

**SAN LUIS VALLEY
DEVELOPMENT RESOURCES GROUP**

FINANCIAL STATEMENTS

**For the Years Ended
December 31, 2021 and 2020**



**Wall,
Smith,
Bateman** Inc.
Certified Public Accountants

SLV DEVELOPMENT RESOURCE GROUP
TABLE OF CONTENTS
December 31, 2021 and 2020

	Page
Independent Auditors' Report	1
Statements of Financial Position	4
Statements of Activities	5
Statements of Cash Flow	7
Notes to the Financial Statements	8
Supplementary Information:	
Supplemental Schedules of Activities	
Net Assets Without Donor Restrictions	37
Net Assets With Donor Restrictions	38
Schedule of Support and Revenues, Expenses, and Changes in Net Assets - Budget and Actual Economic Development Administration Grant No. ED20DEN3020001	39
Schedule of Support and Revenues, Expenses, and Changes in Net Assets - Budget and Actual Economic Development Administration Grant No. ED20DEN3070118	40
Schedule of Active Loans	41
Single Audit Section:	
Schedule of Expenditures of Federal Awards	42
Notes to the Schedule of Expenditures of Federal Awards	44
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 <i>Government Auditing Standards</i>	45
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	47
Schedule of Findings and Questioned Costs	50
Summary Schedule of Prior Year Audit Findings	52
Corrective Action Plan	

INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of San Luis Valley Development Resources Group (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

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therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally

accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2022, on our consideration of the Organization'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 solely 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 the effectiveness of the Organization's 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 the Organization's internal control over financial reporting and compliance.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

May 12, 2022

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

	2021	2020
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,266,480	\$ 549,405
Cash and Cash Equivalents - With Donor Restrictions	949,125	802,299
Grants Receivable	479,652	310,214
Accrued Interest Receivable	21,184	21,184
Other Receivables	51,483	217,168
Other Assets	292	292
Total Current Assets	2,768,216	1,900,562
Noncurrent Assets		
Other Notes Receivable	768,617	1,145,727
Loans Receivable	5,906,598	5,490,779
Allowance for Loan Losses	(181,639)	(174,427)
Total Loans Receivable	5,724,959	5,316,352
Real Estate Owned	68,704	-
Property and Equipment		
Land	90,270	90,270
Construction in Progress	20,000	-
Building	143,873	143,873
Equipment and Vehicles	57,784	114,809
Less: Accumulated Depreciation	(132,815)	(137,638)
Total Property and Equipment	179,112	211,314
Total Noncurrent Assets	6,741,392	6,673,393
TOTAL ASSETS	9,509,608	8,573,955
LIABILITIES		
Current Liabilities		
Accounts Payable	48,008	68,682
Deferred Revenue	10,000	12,500
Other Liabilities	120,100	50,011
Total Current Liabilities	178,108	131,193
Noncurrent Liabilities		
Loans Payable	100,000	111,400
Deferred Gain on Sale	594,720	660,800
Total Noncurrent Liabilities	694,720	772,200
TOTAL LIABILITIES	872,828	903,393
NET ASSETS		
Net Assets Without Donor Restrictions		
Reserved for Property, Plant and Equipment	179,112	211,314
Reserved for Loans	3,604,178	3,641,075
Unrestricted	2,308,252	1,683,165
Net Assets With Donor Restrictions	2,545,238	2,135,008
TOTAL NET ASSETS	\$ 8,636,780	\$ 7,670,562

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

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUES, SUPPORT, AND GAINS			
Grant Revenues	\$ 911,249	\$ 975,379	\$ 1,886,628
Business Contributions	1,200	36,052	37,252
Contract Services	130,253	-	130,253
Other Program Income	67,649	2,065	69,714
Interest on Deposits	834	49	883
Lease Income	13,650	-	13,650
Gain on Sale of Assets	66,080	-	66,080
Miscellaneous Revenue	3	-	3
Interest on DRG Loans Receivable	52,660	-	52,660
Revolving Loan Fund Program			
Interest on Loans	256,891	45,580	302,471
Amortization of Loan Discount	21,420	-	21,420
Loan Fees	12,584	3,547	16,131
Recovery of Legal and Collection Costs	17,070	-	17,070
In-Kind Service and Cash	225,790	40,385	266,175
Net Assets Released From Restrictions			
Satisfaction of Program Restrictions	692,827	(692,827)	-
	<u>2,470,160</u>	<u>410,230</u>	<u>2,880,390</u>
EXPENSES			
Program	1,704,916	-	1,704,916
Support Services:			
Management and General	209,256	-	209,256
	<u>1,914,172</u>	<u>-</u>	<u>1,914,172</u>
CHANGES IN NET ASSETS	555,988	410,230	966,218
NET ASSETS AT BEGINNING OF YEAR	<u>5,535,554</u>	<u>2,135,008</u>	<u>7,670,562</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,091,542</u>	<u>\$ 2,545,238</u>	<u>\$ 8,636,780</u>

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

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUES AND OTHER SUPPORT			
Grant Revenues	\$ 576,584	\$ 1,086,738	\$ 1,663,322
Business Contributions	500	119,544	120,044
Contract Services	148,526	2,600	151,126
Other Program Income	41,727	89,556	131,283
Interest on Deposits	5,079	232	5,311
Lease Income	13,370	-	13,370
Gain on Sale of Assets	33,040	-	33,040
Miscellaneous Revenue	12,001	-	12,001
Interest on DRG Loans Receivable	50,588	-	50,588
Revolving Loan Fund Program			
Interest on Loans	225,054	35,406	260,460
Amortization of Loan Discount	23,503	-	23,503
Loan Fees	29,158	2,840	31,998
Recovery of Legal and Collection Costs	523	-	523
In-Kind Service and Cash	139,768	27,271	167,039
Other In-Kind	-	33,225	33,225
Net Assets Released From Restrictions			
Satisfaction of Program Restrictions	1,152,394	(1,152,394)	-
	<u>2,451,815</u>	<u>245,018</u>	<u>2,696,833</u>
TOTAL SUPPORT AND REVENUE			
EXPENSES			
Program	1,937,416	-	1,937,416
Support Services:			
Management and General	228,723	-	228,723
	<u>2,166,139</u>	<u>-</u>	<u>2,166,139</u>
TOTAL EXPENSES			
CHANGES IN NET ASSETS	285,676	245,018	530,694
NET ASSETS AT BEGINNING OF YEAR	<u>5,249,878</u>	<u>1,889,990</u>	<u>7,139,868</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,535,554</u>	<u>\$ 2,135,008</u>	<u>\$ 7,670,562</u>

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

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 966,218	\$ 530,694
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	6,830	21,047
(Increase) Decrease in Grants Receivable	(136,196)	(9,529)
(Increase) Decrease in Accrued Interest Receivable	(33,242)	-
(Increase) Decrease in Other Note Receivables	377,110	(120,358)
Increase (Decrease) in Accounts Payable	(20,674)	46,838
Increase (Decrease) in Deferred Revenue	(2,500)	(2,500)
Increase (Decrease) in Deferred Gain on Sale	(66,080)	(33,040)
Increase (Decrease) in Other Liabilities	70,089	6,187
	<u>1,161,555</u>	<u>439,339</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net Change in Loans	(317,654)	(88,929)
Purchase of Property and Equipment	20,000	(46,447)
	<u>(297,654)</u>	<u>(135,376)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
SLV GO Disaster Assistance Loan Proceeds	-	111,400
	<u>-</u>	<u>111,400</u>
Net Increase (Decrease) in Cash and Cash Equivalents	863,901	415,363
CASH, BEGINNING OF YEAR	<u>1,351,704</u>	<u>936,341</u>
CASH, END OF YEAR	<u>\$ 2,215,605</u>	<u>\$ 1,351,704</u>
 SUPPLEMENTAL DISCLOSURES		
Reconciliation to the Statements of Financial Position		
Cash and Cash Equivalents	\$ 1,266,480	\$ 549,405
Restricted Cash and Cash Equivalents	949,125	802,299
	<u>\$ 2,215,605</u>	<u>\$ 1,351,704</u>

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

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

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

Basis of Accounting

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. At December 31, 2021 and 2020, \$1,854,149 and \$862,581, respectively were exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through the Public Deposit Protection Act.

Loans and Related Earnings

The source of funding for the revolving loan fund program is derived from Community Development Block Grants, Rural Business Loan Statewide Fund, and Economic Development Administration (EDA) grants and follow CDBG/EDA general guidelines. Accordingly, the portfolio segments mirror the source of funds used for lending: EDA Title IX, EDA Recap, EDA RLF Cares, CDBG, Energize Colorado, RBLF, and without donor restrictions.

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

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

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

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

Nonperforming Loans

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

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

Allowance for Loan Loss

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

Foreclosed Real Estate

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

Property and Equipment

Property and equipment are recorded at cost, or estimated acquisition value. Fixed assets over \$500 are capitalized. Depreciation is computed using the straight-line method over estimated useful lives of three to thirty years. Cash grants or donations that must be used to acquire equipment or vehicles are reported as restricted support. Absent donor stipulations regarding how long those assets must be maintained, the Organization reports expirations of donor restrictions when the acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. If a donor stipulates how long the asset must be used for a specific purpose, the asset will remain in net assets with donor restrictions, depending on the time period.

Pension

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

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions.

Other Postemployment Benefits (OPEB)

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

Donated Services

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

With and Without Donor Restriction Revenue and Support

Contributions and grants received are recorded as either with or without donor restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Use of Estimates

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

Reclassifications

Certain amounts in 2020 have been reclassified to conform to the 2021 financial statement presentation.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES

As of December 31, 2021 and 2020, the Organization had the following financial assets available within one year of the statement of financial position date to meet cash needs for general expenses:

	<u>2021</u>	<u>2020</u>
Cash	\$ 1,266,480	\$ 549,405
Grants Receivable	479,652	310,214
Other Receivables	51,483	217,168
	<u>\$ 1,797,615</u>	<u>\$ 1,076,787</u>

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

NOTE 3 INCOME TAXES

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

The DRG files federal income tax returns. The federal income tax returns are generally subject to examination by the Internal Revenue Service for three years after they are filed. The DRG's policy for evaluating uncertain income tax positions is to only take income tax positions that are more likely than not to be sustained if the taxing authorities were to examine the positions. If applicable, the DRG classifies interest and penalties as interest expense.

NOTE 4 CASH WITH DONOR RESTRICTIONS

Cash balances with donor restrictions represent amounts received in current and prior years restricted by donors and the board for specific purposes and which are reported as net assets with donor restrictions. The restricted cash of \$949,125 and \$802,299 as of December 31, 2021 and 2020, respectively, is used for the revolving loan fund programs.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

Nonperforming Loans

The table below includes nonperforming loans and loans past due 90 days or more and still accruing interest at December 31, 2021 and 2020. See Note 1 – *Summary of Significant Accounting Policies* for further information on the criteria to determine if a loan is classified as nonperforming. There were no nonperforming loans at December 31, 2021 and December 31, 2020. The DRG had no loans past due 90 days or more and still accruing interest at December 31, 2021 and one loan past due 90 days or more and still accruing interest at December 31, 2020.

	Nonperforming Loans		Accruing Past Due 90 Days or More	
	December 31,		December 31,	
	2021	2020	2021	2020
EDA Recap	\$ -	\$ -	\$ -	\$ -
Rural BLF Statewide	-	-	-	-
CDBG	-	-	-	55,852
Unrestricted	-	-	-	-
Total Loans	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,852</u>

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

Allowance for Credit Losses

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

	EDA Title IX	EDA Recap	CDBG	Rural BLF Statewide	Unrestricted	Total Allowance
Balance at December 31, 2019	\$ -	\$ 27,863	\$ 9,115	\$ -	\$ 137,449	\$ 174,427
Provision charged to operating expense	-	-	15,677	-	-	15,677
Loans charged off (net of recoveries)	-	-	(15,677)	-	-	(15,677)
Balance at December 31, 2020	\$ -	\$ 27,863	\$ 9,115	\$ -	\$ 137,449	\$ 174,427
Provision charged to operating expense	-	-	25,000	-	-	25,000
Loans charged off (net of recoveries)	-	-	(19,288)	-	1,500	(17,788)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 27,863</u>	<u>\$ 14,827</u>	<u>\$ -</u>	<u>\$ 138,949</u>	<u>\$ 181,639</u>

Noninterest Bearing Loan Receivable

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

	2021	2020
Note Receivable	\$ 343,163	\$ 391,763
Unamortized Discount on Note Receivable	(81,564)	(102,984)
Net Note Receivable	<u>\$ 261,599</u>	<u>\$ 288,779</u>

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 6 FORECLOSED REAL ESTATE

At December 31, 2021 and 2020, SLV DRG had foreclosed real estate held for sale of \$68,704 and \$0, respectively. The assets are initially recorded at the lower of the related loan balance or fair value of the collateral less estimated selling costs, with any valuation adjustments charged to the allowance for loan losses. After their initial recognition, foreclosed assets are valued at the lower of the amount recorded at acquisition date or the current fair value less estimated costs to sell. Any resulting valuation adjustments, in addition to gains and losses realized on sales and net operating expenses, are recorded in non-interest expense. Foreclosure losses in 2021 and 2020 amounted to \$19,288 and \$0. Real estate taxes recognized in other expenses were approximately \$735 in 2021 and \$1,860 in 2020.

NOTE 7 REVOLVING LOAN FUND ACTIVITY

The Organization operates several different revolving loan fund programs with specific requirements.

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

Community Development Block Grants (CDBG) have been received at various times. These monies are subject to federal regulations until all funds from a specific CDBG grant have been loaned once. After all monies have been loaned out, per grant requirements, the repayments and interest income received by DRG no longer have any federal requirements. The Organization records all CDBG grants received as net assets with donor restrictions. After all amounts have been loaned once, and federal grantor requirements have been met, these amounts are reclassified as net assets without donor restrictions, where they may be used for administrative expenses or to make new loans, as the board of directors determines.

Energize Colorado GAP Fund program assists the Organization in providing financial assistance to small businesses and nonprofits across Colorado needing disaster response and recovery funding.

Rural Business Loan Fund Statewide Collaboration was created to administer an Economic Development Commission Grant Program to provide loans to small businesses in rural areas around the State. Grant funds are used to provide loans to rural, underserved small businesses in Colorado. In order to qualify, the recipient businesses must have no more than 15 employees, be located in Colorado, and should include but not be limited to: women, minority and veteran owned businesses, start-up businesses, character-based loans, and those that do not currently meet bank underwriting standards. After all amounts have been loaned once these amounts are reclassified as net assets without donor restrictions, where they may be used for administrative expenses or to make new loans, as the board of directors determines.

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

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 8 OTHER NOTES RECEIVABLE

On October 20, 2015, SLV DRG sold real estate in Monte Vista known as the Staley Plant for \$1,800,000. SLVDRG agreed to carry back a \$1,050,000 note at 5.5% interest for 120 months with 180 month amortization. The revolving loan funds provided \$250,000 on similar terms. The down payment of \$500,000 was used to repay late fees, attorney fees, taxes, accrued interest, and collection costs. The remainder was applied to the principal due to the EDA Title IX, EDA Recap and Nonfed loan funds. Principal payments of \$62,652 and \$60,370 were made in 2021 and 2020 leaving a balance of \$764,504 and \$827,156 at December 31, 2021 and 2020.

SLV DRG has sold various other real estate property and equipment that they owned and have recorded remaining amounts due on the sales as notes receivable totaling \$4,651 as of December 31, 2021 and \$350,000 as of December 31, 2020. Principal payments of \$319,109 and \$19,272 were made in 2021 and 2020 leaving a balance of \$4,113 and \$318,571 at December 31, 2021 and 2020.

NOTE 9 GRANT SUPPORT AND OTHER REVENUES

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

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

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

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

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

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

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 10 PROPERTY AND EQUIPMENT

Property and Equipment at December 31 are summarized as follows:

	2021	2020
Land	\$ 90,270	\$ 90,270
Construction in Progress	20,000	-
Building	143,873	143,873
Equipment and Vehicles	57,784	114,809
Less: Accumulated Depreciation	(132,815)	(137,638)
Property and Equipment, net	\$ 179,112	\$ 211,314

Depreciation charged to expense during 2021 and 2020 was \$6,830 and \$21,047.

NOTE 11 LOAN LEVERAGING

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

	2021		2020	
	Leveraged Participation	DRG Participation	Leveraged Participation	DRG Participation
CDBG	\$ 519,941	\$ 327,933	\$ 49,500	\$ 100,000
EDA Title IX	45,336	100,000	35,000	42,000
EDA Recap	-	-	25,000	60,000
EDA CARES	729,828	200,797	49,500	100,000
Rural BLF Statewide	-	10,000	307,000	60,000
Energize Colorado	-	70,000	-	-
Unrestricted	235,129	218,802	369,000	173,350
	\$ 1,530,235	\$ 927,532	\$ 835,000	\$ 535,350

NOTE 12 PAYCHECK PROTECTION PROGRAM LOAN

2021 Paycheck Protection Program Loan

A loan payable, dated January 30, 2021, was entered into between First Southwest Bank and the Organization which matures on January 5, 2026. The Bank issued \$131,845 to the Organization and the funds from the loan may only be used for payroll costs, including benefits, mortgage interest, rent, utilities, worker protection costs related to COVID-19, uninsured property damage caused by looting or vandalism during 2020, and certain supplier costs and expenses for operations. Under the terms of the Paycheck Protection Program, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act). The unforgiven portion will have payments that are due monthly in the amount of \$3,092, which includes interest at a rate of 1.0%. Payments begin on June 5, 2022. The loan was forgiven September 28, 2021 and recognized as income at that time.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

2020 Paycheck Protection Program Loan

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

NOTE 13 LOANS PAYABLE

2020 Economic Injury Disaster Loan

A loan payable, dated May 21, 2020, was entered into between the U.S. Small Business Administration and the SLV Great Outdoors (SLV GO) which matures on May 21, 2052. The SBA issued \$111,400 to SLV GO and funds from the loan may only be used for working capital to alleviate economic injury caused by disaster occurring in the month of January 31, 2020 and continuing thereafter. Payments are due monthly in the amount of \$477, which includes interest at a rate of 2.75%. Payments are deferred until May 21, 2022. SLV GO ended the fiscal relationship with the Organization on January 1, 2021. Therefore, this loan is no longer reported at December 31, 2021.

2021 Energize Colorado Loan

A loan payable, dated May 7, 2021, was entered into between Colorado Housing and Finance Authority and the DRG for \$100,000, and funds from the loan may be used for assistance to small businesses and nonprofits across Colorado needing disaster response and recovery funding. Interest accrues at 0% and the entire principal balance is due on the maturity date of December 31, 2026.

NOTE 14 SAN LUIS VALLEY ENTERPRISE ZONE

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

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 15 ASSETS RELEASED FROM RESTRICTIONS

Program restriction accomplished:

	<u>2021</u>	<u>2020</u>
CDBG Loan Principal Expenses	\$ 94,260	\$ 80,065
EDA Title IX Interest Income Expenses	9,528	11,765
EDA Recap Interest Income Expense	36,246	26,061
EDA CARES Interest Income Expense	28,258	-
SLV Broadband	63,910	-
SLV Great Outdoors	278,695	489,420
Small Business Development Center	159,737	128,389
Energize Colorado Loan Fund	-	372,019
Rurual Business Loan Fund	22,193	15,127
EDA Title IX Revolving Loan Fund	-	29,548
Total Assets Released from Restrictions	<u>\$ 692,827</u>	<u>\$ 1,152,394</u>

NOTE 16 NET ASSET RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
CDBG Loan Principal	\$ 817,687	\$ 584,013
SLV Broadband	210,090	-
SLV Great Outdoors	-	278,695
Small Business Development Center	106,587	88,276
Rural Business Loan Fund	175,359	187,552
EDA Title IX Revolving Loan Fund	237,982	233,404
EDA Recap Revolving Loan Fund	691,688	660,929
EDA RLF Cares Loan Fund	305,845	102,139
Total	<u>\$ 2,545,238</u>	<u>\$ 2,135,008</u>

NOTE 17 CONCENTRATIONS

Virtually all of the Organization's support is provided by various federal, state, and local governmental grants. Lack of funding from these grantors would have an adverse impact on the Organization; however, the Organization does not expect such a decrease in funding. Approximately 12-13% of the organizations funding comes from revolving loan fund interest and fee income which helps to offset funding decreases from grantors for fiscal years ending December 31, 2021 and 2020.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 18 STATEMENT OF ACTIVITY - SCHEDULE OF EXPENSES

Expenses were incurred for the following in:

<u>2021</u>	<u>PROGRAM</u>	<u>MANAGEMENT</u>	<u>TOTAL</u>
Advertising	\$ 444	\$ -	\$ 444
Administration	-	549	549
Auto	173	-	173
Contract Services	44,926	5,484	50,410
Consulting Services	14,124	-	14,124
Conferences and Seminars	13,272	-	13,272
Office Expense	38,197	17,524	55,721
Office Rent	18,000	-	18,000
Dues and Subscriptions	6,472	4,781	11,253
Insurance	-	6,038	6,038
Miscellaneous	-	47	47
Personnel	343,198	129,525	472,723
Taxes/Licenses	21,590	1,948	23,538
Fringe Benefits	88,152	35,678	123,830
Travel	7,142	852	7,994
Telephone	1,087	-	1,087
Depreciation	-	6,830	6,830
Bad Debt Expense	25,000	-	25,000
Project Expense	589,467	-	589,467
Grant Expense	23,695	-	23,695
Program/Meeting	1,137	-	1,137
Equipment	753	-	753
Pass-through Expense	201,177	-	201,177
REO Expense	735	-	735
Operating Transfers - Unrestricted	134,337	-	134,337
Principal Repayment Transfer to Unrestricted	91,753	-	91,753
Operating Income Transfer to Permanent	40,085	-	40,085
TOTAL	<u>\$ 1,704,916</u>	<u>\$ 209,256</u>	<u>\$ 1,914,172</u>

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

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

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

NOTE 19 DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

Benefits provided as of December 31, 2020. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

The lifetime retirement benefit for all eligible retiring employees under the Denver Public School (DPS) benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

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

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

As of December 31, 2020, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007 will receive the lesser of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the LGDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

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

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

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

Contribution provisions as of December 31, 2021 and 2020. Eligible employees and the Organization are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Employee contribution rates for the period of January 1, 2020 through December 31, 2020 and for the period of January 1, 2021 through December 31, 2021 are summarized in the table below:

	January 1, 2020 Through June 30, 2020	July 1, 2020 Through December 31, 2020	January 1, 2021 Through December 31, 2021
Employee contribution	8.00%	8.50%	8.50%

**Contribution rates for the LGDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

The employer contribution requirements are summarized in the table below:

	January 1, 2020 Through June 30, 2020	July 1, 2020 Through December 31, 2020	January 1, 2021 Through December 31, 2021
Employer Contribution Rate	10.00%	10.50%	10.50%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	-1.02%	-1.02%	-1.02%
Amount Apportioned to the LGDTF	8.98%	9.48%	9.48%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-4111	2.20%	2.20%	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-4111	1.50%	1.50%	1.50%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	N/A	N/A	0.02%
Total Employer Contribution Rate to the LGDTF	12.68%	13.18%	13.20%

**Contribution rates for the LGDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Organization is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the Organization were \$60,803 and \$67,041 for the years ended December 31, 2021 and 2020.

Pension Funding Status

At December 31, 2021 and 2020, the Organization's proportionate share of the net pension liability of \$382,733 and \$505,533 for its proportionate share of the net pension liability. The net pension liability for the LGDTF was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total pension liability to December 31, 2020. The Organization proportion of the net pension liability was based

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

on the Organization contributions to the LGDTF for the calendar year 2020 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2020, the Organization's proportion was 0.073 percent, which was an increase of 0.004 from its proportion measured as of December 31, 2019.

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

Actuarial assumptions. The total pension liability in the December 31, 2019 and 2018 actuarial valuations were determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price Inflation	2.40%
Real wage Growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 10.45%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07	1.25%
PERA benefit structure hired after 12/31/06 ¹	Financed by the AIR

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

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

Post-retirement non-disabled mortality assumptions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

The mortality assumption for disabled retirees was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2019 and 2018, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016, Board meeting.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

Based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total pension liability from December 31, 2019, to December 31, 2020.

Actuarial cost method	Entry age
Price Inflation	2.30%
Real wage Growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.20% - 11.30%
Long-term investment rate of return, net of pension plan investment expensess, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07	1.25%
PERA benefit structure hired after 12/31/06 ¹	Financed by the AIR

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets

Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Post-retirement non-disabled mortality assumptions for Members other than State Troopers were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a benefit-weighted basis.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives ¹	6.00%	4.70%
Total	100.00%	

¹ The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected nominal rate of return assumption of 7.25 percent.

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increase in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, LGDTF’s FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Organization proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Discount rate net pension liability	\$ 881,665	\$ 382,733	\$ (33,810)

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

NOTE 20 OTHER POSTEMPLOYMENT BENEFITS

General Information about the OPEB Plan

Plan description. Eligible employees of the Organization are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (Annual Report) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member’s years of service credit. The basis for the amount of the premium

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

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

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

PERA Benefit Structure

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Organization is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Organization were \$4,698 and \$5,284 for the years ended December 31, 2021 and 2020.

OPEB Liabilities and OPEB Expense

At December 31, 2021 and 2020, the Organization reported a liability of \$53,235 and \$59,502 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020. The Organization proportion of the net OPEB liability was based on the Organization's contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

At December 31, 2020, the Organization's proportion was .0056 percent, which was an increase of .00031 from its proportion measured as of December 31, 2019.

At December 31, 2019, the Organization's proportion was .0053 percent, which was an increase of .00070 from its proportion measured as of December 31, 2018.

Actuarial assumptions. The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price Inflation	2.40%
Real wage Growth	1.10%
Wage inflation	3.50% in aggregate
Salary increases, including wage inflation	3.50% - 10.45%
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service based premium subsidy	0.00%
PERACare Medicare plans	8.10% in 2020, gradually decreasing to 4.50% in 2029
Medicare Part A premiums	3.50% in 2020, gradually increasing to 4.50% in 2029

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2019, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA Benefit Structure:

Medicare Plan	Initial Costs for Members without Medicare Part A		
	Monthly Cost	Monthly Premium	Monthly Cost Adjusted to Age 65
Medicare Advantage/Self-Insured Rx	\$588	\$227	\$550
Kaiser Permanente Medicare Advantage HMO	621	232	586

The 2020 Medicare Part A premium is \$458 (actual dollars) per month.

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

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

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2019, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2020	8.10%	3.50%
2021	6.40%	3.75%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	4.00%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions used in the December 31, 2019 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

The mortality assumption for disabled retirees was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period of January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total OPEB liability from December 31, 2019, to December 31, 2020.

	Trust Fund
	Local Government Division
Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation:	
Members other than State Troopers	3.40% - 11.30%

The long-term rate of return, net of OPEB plan investment expenses, including price inflation and discount rate assumptions were 7.25 percent.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Mortality assumptions used in the roll forward calculations for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the roll forward calculation for the HCTF, using a headcount-weighted basis.

Pre-retirement mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a head-count weighted basis.

The following health care costs assumptions were updated and used in the roll forward calculation for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2020 plan year.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by the Board’s actuary, as discussed above.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives ¹	6.00%	4.70%
Total	<u>100.00%</u>	

¹ The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected nominal rate of return assumption of 7.25 percent.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	7.10%	8.10%	9.10%
Ultimate PERACare Medicare Part A trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$51,859	\$53,235	\$54,836

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2020, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

Sensitivity of the Organization proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 60,981	\$ 53,235	\$ 46,616

OPEB plan fiduciary net position. Detailed information about the HCTF’s fiduciary net position is available in PERA’s Annual Report which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 21 DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

Plan Description - Employees of the Organization that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available Annual Report which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. In addition, the Organization has agreed to match employee contributions up to 8% percent of covered salary as determined by the Internal Revenue Service. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the years ended December 31, 2021 and 2020, program members contributed \$55,441 and \$46,899 and employer matching contributions were \$3,980 and \$3,954, respectively.

NOTE 22 FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Organization is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include irrevocable letters of credit, commitments to originate loans, and undisbursed balances to borrowers. Those instruments involve, to varying degrees, elements of credit and interest-rate risk. The contract or notional amounts of those instruments reflect the extent of the Organization’s involvement in particular classes of financial instruments.

The Organization’s exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual notional amount of those instruments. The Organization uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

The Organization did not have any financial instruments, the contract amounts of which represent credit risks include loan commitments, at December 31, 2021 and 2020. In addition, there were undisbursed funds in the amount of \$0 and \$0 at December 31, 2021 and 2020.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

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

NOTE 23 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Determination of Fair Value

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

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

Fair Value Hierarchy

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

- Level 1- Valuation is based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2- Valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

- Level 3- Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

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

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

Foreclosed Assets

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

Foreclosed real estate had no increase or decreases during 2021. Foreclosed real estate had no increase or decreases during 2020. Fair value of assets and liabilities measured and adjusted on a nonrecurring basis at December 31 are as follows:

	Fair Value	(Level 1)	(Level 2)	(Level 3)
December 31, 2021				
Foreclosed real estate, net	\$ -	\$ -	\$ -	\$ 68,704
	\$ -	\$ -	\$ -	\$ 68,704
December 31, 2020				
Foreclosed real estate, net	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -

NOTE 24 COMMITMENTS AND CONTINGENCIES

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

NOTE 25 COMMON CONTROL

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

SLVCAA was formed in 2009 as a regional organization, and became a 501(c)(3) in 2011, to administer the Community Service Block Grant (CSBG) through the Colorado Department of Local Affairs. Previously, this grant

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

was administered by the counties themselves. The board of the SLVCAA approached DRG in March 2010 requesting that they consider administering the grant as the Organization did not have sufficient funds to hire and maintain the staff required to fulfill the scope of work. The SLVCAA paid the DRG \$42,003 and \$53,502 for administration of CSBG for the years ending December 31, 2021 and 2020, respectively.

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

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

SLVGO was formed in 2017 as a regional organization, and became a 501(c)(3) in 2018, to administer various grants that they receive to fulfill the mission of the organization. While a stand alone 501(c)(3), it was under the control of the DRG and included in these financial statements. The agreement ended on January 1, 2021; net assets of \$278,695 were distributed to the independent entity and were recorded as project expense.

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

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

NOTE 26 SUBSEQUENT EVENTS

The DRG is subject to the provisions of FASB ASC 855-10-50, *Subsequent Events*, which establishes a requirement for disclosing the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements were issued or the date the financial statements were available to be issued. The DRG has evaluated subsequent events through May 12, 2022, the date the financial statements were available to be issued.

SLV Community Action Agency

In 2022, the SLV Community Action Agency began providing their own management services and the SLV Development Resources Group is no longer fiscally responsible for the organization.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
SUPPLEMENTARY INFORMATION

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP

SUPPLEMENTAL SCHEDULE OF ACTIVITIES

NET ASSETS WITHOUT DONOR RESTRICTIONS

For the Year Ended December 31, 2021

	UNRESTRICTED FUND	NONFEDERAL LOANS PRINCIPAL	ENTERPRISE ZONE	EDA PLANNING GRANTS	CDOT ADMIN GRANT	SLV CAA	WITHOUT DONOR RESTRICTIONS TOTALS
SUPPORT AND REVENUES							
Grant Revenues	\$ 395,493	\$ -	\$ 17,424	\$ 268,574	\$ 5,340	\$ 224,418	\$ 911,249
Business Contributions	1,200	-	-	-	-	-	1,200
Contract Services	88,250	-	-	-	-	42,003	130,253
Other Program Income	50,561	-	17,088	-	-	-	67,649
Interest on Deposits	834	-	-	-	-	-	834
Lease Income	13,650	-	-	-	-	-	13,650
Gain on Sale of Assets	66,080	-	-	-	-	-	66,080
Miscellaneous Revenue	3	-	-	-	-	-	3
Interest on DRG Loans Receivable	52,660	-	-	-	-	-	52,660
Revolving Loan Fund Program							
Interest on Loans	256,891	-	-	-	-	-	256,891
Amortization of Loan Discount	21,420	-	-	-	-	-	21,420
Loan Fees	12,584	-	-	-	-	-	12,584
Recovery of Legal and Collection Costs	17,070	-	-	-	-	-	17,070
Operating Transfers	102,968	91,453	337	30,000	-	1,032	225,790
TOTAL SUPPORT AND REVENUES	1,079,664	91,453	34,849	298,574	5,340	267,453	1,777,333
EXPENSES							
Program Expenses							
Auto	173	-	-	-	-	-	173
Advertising	197	-	-	247	-	-	444
Contract Services	7,196	-	500	2,500	-	455	10,651
Telephone	1,087	-	-	-	-	-	1,087
Conferences and Seminars	3,659	-	-	9,613	-	-	13,272
Office Expense	13,223	-	-	9,217	-	10,336	32,776
Office Rent	-	-	-	12,000	-	-	12,000
Dues and Subscriptions	191	-	-	5,529	-	570	6,290
Personnel	57,294	-	26,310	150,657	3,753	30,032	268,046
Taxes	934	-	451	2,535	60	500	4,480
Fringe Benefits	18,100	-	7,292	45,658	1,159	9,688	81,897
Bad Debt Expense	-	-	-	-	-	-	-
Travel	-	-	296	6,478	368	-	7,142
Project Expense	1,464	-	-	-	-	212,599	214,063
Grant Expense	-	-	-	18,356	-	3,273	21,629
Program/Meeting	-	-	-	1,137	-	-	1,137
Equipment	753	-	-	-	-	-	753
Pass-through Expense	201,177	-	-	-	-	-	201,177
Legal	-	-	-	-	-	-	-
REO Expense	735	-	-	-	-	-	735
Management and General							
Advertising	-	-	-	-	-	-	-
Administration	549	-	-	-	-	-	549
Contract Services	5,484	-	-	-	-	-	5,484
Office Expense	17,524	-	-	-	-	-	17,524
Dues and Subscriptions	4,781	-	-	-	-	-	4,781
Depreciation	6,830	-	-	-	-	-	6,830
Insurance	6,038	-	-	-	-	-	6,038
Miscellaneous	47	-	-	-	-	-	47
Personnel	129,525	-	-	-	-	-	129,525
Taxes	1,948	-	-	-	-	-	1,948
Fringe Benefits	35,678	-	-	-	-	-	35,678
Travel	852	-	-	-	-	-	852
Telephone	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-
Operating Transfers	60,335	74,000	-	-	-	2	134,337
TOTAL EXPENSES	575,774	74,000	34,849	263,927	5,340	267,455	1,221,345
CHANGE IN NET ASSETS	503,890	17,453	-	34,647	-	(2)	555,988
NET ASSETS, BEGINNING OF YEAR	1,145,373	4,363,293	-	21,623	5,250	15	5,535,554
NET ASSETS, END OF YEAR	\$ 1,649,263	\$ 4,380,746	\$ -	\$ 56,270	\$ 5,250	\$ 13	\$ 6,091,542

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
SUPPLEMENTAL SCHEDULE OF ACTIVITIES
NET ASSETS WITH DONOR RESTRICTIONS
For the Year Ended December 31, 2021

	CDBG LOAN PRINCIPAL	EDA TITLE IX INTEREST INCOME	EDA RECAP INTEREST INCOME	EDA CARES INTEREST INCOME	SLV BROADBAND	SLV GREAT OUTDOORS	SMALL BUSINESS DEVELOPMENT CENTER	ENERGIZE COLORADO LOAN FUND	RURAL BUSINESS LOAN FUND	EDA TITLE IX REVOLVING LOAN FUND	EDA RECAP REVOLVING LOAN FUND	EDA CARES REVOLVING LOAN FUND	WITH DONOR RESTRICTIONS TOTALS
SUPPORT AND REVENUES													
Grant Revenues	\$ 327,934	\$ -	\$ -	\$ 20,652	\$ 274,000	\$ -	\$ 141,996	\$ -	\$ 10,000	\$ -	\$ -	\$ 200,797	\$ 975,379
Business Contributions	-	-	-	-	-	-	36,052	-	-	-	-	-	36,052
Other Program Income	-	-	-	2,065	-	-	-	-	-	-	-	-	2,065
Interest on Deposits	-	24	25	-	-	-	-	-	-	-	-	-	49
Revolving Loan Fund Program	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on Loans	-	9,504	36,076	-	-	-	-	-	-	-	-	-	45,580
Loan Fees	-	-	145	3,402	-	-	-	-	-	-	-	-	3,547
Recovery of Bad Debts	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
In-Kind Service and Cash	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Transfers	-	-	-	-	-	-	-	-	-	4,578	30,759	5,048	40,385
TOTAL SUPPORT AND REVENUES	327,934	9,528	36,246	26,119	274,000	-	178,048	-	10,000	4,578	30,759	205,845	1,103,057
EXPENSES													
Program Expenses													
Contract Services	-	2,000	2,000	1,250	-	-	29,025	-	-	-	-	-	34,275
Consulting Services	-	-	-	-	-	-	14,124	-	-	-	-	-	14,124
Office Expense	-	-	-	-	-	-	5,421	-	-	-	-	-	5,421
Office Rent	-	-	-	-	-	-	6,000	-	-	-	-	-	6,000
Dues and Subscriptions	-	91	91	-	-	-	-	-	-	-	-	-	182
Personnel	-	2,125	2,573	15,037	-	-	55,417	-	-	-	-	-	75,152
Taxes/Licenses	-	37	45	227	-	-	16,801	-	-	-	-	-	17,110
Fringe Benefits	-	697	778	4,530	-	-	250	-	-	-	-	-	6,255
Bad Debt Expense	25,000	-	-	-	-	-	-	-	-	-	-	-	25,000
Project Expenses	-	-	-	100	63,910	278,695	32,699	-	-	-	-	-	375,404
Grant Expenses	-	-	-	2,066	-	-	-	-	-	-	-	-	2,066
Transfer to Other Programs	69,260	4,578	30,759	5,048	-	-	-	-	22,193	-	-	-	131,838
TOTAL EXPENSES	94,260	9,528	36,246	28,258	63,910	278,695	159,737	-	22,193	-	-	-	692,827
CHANGE IN NET ASSETS	233,674	-	-	(2,139)	210,090	(278,695)	18,311	-	(12,193)	4,578	30,759	205,845	410,230
NET ASSETS, BEGINNING OF YEAR	584,013	-	-	2,139	-	-	88,276	-	187,552	233,404	660,929	100,000	2,135,008
NET ASSETS, END OF YEAR	\$ 817,687	\$ -	\$ -	\$ -	\$ 210,090	\$ -	\$ 106,587	\$ -	\$ 175,359	\$ 237,982	\$ 691,688	\$ 305,845	\$ 2,545,238

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
ECONOMIC DEVELOPMENT ADMINISTRATION GRANT NO. ED20DEN3020001
SCHEDULE OF SUPPORT AND REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2021

	<u>Budget</u>	<u>2021 Actual</u>	<u>Variance</u>
SUPPORT AND REVENUES			
Federal EDA Grant	\$ 70,000	\$ 70,000	\$ -
Local Matching Fund			
Cash	30,000	30,000	-
	<u>100,000</u>	<u>100,000</u>	<u>-</u>
TOTAL SUPPORT AND REVENUES	<u>100,000</u>	<u>100,000</u>	<u>-</u>
EXPENSES			
EDA Grant Expenses			
Personnel	66,072	65,852	220
Fringe Benefits	17,839	20,511	(2,672)
Travel	2,999	2,007	992
Supplies	500	16	484
Contractual	3,500	2,500	1,000
Indirect Costs	9,090	9,090	-
Other	-	24	(24)
	<u>100,000</u>	<u>100,000</u>	<u>-</u>
TOTAL GRANT EXPENSES	<u>100,000</u>	<u>100,000</u>	<u>-</u>
CHANGE IN NET ASSETS	-	-	-
NET ASSETS, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
ECONOMIC DEVELOPMENT ADMINISTRATION GRANT NO. ED20DEN3070118
SCHEDULE OF SUPPORT AND REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2021

	<u>Budget</u>	<u>2021 Actual</u>	<u>Variance</u>
SUPPORT AND REVENUES			
Federal EDA Grant	\$ 397,148	\$ 198,574	\$ (198,574)
TOTAL SUPPORT AND REVENUES	<u>397,148</u>	<u>198,574</u>	<u>(198,574)</u>
EXPENSES			
EDA Grant Expenses			
Personnel	179,400	84,805	94,595
Fringe Benefits	46,644	27,682	18,962
Travel	36,000	4,471	31,529
Equipment	5,000	-	5,000
Supplies	4,000	10,734	(6,734)
Contractual	72,000	-	72,000
Indirect Costs	36,104	18,356	17,748
Other	18,000	17,879	121
TOTAL GRANT EXPENSES	<u>397,148</u>	<u>163,927</u>	<u>233,221</u>
CHANGE IN NET ASSETS	-	34,647	34,647
NET ASSETS, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ 34,647</u>	<u>\$ 34,647</u>

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
SCHEDULE OF ACTIVE LOANS
December 31, 2021 and 2020

	12/31/2020	2021	2021	2021	12/31/2021	LESS:	12/31/2021
LOAN	LOAN	NEW	PRINCIPAL	LOANS	TOTAL	ALLOWANCE	NET
BALANCES	BALANCES	LOANS	PAYMENTS	WRITTEN OFF	LOANS	FOR	LOANS
					RECEIVABLE	UNCOLLECTIBLE	RECEIVABLE
WITH DONOR RESTRICTIONS:							
EDA TITLE IX RLF	\$ 165,292	\$ 100,000	\$ (73,289)	\$ -	\$ 192,003	\$ -	\$ 192,003
EDA RECAP RLF	629,308	-	(66,633)	-	562,675	(27,863)	534,812
EDA RLF CARES	100,000	200,797	(11,468)	-	289,329	-	289,329
RURAL BLF STATEWIDE FUND	187,552	10,000	(22,193)	-	175,359	-	175,359
ENERGIZE COLORADO	-	70,000	(1,096)	-	68,904	-	68,904
2019 CDBG RLF	320,000	327,933	(6,180)	-	641,753	(5,712)	636,041
2014 CDBG RLF	220,835	-	(62,061)	(19,288)	139,486	(9,115)	130,371
2012 CDBG RLF	52,293	-	(1,018)	-	51,275	-	51,275
Total CDBG RLF	593,128	327,933	(69,259)	(19,288)	832,514	(14,827)	817,687
WITHOUT DONOR RESTRICTIONS RLF	3,815,499	218,802	(248,487)	-	3,785,814	(138,949)	3,646,865
TOTAL	\$ 5,490,779	\$ 927,532	\$ (492,425)	\$ (19,288)	\$ 5,906,598	\$ (181,639)	\$ 5,724,959
	12/31/2019	2020	2020	2020	12/31/2020	LESS:	12/31/2020
LOAN	LOAN	NEW	PRINCIPAL	LOANS	TOTAL	ALLOWANCE	NET
BALANCES	BALANCES	LOANS	PAYMENTS	WRITTEN OFF	LOANS	FOR	LOANS
					RECEIVABLE	UNCOLLECTIBLE	RECEIVABLE
WITH DONOR RESTRICTIONS:							
EDA TITLE IX RLF	\$ 228,361	\$ 42,000	\$ (105,069)	\$ -	\$ 165,292	\$ -	\$ 165,292
EDA RECAP RLF	617,620	60,000	(48,312)	-	629,308	(27,863)	601,445
EDA RLF CARES	-	100,000	-	-	100,000	-	100,000
RURAL BLF STATEWIDE FUND	142,179	60,000	(14,627)	-	187,552	-	187,552
2019 CDBG RLF	220,000	100,000	-	-	320,000	(9,115)	310,885
2014 CDBG RLF	255,450	-	(34,615)	-	220,835	-	220,835
2012 CDBG RLF	54,822	-	(2,529)	-	52,293	-	52,293
2009 CDBG RLF	15,676	-	-	(15,676)	-	-	-
2002 CDBG RLF	27,497	-	(27,497)	-	-	-	-
Total CDBG RLF	573,445	100,000	(64,641)	(15,676)	593,128	(9,115)	584,013
WITHOUT DONOR RESTRICTIONS RLF	4,048,829	393,348	(626,678)	-	3,815,499	(137,449)	3,678,050
TOTAL	\$ 5,610,434	\$ 755,348	\$ (859,327)	\$ (15,676)	\$ 5,490,779	\$ (174,427)	\$ 5,316,352

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP

SINGLE AUDIT SECTION

**SAN LUIS VALLEY DEVELOPMENT RESOURCE GROUP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended December 31, 2021

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal Assistance Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures (\$)</i>
<i>Economic Development Cluster</i>			
U.S. Department of Commerce			
Economic Adjustment Assistance - EDA Title IX	11.307		\$ 170,052
Economic Adjustment Assistance - EDA Recap	11.307		418,304
COVID-19 Economic Adjustment Assistance - EDA RLF	11.307		329,054
<i>Total U.S. Department of Commerce</i>			<u>917,410</u>
<i>Highway Planning and Construction Cluster</i>			
U.S. Department of Transportation			
Highway Planning and Construction	20.205	Colorado Department of Transportation	5,340
<i>Total U.S. Department of Transportation</i>			<u>5,340</u>
<i>Total Clusters</i>			<u>922,750</u>
<i>Other Programs</i>			
U.S. Department of Commerce			
Economic Development Support for Planning Organizations	11.302		70,000
COVID-19 Economic Development Support for Planning Organizations	11.302		163,927
<i>Total U.S. Department of Commerce</i>			<u>233,927</u>
U.S. Department of Small Business Administration			
Small Business Development Centers	59.037	Colorado Office of Economic Development and International Trade	111,000
COVID-19 - Small Business Development Centers	59.037	Colorado Office of Economic Development and International Trade	30,996
<i>Total U.S. Department of Small Business Administration</i>			<u>141,996</u>

SAN LUIS VALLEY DEVELOPMENT RESOURCE GROUP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2021

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal Assistance Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures (\$)</i>
<hr/>			
U.S. Department of Housing and Urban Development			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	Colorado Department of Local Affairs and Rio Grande County	334,472
<i>Total U.S. Department of Housing and Urban Development</i>			<hr/> 334,472 <hr/>
U.S. Department of Health and Human Services			
Community Services Block Grant	93.569	Colorado Department of Local Affairs	172,045
COVID-19 - Community Services Block Grant	93.569	Colorado Department of Local Affairs	40,552
<i>Total U.S. Department of Health and Human Services</i>			<hr/> 212,597 <hr/>
<i>Total Other Programs</i>			<hr/> 922,992 <hr/>
<i>Total Expenditures of Federal Awards</i>			<hr/> \$ 1,845,742 <hr/>

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2021

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of San Luis Valley Development Resources Group under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of San Luis Valley Development Resources Group, it is not intended to and does not present the financial position, changes in net assets or cash flows of San Luis Valley Development Resources Group.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. San Luis Valley Development Resources Group did elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance for the Economic Development Support for Planning Organizations and Community Services Block Grant programs for both COVID-19 and non-COVID-19 funds for the year ended December 31, 2021. In addition, the Organization did not pass-through federal funds to subrecipients.

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



Wall,
Smith,
Bateman Inc.

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of San Luis Valley Development Resources Group (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 12, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs, as Finding 2021-001 that we consider to be a material weakness.

Certified Public Accountants

3001 Adcock Circle PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Organization’s Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Organization’s response to the findings identified in our audit and described in the accompanying corrective action plan. The Organization’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

May 12, 2022

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



Wall,
Smith,
Bateman Inc.

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited San Luis Valley Development Resources Group's (a nonprofit organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2021. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Certified Public Accountants

3001 Adcock Circle PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

May 12, 2022

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2021

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

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

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

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

Section II – Financial Statement Findings

Finding 2021-001: Internal Control Over Financial Reporting
(Repeat of Finding 2020-001.)

Type of Finding: Internal Control (material weakness)

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

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

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2021

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

1. Audit adjustments were proposed to properly state the financial statements as of December 31, 2021, in accordance with generally accepted accounting principles.

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

Management's Response: See corrective action plan.

Section III – Federal Award Findings and Questioned Costs

None

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended December 31, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2020-001: Internal Control Over Financial Reporting

Type of Finding: Internal Control (material weakness)

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

Status: Partially Implemented (See Finding 2021-001.)



**SAN LUIS VALLEY
DEVELOPMENT RESOURCES GROUP
&
COUNCIL OF GOVERNMENTS**
CORRECTIVE ACTION PLAN

Oversight Agency: U.S. Department of Commerce

San Luis Valley Development Resource Group respectfully submits the following corrective action plan for the year ended December 31, 2021.

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

Audit period: Year ended December 31, 2021

The findings from the December 31, 2021 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section I of the schedule, Summary of Auditors' Results, does not include findings and is not addressed.

Section II – Financial Statement Findings

Finding 2021-001: Internal Control Over Financial Reporting

Type of finding: Internal Control (material weakness)

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

Management's Response: Management is committed to strengthening its internal controls. Quickbooks class codes have been changed so that SLVDRG and Wall, Smith, Bateman codes are congruent, making year end reporting more effective. Also, SLVDRG will be eliminating several fiscal agent relationships in the future. This should reduce some of the volume of activity.

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

Sincerely yours,
Kevin Wilkins, Executive Director
San Luis Valley Development Resources Group