January 2035. The annual payments for notes 3 & 4 are made in March with maturity dates in March 2039 and

March 2041. The annual payments for the 5<sup>th</sup> IRP note are due October with the maturity date in October 2047. Payments on the RMAP notes are made monthly. The first RMAP note matures in December of 2030 and the second in September of 2038.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Board of Directors and the management of Region 9 EDD considered many factors when they established the budget for FY21. Most important was anticipating further impacts from the COVID-19 pandemic on projected revenue from the loan funds. These loan funds, intergovernmental grant revenue, user fees and changes in operating costs are all evaluated and considered before a final budget is adopted. Because of Region 9 EDD's dependence on principal and interest payments to sustain its operating and loan activities, the 2021 budget is dependent on client solvency through COVID-19, and continued loan demand. Region 9 EDD was successful bringing in new sources for lending capital to shift reliance from the CDBG program and also grants that will help cover administrative costs over the next two years.

This financial report is designed to provide our Board of Directors, funding partners and other interested parties with the general overview of Region 9 EDD's finances and demonstrates accountability for the money it receives. If you have any questions or need additional information please contact Laura Lewis Marchino, Executive Director, 970-247-9621 or [laura@scan.org](mailto:laura@scan.org).

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Region 9 Economic Development District of Southwest Colorado, Inc.

STATEMENT OF NET POSITION

September 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments - unrestricted	\$ 454,941	\$ 304,682	\$ 759,623
Cash - restricted	-	106,399	106,399
Prepaid expenses	5,157	-	5,157
Accounts receivable	45,898	366,017	411,915
Notes receivable, net	-	5,793,590	5,793,590
Accrued interest receivable	-	30,193	30,193
Equity positions	-	44,042	44,042
Capital assets, net of accumulated depreciation	613,527	6,870	620,397
Total assets	<u>1,119,523</u>	<u>6,651,793</u>	<u>7,771,316</u>
<b>Liabilities</b>			
Accounts payable	1,267	295,832	297,099
Accrued expenses	9,409	40,398	49,807
Internal balances	473,243	(473,243)	-
Long-term liabilities			
Accrued compensated absences	13,961	-	13,961
Notes payable			
Due or payable within one year	8,373	67,090	75,463
Due or payable after one year	582,762	1,218,963	1,801,725
Total liabilities	<u>1,089,015</u>	<u>1,149,040</u>	<u>2,238,055</u>
<b>Net position</b>			
Net investment in capital assets	22,392	6,870	29,262
Restricted for revolving loans	-	3,267,728	3,267,728
Unrestricted	8,116	2,228,155	2,236,271
Total net position (deficit)	<u>\$ 30,508</u>	<u>\$ 5,502,753</u>	<u>\$ 5,533,261</u>

The accompanying notes are an integral part of these financial statements.

Region 9 Economic Development District of Southwest Colorado, Inc.

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2020

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charge for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
Economic development	\$ 392,985	\$ 44,668	\$ 160,007	\$ (188,310)		\$ (188,310)
Business-type activities:						
Revolving loans	934,861	527,847	726,306		\$ 319,292	319,292
Total primary government	<u>\$ 1,327,846</u>	<u>\$ 572,515</u>	<u>\$ 886,313</u>	(188,310)	319,292	130,982
General revenues						
Earnings on investments				1,945	-	1,945
Miscellaneous				43,428	-	43,428
Gain on sale of equity positions, net of impairment				-	(16,788)	(16,788)
Transfers in (out)				156,000	(156,000)	-
Total general revenues and transfers				<u>201,373</u>	<u>(172,788)</u>	<u>28,585</u>
Change in net position				13,063	146,504	159,567
Net position, beginning				17,445	5,356,249	5,373,694
Net position, ending				<u>\$ 30,508</u>	<u>\$ 5,502,753</u>	<u>\$ 5,533,261</u>

The accompanying notes are an integral part of these financial statements.

Region 9 Economic Development District of Southwest Colorado, Inc.

BALANCE SHEET - GOVERNMENTAL FUND - GENERAL FUND

September 30, 2020

**ASSETS**

**Assets**

Cash	\$ 245,878
Investment in CSAFE	209,063
Prepaid expenses	5,157
Accounts and grants receivable	45,898
Total assets	<u>\$ 505,996</u>

**LIABILITIES AND FUND BALANCES**

**Liabilities**

Accounts payable	\$ 1,267
Accrued expenses	9,409
Due to other funds	473,243
Total liabilities	<u>483,919</u>

**Fund balances**

Nonspendable	5,157
Unassigned	16,920
Total fund balance (deficit)	<u>22,077</u>
Total liabilities and fund balance	<u>\$ 505,996</u>

Total governmental fund balance (deficit)	\$ 22,077
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Amounts reported for governmental activities in the statement on net position are different because:

Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds	613,527
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	(591,135)
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds	<u>(13,961)</u>
Net position of governmental activities	<u>\$ 30,508</u>

The accompanying notes are an integral part of these financial statements.

Region 9 Economic Development District of Southwest Colorado, Inc.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND -  
GENERAL FUND

For the Year Ended September 30, 2020

	<u>General Fund</u>
<b>Revenues</b>	
Intergovernmental	
Grants	\$ 151,057
Dues assessed to member governments	42,837
Charges for services	1,831
Local sources	
Contributions and grants	8,950
Interest	1,945
Miscellaneous	43,428
Total revenues	<u>250,048</u>
<b>Expenditures</b>	
Current	
Economic development	353,075
Debt service:	
Principal	6,223
Interest	26,476
Capital outlay	6,549
Total expenditures	<u>392,323</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(142,275)</u>
<b>Other financing sources and (uses)</b>	
Transfers in	176,000
Transfers out	(20,000)
Other financing sources and (uses)	<u>156,000</u>
Net change in fund balances	13,725
Fund balance (deficit), beginning	<u>8,352</u>
Fund balance (deficit), ending	<u>\$ 22,077</u>

The accompanying notes are an integral part of these financial statements.

Region 9 Economic Development District of Southwest Colorado, Inc.

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2020

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Net change in fund balances - total governmental funds	\$ 13,725
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	6,549
Depreciation expense	(21,700)
Governmental funds report proceeds from issuance of debt as other financing sources and principal payments of debt as expenditures. However, in the statement of activities these amounts adjust the amount reported as a liability.	
Principal payments on debt	6,223
Governmental funds do not record the change in accrued compensated absences during the year as an expenditure. However, in the statement of activities, this change is shown as additional expense. This is the amount of the change in accrued compensated absences in the current year.	
	<u>8,266</u>
Change in net position of governmental activities	<u><u>\$ 13,063</u></u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

September 30, 2020

	Business-type Activities - Enterprise Revolving Loan Funds						Total
	CDBG Revolving Loan Fund	Revolving Loan Fund	SBA Revolving Loan Fund	Intermediary Re-lending Loan Fund	Statewide Revolving Loan Fund	EDA Revolving Loan Fund	
<b>Assets</b>							
Cash-unrestricted	\$ -	\$ -	\$ 38,513	\$ 57,414	\$ 141,637	\$ 67,118	\$ 304,682
Cash-restricted	-	-	-	106,399	-	-	106,399
Due from other funds	73,910	-	-	478,798	221,078	390,036	1,163,822
Grants and other receivables	191,809	162,950	-	6,258	5,000	-	366,017
Equity positions	-	44,042	-	-	-	-	44,042
Prepaid expenses	0	-	-	-	-	-	-
Notes receivable, net	1,446,533	2,684,137	-	878,632	243,221	541,067	5,793,590
Accrued interest receivable	10,549	14,107	-	2,299	1,417	1,821	30,193
Capital assets, net	-	6,870	-	-	-	-	6,870
Total assets	1,722,801	2,912,106	38,513	1,529,800	612,353	1,000,042	7,815,615
<b>Liabilities</b>							
Accounts payable	2,017	1,687	-	-	291,847	281	295,832
Accrued expenses	12,513	24,668	146	1,597	358	1,116	40,398
Due to other funds	-	650,726	39,853	-	-	-	690,579
Notes payable							
Portion due within one year	-	-	-	67,090	-	-	67,090
Portion due after one year	-	-	-	1,218,963	-	-	1,218,963
Total liabilities	14,530	677,081	39,999	1,287,650	292,205	1,397	2,312,862
<b>Net position</b>							
Net investment in capital assets	-	6,870	-	-	-	-	6,870
Restricted for revolving loans	1,708,271	-	(1,486)	242,150	320,148	998,645	3,267,728
Unrestricted	-	2,228,155	-	-	-	-	2,228,155
Total net position	\$ 1,708,271	\$ 2,235,025	\$ (1,486)	\$ 242,150	\$ 320,148	\$ 998,645	\$ 5,502,753

The accompanying notes are an integral part of these financial statements.

Region 9 Economic Development District of Southwest Colorado, Inc.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

For the Year Ended September 30, 2020

Business-type Activities - Enterprise Revolving Loan Funds

	CDBG Revolving Loan Fund	Revolving Loan Fund	SBA Revolving Loan Fund	Intermediary Re-lending Loan Fund	Statewide Revolving Loan Fund	EDA Revolving Loan Fund	Total
<b>Operating revenues</b>							
Loan fees	\$ 12,880	\$ 16,896	\$ -	\$ 6,851	\$ 1,160	\$ 4,581	\$ 42,368
Loan interest	80,566	154,345	-	53,623	11,062	40,426	340,022
Miscellaneous	469	134,500	4	280	10,011	193	145,457
Total operating revenues	93,915	305,741	4	60,754	22,233	45,200	527,847
<b>Operating expenses</b>							
Loan processing costs							
Purchased services	2,051	1,451	8	269	54	-	3,833
Credit reserve registration fees	8,148	9,184	-	3,402	461	-	21,195
Administration							
Salaries and benefits	238,140	280,703	1,133	26,512	2,364	8,055	556,907
Purchased services	31,136	35,547	294	21,867	578	6,000	95,422
Supplies and materials	9,484	11,793	-	1,057	-	295	22,629
Miscellaneous expenses	6,597	3,011	55	1	111	266	10,041
Contributions	-	16,857	-	-	-	-	16,857
Depreciation	-	1,330	-	-	-	-	1,330
Interest expense	-	-	-	13,156	-	-	13,156
Provision for loan loss	147,983	9,291	-	12,602	6,126	17,489	193,491
Total operating expenses	443,539	369,167	1,490	78,866	9,694	32,105	934,861
Operating income (loss)	(349,624)	(63,426)	(1,486)	(18,112)	12,539	13,095	(407,014)
<b>Nonoperating revenues (expenses)</b>							
Intergovernmental grants	627,400	-	-	14,206	53,700	31,000	726,306
Impairment of equity positions	-	(16,788)	-	-	-	-	(16,788)
Income (loss) before transfers	277,776	(80,214)	(1,486)	(3,906)	66,239	44,095	302,504
<b>Other financing sources (uses)</b>							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	(156,000)	-	-	-	-	(156,000)
Other financing sources (uses)	-	(156,000)	-	-	-	-	(156,000)
Change in net position	277,776	(236,214)	(1,486)	(3,906)	66,239	44,095	146,504
Net position, beginning	1,430,495	2,471,239	-	246,056	253,909	954,550	5,356,249
Net position, ending	\$ 1,708,271	\$ 2,235,025	\$ (1,486)	\$ 242,150	\$ 320,148	\$ 998,645	\$ 5,502,753

The accompanying notes are an integral part of these financial statements.

Region 9 Economic Development District of Southwest Colorado, Inc.

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the Year Ended September 30, 2020

Business-type Activities - Enterprise Revolving Loan Funds

	CDBG Revolving Loan Fund	Revolving Loan Fund	SBA Revolving Loan Fund	Intermediary Re-lending Loan Fund	Statewide Revolving Loan Fund	EDA Revolving Loan Fund	Total
Cash flows from operating activities:							
Cash received from customers	\$ 13,349	\$ (11,554)	\$ 4	\$ 7,131	\$ 11,171	\$ 4,774	\$ 24,875
Interest received	73,592	157,622	-	53,465	10,002	40,174	334,855
Cash paid to employees	(238,140)	(280,703)	(1,133)	(26,512)	(2,364)	(8,055)	(556,907)
Cash paid to suppliers	(46,444)	(81,864)	(211)	(25,369)	(961)	(5,497)	(160,346)
Net cash provided (used) by operating activities	(197,643)	(216,499)	(1,340)	8,715	17,848	31,396	(357,523)
Cash flows from noncapital financing activities:							
Intergovernmental grants	476,757	25,271	-	17,407	48,700	31,000	599,135
Proceeds from debt	-	-	-	228,438	-	-	228,438
Change in accounts payable related to amounts held for other local governments	-	-	-	-	265,141	-	265,141
Payments on debt	-	-	-	(50,143)	-	-	(50,143)
Interfund transfers	-	(156,000)	-	-	-	-	(156,000)
Net cash provided (used) by noncapital financing activities	476,757	(130,729)	-	195,702	313,841	31,000	886,571
Cash flows from capital and related financing activities:							
Purchase of capital assets	-	(3,600)	-	-	-	-	(3,600)
Payments of interest	-	-	-	(13,156)	-	-	(13,156)
Net cash provided (used) by capital and related financing activities	-	(3,600)	-	(13,156)	-	-	(16,756)
Cash flows from investing activities:							
Sale of equity positions	-	6,751	-	-	-	-	6,751
Sale of other real estate owned	-	-	-	-	-	-	-
Loans distributed	(553,000)	(699,651)	-	(340,370)	(133,622)	(229,796)	(1,956,439)
Loan payments received	296,577	645,530	-	239,717	19,792	261,125	1,462,741
Loan loss recoveries	-	151,369	-	-	-	-	151,369
Net cash provided (used) by investing activities	(256,423)	103,999	-	(100,653)	(113,830)	31,329	(335,578)
Increase (decrease) in cash and cash equivalents	22,691	(246,829)	(1,340)	90,608	217,859	93,725	176,714
Cash and cash equivalents at beginning of year	51,219	(403,897)	-	552,003	144,856	363,429	707,610
Cash and cash equivalents at end of year	\$ 73,910	\$ (650,726)	\$ (1,340)	\$ 642,611	\$ 362,715	\$ 457,154	\$ 884,324

The accompanying notes are an integral part of these financial statements.

Region 9 Economic Development District of Southwest Colorado, Inc.

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - Continued

For the Year Ended September 30, 2020

	Business-type Activities - Enterprise Revolving Loan Funds						Total
	CDBG Revolving Loan Fund	Revolving Loan Fund	SBA Revolving Loan Fund	Intermediary Re-lending Loan Fund	Statewide Revolving Loan Fund	EDA Revolving Loan Fund	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities							
Operating income (loss)	\$ (349,624)	\$ (63,426)	\$ (1,486)	\$ (18,112)	\$ 12,539	\$ 13,095	\$ (407,014)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities							
Provision for loan loss	147,983	9,291	-	12,602	6,126	17,489	193,491
Depreciation expense	-	1,330	-	-	-	-	1,330
Interest expense	-	-	-	13,156	-	-	13,156
(Increase) decrease in accounts receivable	-	(162,950)	-	-	-	-	(162,950)
(Increase) decrease in accrued interest	(6,974)	3,277	-	(158)	(1,060)	(252)	(5,167)
(Increase) decrease in prepaid expenses	1,801	-	-	-	-	-	1,801
Increase (decrease) in unearned revenue	-	-	-	-	-	-	-
Increase (decrease) in accounts payable	9,171	(4,021)	146	1,227	243	1,064	7,830
Total adjustments	<u>151,981</u>	<u>(153,073)</u>	<u>146</u>	<u>26,827</u>	<u>5,309</u>	<u>18,301</u>	<u>49,491</u>
Net cash provided (used) by operating activities	<u>\$ (197,643)</u>	<u>\$ (216,499)</u>	<u>\$ (1,340)</u>	<u>\$ 8,715</u>	<u>\$ 17,848</u>	<u>\$ 31,396</u>	<u>\$ (357,523)</u>
Statement of Net Position classifications							
Cash - unrestricted	\$ -	\$ -	\$ 38,513	\$ 57,414	\$ 141,637	\$ 67,118	\$ 304,682
Cash - restricted	-	-	-	106,399	-	-	106,399
Due from other funds	73,910	-	-	478,798	221,078	390,036	1,163,822
Due to other funds	-	(650,726)	(39,853)	-	-	-	(690,579)
Cash and cash equivalents at end of year	<u>\$ 73,910</u>	<u>\$ (650,726)</u>	<u>\$ (1,340)</u>	<u>\$ 642,611</u>	<u>\$ 362,715</u>	<u>\$ 457,154</u>	<u>\$ 884,324</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

Region 9 Economic Development District of Southwest Colorado, Inc. (the District), is a not-for-profit corporation formed by local governments in Southwest Colorado in 1989 to provide economic development programs to Southwest Colorado and operates solely for the purpose of administering development grants.

The financial statements of the District have been prepared under accounting standards established by the Governmental Accounting Standards Board. The District was created by governmental entities; those governmental entities control a majority of the District's officers and the District can be dissolved by the governments that created it. Under guidance provided by the Governmental Accounting Standards Board, the District is to be considered a government for determination of the accounting standards applicable to its financial statements. However, since the District is not itself a governmental entity, some Colorado statutes applicable to governmental entities are not applicable to the District. Specifically, Colorado's Public Deposit Protection Act and budget statutes which are generally applicable to governmental entities in Colorado are not applicable to the District. The significant accounting policies applied are described below to enhance the usefulness of the financial statements to the reader.

Government-wide and Fund Financial Statements

The government-wide statements include the statement of net position and the statement of activities, which display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for the different business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District has adopted an informal indirect expense allocation plan rather than employ a formal indirect cost rate proposal (ICRP). These indirect expense allocations are reflected in the expenditures of the District's fund financial statements. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

The fund financial statements provide information about the District's funds. Separate statements for each fund category (governmental and proprietary) are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party received and gives up essentially equal values. Nonoperating revenues, such as subsidies, grants, and investment earnings, result from nonexchange transactions or ancillary activities.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

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The District reports the following major governmental funds:

The general fund is the District's primary operating fund. It accounts for all financial resources of the District, except for those required to be accounted for in another fund.

Proprietary funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. All of the District's proprietary funds are enterprise funds. The District's major proprietary funds are as follows:

CDBG Revolving Loan Fund – used to account for collecting, disbursing and administering federal funds received in a Community Development Block Grant passed through the State of Colorado for the purpose of providing loans to qualified businesses in the region. There have been seven of these grants awarded since 1995. The eighth contract was awarded August 13, 2019 and was active in this reporting period.

Revolving Loan Fund – used to account for disbursing, collecting and administering loans that are considered “revolved” or that were originally made in a grant that has been closed.

SBA Revolving Loan Fund – used to account for collecting, disbursing, and administering federal funds received from the United States Small Business Administration for the purpose of providing loans to qualified businesses in the region.

Intermediary Re-lending Loan Fund – used to account for collecting, disbursing, and administering federal funds received from a USDA loan for the purpose of providing loans to qualified businesses in the region.

Statewide Revolving Loan Fund – used to account for collecting, disbursing, and administering funds received from the State of Colorado for the purpose of providing loans to qualified businesses in the region.

EDA Revolving Loan Fund - used to account for disbursing, collecting and administering federal funds from the Economic Development Administration for the purpose of providing loans to qualified businesses in the region.

Measurement Focus, Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-reciprocal transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. On an accrual basis, revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Grants, donations, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

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Deposits and Investments

The District's cash and cash equivalents are comprised of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Certain funds hold all cash balances and reflect other funds' equity in these balances as a due to/from other funds. These amounts are considered cash equivalents and are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

Equity Positions

Equity positions consist of securities issued by private companies; may be subject to restrictions on their resale; and are generally illiquid. Purchase of these equity positions are made primarily for the purpose of promoting economic development in conjunction with the District's mission. Secondly, the District seeks to realize appreciation and ultimately a gain on the sale of these positions. These equity positions are valued at cost, as adjusted for estimated impairment (if applicable). Gains, and losses not previously recognized through impairment, are recognized upon sale or liquidation of the equity position.

Notes Receivable

All notes receivable are shown net of an allowance for uncollectible loans. Loan payments past due more than 30 days are considered delinquent. Accrual of interest ceases when the loan is written off. The allowance for uncollectible loans is an estimate computed by grading each outstanding loan and applying percentages to each grade. Percentages are based on historical write-offs for similar loans. The allowance for uncollectible loans is reduced for each loan that is registered in the Colorado Credit Reserve Program. This program is a pooled insurance type program whereby each participating lender establishes a reserve account to cover losses on the loans it registers under the program. The District pays a registration fee into the reserve account each time a loan is registered. Registered small business loans qualify for a state funded match in the reserve account. Loan losses are covered by the program up to the total amount in the reserve account.

Real Property Held for Sale

The District occasionally holds real property that is acquired through foreclosure on collateralized notes receivable that default. The property is recorded at estimated fair value at the date of foreclosure and is subsequently adjusted for estimated impairment (if applicable). Gains, and losses not previously recognized through impairment, are recognized upon sale or liquidation of the property.

Restricted Assets

Certain assets of the District are classified as restricted assets because their use is restricted by grant agreements.

Capital Assets

Purchased or constructed capital assets are reported at cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The District defines capital assets as assets with an initial, individual cost of more than \$1,000.

Capital assets of the primary government consist of an office building, office equipment and software and are depreciated using the straight-line method over a 5-year estimated useful life.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

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Compensated Absences

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level when paid.

Fund Balance

Generally, fund balance represents the difference between the current assets and current liabilities. The District reports as restricted those portions of fund balance which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Fund balance related to prepaid expenses is not in spendable form and is reported as nonspendable fund balance. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods. Assignment and commitment indicate management's intent to set aside resources for specific purposes. The District's policy with regard to the order of spending is to spend the restricted funds first, if available, followed by committed funds, assigned funds, and finally, unassigned funds. The Board commits funds by resolution and assigns funds by motion. The same level of action is required to remove a commitment or assignment of funds.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net position amount also is adjusted by any bond issuance deferred amount. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditor, grantors, or laws or regulations of governments. All other net position is reported as unrestricted.

Interfund Activity

Flow of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources and (uses) in governmental funds and in proprietary funds.

Income Taxes

The District has received an Internal Revenue Service exemption from federal income taxes under Internal Revenue Code section 501(c)(6). The District adopted accounting requirements that prescribe when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns, including the position that the District continues to qualify to be treated as a tax-exempt entity for both federal and state income tax purposes. These rules require management to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained.

Based on that evaluation, if it were more than 50% probable that a material amount of income tax would be imposed at the entity level upon examination by the relevant taxing authorities, a liability would be recognized in the accompanying balance sheet along with any interest and penalties that would result from that assessment. When the District has unrelated business income, the federal Exempt Organization Business Income Tax Return (Form 990T) would be subject to examination by the Internal Revenue Service for three years after filing. Should any penalties and interest be incurred, they would be recognized as administration expenses.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

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Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Budgetary Information

The District, a not-for-profit corporation, is not required to adopt an annual budget or to appropriate funds and is not subject to the Colorado state budget law. A budget to actual comparison is presented for those funds required to be reported by general accepted accounting principles.

Subsequent Events

Management has evaluated subsequent events through December 4, 2020, the date which the financial statements were available to be issued. No events were identified that required additional disclosure.

**CASH**

Cash Deposits

Cash includes money held in demand deposit and money market accounts. Custodial credit risk for these deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District allocates its deposits to various financial institutions to mitigate this risk. As of September 30, 2020, the District's bank balances exceeded federally insured amounts by \$32,534.

Investment in CSAFE

At September 30, 2020, the District had \$209,063 invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is structured to be a stable value investment pool to meet the investment needs of local governments in Colorado. The State Securities Commission administers and enforces all State statutes governing the Trust. CSAFE seeks to maintain, but does not guarantee a net asset value at \$1.00 per share. CSAFE may invest in securities of the United States Treasury, United States Agencies, Primary Dealer Repurchase Agreements, AAAM rated money market funds, approved Colorado Banks and highly rated commercial paper. A designated custodial bank serves as custodian for CSAFE's investment portfolio and serves as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. As of September 30, 2020 the public entity investment pool, CSAFE, was rated AAAM by Standard & Poor's Financial Services, LLC. CSAFE records its investments at amortized cost and the District records its investment in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period

*Interest rate risk.* The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Colorado statutes do not allow investment maturities to exceed five years.

*Credit risk.* The District's policy allows investments meeting defined rating and risk rating criteria as follows:

- Obligations of the United States and certain U.S. government agency securities
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain international agency securities
- Certain mutual funds

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

*Concentration of credit risk.* The District places no limit on the amount the District may invest in any one issuer. At September 30, 2020, 100% of District's invested funds are in CSAFE.

**RESTRICTED CASH**

In the Intermediary Re-lending Loan Fund, cash of \$106,399 has been restricted. These funds were pledged by the Board of Directors as collateral for local loan programs.

**NOTES RECEIVABLE**

Notes receivable represent loans made by the District to qualifying local businesses. The loans' proceeds were funded with a Community Development Block Grant, an Economic Development Administration Fund Grant and four USDA Intermediary Re-lending Loans. Loans are typically collateralized by real or tangible property (second or next available position on deed of trust) and personal guaranties. The notes receivable are recorded in their respective Revolving Loan Funds. Collections of principal and interest are deposited back into the program to be utilized for additional loans and administrative expenses. Notes receivable balances and related allowances at September 30, 2020 have been reported as follows:

	CDBG		Intermediary	Statewide	EDA	Totals
	Revolving	Revolving	Re-lending	Revolving	Revolving	
	Loan Fund	Loan Fund	Fund	Loan Fund	Loan Fund	
Notes receivable	1,545,468	\$ 2,944,470	\$ 913,219	\$ 255,550	\$ 573,868	\$ 6,232,575
Allowance for losses on uncollectible loans	(98,935)	(260,333)	(34,587)	(12,329)	(32,801)	(438,985)
Notes, net of allowance	<u>\$ 1,446,533</u>	<u>\$ 2,684,137</u>	<u>\$ 878,632</u>	<u>\$ 243,221</u>	<u>\$ 541,067</u>	<u>\$ 5,793,590</u>

A summary of note receivable activity for the year follows:

Balance at beginning of year	\$ 1,416,353	\$ 3,036,616	\$ 812,565	\$ 141,720	\$ 605,196	\$ 6,012,450
Loans disbursed	553,000	699,651	340,370	133,622	229,796	1,956,439
Loans charged off	(127,308)	(146,184)	-	-	-	(273,492)
Principal collections	(296,577)	(645,613)	(239,716)	(19,792)	(261,124)	(1,462,822)
Balance at end of year	<u>\$ 1,545,468</u>	<u>\$ 2,944,470</u>	<u>\$ 913,219</u>	<u>\$ 255,550</u>	<u>\$ 573,868</u>	<u>\$ 6,232,575</u>

An analysis of the the change in the allowance for uncollectible loans is as follows:

Balance at beginning of year	\$ 78,260	\$ 245,857	\$ 21,984	\$ 6,203	\$ 15,311	\$ 367,615
Loans charged off	(127,308)	(146,184)	-	-	-	(273,492)
Recoveries	-	151,369	-	-	-	151,369
Other	-	-	1	-	1	2
Loan loss reserve	147,983	9,291	12,602	6,126	17,489	193,491
Balance at end of year	<u>\$ 98,935</u>	<u>\$ 260,333</u>	<u>\$ 34,587</u>	<u>\$ 12,329</u>	<u>\$ 32,801</u>	<u>\$ 438,985</u>

**EQUITY POSITIONS AND REAL PROPERTY HELD FOR SALE**

At September 30, 2020 the real property held for sale had a carrying amount of \$0.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

The equity positions were comprised of the following:

SCAPE Investment Fund \$ 44,042

The investment in the SCAPE Investment Fund represents amounts held by this investment fund at September 30, 2020 that have been or will be invested in small, closely-held startups.

**CAPITAL ASSETS**

A summary of changes in general capital assets during the year ended September 30, 2020 follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets being depreciated - building	\$ 616,849	\$ -	\$ -	\$ 616,849
Capital assets being depreciated - equipment	104,614	6,549	-	111,163
Less accumulated depreciation	(92,785)	(21,700)	-	(114,485)
Governmental activities capital assets, net	<u>\$ 628,678</u>	<u>\$ (15,151)</u>	<u>\$ -</u>	<u>\$ 613,527</u>
<b>Business-type activities</b>				
Capital assets being depreciated - software	\$ 12,250	\$ 3,600	\$ -	\$ 15,850
Less accumulated depreciation	(7,650)	(1,330)	-	(8,980)
Business-type activities capital assets, net	<u>\$ 4,600</u>	<u>\$ 2,270</u>	<u>\$ -</u>	<u>\$ 6,870</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Economic development	\$ 21,700
Business-type activities:	
Administration	\$ 1,330

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

**NOTES PAYABLE**

At September 30, 2020, the District had borrowed \$250,000 under each of five loans from the United States Department of Agriculture (USDA) through its intermediary re-lending program. A sixth loan of \$281,047 is through the USDA's Rural Micro-entrepreneur Assistance Program. A seventh loan of \$300,000 (\$228,438 drawn as of September 30, 2020) is also through the USDA's Rural Micro-entrepreneur Assistance Program. The five \$250,000 notes bear interest at 1%, the \$281,047 and \$300,000 notes bear interest at 2%. All are secured by restricted cash, receivables, contract rights, and general intangibles. The first two years of each loan require interest only payments. Each of the \$250,000 notes carries thirty-year payment terms. The \$281,047 and the \$300,000 notes carry a twenty-year payment term. The \$250,000 notes' final payments are due in January 2033, January 2035, March 2039, March 2041, and October 2047. The \$281,047 note's final payment is due in December 2030. The \$300,000 note's final payment is due in November 2040.

During the year ended September 30, 2018, the District borrowed \$607,500 from 1<sup>st</sup> Southwest Bank to finance the purchase of its office building. The note bears interest at 4.375% per annum and is secured by the District's office building. The note requires monthly principal and interest payments of \$2,852 through July, 2053.

The District has a \$500,000 line of credit from The Dolores State Bank. \$0 is outstanding at September 30, 2020. The line of credit bears interest at .25% less than the Wall Street Journal prime rate. Unpaid principal and interest are due on November 16, 2023.

Changes in long-term obligations for the year ended September 30, 2020 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
USDA (Note 1)	\$ 133,622	\$ -	\$ (8,900)	\$ 124,722	\$ 9,034
USDA (Note 2)	151,292	-	(8,770)	142,522	8,856
USDA (Note 3)	177,085	-	(8,513)	168,572	8,595
USDA (Note 4)	208,627	-	(8,527)	200,100	8,582
USDA (Note 5)	250,000	-	-	250,000	7,741
USDA (RMAP) (Note 6)	187,132	-	(15,433)	171,699	15,421
USDA (RMAP) (Note 7)	-	228,438	-	228,438	8,861
Total	<u>\$ 1,107,758</u>	<u>\$ 228,438</u>	<u>\$ (50,143)</u>	<u>\$ 1,286,053</u>	<u>\$ 67,090</u>
Governmental activities:					
1st Southwest Bank	<u>\$ 597,358</u>	<u>\$ -</u>	<u>\$ (6,223)</u>	<u>\$ 591,135</u>	<u>\$ 8,373</u>

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

The following is a schedule of debt service to maturity for the notes payable:

Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 8,373	\$ 25,854	\$ 34,227	\$ 67,090	\$ 16,023	\$ 83,113
2022	8,545	25,683	34,228	69,809	15,825	85,634
2023	8,950	25,277	34,227	70,786	14,848	85,634
2024	9,264	24,963	34,227	71,765	13,869	85,634
2025	9,353	24,874	34,227	72,774	12,860	85,634
2026-2030	55,055	116,082	171,137	379,556	48,615	428,171
2031-2035	69,479	101,658	171,137	291,354	25,540	316,894
2036-2040	86,713	84,424	171,137	175,583	9,607	185,190
2041-2045	106,550	64,587	171,137	59,281	3,047	62,328
2046-2050	135,149	35,988	171,137	28,055	528	28,583
2051-2053	93,704	6,150	99,854	-	-	-
	<u>\$ 591,135</u>	<u>\$ 535,540</u>	<u>\$ 1,126,675</u>	<u>\$ 1,286,053</u>	<u>\$ 160,762</u>	<u>\$ 1,446,815</u>

**RETIREMENT PLAN**

On October 29, 1998 the District adopted a SIMPLE retirement account plan. All employees with annual compensation greater than \$5,000 are eligible to participate. Participants may elect to voluntarily contribute up to \$13,500 of their compensation to the plan annually. The District matches dollar for dollar employee pre-tax contributions in an amount up to 3% of the employee's compensation. Employee and employer contributions are fully vested at all times. The District's total contribution to the plan for the year ended September 30, 2020 was \$14,633.

**RISK OF LOSS**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There have been no reductions in insurance coverages provided to the District and there have been no settlements exceeding insurance coverage.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

**INTERFUND TRANSFERS AND BALANCES**

The composition of interfund transfers for the year ended September 30, 2020 is as follows:

	General Fund
Transferred from:	
Revolving Loan Fund	<u>\$ 156,000</u>

The purpose of the transfers is to transfer surplus funds to the General Fund to meet operating requirements.

The composition of inter-fund due from / to balances at September 30, 2020 is as follows:

	CDBG Revolving Loan Fund	Intermediary Re-lending Loan Fund	Statewide Revolving Loan Fund	EDA Revolving Loan Fund	Total
Due from:					
General Fund	\$ 73,910	\$ -	\$ 221,078	\$ 178,255	\$ 473,243
Revolving Loan Fund	-	478,798	-	171,928	650,726
SBA Revolving Loan Fund	-	-	-	39,853	39,853
	<u>\$ 73,910</u>	<u>\$ 478,798</u>	<u>\$ 221,078</u>	<u>\$ 390,036</u>	<u>\$ 1,163,822</u>

The reason for the inter-fund due to / from balances is because the general fund maintains the bank account that records deposits and disbursements of the other funds.

**CONTINGENT LIABILITIES**

The District participates in federally assisted grant and loan programs which are subject to program compliance audits by the grantors, lenders, or their representatives. Not all of the audits of the programs included in the year ended September 30, 2020 have been conducted. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

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**STATUTORY COMPLIANCE**

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of an expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

The District is not a direct tax supported entity; therefore, management believes that it is not subject to the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions may require judicial interpretation.

REQUIRED SUPPLEMENTARY INFORMATION

Region 9 Economic Development District of Southwest Colorado, Inc.

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - BUDGET AND ACTUAL

For the Year Ended September 30, 2020  
(Unaudited)

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Intergovernmental				
Dues assessed to member governments	\$ 45,000	\$ 45,000	\$ 42,837	\$ (2,163)
Grants	107,000	107,000	151,057	44,057
Charges for services	12,500	12,500	1,831	(10,669)
Local sources				
Interest	500	500	1,945	1,445
Contributions and grants	13,400	13,400	8,950	(4,450)
Miscellaneous	59,500	59,500	43,428	(16,072)
Total revenues	<u>237,900</u>	<u>237,900</u>	<u>250,048</u>	<u>12,148</u>
<b>Expenditures</b>				
Current				
Economic development				
Administration	349,598	373,198	353,075	20,123
Debt service:				
Principal	-	-	6,223	(6,223)
Interest	27,000	27,000	26,476	524
Capital outlay	-	-	6,549	(6,549)
Total expenditures	<u>376,598</u>	<u>400,198</u>	<u>392,323</u>	<u>7,875</u>
Excess (deficiency) of revenues over (under) expenditures	(138,698)	(162,298)	(142,275)	20,023
Other financing sources and (uses)				
Transfer in	172,500	172,500	176,000	3,500
Transfer out	<u>(24,000)</u>	<u>(24,000)</u>	<u>(20,000)</u>	<u>4,000</u>
Net change in fund balance	9,802	(13,798)	13,725	27,523
Fund balance (deficit), beginning	<u>8,352</u>	<u>8,352</u>	<u>8,352</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ 18,154</u>	<u>\$ (5,446)</u>	<u>\$ 22,077</u>	<u>\$ 27,523</u>

SINGLE AUDIT SECTION

Region 9 Economic Development District of Southwest Colorado, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2020

<u>Federal Grantor / Pass Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>2020 Amount of Award Expended</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed through Colorado Department of Local Affairs			
Community Development Block Grant	14.228	19-601	\$ 627,400
Total U.S. Department of Housing and Urban Development			<u>627,400</u>
<b>U.S. DEPARTMENT OF COMMERCE</b>			
Economic Development Support for Planning Organizations Grant	11.302		70,000
Economic Development Assistance for COVID Planning	11.307		37,913
Economic Development Assistance for Recovery Coordinator	11.307		24,515
Economic Development Association Revolving Loan Fund	11.307		<u>610,770</u>
Total U.S. Department of Commerce			743,198
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Rural Development - Intermediary Relending Program	10.767		920,625
Rural Development – Rural Microentrepreneur Assistance Program Grant	10.870		14,206
Rural Development - Rural Microentrepreneur Assistance Program	10.870		<u>415,570</u>
Total U.S. Department of Agriculture			<u>1,350,401</u>
Total expenditures of federal awards			<u>\$ 2,720,999</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Region 9 Economic Development District of Southwest Colorado, Inc. under programs of the federal government for the year ended September 30, 2020. 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 Region 9 Economic Development District of Southwest Colorado, Inc., it is not intended to and does not present the financial position, changes in net position, or cash flows of Region 9 Economic Development District of Southwest Colorado, Inc.

**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. Expenditures reported for the Economic Development Association Revolving Loan Fund grant, CFDA number 11.307, are calculated according to formula. Loan balances outstanding at the end of the year that were expended in prior years are included in this calculation.

Pass-through entity identifying numbers are presented when available.

Region 9 Economic Development District of Southwest Colorado, Inc.  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the year ended September 30, 2020

INDIRECT DE MINIMIS COST RATE

The District utilizes the ten percent de minimis cost rate allowed by Uniform Guidance.

U.S. DEPARTMENT OF COMMERCE FEDERAL AWARDS

Amounts reported on the Schedule of Expenditures of Federal Awards for the U.S. Department of Commerce Economic Development Association Revolving Loan Fund are calculated according to the following program-required formula:

Balance of EDA revolving loan fund loans	\$	573,868
Cash and investments held by the fund		345,265
Administrative expenses		<u>11,919</u>
		931,052
Federal share		<u>65.60%</u>
Amount reported on the Schedule of Expenditures of Federal Awards	\$	<u><u>610,770</u></u>

FEDERAL AWARDS EXPENDED FOR LOAN OR LOAN GUARANTEE PROGRAMS

Balances of loans and loan guarantee programs outstanding as of September 30, 2020 for loans described in 2 CFR section 200.502(b) are as follows:

<u>CFDA#</u>	<u>Program Name</u>	<u>9/30/19 Bal</u>	<u>FY20 Loans</u>	<u>SEFA</u>
10.767	Rural Development-Intermediary Relending Program	\$ 920,625	\$ -	\$ 920,625

September 30, 2020 balance is \$885,916

<u>CFDA#</u>	<u>Program Name</u>	<u>9/30/19 Bal</u>	<u>FY20 Loans</u>	<u>SEFA</u>
10.870	Rural Development-Rural Microentrepreneur Assistance Program	\$ 187,132	\$ 228,438	\$ 415,570

September 30, 2020 balance is \$400,137

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

December 4, 2020

Board of Directors  
Region 9 Economic Development District of Southwest Colorado, Inc.  
Durango, 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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Region 9 Economic Development District of Southwest Colorado, Inc., as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Region 9 Economic Development District of Southwest Colorado, Inc.'s basic financial statements, and have issued our report thereon dated December 4, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Region 9 Economic Development District of Southwest Colorado, Inc.'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Region 9 Economic Development District of Southwest Colorado, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Region 9 Economic Development District of Southwest Colorado, Inc.'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 Region 9 Economic Development District of Southwest Colorado, Inc.'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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

December 4, 2020

Board of Directors  
Region 9 Economic Development District of Southwest Colorado, Inc.  
Durango, Colorado

**Report on Compliance for Each Major Federal Program**

We have audited Region 9 Economic Development District of Southwest Colorado, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Region 9 Economic Development District of Southwest Colorado, Inc.'s major federal programs for the year ended September 30, 2020. Region 9 Economic Development District of Southwest Colorado, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Region 9 Economic Development District of Southwest Colorado, Inc.'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 Region 9 Economic Development District of Southwest Colorado, Inc.'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 Region 9 Economic Development District of Southwest Colorado, Inc.'s compliance.

***Opinion on Each Major Federal Program***

In our opinion, Region 9 Economic Development District of Southwest Colorado, Inc., complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

**Report on Internal Control over Compliance**

Management of Region 9 Economic Development District of Southwest Colorado, Inc. 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 Region 9 Economic Development District of Southwest Colorado, Inc.'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 Region 9 Economic Development District of Southwest Colorado, Inc.'s internal control over compliance.

December 4, 2020  
Region 9 Economic Development District of Southwest Colorado, Inc.  
Page 2

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

 Beckstead & Co., LLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2020

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SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified  Yes  No
- Significant deficiency(ies) identified  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified  Yes  No
- Significant deficiency(ies) identified  Yes  None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.767	Rural Development - Intermediary Relending Program
10.870	Rural Development - Rural Microentrepreneur Assistance Program

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

Auditee qualified as low-risk auditee?  Yes  No

Region 9 Economic Development District of Southwest Colorado, Inc.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended September 30, 2020

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SECTION II – FINANCIAL STATEMENT FINDINGS

There are no financial statement findings.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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There are no federal award findings and questioned costs.

Region 9 Economic Development District of Southwest Colorado, Inc.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2020

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There were no prior year findings.