

**SAN LUIS VALLEY  
DEVELOPMENT RESOURCES GROUP**

**FINANCIAL STATEMENTS  
For the Years Ended December 31, 2020 and 2019**



Wall,  
Smith,  
Bateman Inc.  
Certified Public Accountants

**SLV DEVELOPMENT RESOURCE GROUP**  
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**December 31, 2020 and 2019**

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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, 2020 and 2019, and the related statements of activities and cash flow 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 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 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Certified Public Accountants**

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***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of activities, budgetary comparison information, and 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 14, 2021, 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 14, 2021

**SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 549,405	\$ 454,243
Cash and Cash Equivalents - With Donor Restrictions	802,299	482,098
Grants Receivable	310,214	300,685
Accrued Interest Receivable	21,184	21,184
Other Receivables	217,168	8,584
Other Assets	292	292
<b>Total Current Assets</b>	<u>1,900,562</u>	<u>1,267,086</u>
<b>Noncurrent Assets</b>		
Other Notes Receivable	1,145,727	1,025,369
Loans Receivable	5,490,779	5,610,434
Allowance for Loan Losses	(174,427)	(174,427)
<b>Total Loans Receivable</b>	<u>5,316,352</u>	<u>5,436,007</u>
Real Estate Owned	-	-
Property and Equipment		
Land	90,270	90,270
Building	143,873	143,873
Equipment and Vehicles	114,809	70,512
Less: Accumulated Depreciation	(137,638)	(118,741)
<b>Total Property and Equipment</b>	<u>211,314</u>	<u>185,914</u>
<b>Total Noncurrent Assets</b>	<u>6,673,393</u>	<u>6,647,290</u>
<b>TOTAL ASSETS</b>	<u>8,573,955</u>	<u>7,914,376</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	94,456	47,618
Deferred Revenue	12,500	15,000
Other Liabilities	24,237	18,050
<b>Total Current Liabilities</b>	<u>131,193</u>	<u>80,668</u>
<b>Noncurrent Liabilities</b>		
SLV GO Disaster Assistance Loan	111,400	-
Deferred Gain on Sale	660,800	693,840
<b>Total Noncurrent Liabilities</b>	<u>772,200</u>	<u>693,840</u>
<b>TOTAL LIABILITIES</b>	<u>903,393</u>	<u>774,508</u>
<b>NET ASSETS</b>		
Net Assets Without Donor Restrictions		
Reserved for Property, Plant and Equipment	211,314	185,914
Reserved for Loans	3,641,075	3,874,402
Unrestricted	1,674,233	1,189,562
Net Assets With Donor Restrictions	<u>2,143,940</u>	<u>1,889,990</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 7,670,562</u>	<u>\$ 7,139,868</u>

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

**SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2020**

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
<b>REVENUES, SUPPORT, AND GAINS</b>			
Grant Revenues	\$ 567,445	\$ 1,083,624	\$ 1,651,069
Business Contributions	500	119,544	120,044
Contract Services	139,526	-	139,526
Other Program Income	17,961	89,556	107,517
Interest on Deposits	5,079	232	5,311
Lease Income	13,370	-	13,370
Gain on Sale of Assets	33,040	-	33,040
Miscellaneous Revenue	48,602	13,671	62,273
Interest on DRG Loans Receivable	50,588	-	50,588
Revolving Loan Fund Program			
Interest on Loans	225,054	35,406	260,460
Amortization of Loan Discount	23,503	-	23,503
Loan Fees	31,158	840	31,998
Recovery of Legal and Collection Costs	523	-	523
In-Kind Service and Cash	137,115	27,271	164,386
Other In-Kind	-	33,225	33,225
Net Assets Released From Restrictions			
Satisfaction of Program Restrictions	1,149,419	(1,149,419)	-
	<u>2,442,883</u>	<u>253,950</u>	<u>2,696,833</u>
<b>TOTAL SUPPORT AND REVENUE</b>			
<b>EXPENSES</b>			
Program	1,937,416	-	1,937,416
Support Services:			
Management and General	228,723	-	228,723
	<u>2,166,139</u>	<u>-</u>	<u>2,166,139</u>
<b>TOTAL EXPENSES</b>			
CHANGES IN NET ASSETS	276,744	253,950	530,694
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>5,249,878</u>	<u>1,889,990</u>	<u>7,139,868</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 5,526,622</u>	<u>\$ 2,143,940</u>	<u>\$ 7,670,562</u>

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

**SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2019**

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
<b>REVENUES AND OTHER SUPPORT</b>			
Grant Revenues	\$ 342,626	\$ 719,484	\$ 1,062,110
Business Contributions	30,391	95,613	126,004
Contract Services	181,227	-	181,227
Other Program Income	11,775	90,437	102,212
Interest on Deposits	2,304	774	3,078
Lease Income	23,200	-	23,200
Gain on Sale of Assets	53,328	-	53,328
Miscellaneous Revenue	30,928	2,552	33,480
Interest on DRG Loans Receivable	60,147	-	60,147
Revolving Loan Fund Program			
Interest on Loans	259,176	27,935	287,111
Amortization of Loan Discount	25,426	-	25,426
Loan Fees	44,859	47	44,906
Recovery of Legal and Collection Costs	1,345	31	1,376
In-Kind Service and Cash	888,310	7,750	896,060
Other In-Kind	-	30,859	30,859
Net Assets Released From Restrictions			
Satisfaction of Program Restrictions	1,228,285	(1,228,285)	-
	<u>3,183,327</u>	<u>(252,803)</u>	<u>2,930,524</u>
<b>EXPENSES</b>			
Program	2,009,996	-	2,009,996
Support Services:			
Management and General	218,157	-	218,157
	<u>2,228,153</u>	<u>-</u>	<u>2,228,153</u>
CHANGES IN NET ASSETS	955,174	(252,803)	702,371
NET ASSETS AT BEGINNING OF YEAR	<u>4,294,704</u>	<u>2,142,793</u>	<u>6,437,497</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,249,878</u>	<u>\$ 1,889,990</u>	<u>\$ 7,139,868</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, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 530,694	\$ 702,371
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	21,047	13,323
(Increase) Decrease in Grants Receivable	(9,529)	(212,589)
(Increase) Decrease in Other Assets	-	214
(Increase) Decrease in Other Note Receivables	(120,358)	71,434
Increase (Decrease) in Accounts Payable	46,838	(18,595)
Increase (Decrease) in Deferred Revenue	(2,500)	(115,370)
Increase (Decrease) in Deferred Gain on Sale	(33,040)	(41,300)
Increase (Decrease) in Other Liabilities	6,187	12,162
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	<b>439,339</b>	<b>411,650</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net Change in Loans	(88,929)	(447,720)
Purchase of Property and Equipment	(46,447)	(18,242)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:</b>	<b>(135,376)</b>	<b>(465,962)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
SLV GO Disaster Assistance Loan Proceeds	111,400	-
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:</b>	<b>111,400</b>	<b>-</b>
Net Increase (Decrease) in Cash and Cash Equivalents	415,363	(54,312)
<b>CASH, BEGINNING OF YEAR</b>	<b>936,341</b>	<b>990,653</b>
<b>CASH, END OF YEAR</b>	<b>\$ 1,351,704</b>	<b>\$ 936,341</b>
 <b>SUPPLEMENTAL DISCLOSURES</b>		
Reconciliation to the Statements of Financial Position		
Cash and Cash Equivalents	\$ 549,405	\$ 454,243
Restricted Cash and Cash Equivalents	802,299	482,098
	<b>\$ 1,351,704</b>	<b>\$ 936,341</b>

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

**SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**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 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, 2020 and 2019, \$862,581 and \$389,711, 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, Rural Business Loan Statewide Fund, 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, EDA RLF Cares, CDBG, BLF, and without donor restrictions.

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.

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.

**SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

***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 net assets with donor restrictions to net assets without donor restrictions at that time. If a donor stipulates how long the asset must be used for a specific purpose, the asset will remain in net assets with donor restrictions, depending on the time period.

***Pension***

The San Luis Valley Development Resources participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of December 31, 2020.

***Other Postemployment Benefits (OPEB)***

The San Luis Valley Development Resources Group participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

***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.

***With and Without Donor Restriction Revenue and Support***

Contributions and grants received are recorded as either with or without donor restriction 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 net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

***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 2019 have been reclassified to conform to the 2020 financial statement presentation.

**NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES**

As of December 31, 2020, the Organization has \$1,076,787 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenses, consisting of cash of \$549,405, grants receivable of \$310,214, and other receivables of \$217,168. As of December 31, 2019, the Organization has \$763,512 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenses, consisting of cash of \$454,243, grants receivable of \$300,685, and other receivables of \$8,584. None of these amounts are subject to donor restrictions or other contractual restrictions that make them unavailable for general expenses within one year of the statement of financial position.

**SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

The Organization manages liquidity needed for operations primarily through budgeted monthly cash inflows and outflows. Cash inflows can be easily predicted since they are materially comprised of loan repayments and grant reimbursements. Cash outflows are planned accordingly so as not to exceed those expected inflows. A minimal amount of excess cash is on hand in the event of unexpected outflows.

**NOTE 3 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 2017 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 4 CASH WITH DONOR RESTRICTIONS**

Cash balances with donor restrictions represent amounts received in current and prior years restricted by donors and the board for specific purposes and which are reported as net assets with donor restrictions. The restricted cash of \$802,299 and \$482,098 as of December 31, 2020 and 2019, respectively, is used for the revolving loan fund programs.

**NOTE 5 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, 2020 and 2019.

	2020				
	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	\$ -	\$ -	\$ -	\$ 165,292	\$ 165,292
EDA Recap	-	-	-	629,308	629,308
EDA RLF Cares	-	-	-	100,000	100,000
Rural BLF Statewide	-	-	-	187,551	187,551
CDBG	-	55,852	55,852	537,274	593,126
Unrestricted	-	-	-	3,815,502	3,815,502
Total Loans	\$ -	\$ 55,852	\$ 55,852	\$ 5,434,927	5,490,779
Percentage Outstanding	0%	1%	1%	99%	

Allowance for Loan Losses	(174,427)
Net Loans Receivable	\$ 5,316,352

**SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

	2019				
	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	\$ -	\$ -	\$ -	\$ 228,361	\$ 228,361
EDA Recap	-	-	-	617,620	617,620
Rural BLF Statewide	-	-	-	142,179	142,179
CDBG	14,938	-	14,938	583,306	598,244
Unrestricted	-	-	-	4,024,030	4,024,030
Total Loans	\$ 14,938	\$ -	\$ 14,938	\$ 5,595,496	5,610,434
Percentage Outstanding	0%	0%	0%	100%	
				Allowance for Loan Losses	(174,427)
				Net Loans Receivable	\$ 5,436,007

***Credit Quality Indicators***

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

***Nonperforming Loans***

The table below includes nonperforming loans and loans past due 90 days or more and still accruing interest at December 31, 2020 and 2019. See Note 1 – *Summary of Significant Accounting Policies* for further information on the criteria to determine if a loan is classified as nonperforming. There was one nonperforming loan at December 31, 2020 and no nonperforming loans at December 31, 2019. The DRG had one loan past due 90 days or more and still accruing interest at December 31, 2020 and no loans past due 90 days or more and still accruing interest at December 31, 2019.

	Nonperforming Loans		Accruing Past Due 90 Days or More	
	December 31,		December 31,	
	2020	2019	2020	2019
EDA Recap	\$ -	\$ -	\$ -	\$ -
Rural BLF Statewide	-	-	-	-
CDBG	-	-	55,852	-
Unrestricted	-	-	-	-
Total Loans	\$ -	\$ -	\$ 55,852	\$ -

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

**SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

***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	Rural BLF Statewide	Unrestricted	Total Allowance
Balance at December 31, 2018	\$ -	\$ 24,230	\$ 9,115	\$ -	\$ 37,449	\$ 70,794
Provision charged to operating expense	-	-	-	-	100,000	100,000
Loans charged off (net of recoveries)	-	3,633	-	-	-	3,633
Balance at December 31, 2019	\$ -	\$ 27,863	\$ 9,115	\$ -	\$ 137,449	\$ 174,427
Provision charged to operating expense	-	-	15,677	-	-	15,677
Loans charged off (net of recoveries)	-	-	(15,677)	-	-	(15,677)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 27,863</u>	<u>\$ 9,115</u>	<u>\$ -</u>	<u>\$ 137,449</u>	<u>\$ 174,427</u>

***Noninterest Bearing Loan Receivable***

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

	2020	2019
Note Receivable	\$ 391,763	\$ 440,363
Unamortized Discount on Note Receivable	(102,984)	(126,487)
Net Note Receivable	<u>\$ 288,779</u>	<u>\$ 313,876</u>

**NOTE 6 FORECLOSED REAL ESTATE**

At December 31, 2020 and 2019, SLV DRG had foreclosed real estate held for sale of \$0 and \$0, 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 2020 and 2019 amounted to \$0 and \$0. Real estate taxes recognized in other expenses were approximately \$0 in 2020 and \$641 in 2019.

**NOTE 7 REVOLVING LOAN FUND ACTIVITY**

The DRG reports new grant monies received as net assets without donor restrictions.

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Economic Development Administration (EDA) Title IX and Recap interest income received on outstanding loans is temporarily recorded as net assets with donor restrictions until related administrative expenses are paid. At the end of each year, any unused interest income is required to be transferred to the EDA Revolving Loan Fund, per grant instructions. All EDA Title IX, RLF Cares, and Recap loan principal repayments are recorded as net assets with donor restrictions permanently, 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 net assets with donor restrictions. After all amounts have been loaned once, and federal grantor requirements have been met, these amounts are reclassified as net assets without donor restrictions, where they may be used for administrative expenses or to make new loans, as the board of directors determines.

The Rural Business Loan Fund Statewide Collaboration was created to administer an Economic Development Commission Grant Program to provide loans to small businesses in rural areas around the State. Grant funds are used to provide loans to rural, underserved small businesses in Colorado. In order to qualify, the recipient businesses must have no more than 15 employees, be located in Colorado, and should include but not be limited to: women, minority and veteran owned businesses, start-up businesses, character-based loans, and those that do not currently meet bank underwriting standards. After all amounts have been loaned once these amounts are reclassified as net assets without donor restrictions, 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 8 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 \$60,370 and \$52,183 were made in 2020 and 2019 leaving a balance of \$827,156 and \$887,526 at December 31, 2020 and 2019.

SLV DRG has sold various other real estate property and equipment that they owned and have recorded remaining amounts due on the sales as notes receivable totaling \$350,000 as of December 31, 2020 and \$168,000 as of December 31, 2019. Principal payments of \$19,272 and \$19,252 were made in 2020 and 2019 leaving a balance of \$318,571 and \$137,843 at December 31, 2020 and 2019.

**NOTE 9 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.

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**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.

**NOTE 10 PROPERTY AND EQUIPMENT**

Property and Equipment at December 31 are summarized as follows:

	2020	2019
Land	\$ 90,270	\$ 90,270
Building	143,873	143,873
Equipment and Vehicles	114,809	70,512
Less: Accumulated Depreciation	(137,638)	(118,741)
Property and Equipment, net	\$ 211,314	\$ 185,914

Depreciation charged to expense during 2020 and 2019 was \$21,047 and \$13,323.

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**NOTE 11 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, Rural BLF Statewide, and CDBG contract agreements. The following schedule outlines the loans made during the periods with associated leveraging.

	2020		2019	
	Leveraged	DRG	Leveraged	DRG
	Participation	Participation	Participation	Participation
CDBG	\$ 49,500	\$ 100,000	\$ 1,494,440	\$ 220,000
EDA Title IX	35,000	42,000	371,047	100,000
EDA Recap	25,000	60,000	2,285,852	310,000
EDA CARES	49,500	100,000	-	-
Rural BLF Statewide	307,000	60,000	8,000	25,000
Unrestricted	369,000	173,350	4,445,764	1,515,187
	<u>\$ 835,000</u>	<u>\$ 535,350</u>	<u>\$ 8,605,103</u>	<u>\$ 2,170,187</u>

**NOTE 12 PAYCHECK PROTECTION PROGRAM LOAN**

*2020 Paycheck Protection Program Loan*

A loan payable, dated April 28, 2020, was entered into between First Southwest Bank and the Organization which matures on April 28, 2022. The Bank issued \$131,845 to the Organization and funds from the loan may only be used for payroll costs, mortgage interest, rent, and utility costs incurred over the 24 week period after the loan was made. Under the terms of the Paycheck Protection Program, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The unforgiven portion will have payments that are due monthly in the amount of \$7,420, which includes interest at a rate of 1.0%. Payments begin on November 28, 2020. The loan was forgiven in January 2021 and recognized as income in 2020.

**NOTE 13 DISASTER ASSISTANCE LOAN**

*2020 Economic Injury Disaster Loan*

A loan payable, dated May 21, 2020, was entered into between the U.S. Small Business Administration and the SLV Great Outdoors (SLV GO) which matures on May 21, 2052. The SBA issued \$111,400 to SLV GO and funds from the loan may only be used for working capital to alleviate economic injury caused by disaster occurring in the month of January 31, 2020 and continuing thereafter. Payments are due monthly in the amount of \$477, which includes interest at a rate of 2.75%. Payments are deferred until May 21, 2022.

**NOTE 14 SAN LUIS VALLEY ENTERPRISE ZONE**

The San Luis Valley Development Resources Group certifies donations made through approved Enterprise Zone Contribution Projects within the San Luis Valley. The Executive Director of the DRG has been appointed as the Zone Administrator. Donors deliver checks directly to approved EZ Contribution projects who then fill out an online form which records the donation on the State's website. The DRG reviews the information input to certify the donation for the Department of Revenue. Once certified, an online certificate is sent to the EZ project administrator. The form is then forwarded to the donor for tax purposes.

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**NOTE 15 ASSETS RELEASED FROM RESTRICTIONS**

Program restriction accomplished:

	<u>2020</u>	<u>2019</u>
EDA Title IX Interest Income Expenses	\$ 11,765	\$ 11,737
CDBG Loan Principal Expenses	80,065	771,324
EDA Recap Interest Income Expense	26,061	21,030
SLV GO	489,420	278,936
SBDC	128,389	130,038
Rural BLF Statewide Principal	15,127	15,220
Energize Colorado	369,044	-
EDA Title IX Revolving Loan Fund	29,548	-
Total Assets Released from Restrictions	<u>\$ 1,149,419</u>	<u>\$ 1,228,285</u>

**NOTE 16 NET ASSET RESTRICTIONS**

Net assets with donor restrictions at December 31 are available for the following purposes:

	<u>2020</u>	<u>2019</u>
CDBG Loan Principal	\$ 584,013	\$ 564,078
SLV GO	278,695	200,923
SBDC	88,276	84,188
Energize Colorado	11,071	-
Rural BLF Statewide Fund	187,552	142,679
EDA Title IX Revolving Loan Fund	233,404	262,952
EDA Recap Revolving Loan Fund	660,929	635,170
EDA RLF Cares Loan Fund	100,000	-
Total	<u>\$ 2,143,940</u>	<u>\$ 1,889,990</u>

**NOTE 17 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 12-13% of the organizations funding comes from revolving loan fund interest and fee income which helps to offset funding decreases from grantors for fiscal years ending December 31, 2020 and 2019.

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**NOTE 18 STATEMENT OF ACTIVITY - SCHEDULE OF EXPENSES**

Expenses were incurred for the following in:

<u>2020</u>	<u>PROGRAM</u>	<u>MANAGEMENT</u>	<u>TOTAL</u>
Advertising	\$ 2,029	\$ -	\$ 2,029
Administration	-	30	30
Auto	1,614	-	1,614
Contract Services	122,700	5,623	128,323
Consulting Services	2,713	-	2,713
Conferences and Seminars	13,510	-	13,510
Economic Contributions	-	-	-
Office Expense	72,939	8,497	81,436
Office Rent	41,613	-	41,613
Dues and Subscriptions	609	3,845	4,454
Insurance	9,832	5,634	15,466
Miscellaneous	138	9,362	9,500
Personnel	507,693	133,270	640,963
Taxes/Licenses	39,696	20,918	60,614
Fringe Benefits	87,551	19,982	107,533
Utilities	500	-	500
Travel	5,379	9	5,388
Telephone	506	506	1,012
Depreciation	-	21,047	21,047
In-Kind	33,225	-	33,225
Bad Debt Expense	46,845	-	46,845
Project Expense	223,431	-	223,431
Grant Expense	508,181	-	508,181
Program/Meeting	328	-	328
Equipment	1,350	-	1,350
Pass-through Expense	45,646	-	45,646
Legal	3,142	-	3,142
Library	-	-	-
Loss on Sale	-	-	-
Opportunity Zone	-	-	-
Loan Collection Costs	-	-	-
REO Expense	1,860	-	1,860
Principal Repayment Transfer to Unrestricted	136,539	-	136,539
Operating Income Transfer to Permanent	27,847	-	27,847
<b>TOTAL</b>	<b><u>\$ 1,937,416</u></b>	<b><u>\$ 228,723</u></b>	<b><u>\$ 2,166,139</u></b>

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<u>2019</u>	<u>PROGRAM</u>	<u>MANAGEMENT</u>	<u>TOTAL</u>
Advertising	\$ 651	\$ 751	\$ 1,402
Administration	-	60	60
Auto	2,227	-	2,227
Contract Services	65,593	5,630	71,223
Consulting Services	1,928	-	1,928
Conferences and Seminars	22,940	-	22,940
Economic Contributions	15	-	15
Office Expense	36,598	8,712	45,310
Office Rent	22,093	-	22,093
Dues and Subscriptions	655	1,894	2,549
Insurance	1,219	6,317	7,536
Miscellaneous	266	7,010	7,276
Personnel	395,260	128,802	524,062
Taxes/Licenses	50,405	20,412	70,817
Fringe Benefits	62,558	21,086	83,644
Utilities	-	2,398	2,398
Travel	11,777	(34)	11,743
Telephone	-	1,796	1,796
Depreciation	-	13,323	13,323
In-Kind	30,859	-	30,859
Bad Debt Expense	100,000	-	100,000
Project Expense	195,552	-	195,552
Grant Expense	94,685	-	94,685
Program/Meeting	503	-	503
Equipment	574	-	574
Pass-through Expense	1,454	-	1,454
Legal	406	-	406
Library	496	-	496
Loss on Sale	2,353	-	2,353
Opportunity Zone	50,000	-	50,000
Loan Collection Costs	638	-	638
REO Expense	642	-	642
Principal Repayment Transfer to Unrestricted	842,430	-	842,430
Operating Income Transfer to Permanent	3,630	-	3,630
<b>TOTAL</b>	<u>\$ 1,998,407</u>	<u>\$ 218,157</u>	<u>\$ 2,216,564</u>

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, those expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated are salaries and wages which are allocated on the basis of estimates of time and effort.

**NOTE 19 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

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available comprehensive annual financial report (CAFR) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided as of December 31, 2019 and 2018.* PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

As of December 31, 2019, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007 will receive the lesser of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the LGDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

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 lifetime retirement benefit formula(s) 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.

*Contribution provisions as of December 31, 2020 and 2019.* 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.* and § 24-51-413. Employee contribution rates for the period of January 1, 2019 through December 31, 2019 and for the period of January 1, 2020 through December 31, 2020 are summarized in the table below:

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	January 1, 2019 Through December 31, 2019	January 1, 2020 Through June 30, 2020	July 1, 2020 Through December 31, 2020
Employee contribution	8.00%	8.00%	8.50%

The employer contribution requirements are summarized in the table below:

	January 1, 2019 through June 30, 2020	July 1, 2020 through December 31, 2020
Employer Contribution Rate	10.00%	10.50%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) <sup>1</sup>	-1.02%	-1.02%
Amount Apportioned to the LGDTF	8.98%	9.48%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	2.20%	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	1.50%	1.50%
Total Employer Contribution Rate to the LGDTF	12.68%	13.18%

<sup>1</sup> Contribution Rates for the LGDTF 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 \$67,041 and \$60,356 for the year ended December 31, 2020 and 2019, respectively.

***Pension Funding Status***

At December 31, 2020 and 2019, the Organization's proportionate share of the net pension liability was \$505,533 and \$744,529, respectively, based on Organization's contributions to the LGDTF for the calendar years 2020 and 2019 relative to the total contributions of participating employers to the LGDTF. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll forward the total pension liability to December 31, 2019. Total contributions made to the LGDTF for the year ended December 31, 2020 and 2019 was \$87,320,640 and \$83,167,334, respectively. The funded status of the plan was 86.26% and 75.96%, and the net pension liability of the plan was \$731,391,000 and \$1,257,213,000 at December 31, 2020 and 2019.

At December 31, 2019, Organization's proportion was 0.069 percent, which was an increase of 0.010 percent from its proportion measured as of December 31, 2018.

At December 31, 2018, Organization's proportion was 0.059 percent, which was a decrease of 0.009 percent from its proportion measured as of December 31, 2017.

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*Actuarial assumptions.* The December 31, 2018 and 2017 actuarial valuations used the following actuarial cost method, actuarial assumptions and other inputs:

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
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)	1.25 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

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.

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.

The actuarial assumptions used in the December 31, 2018, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

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.

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 for each major asset class. These ranges were combined to produce the long-term expected rate of return

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by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the current long-term expected rate of return by the PERA Board, the target asset 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%.

*Discount rate.* 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 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 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. 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 for each year, including the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care

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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 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. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered annual increase cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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. There was no change in the discount rate from the prior measurement date.

*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 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	<u>\$ 928,627</u>	<u>\$ 505,533</u>	<u>\$ 149,716</u>

*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](http://www.copera.org/investments/pera-financial-reports).

**NOTE 20 OTHER POSTEMPLOYMENT BENEFITS**

***General Information about the OPEB Plan***

*Plan description.* Eligible employees of the Organization are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, 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 the premium subsidies. 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](http://www.copera.org/investments/pera-financial-reports).

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*Benefits provided.* The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

*PERA Benefit Structure*

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF on behalf of benefit recipients not covered by Medicare Part A.

*Contributions.* Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Organization is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Organization were \$5,284 and \$4,855 for the years ended December 31, 2020 and 2019, respectively.

**OPEB Liabilities and OPEB Expense**

At December 31, 2020 and 2019, the Organization reported a liability of \$59,502 and \$62,484 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31,

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2019. The Organization's proportion of the net OPEB liability was based on Organization contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the Organization's proportion was .00529 percent, which was an increase of .00070 from its proportion measured as of December 31, 2018.

At December 31, 2018, the Organization's proportion was .00459 percent, which was a decrease of .00067 from its proportion measured as of December 31, 2017.

*Actuarial assumptions.* The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expensess, including prive inflation	7.25 percent
Discount rate	7.25 Percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.60 percent in 2019, gradually decreasing to 4.50 percent in 2029
Medicare Part A premiums	3.50 percent in 2019, gradually increasing to 4.50 percent in 2029

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2019 for the PERA Benefit Structure:

<b>Medicare Plan</b>	<b>Cost for Member Without Medicare Part A</b>	<b>Premiums for Members Without Medicare Part A</b>
Medicare Adcantage/Self-Insured Prescription	\$601	\$240
Kaiser Permanente Medicare Advantage HMO	605	237

The 2019 Medicare Part A premium is \$437 per month.

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In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

<b>Medicare Plan</b>	<b>Cost for Member Without Medicare Part A</b>
Medicare Advantage/Self-Insured Prescription	\$562
Kaiser Permanente Medicare Advantage HMO	571

All costs are subject to the health care cost trend rates, as discussed below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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Healthy mortality assumptions for active members were based on 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.

Post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 White Collar 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 based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, 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 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 most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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<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%.

*Sensitivity of the Organization's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates.* The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
Initial PERACare Medicare Trend Rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	<u>\$58,088</u>	<u>\$59,502</u>	<u>\$61,135</u>

*Discount rate.* The discount rate used to measure the total OPEB liability was 7.25 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:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019, measurement date.
- 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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- 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.
- 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.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the HCTF’s fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

*Sensitivity of the Organization’s proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be 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) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 67,278	\$ 59,502	\$ 52,851

*OPEB plan fiduciary net position.* Detailed information about the HCTF’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](http://www.copera.org/investments/pera-financial-reports).

**NOTE 21 DEFINED CONTRIBUTION PENSION PLAN**

***Voluntary Investment Program***

Employees of the San Luis Valley Development Resources Group that are also members of the LGDTF (see Note 19) may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S, as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available CAFR which includes additional information on the Voluntary Investment Program. That report may be obtained at [www.copera.org](http://www.copera.org).

***Funding Policy***

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S, as amended. In addition, SLV DRG has agreed to match employee contributions up to 8% percent of covered salary as determined by the Internal Revenue Service. Employees are immediately vested in their own contributions, employer contributions, and investment earnings. For the years ending December 31, 2020 and 2019, respectively, plan members contributed \$46,889 and \$39,754, and employer matching contributions were \$3,954 and \$3,788, respectively.

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**NOTE 22 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 did not have any financial instruments, the contract amounts of which represent credit risks include loan commitments, at December 31, 2020 and 2019. In addition, there were undisbursed funds in the amount of \$0 and \$1,250 at December 31, 2020 and 2019.

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 23 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, 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

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significant judgment. The fair value, a reasonable point within the range, is most representative of fair value under current market conditions.

***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; quoted 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 had no increase or decreases during 2020. Foreclosed real estate decreased during 2019 as a result of the sale of property for \$4,900. 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)
December 31, 2020				
Foreclosed real estate, net	\$ -	\$ -	\$ -	\$ -
December 31, 2019				
Foreclosed real estate, net	\$ -	\$ -	\$ -	\$ -

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**NOTE 24 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.

***COVID-19***

As a result of the spread of the COVID-19 coronavirus, uncertainties have arisen which have the potential to negatively impact net income. Other financial impact could occur through such potential impact is unknown at this time.

**NOTE 25 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 \$53,502 and \$45,131 for administration of CSBG for the years ending December 31, 2020 and 2019, 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.

***San Luis Valley Great Outdoors (SLVGO)***- The mission of SLVGO is 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.

SLVGO was formed in 2017 as a regional organization, and became a 501(c)(3) in 2018, to administer various grants that they receive to fulfill the mission of the organization.

The Organization, while a stand alone 501(c)(3), is under the control of the DRG. The Organization is managed under the umbrella of DRG, and is included in these financial statements.

***San Luis Valley Small Business Development Center (SLVSBDC)***- The San Luis Valley Small Business Development Center offers business consulting and training that maximizes the economic potential of entrepreneurs within Southern Colorado. The SLV SBDC has a mission to help existing and new businesses grow and prosper. The goal at the Small Business Development Center is to help emerging and existing entrepreneurs gain control of their business operations. The SLV SBDC provides fee guidance and counseling in all aspects of funding and developing small business. The SLV SBDC strives to help grow and start businesses, working to minimize risk by

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helping clients write comprehensive business plans, conduct financial forecasts, strategize marketing tactics, apply for funding, and improve operations.

The Organization, while a stand alone 501(c)(3), is under the control of the DRG. The Organization is managed under the umbrella of DRG, and is included in these financial statements.

**NOTE 26 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 14, 2020, the date the financial statements were available to be issued.

*2021 Paycheck Protection Program Loan*

The Organization received a \$131,845 SBA PPP Loan on January 30, 2021. The funds from the loan may only be used for payroll costs, including benefits, mortgage interest, rent, utilities, worker protection costs related to COVID-19, uninsured property damage caused by looting or vandalism during 2020, and certain supplier costs and expenses for operations. Under the terms of the Paycheck Protection Program, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act). The unforgiven portion will have payments that are due monthly in the amount of \$3,092, which includes interest at a rate of 1.0%. Payments begin on June 5, 2022 through January 2, 2026.

*SLV Great Outdoors*

On January 1, 2021, the SLV Great Outdoors began providing their own management services and the SLV Development Resources Group is no longer fiscally responsible for the organization.

**SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP**  
**SUPPLEMENTARY INFORMATION**

**SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP**  
**SUPPLEMENTAL SCHEDULE OF ACTIVITIES**  
**NET ASSETS WITHOUT DONOR RESTRICTIONS**  
**For the Year Ended December 31, 2020**

	UNRESTRICTED FUND	ENTERPRISE ZONE	NONFEDERAL LOANS PRINCIPAL	EDA PLANNING GRANTS	CDOT ADMIN GRANT	SLV CAA	WITHOUT DONOR RESTRICTIONS TOTALS
<b>SUPPORT AND REVENUES</b>							
Grant Revenues	\$ 179,860	\$ 16,616	\$ -	\$ 119,644	\$ 28,665	\$ 222,660	\$ 567,445
Business Contributions	500	-	-	-	-	-	500
Contract Services	139,526	-	-	-	-	-	139,526
Other Program Income	4,182	13,779	-	-	-	-	17,961
Interest on Deposits	5,079	-	-	-	-	-	5,079
Lease Income	13,370	-	-	-	-	-	13,370
Gain on Sale of Assets	33,040	-	-	-	-	-	33,040
Miscellaneous Revenue	48,602	-	-	-	-	-	48,602
Interest on DRG Loans Receivable	50,588	-	-	-	-	-	50,588
Revolving Loan Fund Program							
Interest on Loans	225,054	-	-	-	-	-	225,054
Amortization of Loan Discount	-	-	23,503	-	-	-	23,503
Loan Fees	31,158	-	-	-	-	-	31,158
Recovery of Legal and Collection Costs	523	-	-	-	-	-	523
Operating Transfers	18,176	9,424	79,515	30,000	-	-	137,115
<b>TOTAL SUPPORT AND REVENUES</b>	<b>749,658</b>	<b>39,819</b>	<b>103,018</b>	<b>149,644</b>	<b>28,665</b>	<b>222,660</b>	<b>1,293,464</b>
<b>EXPENSES</b>							
<b>Program Expenses</b>							
Auto	116	-	-	-	-	-	116
Advertising	1,714	-	-	315	-	-	2,029
Contract Services	5,500	500	-	2,500	460	-	8,960
Telephone	506	-	-	-	-	-	506
Conferences and Seminars	5,637	-	-	283	-	-	5,920
Office Expense	26,483	45	-	9,090	149	-	35,767
Office Rent	2,900	-	-	-	6,263	-	9,163
Dues and Subscriptions	609	-	-	-	-	-	609
Personnel	105,628	29,635	-	83,384	10,401	-	229,048
Taxes/Licenses	3,964	9,412	-	10,754	-	-	24,130
Fringe Benefits	33,815	-	-	17,285	3,184	-	54,284
Bad Debt Expense	-	-	31,168	-	-	-	31,168
Travel	236	227	-	1,436	2,958	-	4,857
Project Expense	1,139	-	-	-	-	222,660	223,799
Grant Expense	74,152	-	-	1,500	-	-	75,652
Program/Meeting	204	-	-	124	-	-	328
Equipment	-	-	-	1,350	-	-	1,350
Pass-through Expense	45,646	-	-	-	-	-	45,646
Legal	3,142	-	-	-	-	-	3,142
REO Expense	1,860	-	-	-	-	-	1,860
<b>Management and General</b>							
Advertising	-	-	-	-	-	-	-
Administration	30	-	-	-	-	-	30
Contract Services	5,623	-	-	-	-	-	5,623
Office Expense	8,497	-	-	-	-	-	8,497
Dues and Subscriptions	3,845	-	-	-	-	-	3,845
Depreciation	10,644	-	-	-	-	-	10,644
Insurance	5,634	-	-	-	-	-	5,634
Miscellaneous	9,362	-	-	-	-	-	9,362
Personnel	133,270	-	-	-	-	-	133,270
Taxes/Licenses	20,918	-	-	-	-	-	20,918
Fringe Benefits	19,982	-	-	-	-	-	19,982
Travel	9	-	-	-	-	-	9
Telephone	506	-	-	-	-	-	506
Utilities	-	-	-	-	-	-	-
Operating Transfers	27,847	-	12,219	-	-	-	40,066
<b>TOTAL EXPENSES</b>	<b>559,418</b>	<b>39,819</b>	<b>43,387</b>	<b>128,021</b>	<b>23,415</b>	<b>222,660</b>	<b>1,016,720</b>
CHANGE IN NET ASSETS	190,240	-	59,631	21,623	5,250	-	276,744
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>946,201</b>	<b>-</b>	<b>4,303,662</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>5,249,878</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,136,441</b>	<b>\$ -</b>	<b>\$ 4,363,293</b>	<b>\$ 21,623</b>	<b>\$ 5,250</b>	<b>\$ 15</b>	<b>\$ 5,526,622</b>

**SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP**  
**SUPPLEMENTAL SCHEDULE OF ACTIVITIES**  
**NET ASSETS WITH DONOR RESTRICTIONS**  
**For the Year Ended December 31, 2020**

	CDBG LOAN PRINCIPAL	EDA TITLE IX INTEREST INCOME	EDA RECAP INTEREST INCOME	SLV GO	SBDC	ENERGIZE COLORADO	RURAL	EDA TITLE IX REVOLVING LOAN FUND	EDA RECAP REVOLVING LOAN FUND	EDA CARES	WITH DONOR RESTRICTIONS TOTALS
							BUSINESS LOAN FUND STATEWIDE PRINCIPAL			FUND REVOLVING LOAN FUND PRINCIPAL	
<b>SUPPORT AND REVENUES</b>											
Grant Revenues	\$ 100,000	\$ -	\$ -	\$ 368,228	\$ 86,352	\$ 369,044	\$ 60,000	\$ -	\$ -	\$ 100,000	\$ 1,083,624
Business Contributions	-	-	-	106,644	12,900	-	-	-	-	-	119,544
Other Program Income	-	-	-	89,556	-	-	-	-	-	-	89,556
Interest on Deposits	-	24	44	164	-	-	-	-	-	-	232
Revolving Loan Fund Program											
Interest on Loans	-	9,389	26,017	-	-	-	-	-	-	-	35,406
Loan Fees	-	840	-	-	-	-	-	-	-	-	840
Recovery of Legal and Collection Costs	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	2,600	-	11,071	-	-	-	-	13,671
In-Kind Service and Cash	-	-	-	-	33,225	-	-	-	-	-	33,225
Operating Transfers	-	1,512	-	-	-	-	-	-	25,759	-	27,271
<b>TOTAL SUPPORT AND REVENUES</b>	<b>100,000</b>	<b>11,765</b>	<b>26,061</b>	<b>567,192</b>	<b>132,477</b>	<b>380,115</b>	<b>60,000</b>	<b>-</b>	<b>25,759</b>	<b>100,000</b>	<b>1,403,369</b>
<b>EXPENSES</b>											
<b>Program Expenses</b>											
Auto	-	-	-	-	1,498	-	-	-	-	-	1,498
Contract Services	-	2,000	3,000	88,740	20,000	-	-	-	-	-	113,740
Consulting Services	-	-	-	-	2,713	-	-	-	-	-	2,713
Insurance	-	-	-	9,832	-	-	-	-	-	-	9,832
Office Expense	-	-	-	33,773	3,399	-	-	-	-	-	37,172
Office Rent	-	1,250	2,500	23,200	5,500	-	-	-	-	-	32,450
Utilities	-	500	-	-	-	-	-	-	-	-	500
Depreciation	-	-	-	10,403	-	-	-	-	-	-	10,403
In-Kind Services and Cash	-	-	-	-	33,225	-	-	-	-	-	33,225
Travel	-	-	-	-	522	-	-	-	-	-	522
Conferences and Seminars	-	-	-	7,590	-	-	-	-	-	-	7,590
Miscellaneous	-	69	69	-	-	-	-	-	-	-	138
Personnel	-	5,784	3,796	220,940	48,125	-	-	-	-	-	278,645
Taxes/Licenses	-	952	628	204	13,782	-	-	-	-	-	15,566
Fringe Benefits	-	1,210	804	31,253	-	-	-	-	-	-	33,267
Bad Debt Expense	15,677	-	-	-	-	-	-	-	-	-	15,677
Project Expenses	-	-	7	-	(375)	-	-	-	-	-	(368)
Grant Expenses	-	-	-	63,485	-	369,044	-	-	-	-	432,529
Transfer to Other Programs	64,388	-	15,257	-	-	-	15,127	29,548	-	-	124,320
<b>TOTAL EXPENSES</b>	<b>80,065</b>	<b>11,765</b>	<b>26,061</b>	<b>489,420</b>	<b>128,389</b>	<b>369,044</b>	<b>15,127</b>	<b>29,548</b>	<b>-</b>	<b>-</b>	<b>1,149,419</b>
CHANGE IN NET ASSETS	19,935	-	-	77,772	4,088	11,071	44,873	(29,548)	25,759	100,000	253,950
NET ASSETS, BEGINNING OF YEAR	564,078	-	-	200,923	84,188	-	142,679	262,952	635,170	-	1,889,990
NET ASSETS, END OF YEAR	\$ 584,013	\$ -	\$ -	\$ 278,695	\$ 88,276	\$ 11,071	\$ 187,552	\$ 233,404	\$ 660,929	\$ 100,000	\$ 2,143,940

**SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP**  
**ECONOMIC DEVELOPMENT ADMINISTRATION GRANT NO. ED20DEN30200010**  
**SCHEDULE OF SUPPORT AND REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**For the Year Ended December 31, 2020**

	<u>Budget</u>	<u>2020 Actual</u>	<u>Variance</u>
<b>SUPPORT AND REVENUES</b>			
Federal EDA Grant	\$ 70,000	\$ 70,000	\$ -
Local Matching Fund			
Cash	30,000	30,000	-
	<u>100,000</u>	<u>100,000</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUES</b>			
<b>EXPENSES</b>			
EDA Grant Expenses			
Personnel	66,110	65,438	672
Fringe Benefits	17,800	21,402	(3,602)
Travel	3,000	1,436	1,564
Supplies	500	134	366
Contractual	3,500	2,500	1,000
Indirect Costs	9,090	9,090	-
Other	-	-	-
	<u>100,000</u>	<u>100,000</u>	<u>-</u>
<b>TOTAL GRANT EXPENSES</b>			
CHANGE IN NET ASSETS	-	-	-
NET ASSETS, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP**  
**ECONOMIC DEVELOPMENT ADMINISTRATION GRANT NO. ED20DEN30701180**  
**SCHEDULE OF SUPPORT AND REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**For the Year Ended December 31, 2020**

	<u>Budget</u>	<u>2020 Actual</u>	<u>Variance</u>
<b>SUPPORT AND REVENUES</b>			
Federal EDA Grant	\$ 397,148	\$ 49,644	\$ (347,504)
<b>TOTAL SUPPORT AND REVENUES</b>	<u>397,148</u>	<u>49,644</u>	<u>(347,504)</u>
<b>EXPENSES</b>			
EDA Grant Expenses			
Personnel	179,400	17,946	161,454
Fringe Benefits	46,644	6,637	40,007
Travel	36,000	-	36,000
Equipment	5,000	1,350	3,650
Supplies	4,000	273	3,727
Contractual	72,000	-	72,000
Indirect Costs	36,104	1,500	34,604
Other	18,000	315	17,685
<b>TOTAL GRANT EXPENSES</b>	<u>397,148</u>	<u>28,021</u>	<u>369,127</u>
CHANGE IN NET ASSETS	-	21,623	21,623
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ -</u>	<u>\$ 21,623</u>	<u>\$ 21,623</u>

**SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP**  
**SCHEDULE OF ACTIVE LOANS**  
**December 31, 2020 and 2019**

	12/31/2019	2020	2020	2020	2020	12/31/2020	LESS:	12/31/2020
	LOAN	NEW	DISBURSED	PRINCIPAL	LOANS	TOTAL	ALLOWANCE	NET
	BALANCES	LOANS	(UNDISBURSED)	PAYMENTS	WRITTEN OFF	LOANS	FOR	LOANS
			FUNDS			RECEIVABLE	UNCOLLECTIBLE	RECEIVABLE
<b>WITH DONOR RESTRICTIONS:</b>								
EDA TITLE IX RLF	\$ 228,361	\$ 42,000	\$ -	\$ (105,069)	\$ -	\$ 165,292	\$ -	\$ 165,292
EDA RECAP RLF	617,620	60,000	-	(48,312)	-	629,308	(27,863)	601,445
EDA RLF CARES	-	100,000	-	-	-	100,000	-	100,000
RURAL BLF STATEWIDE FUND	142,179	60,000	-	(14,627)	-	187,552	-	187,552
2019 CDBG RLF	220,000	100,000	-	-	-	320,000	(9,115)	310,885
2014 CDBG RLF	255,451	-	-	(34,615)	-	220,835	-	220,835
2012 CDBG RLF	54,822	-	-	(2,529)	-	52,293	-	52,293
2009 CDBG RLF	15,676	-	-	-	(15,676)	-	-	-
2002 CDBG RLF	27,497	-	-	(27,497)	-	-	-	-
Total CDBG RLF	573,445	100,000	-	(64,641)	(15,676)	593,128	(9,115)	584,013
<b>WITHOUT DONOR RESTRICTIONS RLF</b>	4,048,829	393,348	-	(626,678)	-	3,815,499	(137,449)	3,678,050
<b>TOTAL</b>	<u>\$ 5,610,434</u>	<u>\$ 755,348</u>	<u>\$ -</u>	<u>\$ (859,327)</u>	<u>\$ (15,676)</u>	<u>\$ 5,490,779</u>	<u>\$ (174,427)</u>	<u>\$ 5,316,352</u>
			2019	2019	2019	12/31/2019	LESS:	12/31/2019
	12/31/2018	2019	DISBURSED	PRINCIPAL	LOANS	TOTAL	ALLOWANCE	NET
	LOAN	NEW	(UNDISBURSED)	PAYMENTS	WRITTEN OFF	LOANS	FOR	LOANS
	BALANCES	LOANS	FUNDS			RECEIVABLE	UNCOLLECTIBLE	RECEIVABLE
<b>WITH DONOR RESTRICTIONS:</b>								
EDA TITLE IX RLF	\$ 159,441	\$ 100,000	\$ -	\$ (31,080)	\$ -	\$ 228,361	\$ -	\$ 228,361
EDA RECAP RLF	439,587	310,000	-	(131,968)	-	617,620	(27,863)	589,757
RURAL BLF STATEWIDE FUND	132,398	25,000	-	(15,219)	-	142,179	-	142,179
2019 CDBG RLF	-	220,000	-	-	-	220,000	-	220,000
2014 CDBG RLF	981,861	1,250	-	(727,660)	-	255,451	-	255,451
2012 CDBG RLF	71,050	-	-	(16,228)	-	54,822	-	54,822
2009 CDBG RLF	22,735	-	-	(7,059)	-	15,676	(9,115)	6,561
2002 CDBG RLF	47,874	-	-	(20,377)	-	27,497	-	27,497
Total CDBG RLF	1,123,520	221,250	-	(771,325)	-	573,445	(9,115)	564,330
<b>WITHOUT DONOR RESTRICTIONS RLF</b>	3,160,323	1,295,187	-	(406,681)	-	4,048,829	(137,449)	3,911,380
<b>TOTAL</b>	<u>\$ 5,015,269</u>	<u>\$ 1,951,437</u>	<u>\$ -</u>	<u>\$ (1,356,273)</u>	<u>\$ -</u>	<u>\$ 5,610,433</u>	<u>\$ (174,427)</u>	<u>\$ 5,436,006</u>

**SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP**

**SINGLE AUDIT SECTION**

**SAN LUIS VALLEY DEVELOPMENT RESOURCE GROUP  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures (\$)</i>
<b><i>Economic Development Cluster</i></b>			
U.S. Department of Commerce			
Economic Adjustment Assistance - EDA Title IX	11.307		\$ 171,618
Economic Adjustment Assistance - EDA Recap	11.307		412,194
COVID-19 Economic Adjustment Assistance - EDA RLF	11.307		100,000
<b><i>Total U.S. Department of Commerce</i></b>			<u>683,812</u>
<b><i>Highway Planning and Construction Cluster</i></b>			
U.S. Department of Transportation			
Highway Planning and Construction	20.205	Colorado Department of Transportation	23,415
<b><i>Total U.S. Department of Transportation</i></b>			<u>23,415</u>
<b><i>Total Clusters</i></b>			<u>707,227</u>
<b><i>Other Programs</i></b>			
U.S. Department of Commerce			
Economic Development Support for Planning Organizations	11.302		70,000
COVID-19 Economic Development Support for Planning Organizations	11.302		28,021
<b><i>Total U.S. Department of Commerce</i></b>			<u>98,021</u>
U.S. Department of Small Business Administration			
Small Business Development Centers	59.037	Colorado Office of Economic Development and International Trade	80,000
COVID-19 - Small Business Development Centers	59.037	Colorado Office of Economic Development and International Trade	6,352
Disaster Assistance Loan	59.008		111,400
<b><i>Total U.S. Department of Small Business Administration</i></b>			<u>197,752</u>

**SAN LUIS VALLEY DEVELOPMENT RESOURCE GROUP  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures (\$)</i>
U.S. Department of Housing and Urban Development			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	Colorado Department of Local Affairs and Rio Grande County	114,568
<b><i>Total U.S. Department of Housing and Urban Development</i></b>			114,568
U.S. Department of Health and Human Services			
Community Services Block Grant	93.569	Colorado Department of Local Affairs	192,506
COVID-19 - Community Services Block Grant	93.569	Colorado Department of Local Affairs	30,154
<b><i>Total U.S. Department of Health and Human Services</i></b>			222,660
U.S. Department of Treasury			
Coronavirus Relief Fund	21.019	Colorado Office of Economic Development and International Trade and Colorado Housing and Finance Authority, CTGG1 2021-0158	380,115
<b><i>Total U.S. Department of Treasury</i></b>			380,115
<b><i>Total Other Programs</i></b>			1,013,116
<b><i>Total Expenditures of Federal Awards</i></b>			<b>\$ 1,720,343</b>

**SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

**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, 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 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 Services Block Grant programs for both COVID-19 and non-COVID-19 funds for the year ended December 31, 2020. In addition, the Organization did not pass-through federal funds to subrecipients.

**NOTE 3 DISASTER ASSISTANCE LOAN**

The Disaster Assistance Loan fund is administered by the Small Business Administration. The loan is payable by San Luis Valley Great Outdoors. The outstanding loan balance at December 31, 2020 is included in the financial statements. The detail of the loan outstanding at the beginning and end of the year is described in Note 13 of the Notes to the Financial Statements.

**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, 2020, 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 14, 2021.

**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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs, as Finding 2020-001, that we consider to be a material weakness.

**Certified Public Accountants**

3001 Adcock Circle PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | [www.wsbcpa.com](http://www.wsbcpa.com)

### **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*.

### **Organization's Response to the Finding**

The Organization's response to the finding 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 the financial statements and, accordingly, we express no opinion on it.

### **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 14, 2021

**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, 2020. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

**Opinion on Each Major Federal Program**

In our opinion, 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 each of its major federal programs for the year ended December 31, 2020.

**Certified Public Accountants**

3001 Adcock Circle PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | [www.wsbcpa.com](http://www.wsbcpa.com)

## Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

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

*Wall, Smith, Bateman Inc.*

Wall, Smith, Bateman Inc.  
Alamosa, Colorado

June 14, 2021

**SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2020**

**Section I – Summary of Auditors’ Results**

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?   X   yes        no
- Significant deficiency(ies) identified that are **not** considered to be material weakness(es)?        yes          X   none reported
- Noncompliance material to financial statements noted?        yes          X   no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

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

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

Auditee qualified as a low-risk auditee?   X   yes        no

**Section II – Financial Statement Findings**

**Finding 2020-001: Internal Control Over Financial Reporting**

*Type of Finding: Internal Control (material weakness)*

*Condition:* The Organization does not have a complete system of internal control to prevent and detect financial misstatements.

*Cause:* The Organization experienced an increase in activity in CARES Act funding and growth in their fiscally managed entities.

**SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2020**

*Criteria:* A system of internal control includes the design, documentation and monitoring of control activities over the application of accounting principles, non-routine transactions, and financial statement preparation.

*Effect:* As a result of this condition, the following areas were affected:

1. Audit adjustments were proposed to properly state the financial statements as of December 31, 2020, in accordance with generally accepted accounting principles.

*Recommendation:* The Organization should continue to strengthen its internal controls with adopted policies and procedures to reconcile account balances and record necessary adjustments when performing monthly financial close and reporting at year end to ensure accurate financial statement reporting. The Organization should also evaluate the need for additional finance staff or delegation of certain accounting responsibilities to address the volume of activity.

*Management's Response:* See corrective action plan.

**Section III – Federal Award Findings and Questioned Costs**

None

**Section IV – Summary Scheduled of Prior Audit Findings**

None



**SAN LUIS VALLEY  
DEVELOPMENT RESOURCES GROUP  
&  
COUNCIL OF GOVERNMENTS**

**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, 2020.

Independent Accountants: Wall, Smith, Bateman Inc.  
Certified Public Accountants  
3001 Adcock Circle, P.O. Box 809  
Alamosa, CO 81101

Audit period: Year ended December 31, 2020

The findings from the December 31, 2020 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 II – Financial Statement Findings**

**Finding 2020-001: Internal Control Over Financial Reporting**

*Type of finding: Internal Control (material weakness)*

*Recommendation:* The Organization should continue to strengthen its internal controls with adopted policies and procedures to reconcile account balances and record necessary adjustments when performing monthly financial close and reporting at year end to ensure accurate financial statement reporting. The Organization should also evaluate the need for additional finance staff or delegation of certain accounting responsibilities to address the volume of activity.

*Management's Response:* Management had earlier concerns on oversight of growth activity with San Luis Valley Great Outdoors and began migration of the sub-entity to independent status to be effective by year end 2020. Other noted concerns are related to CARES Act timing and reporting that have been resolved. Opinions related to minor CDBG credit on loan related to Rio Grande Pharmacy have been rebalanced to auditor's satisfaction away from real property related transaction.

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

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