



**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.**

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.**

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Region 9 Economic Development District of Southwest Colorado, Inc., as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Region 9 Economic Development District of Southwest Colorado, Inc., as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Region 9 Economic Development District of Southwest Colorado Inc.'s basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2021, on our consideration of Region 9 Economic Development District of Southwest Colorado Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Region 9 Economic Development District of Southwest Colorado, Inc.'s internal control over financial reporting and compliance.



HintonBurdick, PLLC
St. George, Utah
December 29, 2021

Economic Development District of Southwest Colorado, Inc.
Management's Discussion and Analysis
September 30, 2021

OVERVIEW OF SELECTED FINANCIAL STATEMENTS

Statement of Net Position. The statement of net position for the Region 9 Economic Development District of Southwest Colorado (Region 9 EDD), Inc. is divided into two categories, Governmental Activities and Business Type Activities (the proprietary funds). The difference between assets and liabilities is reported as *net position*. It provides information pertaining to the nature of Region 9 EDD's assets and liabilities. The statement also provides the basis for determining the overall financial health of Region 9 EDD including liquidity and financial flexibility. On September 30, 2021, total assets for Governmental Activities were \$1,866,980 and total assets for the Business-type Activities were \$7,481,530. Total liabilities for Governmental Activities are \$1,846,286 with the primary liability being notes payable of \$282,961 for Region 9 EDD's building. Another liability is the internal balance of \$1,381,427 owed to non-governmental funds. The total liabilities of the Business-type Activities are \$204,336. USDA IRP and RMAP, and SBA notes payable are \$1,535,890. Net position for Governmental Activities is \$20,694. Net position for the Business-type Activities is \$7,277,194.

Statement of Revenues, Expenses and Changes in Fund Balances – Governmental Funds. The Governmental Funds include: The General Fund #100, Enterprise Zone Administration #600, Economic Development Administration (EDA) Planning programs #350 & #351, and the Community Technical Assistance Fund-#355 (which includes the Technical Assistance program and other special projects). These funds are reported within the general fund for financial reporting purposes. The statements of revenues, expenditures, and changes in fund balances measure the success of Region 9 EDD's governmental type operations and can be used to determine if intergovernmental grants and user fees are adequate to recover expenses. Total revenue for the fiscal year ended September 30, 2021 in the Governmental Funds was \$345,493 and total expenditures were \$764,652 for a deficit of (\$419,159) of revenue under expenditures before other financing sources and uses. After other financing sources of \$272,500, the deficit of revenues under expenditures for 2021 was (\$124,582).

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds. The statement of revenues, expenses, and changes in fund net position includes the activities of the various loan programs. Total operating revenue in the Proprietary Funds for the fiscal year ended September 30, 2021 was \$597,126 and the total operating expenses were \$750,821 for an operating loss of (\$153,695). This operating loss was covered with funds from nonoperating revenues (expenses). Intergovernmental grants of \$979,865 and a gain on an equity position of \$1,071,270 generated income before transfers of \$1,897,440.

Statement of Cash Flows – Proprietary Funds. This statement reports the cash receipts, cash payments and net cash from operations, investments, intergovernmental grants, and related financial activities. On September 30, 2021, cash and cash equivalents were \$454,414 and in September 30, 2020 they were \$884,324 and \$707,610 in 2019.

FINANCIAL ANALYSIS

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

TABLE A

Statement of Net Position

	FY 2020	FY 2021
Current and other assets	\$ 7,150,919	\$ 8,750,147
Capital assets, net	620,397	598,363
Total assets	<u>\$ 7,771,316</u>	<u>\$ 9,348,510</u>
Current liabilities	436,330	167,672
Long-term liabilities	1,801,725	1,882,950
Total liabilities	<u>2,238,055</u>	<u>2,050,622</u>
Net position:		
Invested in capital assets, net of related debt	29,262	315,402
Restricted	3,267,728	3,993,601
Unrestricted	2,236,271	2,988,885
Total net position	<u>5,533,261</u>	<u>7,297,888</u>
Total liabilities and net position	<u>\$ 7,771,316</u>	<u>\$ 9,348,510</u>

From October 1, 2020 to September 30, 2021 there was an increase in total assets of \$1,577,194 and a decrease in total liabilities of \$187,433. The decrease in liabilities is largely due to the \$308,174 principal reduction on the building mortgage in 2021.

Revenues, Expenses and Changes in Fund Balance / Net Position

Table B summarizes activity in the Governmental Funds and Table C summarizes activity in the Proprietary Funds for FY2020 and FY2021.

TABLE B

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

	FY ended	FY ended
	Sept. 30,	Sept. 30,
	2020	2021
Total revenues	\$ 250,048	\$ 345,493
Total expenditures	392,323	764,652
Excess (Deficit) of revenues over (under) expenditures	(142,275)	(419,159)
Other financing sources	156,000	272,500
Change in fund balance	13,725	(146,659)
Fund balance (deficit), beginning	8,352	22,077
Fund balance (deficit), ending	<u>\$ 22,077</u>	<u>\$ (124,582)</u>

Table B shows an increase in revenue of \$95,445. Expenses increased by \$372,329 and other financing sources increased by \$116,500

TABLE C
Statement of Activities –Business-Type Activities

	FY ended September 30, 2020	FY ended September 30, 2021
Total operating revenues	\$ 527,847	\$ 597,126
Total operating expenses	934,861	750,821
Operating income (loss)	(407,014)	(153,695)
Non-operating revenues (expenses), Intergovernmental grant and change in fair value of assets held	709,518	2,051,135
Other financing sources (uses) Transfers out	(156,000)	(123,000)
Change in net position	146,504	1,774,440
Net position, beginning	5,356,250	5,502,754
Net position, ending	<u>\$ 5,502,754</u>	<u>\$ 7,277,194</u>

Table C shows an increase in operating revenues of \$69,279 and a decrease in operating expenses of \$184,040. Non-operating revenues increased by \$1,341,617 in 2021. The ending net position increased by \$1,774,440 from the previous year for a total net position of \$7,277,194.

FINANCIAL HIGHLIGHTS

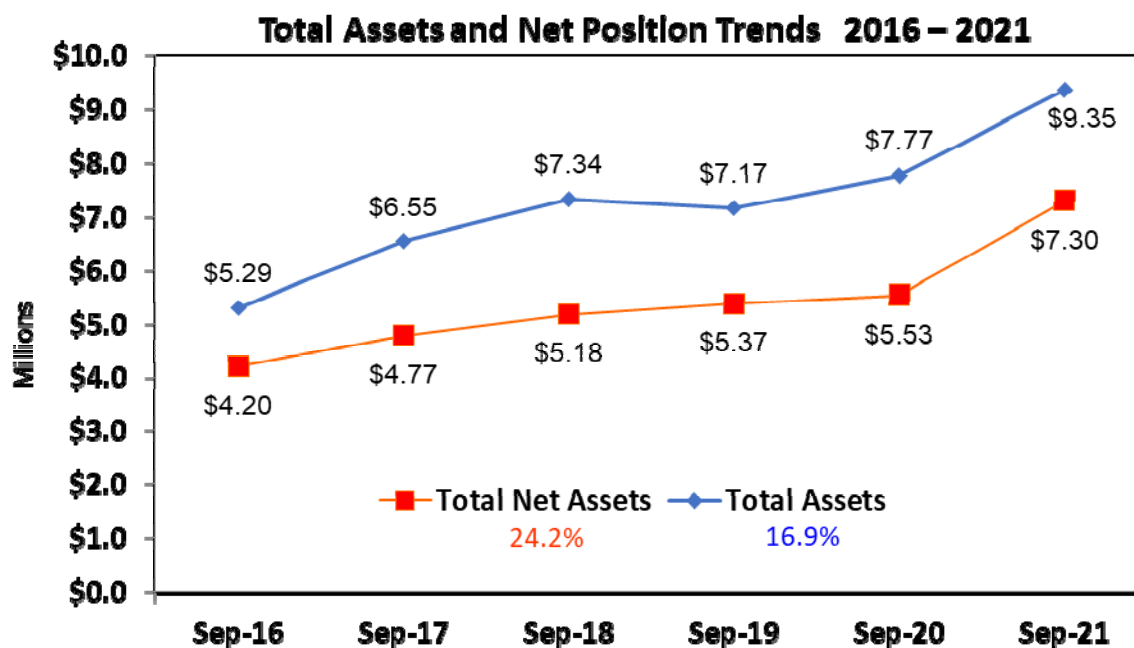
Region 9 EDD’s total (both Governmental and Business Type activities) net position on September 30, 2021 was \$7,297,888 including cash of \$1,665,956. The majority of assets are in the Business Type Activities in our loan program. Total Net Position increased by \$1,764,626 from the prior year.

The Governmental Funds had total revenues of \$345,493 and total expenditures of \$764,652 for revenue under expenditures of (\$419,159). By comparison, in the previous fiscal year, the Governmental Funds had total revenues of \$250,048 and total expenditures of \$392,323 resulting in revenue under expenses of (\$142,275). The comparison shows an increase of \$276,884 in revenues under expenditures from the previous year. After other financing sources of \$272,500, the net change in fund balance decreased \$146,659.

For year 2021 the Proprietary Fund operating revenues of \$597,126 and operating expenses of \$750,821 resulted in an operating loss of (\$153,695). This loss was offset by Intergovernmental grants and other financing sources of \$2,051,135—for a change in net position after transfers of \$1,774,440 Compared to fiscal year 2020 the Proprietary Fund operating expenses of \$934,861 exceeded operating revenues of \$527,847 resulting in an operating loss of (\$407,014). Ending net position for 2020 was \$5,502,753 compared to 2019 of \$5,356,249 and 2018 of \$5,145,415.

MANAGEMENT’S DISCUSSION AND FINANCIAL ANALYSIS

The Net Position is the Total Assets less Liabilities. In year 2021 Total Assets increased 16.9% and Net Position increased by 24.2%. the trend of total asset growth continues in a positive direction.



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

One factor that affects Region 9 EDD’s financial position are interest rates for loans and deposits as well as our loan portfolio stability. Another factor that contributes to Region 9 EDD’s Net Position is providing matching funds to programs that are not reimbursed. Region 9 EDD spent \$133,999 in FY2021 compared to \$169,000 in FY2020; \$229,000 FY2019; and \$127,000 FY2018 for matching funds for the EDA Planning grant and other economic development initiatives. These activities are accounted for in Funds #350, #351 & #355. These funds also support other programs such as the local economic development groups and data publications.

The primary liabilities of Region 9 EDD are the building mortgage, the loans from the USDA for the Intermediary Re-lending Program (IRP) and the Rural Micro-Entrepreneur Assistance Program and the Small Business Administration for the SBA microloan program. The mortgage loan for the building was \$282,961 for FY21. The USDA notes payable for FY21 was \$1,288,205. Two certificates of deposits totaling \$80,126 are pledged as security for the USDA IRP loans. One certificate of deposit for \$15,408 and a restricted bank account of \$11,042 are held as cash reserves for the USDA RMAP loans. A restricted bank account of \$37,525 is held as a cash reserve for the SBA loan.

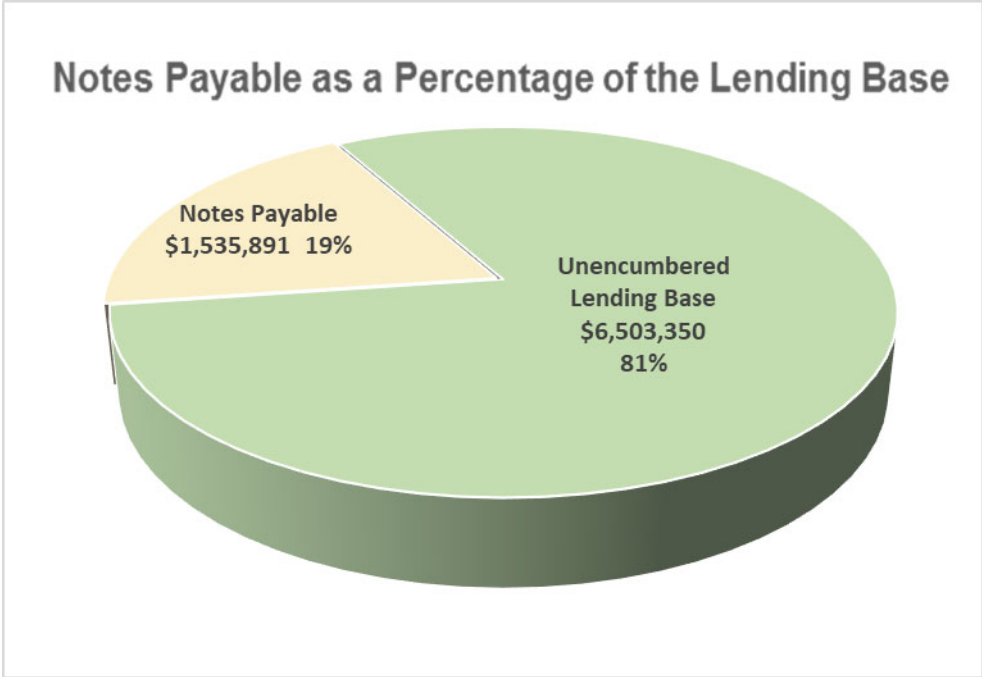
Region 9 EDD continues to support the efforts of Southwest Colorado Accelerator Program for Entrepreneurs (SCAPE) by investing in the Program’s companies and utilizing financial resources for development and operations. As of September 30, 2021, Region 9 EDD has investments of \$14,568 in companies through five SCAPE investment funds, rather than the individual companies. A SCAPE investment gain of over a million dollars will allow us to continue to invest at a high level and continue our efforts towards long term stability.

FINANCIAL POLICY PRIORITIES

A financial goal of Region 9 EDD is to grow the loan portfolio to a level that the interest received on the loans will pay for operational costs of the business loan programs as well as help pay for the governmental programs that Region 9 EDD administers. The current target is \$10 million with an annual goal of \$2M a year. This compares to the current loan balance (after allowance for loan loss) on September 30, 2021 of \$6,728,505. Loan portfolio growth takes place as more intergovernmental grants are received and loans are paid back.

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

September 30, 2021	
Gross Notes Receivable	\$ 7,042,887
Unrestricted Cash to Lend	\$ 706,339
Loan Funds Receivable	\$ 290,015
Lending Base	\$ 8,039,241
Notes Payable	(\$ 1,535,890)
Unencumbered Lending Base	\$ 6,503,350



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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. Region 9 EDD’s investments in capital assets as of September 30, 2021 is \$598,432 (net of accumulated depreciation) and detailed below.

	<u>Total Book Value of Capital Assets</u>	
	2020	2021
Software	\$1,498	\$ 615
Loan Software	6,870	5,000
Equipment	1,950	715
Furniture & Fixtures	8,027	6,953
Computers	8,580	5,690
Phone System	2,417	1,209
Tuff Shed	936	468
Building	590,119	577,782
Total	\$620,397	\$598,432

Long-term & Short-term Debt. For FY21, Region 9 EDD had a total debt for its business-type activities due to United States Department of Agriculture (USDA) loans of \$1,288,205 This amount is comprised of 7 notes payable to the USDA. Five notes are through USDA’s Intermediary re-lending program (IRP). The original amount for each note was \$250,000, borrowed at 1% amortized over a 30-year period. The sixth and seventh notes are through the Rural Microenterprise Assistance Program (RMAP). The original amount for the sixth note was \$281,047 and the original amount for the seventh note was \$300,000. Bothe RMAP notes are 2% amortized over a twenty-year term. In the 2021 fiscal year Region also received an SBA Loan as indicated below. All notes are secured by restricted cash, receivables, contract rights, and general intangibles. The borrowed funds were loaned to businesses and are part of the receivables used as security.

	<u>Beginning Balance</u>	<u>Additions / Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
USDA (IRP-Note 1)	\$124,722	\$ (13,062)	\$111,660	\$ 9,109
USDA (IRP-Note 2)	142,522	(8,858)	133,664	8,927
USDA (IRP-Note 3)	168,572	(8,597)	159,975	8,659
USDA (IRP-Note 4)	200,100	(8,613)	191,487	8,670
USDA (IRP- Note 5)	250,000	(7,660)	242,340	7,826
USDA (RMAP-Note 6)	171,699	(15,433)	156,486	15,828
USDA (RMAP-Note 7)	228,438	64,155	292,593	14,450
SBA Loan	00	247,685	247,685	4,705
Total Loans	1,286,053	249,617	1,535,890	\$78,174

Total debt owed increased by \$249,837 during the current fiscal year. Regular annual payments are made in January for notes 1 & 2 with the maturity dates in January 2033 and January 2035. The annual payments for notes 3 & 4 are made in March with maturity dates in March 2039 and March 2041. The annual payments for the 5th IRP note are due October with the maturity date in October 2047. Payments on the RMAP notes are made monthly. The first RMAP note matures in December of 2030 and the second in September of 2038.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Board of Directors and the management of Region 9 EDD considered many factors when they established the budget for FY22. Most important was anticipating the need for additional loan capital and minimizing impacts from the COVID-19 pandemic on projected revenue from the loan funds. These loan funds, intergovernmental grant revenue, user fees and changes in operating costs are all evaluated and considered before a final budget is adopted. Because of Region 9 EDD's dependence on principal and interest payments to sustain its operating and loan activities, the 2021 budget is dependent on client solvency and continued loan demand. Region 9 EDD was successful bringing in new sources for lending capital to shift reliance from the CDBG program and also grants that will help cover administrative costs.

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

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BASIC FINANCIAL STATEMENTS

**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.
Statement of Net Position
September 30, 2021**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments - unrestricted	\$ 1,211,542	\$ 310,313	\$ 1,521,855
Cash - restricted	-	144,101	144,101
Prepaid expenses	5,468	-	5,468
Accounts receivable	56,607	253,408	310,015
Notes receivable	-	6,728,505	6,728,505
Accrued interest receivable	-	25,635	25,635
Equity positions	-	14,568	14,568
Capital assets (net of accumulated depreciation)	593,363	5,000	598,363
Total assets	<u>1,866,980</u>	<u>7,481,530</u>	<u>9,348,510</u>
Liabilities			
Accounts payable	5,184	10,450	15,634
Accrued expenses	11,588	13,949	25,537
Internal balances	1,381,427	(1,381,427)	-
Long-term liabilities			
Due or payable within one year	12,518	113,983	126,501
Due or payable after one year	435,569	1,447,381	1,882,950
Total liabilities	<u>1,846,286</u>	<u>204,336</u>	<u>2,050,622</u>
Net Position			
Net investment in capital assets	310,402	5,000	315,402
Restricted for revolving loans	-	3,993,601	3,993,601
Unrestricted	(289,708)	3,278,593	2,988,885
Total Net Position	<u>\$ 20,694</u>	<u>\$ 7,277,194</u>	<u>\$ 7,297,888</u>

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

REGION 9 ECONOMIC DEVELOPMENT DISTRICT OF SOUTHWEST COLORADO, INC.
Statement of Activities
For the Year Ended September 30, 2021

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Governmental activities:						
Economic development	\$ 478,307	\$ 63,277	\$ 241,399	\$ (173,631)	\$ -	\$ (173,631)
Business-type activities:						
Revolving loans	750,821	597,126	979,865	-	826,170	826,170
Total primary government	<u>\$ 1,229,128</u>	<u>\$ 660,403</u>	<u>\$ 1,221,264</u>	<u>(173,631)</u>	<u>826,170</u>	<u>652,539</u>
General revenues:						
Earnings on investments				164	1,071,270	1,071,434
Miscellaneous				40,653	-	40,653
Transfers in (out)				123,000	(123,000)	-
Total general revenues & transfers				<u>163,817</u>	<u>948,270</u>	<u>1,112,087</u>
Change in net position				(9,814)	1,774,440	1,764,626
Net position - beginning				<u>30,508</u>	<u>5,502,754</u>	<u>5,533,262</u>
Net position - ending				<u>\$ 20,694</u>	<u>\$ 7,277,194</u>	<u>\$ 7,297,888</u>

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

**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.**

**Balance Sheet
Governmental Funds
September 30, 2021**

	General Fund
Assets	
Cash	\$ 302,360
Investment in CSAFE	909,182
Prepaid expenses	5,468
Accounts and grants receivable	56,607
	<hr/>
Total assets	\$ 1,273,617
	<hr/> <hr/>
Liabilities	
Accounts payable	5,184
Accrued expenses	11,588
Due to other funds	1,381,427
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Total liabilities	1,398,199
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Fund Balances	
Nonspendable	5,468
Unassigned	(130,050)
	<hr/>
Total fund balance (deficit)	(124,582)
	<hr/>
Total liabilities and fund balances	\$ 1,273,617
	<hr/> <hr/>

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

**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2021**

Total governmental fund balance (deficit)		\$ (124,582)
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	709,901	
Accumulated depreciation	<u>(116,538)</u>	593,363

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Note payable	(282,961)	
PPP loan payable	(149,500)	
Accrued compensated absences	<u>(15,626)</u>	(448,087)

Total net position - governmental activities		<u><u>\$ 20,694</u></u>
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The accompanying notes are an integral part of the financial statements.

**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
For the Year Ended September 30, 2021**

	General Fund
Revenues	
Grants	\$ 238,399
Dues assessed to member governments	45,000
Charges for services	18,277
Local sources	
Contributions and grants	3,000
Interest	164
Other revenues	40,653
Total revenues	345,493
 Expenditures	
Current:	
Economic development	429,109
Debt service:	
Principal	308,174
Interest	26,053
Capital outlay	1,316
Total expenditures	764,652
Excess of revenues over (under) expenditures	(419,159)
 Other financing sources (uses)	
Transfers in	123,000
PPP loan proceeds	149,500
Total other financing sources (uses)	272,500
Net change in fund balances	(146,659)
Fund balance (deficit), beginning	22,077
Fund balance (deficit), ending	\$ (124,582)

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

**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2021**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds		\$ (146,659)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay	1,316	
Depreciation expense	<u>(21,480)</u>	(20,164)

Governmental funds report proceeds from issuance of debt as other financing sources and principal payments of debt as expenditures. However, in the statement of activities these amounts adjust the amount reported as a liability.

Principal payments on debt	308,174	
Proceeds from issuance of debt	<u>(149,500)</u>	158,674

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

		<u>(1,665)</u>
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Change in net position of governmental activities

		<u><u>\$ (9,814)</u></u>
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The accompanying notes are an integral part of the financial statements.

**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.
Statement of Net Position
Proprietary Funds
September 30, 2021**

	Business-type Activities - Enterprise Revolving Loan Funds						
	CDBG Revolving Loan Fund	Revolving Loan Fund	SBA Micro Loan Fund	Intermediary Re-lending Loan Fund	Statewide EDA Revolving Loan Fund	EDA Revolving Fund	Combined Total
Assets							
Cash - unrestricted	\$ -	\$ -	\$ 107,125	\$ 147,596	\$ 14,280	\$ 41,312	\$ 310,313
Cash - restricted	-	-	37,525	106,576	-	-	144,101
Due from other funds	674,797	407,410	-	160,408	-	284,923	1,527,538
Grants and other receivables	11,516	54,290	-	-	121,579	66,023	253,408
Equity positions	-	14,568	-	-	-	-	14,568
Notes receivable, net	1,139,383	3,140,628	150,918	1,117,255	180,750	999,571	6,728,505
Accrued interest receivable	4,636	13,717	223	4,180	403	2,476	25,635
Capital assets, net	-	5,000	-	-	-	-	5,000
Total assets	<u>1,830,332</u>	<u>3,635,613</u>	<u>295,791</u>	<u>1,536,015</u>	<u>317,012</u>	<u>1,394,305</u>	<u>9,009,068</u>
Liabilities							
Accounts payable	95	10,293	8	4	8	42	10,450
Accrued liabilities	4,188	6,081	40	672	2,159	809	13,949
Due to other funds	-	-	57,966	-	88,145	-	146,111
Long-term liabilities							
Portion due within one year	2,479	7,749	27,842	74,221	1,276	416	113,983
Portion due after one year	2,478	7,749	219,973	1,215,489	1,276	416	1,447,381
Total liabilities	<u>9,240</u>	<u>31,872</u>	<u>305,829</u>	<u>1,290,386</u>	<u>92,864</u>	<u>1,683</u>	<u>1,731,874</u>
Net position							
Net investment in capital assets	-	5,000	-	-	-	-	5,000
Restricted for revolving loans	1,821,092	320,148	(10,038)	245,629	224,148	1,392,622	3,993,601
Unrestricted	-	3,278,593	-	-	-	-	3,278,593
Total net position	<u>\$ 1,821,092</u>	<u>\$ 3,603,741</u>	<u>\$ (10,038)</u>	<u>\$ 245,629</u>	<u>\$ 224,148</u>	<u>\$ 1,392,622</u>	<u>\$ 7,277,194</u>

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

**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.**
Statement Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2021

	Business-type Activities - Enterprise Revolving Loan Funds						
	CDBG				Statewide		
	Revolving Loan Fund	Revolving Loan Fund	SBA Micro Loan Fund	Intermediary Re-lending Loan Fund	EDA Revolving Loan Fund	EDA Revolving Fund	Combined Total
Operating revenues							
Loan fees	\$ 2,624	\$ 21,923	\$ 3,500	\$ 8,490	\$ 4,823	\$ 9,589	\$ 50,949
Loan interest	77,214	164,957	4,106	61,591	4,087	46,537	358,492
Other revenues	-	183,428	54	3,789	92	322	187,685
Total operating revenues	<u>79,838</u>	<u>370,308</u>	<u>7,660</u>	<u>73,870</u>	<u>9,002</u>	<u>56,448</u>	<u>597,126</u>
Operating expenses							
Loan processing costs							
Purchased services	1,893	1,145	61	545	49	353	4,046
Credit reserve registration fees	950	16,798	1,600	6,477	-	345	26,170
Administration							
Salaries and benefits	134,265	310,094	3,820	42,610	73,843	23,711	588,343
Purchased services	20,823	39,150	1,635	10,426	11,821	3,193	87,048
Supplies and materials	6,500	16,332	170	2,175	3,543	1,187	29,907
Miscellaneous expenses	5,077	11,540	-	70	-	105	16,792
Contributions	-	25,098	-	-	-	-	25,098
Depreciation	-	1,870	-	-	-	-	1,870
Interest expense	289	-	-	17,576	-	-	17,865
Provision for loan loss	(32,264)	(67,016)	8,926	17,817	16,265	9,954	(46,318)
Total operating expenses	<u>137,533</u>	<u>355,011</u>	<u>16,212</u>	<u>97,696</u>	<u>105,521</u>	<u>38,848</u>	<u>750,821</u>
Operating income (loss)	(57,695)	15,297	(8,552)	(23,826)	(96,519)	17,600	(153,695)
Non-operating revenues (expenses)							
Intergovernmental grants	170,516	85,000	-	27,305	320,667	376,377	979,865
Gain on equity investment	-	1,071,270	-	-	-	-	1,071,270
Total non-operating revenues (expenses)	<u>170,516</u>	<u>1,156,270</u>	<u>-</u>	<u>27,305</u>	<u>320,667</u>	<u>376,377</u>	<u>2,051,135</u>
Income (loss) before transfers	112,821	1,171,567	(8,552)	3,479	224,148	393,977	1,897,440
Other financing sources (uses)							
Transfers out	-	(123,000)	-	-	-	-	(123,000)
Other financing sources (uses)	-	(123,000)	-	-	-	-	(123,000)
Change in net position	112,821	1,048,567	(8,552)	3,479	224,148	393,977	1,774,440
Total net position, beginning of year	<u>1,708,271</u>	<u>2,555,174</u>	<u>(1,486)</u>	<u>242,150</u>	<u>-</u>	<u>998,645</u>	<u>5,502,754</u>
Total net position, end of year	<u>\$ 1,821,092</u>	<u>\$ 3,603,741</u>	<u>\$ (10,038)</u>	<u>\$ 245,629</u>	<u>\$ 224,148</u>	<u>\$ 1,392,622</u>	<u>\$ 7,277,194</u>

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

**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2021**

	Business-type Activities - Enterprise Revolving Loan Funds						Combined Total
	CDBG Revolving Loan Fund	Revolving Loan Fund	SBA Micro Loan Fund	Intermediary Re-lending Loan Fund	Statewide EDA Revolving Loan Fund	EDA Revolving Fund	
Cash flows from operating activities:							
Cash received from customers	\$ 2,624	\$ 319,011	\$ 3,554	\$ 18,537	\$ 4,915	\$ 9,911	\$ 358,552
Interest received	83,127	166,764	3,883	59,710	3,684	45,882	363,050
Cash paid to employees	(133,924)	(311,898)	(3,820)	(42,610)	(73,843)	(23,711)	(589,806)
Cash paid to suppliers	(37,165)	(101,664)	(3,491)	(19,547)	(13,246)	(5,333)	(180,446)
Net cash provided (used) by operating activities	(85,338)	72,213	126	16,090	(78,490)	26,749	(48,650)
Cash flows from noncapital financing activities:							
Intergovernmental grants	350,809	85,000	-	27,305	199,088	310,354	972,556
Proceeds from debt	-	160,000	250,000	71,562	-	-	481,562
Change in accounts payable related to amounts held for other local governments	-	(291,640)	-	-	-	-	(291,640)
Payments on long-term liabilities	(3,709)	(161,643)	(2,258)	(68,972)	2,552	436	(233,594)
Proceeds/payments between funds	(600,887)	(837,057)	18,113	318,390	88,145	105,113	(908,183)
Interfund transfers	-	(123,000)	-	-	-	-	(123,000)
Net cash provided (used) by noncapital financing activities	(253,787)	(1,168,340)	265,855	348,285	289,785	415,903	(102,299)
Cash flows from capital and related financing activities:							
Payments of interest	(289)	-	-	(17,576)	-	-	(17,865)
Net cash provided (used) by capital and related financing activities	(289)	-	-	(17,576)	-	-	(17,865)
Cash flows from investing activities:							
Sale of equity positions	-	1,100,744	-	-	-	-	1,100,744
Loans distributed	(95,000)	(1,109,735)	(175,000)	(421,500)	(242,770)	(604,138)	(2,648,143)
Loan payments received	414,895	922,452	15,156	165,060	45,755	135,680	1,698,998
Loan loss recoveries	19,519	41,029	-	-	-	-	60,548
Net cash provided (used) by capital and related financing activities	339,414	954,490	(159,844)	(256,440)	(197,015)	(468,458)	212,147
Net change in cash and cash equivalents	-	(141,637)	106,137	90,359	14,280	(25,806)	43,333
Cash and cash equivalents, including restricted cash beginning of year	-	141,637	38,513	163,813	-	67,118	411,081
Cash and cash equivalents, including restricted cash end of year	\$ -	\$ -	\$ 144,650	\$ 254,172	\$ 14,280	\$ 41,312	\$ 454,414
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Net operating income (loss)	\$ (57,695)	\$ 15,297	\$ (8,552)	\$ (23,826)	\$ (96,519)	\$ 17,600	\$ (153,695)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities							
Provision for loan loss	(32,264)	(67,016)	8,926	17,817	16,265	9,954	(46,318)
Depreciation expense	-	1,870	-	-	-	-	1,870
Interest expense	289	-	-	17,576	-	-	17,865
Changes in operating assets and liabilities:							
(Increase)/decrease in receivables	-	113,660	-	6,258	-	-	119,918
(Increase) decrease in accrued interest	5,913	1,807	(223)	(1,881)	(403)	(655)	4,558
Increase/(decrease) in payables	(1,922)	8,399	8	4	8	(239)	6,258
Increase/(decrease) in accrued liabilities & deposits	341	(1,804)	(33)	142	2,159	89	894
Net cash provided (used) by operating activities	\$ (85,338)	\$ 72,213	\$ 126	\$ 16,090	\$ (78,490)	\$ 26,749	\$ (48,650)

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

**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.
Notes to the Financial Statements
September 30, 2021**

Note 1. Summary of Significant Accounting Policies

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

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

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

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

**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.
Notes to the Financial Statements
September 30, 2021**

Note 1. Summary of Significant Accounting Policies, Continued

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

The District reports the following major governmental funds:

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

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

The District's major proprietary funds are as follows:

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

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

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

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

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

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

**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.
Notes to the Financial Statements
September 30, 2021**

Note 1. Summary of Significant Accounting Policies, Continued

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-reciprocal transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grants, donations, and interest are considered to be susceptible to accrual. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition for purposes of this note and the statement of cash flows.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to" or "due from other funds." All trade accounts receivable in the proprietary funds are shown net of an allowance for uncollectible accounts.

**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.**
Notes to the Financial Statements
September 30, 2021

Note 1. Summary of Significant Accounting Policies, Continued

Equity Positions

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

Notes Receivable

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

Real Property Held for Sale

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

Restricted Assets

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

Capital Assets

Capital assets, which include; property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets

**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.
Notes to the Financial Statements
September 30, 2021**

Note 1. Summary of Significant Accounting Policies, Continued

constructed. Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 years
Equipment	5 years

Compensated Absences

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting in this category.

Fund Balance

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

**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.
Notes to the Financial Statements
September 30, 2021**

Note 1. Summary of Significant Accounting Policies, Continued

Net Position

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

Interfund Activity

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

Income Taxes

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

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

Estimates

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

**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.
Notes to the Financial Statements
September 30, 2021**

Note 1. Summary of Significant Accounting Policies, Continued

Budgetary Information

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

Subsequent Events

Management has evaluated subsequent events through December 29, 2021, the date which the financial statements were available to be issued. Management expects the Payroll Protection Program loan to be fully forgiven during fiscal year 2022. No other events were identified that required additional disclosure.

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. These differences primarily result from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation.

Note 3. Deposits and Investments

A summary of cash and investments as shown on the statement of net position follows:

Cash on hand	\$ 99
Cash in bank	661,140
Certificates of deposit	95,534
CSAFE investment pool	<u>909,182</u>
Total cash and investments	<u>\$ 1,665,955</u>

**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.**
Notes to the Financial Statements
September 30, 2021

Note 3. Deposits and Investments, Continued

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the District's deposit may not be returned to it. The District allocates its deposits to various financial institutions to mitigate this risk. As of September 30, 2021, the District's bank balances exceeded federally insured amounts by \$71,220.

Investments

At September 30, 2021, the District had \$909,182 invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is structured to be a stable value investment pool to meet the investment needs of local governments in Colorado. The State Securities Commission administers and enforces all State statutes governing the Trust. CSAFE seeks to maintain, but does not guarantee, a net asset value at \$1.00 per share. CSAFE may invest in securities of the United States Treasury, United States Agencies, Primary Dealer Repurchase Agreements, AAAM rated money market funds, approved Colorado Banks and highly rated commercial paper. A designated custodial bank serves as custodian for CSAFE's investment portfolio and serves as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. As of September 30, 2021 the public entity investment pool, CSAFE, was rated AAAM by Standard & Poor's Financial Services, LLC. CSAFE records its investments at amortized cost and the District records its investment in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of the Colorado Public Deposit Protection Act (PDPA) which requires that the District's investment portfolio maturities do not exceed five years from the time of purchase.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy allows for investments meeting defined rating and risk rating as follows:

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

**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.
Notes to the Financial Statements
September 30, 2021**

Note 3. Deposits and Investments, Continued

Fair value measurements

Governmental Accounting Standards Board Statement No. 72 (GASB 72) *Fair Value Measurement and Application* establishes a hierarchy of inputs to valuation techniques used to measure fair value and requires disclosures to be made about investment fair value measurements, the level of fair value hierarchy, and valuation techniques. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not hold any investments in 2021 that are measured at fair value.

Note 4. Restricted Assets

The District reported restricted cash of \$144,101 in the Intermediary Re-lending Loan Fund and the SBA Micro Loan Fund. These funds were pledged by the Board of Directors as collateral for local loan programs. Of this balance \$80,126 is applicable to IRP, \$26,450 is applicable to RMAP and \$37,525 is applicable to SBA.

Note 5. Notes Receivable

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

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**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.
Notes to the Financial Statements
September 30, 2021**

Note 5. Notes Receivable, Continued

Notes receivable balances and related allowances at September 30, 2021 have been reported as follows:

	CDBG Revolving Loan Fund	Revolving Loan Fund	SBA Micro Loan Fund	Intermediary Re-lending Fund	Statewide EDA Revolving Loan Fund	EDA Revolving Loan Fund	Totals
Notes receivable	\$ 1,192,893	\$ 3,281,150	\$ 159,844	\$ 1,169,659	\$ 197,015	\$ 1,042,326	\$ 7,042,887
Allowance for losses on uncollectible loans	(53,510)	(140,522)	(8,926)	(52,404)	(16,265)	(42,755)	(314,382)
Notes, net of allowance	<u>\$ 1,139,383</u>	<u>\$ 3,140,628</u>	<u>\$ 150,918</u>	<u>\$ 1,117,255</u>	<u>\$ 180,750</u>	<u>\$ 999,571</u>	<u>\$ 6,728,505</u>

A summary of note receivable activity for the year follows:

Balance at beginning of year	\$ 1,545,468	\$ 3,200,020	\$ -	\$ 913,219	\$ -	\$ 573,868	\$ 6,232,575
Loans disbursed	95,000	1,109,735	175,000	421,500	242,770	604,138	2,648,143
Loans charged off	(32,680)	(106,153)	-	-	-	-	(138,833)
Principal collections	(414,895)	(922,452)	(15,156)	(165,060)	(45,755)	(135,680)	(1,698,998)
Balance at end of year	<u>\$ 1,192,893</u>	<u>\$ 3,281,150</u>	<u>\$ 159,844</u>	<u>\$ 1,169,659</u>	<u>\$ 197,015</u>	<u>\$ 1,042,326</u>	<u>\$ 7,042,887</u>

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

Balance at beginning of year	\$ 98,935	\$ 272,662	\$ -	\$ 34,587	\$ -	\$ 32,801	\$ 438,985
Loans charged off	(32,680)	(106,153)	-	-	-	-	(138,833)
Recoveries	19,519	41,029	-	-	-	-	60,548
Other	-	-	-	-	-	-	-
Loan loss reserve adjustment	(32,264)	(67,016)	8,926	17,817	16,265	9,954	(46,318)
Balance at end of year	<u>\$ 53,510</u>	<u>\$ 140,522</u>	<u>\$ 8,926</u>	<u>\$ 52,404</u>	<u>\$ 16,265</u>	<u>\$ 42,755</u>	<u>\$ 314,382</u>

Note 6. Equity Positions and Real Property Held for Sale

At September 30, 2021 the District had no real property held for sale.

The equity positions were comprised of the following:

SCAPE Investment Fund	<u>\$ 14,568</u>
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The investment in the SCAPE Investment Fund represents amounts held by this investment fund at September 30, 2021 that have been or will be invested in small, closely-held startups.

**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.
Notes to the Financial Statements
September 30, 2021**

Note 7. Capital Assets

The following table summarizes the changes to capital assets for governmental activities during the year.

Governmental Activities:	Balance 9/30/2020	Additions	Deletions	Balance 9/30/2021
Capital assets, being depreciated:				
Buildings	\$ 616,849	\$ -	\$ -	\$ 616,849
Equipment	111,163	1,316	(19,427)	93,052
Total capital assets, being depreciated	<u>728,012</u>	<u>1,316</u>	<u>(19,427)</u>	<u>709,901</u>
Less accumulated depreciation for:				
Buildings	(26,730)	(12,337)	-	(39,067)
Equipment	(87,755)	(9,143)	19,427	(77,471)
Total accumulated depreciation	<u>(114,485)</u>	<u>(21,480)</u>	<u>19,427</u>	<u>(116,538)</u>
Total capital assets, being depreciated, net	<u>613,527</u>	<u>(20,164)</u>	<u>-</u>	<u>593,363</u>
Governmental activities capital assets, net	<u>\$ 613,527</u>	<u>\$ (20,164)</u>	<u>\$ -</u>	<u>\$ 593,363</u>

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

Governmental Activities:	
Economic Development	\$ 21,480
Total depreciation expense - governmental activities	<u>\$ 21,480</u>

The following table summarizes the changes to capital assets for business-type activities during the year.

Business Type Activities:	Balance 9/30/2020	Additions	Deletions	Balance 9/30/2021
Capital assets being depreciated:				
Equipment	\$ 15,850	\$ -	\$ -	\$ 15,850
Total capital assets, being depreciated	<u>15,850</u>	<u>-</u>	<u>-</u>	<u>15,850</u>
Less accumulated depreciation for:				
Equipment	(8,980)	(1,870)	-	(10,850)
Total accumulated depreciation	<u>(8,980)</u>	<u>(1,870)</u>	<u>-</u>	<u>(10,850)</u>
Total capital assets, being depreciated, net	<u>6,870</u>	<u>(1,870)</u>	<u>-</u>	<u>5,000</u>
Business-type activities capital assets, net	<u>\$ 6,870</u>	<u>\$ (1,870)</u>	<u>\$ -</u>	<u>\$ 5,000</u>

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

Business-Type Activities:	
Administration	\$ 1,870
Total depreciation expense - business-type activities	<u>\$ 1,870</u>

**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.
Notes to the Financial Statements
September 30, 2021**

Note 8. Long-Term Liabilities

At September 30, 2021, the District had borrowed \$250,000 under each of five loans from the United States Department of Agriculture (USDA) through its intermediary re-lending program. A sixth loan of \$281,047 is through the USDA's Rural Micro-entrepreneur Assistance Program. A seventh loan of \$300,000 is also through the USDA's Rural Micro-entrepreneur Assistance Program. An eighth loan of \$250,000 is through the Small Business Administration (SBA). The five \$250,000 notes bear interest at 1%, the \$281,047 and \$300,000 notes bear interest at 2%, and the \$250,000 SBA note bears interest at 0.375%. All are secured by restricted cash, receivables, contract rights, and general intangibles. Each of the USDA \$250,000 notes carries thirty-year payment terms. The \$281,047 and the \$300,000 notes carry a twenty-year payment term. The SBA \$250,000 note carries a ten-year payment term. The USDA \$250,000 notes' final payments are due in January 2033, January 2035, March 2039, March 2041, and October 2047. The \$281,047 note's final payment is due in December 2030. The \$300,000 note's final payment is due in November 2040. The SBA \$250,000 note's final payment is due September 2031.

During the year ended September 30, 2018, the District borrowed \$607,500 from 1st Southwest Bank to finance the purchase of its office building. The note bears interest at 4.375% per annum and is secured by the District's office building. The note requires monthly principal and interest payments of \$2,852 through July, 2053. During the year ended September 30, 2021 principal payment totaling \$308,174 which included the regularly scheduled payments and additional unscheduled payments.

The District has a \$500,000 line of credit from The Dolores State Bank. \$0 is outstanding at September 30, 2021. The line of credit bears interest at .25% less than the Wall Street Journal prime rate. Unpaid principal and interest are due on November 16, 2023.

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**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.
Notes to the Financial Statements
September 30, 2021**

Note 8. Long-Term Liabilities, Continued

The following is a summary of changes in long-term obligations for the year ended September 30, 2021:

	Balance 9/30/2020	Additions	Retirements	Balance 9/30/2021	Current Portion
Governmental Activities:					
<i>Direct Borrowings and Direct Placements:</i>					
1st Southwest Bank	\$ 591,135	\$ -	\$ (308,174)	\$ 282,961	\$ 4,705
PPP Loan	-	149,500	-	149,500	-
Compensated absences	13,961	1,665	-	15,626	7,813
Total Governmental activity					
Long-term liabilities	<u>\$ 605,096</u>	<u>\$ 151,165</u>	<u>\$ (308,174)</u>	<u>\$ 448,087</u>	<u>\$ 12,518</u>
Business-Type Activities:					
<i>Direct Borrowings and Direct Placements:</i>					
USDA (Note 1)	\$ 124,722	\$ -	\$ (13,062)	\$ 111,660	\$ 9,109
USDA (Note 2)	142,522	-	(8,858)	133,664	8,927
USDA (Note 3)	168,572	-	(8,597)	159,975	8,659
USDA (Note 4)	200,100	-	(8,613)	191,487	8,670
USDA (Note 5)	250,000	-	(7,660)	242,340	7,826
USDA (RMAP) (Note 6)	171,699	-	(15,213)	156,486	15,828
USDA (RMAP) (Note 7)	228,438	71,562	(7,407)	292,593	14,450
SBA Loan (Note 8)	-	250,000	(2,315)	247,685	27,777
Dolores State Bank	-	160,000	(160,000)	-	-
Total loans payable	<u>1,286,053</u>	<u>481,562</u>	<u>(231,725)</u>	<u>1,535,890</u>	<u>101,246</u>
Compensated absences	<u>27,343</u>	<u>-</u>	<u>(1,868)</u>	<u>25,475</u>	<u>12,738</u>
Total Business-type activity					
Long-term liabilities	<u>\$ 1,313,396</u>	<u>\$ 481,562</u>	<u>\$ (233,593)</u>	<u>\$ 1,561,365</u>	<u>\$ 113,984</u>

Debt service requirements to maturity on the notes are as follows:

Years ending September 30,	Business-Type Activities		Governmental Activities	
	Direct Borrowings / Direct Placements		Direct Borrowings / Direct Placements	
	Principal	Interest	Principal	Interest
2022	\$ 101,246	\$ 17,379	\$ 4,705	\$ 11,894
2023	101,584	17,041	4,345	12,254
2024	102,661	15,964	4,508	12,091
2025	103,876	14,749	4,746	11,853
2026	105,019	13,606	4,960	11,639
2027-2031	499,001	50,335	28,346	54,650
2032-2036	288,787	26,212	35,348	47,648
2037-2041	163,812	8,888	44,144	38,852
2042-2046	48,851	2,564	55,087	27,909
2047-2051	21,053	326	68,746	14,252
2052-2056	-	-	28,026	1,160
	<u>\$ 1,535,890</u>	<u>\$ 167,064</u>	<u>\$ 282,961</u>	<u>\$ 244,202</u>

**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.
Notes to the Financial Statements
September 30, 2021**

Note 9. Retirement Plan

On October 29, 1998 the District adopted a SIMPLE retirement account plan. All employees with annual compensation greater than \$5,000 are eligible to participate. Participants may elect to voluntarily contribute up to \$13,500 of their compensation to the plan annually. The District matches dollar for dollar employee pre-tax contributions in an amount up to 3% of the employee's compensation. Employee and employer contributions are fully vested at all times. The District's total contribution to the plan for the year ended September 30, 2021 was \$15,140.

Note 10. Risk of Loss

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

Note 11. Interfund Receivables, Payables and Transfers

As of September 30, 2021, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ -	\$ 1,381,427
CDBG Revolving Loan Fund	674,797	-
Revolving Loan Fund	276,903	-
SBA Revolving Loan Fund	-	57,966
Intermediary Re-lending Loan Fund	160,409	-
Statewide Revolving Loan Fund	42,361	-
EDA Revolving Loan Fund	284,923	-
Statewide EDA Revolving Loan Fund	-	-
	\$ 1,439,393	\$ 1,439,393

The inter-fund due to / from balances result from the fact that the general fund maintains the bank account that records deposits and disbursements of the other funds.

**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.
Notes to the Financial Statements
September 30, 2021**

Note 11. Interfund Receivables, Payables and Transfers, Continued

Interfund transfers for the year ended September 30, 2021 were as follows:

Transfers In:	Transfers out:
	Revolving
	Loan Fund
General Fund	\$ 123,000
	<u>\$ 123,000</u>

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

Note 12. Contingent Liabilities

The District participates in federally assisted grant and loan programs which are subject to program compliance audits by the grantors, lenders, or their representatives. Not all of the audits of the programs included in the year ended September 30, 2021 have been conducted. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Note 13. Statutory Compliance

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

REGION 9 ECONOMIC DEVELOPMENT DISTRICT OF SOUTHWEST COLORADO, INC.
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental				
Dues assessed to member governments	\$ 45,000	\$ 45,000	\$ 45,000	\$ -
Grant revenues	91,000	91,000	238,399	147,399
Charges for services	4,500	4,500	18,277	13,777
Local sources				
Interest revenue	500	500	164	(336)
Contributions and grants	5,000	5,000	3,000	(2,000)
Miscellaneous	51,500	51,500	40,653	(10,847)
Total revenues	<u>197,500</u>	<u>197,500</u>	<u>345,493</u>	<u>147,993</u>
Expenditures				
Economic development:				
Administration	456,146	456,146	429,109	27,037
Debt Service:				
Principal	-	-	308,174	(308,174)
Interest	27,000	27,000	26,053	947
Capital outlay	-	-	1,316	(1,316)
Total expenditures	<u>483,146</u>	<u>483,146</u>	<u>764,652</u>	<u>(281,506)</u>
Excess (deficiency) of revenues over (under) expenditures	(285,646)	(285,646)	(419,159)	(133,513)
Other financing sources (uses):				
PPP loan proceeds	-	-	149,500	149,500
Transfers in	143,500	143,500	123,000	(20,500)
Total other financing sources (uses)	<u>143,500</u>	<u>143,500</u>	<u>272,500</u>	<u>129,000</u>
Net change in fund balance	(142,146)	(142,146)	(146,659)	(4,513)
Fund balance, beginning of year	<u>22,077</u>	<u>22,077</u>	<u>22,077</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (120,069)</u></u>	<u><u>\$ (120,069)</u></u>	<u><u>\$ (124,582)</u></u>	<u><u>\$ (4,513)</u></u>

SINGLE AUDIT SECTION

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**Independent Auditors' Report on Internal Control
over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Region 9 Economic Development District of Southwest Colorado, Inc.(the District), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 29, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Hinton Burdick, PLLC".

HintonBurdick, PLLC
St. George, Utah
December 29, 2021



HINTONBURDICK
CPAs & ADVISORS

**Independent Auditors’
Report on Compliance for Each Major Program
and on Internal Control Over Compliance
Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited Region 9 Economic Development District of Southwest Colorado, Inc. (the District)’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended September 30, 2021. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditors’ Responsibility

Our responsibility is to express an opinion on compliance for each of the District’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 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 District’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 District’s compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control Over Compliance


Management of the District, 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, we considered the District’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 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 District'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.


HintonBurdick, PLLC
St. George, Utah
December 29, 2021

**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified
 Internal control over financial reporting:

- Material weaknesses identified? ___ yes X no
- Significant deficiencies identified? ___ yes X no

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal Control over major programs:

- Material weaknesses identified? ___ yes X no
- Significant deficiencies identified? ___ yes X no

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516? ___ 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 low-risk auditee? X yes ___ no

**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.
Schedule of Findings and Questioned Costs, Continued
For the Year Ended September 30, 2021**

Section II - Financial Statement Findings

No financial statement findings noted.

Section III - Federal Award Findings and Questioned Costs

No federal award findings or questioned costs noted.

Section IV - Summary Schedule of Prior Audit Findings

No prior year federal award findings or questioned costs reported.

**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021**

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Commerce			
Economic Development Support for Planning Organizations	11.302		\$ 70,000
Economic Development Cluster:			
COVID-19-Economic Development Assistance for COVID Planning	11.307		151,651
Economic Development Assistance for Statewide EDA Loan Fund	11.307		320,667
COVID-19-Economic Development Assistance for COVID Revolving Loan Fund	11.307		377,202
Economic Development Association Revolving Loan Fund	11.307		582,810
Total Economic Development Cluster			<u>1,432,330</u>
Total U.S. Department of Commerce			<u>1,502,330</u>
U.S. Department of Agriculture			
Intermediary Relending Program	10.767		885,916
Rural Microentrepreneur Assistance Program-Technical A Assistance Grant	10.870		27,305
Rural Microentrepreneur Assistance Program-Loan Program	10.870		471,699
Total U.S. Department of Agriculture			<u>1,384,920</u>
U.S. Department of Housing and Urban Development			
Passed through the Colorado Department of Local Affairs:			
Community Development Block Grant Contract 8	14.228	unknown	170,516
Total U.S. Department of Housing and Urban Development			<u>170,516</u>
Total expenditures of federal awards			<u>\$ 3,057,766</u>

**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021**

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Region 9 Economic Development District of Southwest Colorado, Inc. under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. 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 Region 9 Economic Development District of Southwest Colorado, Inc., it is not intended to and does not present the financial position, changes in net position, or cash flows of Region 9 Economic Development District of Southwest Colorado, Inc.

Basis of Accounting

This accompanying schedule of expenditures of federal awards has been prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Expenditures reported for the Economic Development Association Revolving Loan Fund grant, CFDA number 11.307, are calculated according to formula. Loan balances outstanding at the end of the year that were expended in prior years are included in this calculation.

Indirect Cost Rate

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

U.S. Department of Commerce Federal Awards

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

Balance of EDA revolving loan fund loans	\$ 700,601
Cash and investments held by the fund	260,762
Administrative expenses	3,714
	<u>965,077</u>
Federal share	<u>60.39%</u>
Amount reported on the Schedule of Expenditures of Federal Awards	<u><u>\$ 582,810</u></u>

**REGION 9 ECONOMIC DEVELOPMENT DISTRICT
OF SOUTHWEST COLORADO, INC.
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021**

Federal Awards Expended for Loan or Loan Guarantee Programs

Balances of loans and loan guarantee programs outstanding as of September 30, 2021 for loans described in 2 CFR section 200.502(b) are as follows:

<u>CFDA#</u>	<u>Program Name</u>	<u>9/30/20 Balance</u>	<u>FY 21 Loans</u>	<u>SEFA</u>
10.767	Rural Development - Intermediary Relending Program	\$ 885,916	\$ -	\$ 885,916

September 30, 2021 balance is \$837,694

<u>CFDA#</u>	<u>Program Name</u>	<u>9/30/20 Balance</u>	<u>FY 21 Loans</u>	<u>SEFA</u>
10.870	Rural Development - Microentrepreneur Assistance Program	\$ 400,137	\$ 71,562	\$ 471,699

September 30, 2021 balance is \$ 449,079

Subrecipients:

The District had no subrecipients for fiscal year 2021.