

**SAN LUIS VALLEY
DEVELOPMENT RESOURCES GROUP**

**FINANCIAL STATEMENTS
December 31, 2023 and 2022**



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

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
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INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

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

Report on the Audit of the Financial Statements

Qualified Opinion on 2023 and Unmodified Opinion on 2022

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, 2023 and 2022, 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2023 and 2022, 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 Qualified Opinion on 2023 and Unmodified Opinion on 2022

As more fully described in Note 1 to the financial statements, the Organization has recorded the allowance for credit losses based on the requirement of granting agencies and various other methods. Accounting principles generally accepted in the United States of America require the allowance for credit losses be recorded in accordance with FASB ASC 326 for the year ended December 31, 2023. Under FASB ASC 326, the Organization would apply the expected loss methodology by measuring expected credit losses on financial assets measured at amortized cost as well as off-balance sheet credit exposure. Quantification of the effects of the departure from U.S. generally accepted accounting principles on the accompanying financial statements of the Organization is not practicable.

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 qualified audit opinion on the 2023 financial statements and our unmodified opinion on the 2022 financial statements.

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.

Certified Public Accountants

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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 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 supplemental schedules of activities, budgetary comparison, active loans, and the 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*,

are presented for purposes of additional analysis and are 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 supplemental schedules of activities, budgetary comparison, active loans, and 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 July 29, 2024, 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

July 29, 2024

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP

STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

	2023	2022
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,630,830	\$ 1,658,490
Cash and Cash Equivalents - With Donor Restrictions	1,775,102	1,065,366
Grants Receivable	121,384	317,318
Accrued Interest Receivable	38,187	21,184
Other Receivables	39,875	72,565
Other Assets	-	292
Total Current Assets	3,605,378	3,135,215
Noncurrent Assets		
Other Notes Receivable	641,658	715,943
Loans Receivable	7,422,219	7,458,398
Allowance for Loan Losses	(232,771)	(239,309)
Total Loans Receivable	7,189,448	7,219,089
Property and Equipment		
Land	90,270	90,270
Construction in Progress	-	-
Building	171,529	162,529
Equipment and Vehicles	82,316	57,784
Less: Accumulated Depreciation	(149,251)	(141,033)
Total Property and Equipment	194,864	169,550
Total Noncurrent Assets	8,025,970	8,104,582
TOTAL ASSETS	11,631,348	11,239,797
LIABILITIES		
Current Liabilities		
Accounts Payable	29,095	125
Deferred Revenue	7,500	30,000
Other Liabilities	42,820	33,742
Loans Payable - Current Portion	79,060	9,902
Total Current Liabilities	158,475	73,769
Noncurrent Liabilities		
Loans Payable	1,714,430	1,432,588
Deferred Gain on Sale	502,720	548,720
Total Noncurrent Liabilities	2,217,150	1,981,308
TOTAL LIABILITIES	2,375,625	2,055,077
NET ASSETS		
Net Assets Without Donor Restrictions		
Reserved for Property, Plant and Equipment	194,864	169,550
Reserved for Loans	3,109,486	3,238,144
Unrestricted	3,408,230	2,521,531
Net Assets With Donor Restrictions	2,543,143	3,255,495
TOTAL NET ASSETS	\$ 9,255,723	\$ 9,184,720

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, 2023

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
SUPPORT AND REVENUE			
Grant Revenues	\$ 164,698	\$ 491,658	\$ 656,356
Business Contributions	40,000	11,713	51,713
Contract Services	187,447	59,905	247,352
Other Program Income	11,368	-	11,368
Interest on Deposits	16,865	47	16,912
Lease Income	6,600	-	6,600
Gain on Sale of Assets	46,000	-	46,000
Miscellaneous Revenue	500	-	500
Interest on DRG Loans Receivable	41,087	-	41,087
Revolving Loan Fund Program			
Interest on Loans	317,297	127	317,424
Amortization of Loan Discount	-	-	-
Loan Fees	19,210	-	19,210
Recovery of Legal and Collection Costs	1,201	-	1,201
In-Kind Service and Cash	704,841	-	704,841
Net Assets Released From Restrictions			
Satisfaction of Program Restrictions	1,275,802	(1,275,802)	-
	<u>2,832,916</u>	<u>(712,352)</u>	<u>2,120,564</u>
EXPENSES			
Program	1,735,332	-	1,735,332
Support Services:			
Management and General	314,229	-	314,229
	<u>2,049,561</u>	<u>-</u>	<u>2,049,561</u>
CHANGES IN NET ASSETS	783,355	(712,352)	71,003
NET ASSETS AT BEGINNING OF YEAR	<u>5,929,225</u>	<u>3,255,495</u>	<u>9,184,720</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,712,580</u>	<u>\$ 2,543,143</u>	<u>\$ 9,255,723</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, 2022

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
SUPPORT AND REVENUE			
Grant Revenues	\$ 664,487	\$ 1,858,930	\$ 2,523,417
Business Contributions	-	40,761	40,761
Contract Services	249,510	-	249,510
Other Program Income	39,675	1,482	41,157
Interest on Deposits	1,220	131	1,351
Lease Income	18,050	-	18,050
Gain on Sale of Assets	67,296	-	67,296
Miscellaneous Revenue	-	4,000	4,000
Interest on DRG Loans Receivable	43,727	-	43,727
Revolving Loan Fund Program			
Interest on Loans	271,951	32,517	304,468
Amortization of Loan Discount	19,164	-	19,164
Loan Fees	29,598	14,575	44,173
Recovery of Legal and Collection Costs	848	-	848
In-Kind Service and Cash	856,233	218,900	1,075,133
Other In-Kind	-	-	-
Net Assets Released From Restrictions			
Satisfaction of Program Restrictions	1,461,039	(1,461,039)	-
	<u>3,722,798</u>	<u>710,257</u>	<u>4,433,055</u>
TOTAL SUPPORT AND REVENUE			
EXPENSES			
Program	3,757,351	-	3,757,351
Support Services:			
Management and General	127,764	-	127,764
	<u>3,885,115</u>	<u>-</u>	<u>3,885,115</u>
TOTAL EXPENSES			
CHANGES IN NET ASSETS	(162,317)	710,257	547,940
NET ASSETS AT BEGINNING OF YEAR	<u>6,091,542</u>	<u>2,545,238</u>	<u>8,636,780</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,929,225</u>	<u>\$ 3,255,495</u>	<u>\$ 9,184,720</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, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 71,003	\$ 547,940
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	8,218	8,218
(Increase) Decrease in Grants Receivable	195,934	162,334
(Increase) Decrease in Accrued Interest Receivable	(17,003)	-
(Increase) Decrease in Other Assets	32,690	21,082
Increase (Decrease) in Accounts Payable	28,970	(47,883)
Increase (Decrease) in Deferred Revenue	(22,500)	20,000
Increase (Decrease) in Deferred Gain on Sale	(46,000)	(46,000)
Increase (Decrease) in Other Liabilities	9,078	(86,358)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	260,390	579,333
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net Change in Loans	104,218	(1,414,916)
Purchase of Property and Equipment	(33,532)	1,344
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:	70,686	(1,413,572)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from CSFS Loans Payable	351,000	1,342,490
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:	351,000	1,342,490
Net Increase (Decrease) in Cash and Cash Equivalents	682,076	508,251
CASH, BEGINNING OF YEAR	2,723,856	2,215,605
CASH, END OF YEAR	\$ 3,405,932	\$ 2,723,856
SUPPLEMENTAL DISCLOSURES		
Reconciliation to the Statements of Financial Position		
Cash and Cash Equivalents	\$ 1,630,830	\$ 1,658,490
Restricted Cash and Cash Equivalents	1,775,102	1,065,366
	\$ 3,405,932	\$ 2,723,856

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

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023 and 2022

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.

Departure from Generally Accepted Accounting Standards

The Financial Accounting Standards Board (“FASB”) requires the allowance for credit losses to be recorded in accordance with FASB ASC 326. Under FASB ASC 326, the Organization would apply the expected loss methodology by measuring expected credit losses on financial assets measured at amortized cost as well as off-balance sheet credit exposure. The Organization has not adopted these provisions in these financial statements and continues to record the allowance for credit losses based on the requirement of granting agencies. The effects of this departure are unknown.

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, 2023 and 2022, \$2,604,735 and \$2,025,939, 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 Receivable and Allowance for Credit Losses

The Organization originates, processes, and underwrites loan applications and also funds, holds and services the loan portfolio. Terms and rates of loans vary depending upon the borrower's capital requirements, management's assessment of risk, and the provisions of the specific loan program applied. Loans are stated at unpaid principal balances, less allowance for credit losses.

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.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023 and 2022

Interest income is accrued on the unpaid principal balance. 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.

The allowance for credit losses is estimated based on funding source terms and conditions as well as 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, and 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. This is not in accordance with the current expected credit losses methodology under generally accepted accounting principles.

The Organization participates with Colorado Housing and Finance Authority (CHFA) in the Colorado Credit Reverse (CCR) loan program. The CCR program is designed to encourage Organizations to extend credit to Colorado businesses by establishing a reserve account to cover losses on loans it registers under the program. Recoveries of loan losses are based on the amount of fees collected (1% of principal amount) on the registered loans and approval from CHFA. For all loans in CHFA CCR eligible programs, loans are enrolled at closing. In case of any losses on these loans the Organization will pursue reimbursements from CHFA CCR before any loan loss reserve provisions. As of December 31, 2023 and 2022, the Organization had \$101,788 and \$92,237 respectively, available through the CHFA CCR program. Loans are secured by the borrower; however, the realizable value of the borrower's collateral is generally dependent upon the operating results of the borrower.

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 Group 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 (FNP) and additions to/deductions from the FNP 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

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023 and 2022

employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 (FNP) and additions to/deductions from the FNP 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. Because of the inherent uncertainties in estimating the allowance for credit losses on loans, it is at reasonably possible that the estimates used will change within the near term.

Reclassifications

Certain amounts in 2022 have been reclassified to conform to the 2023 financial statement presentation.

NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES

As of December 31, 2023, the Organization had cash of \$1,630,830, grants receivable of \$121,384, and other receivables of \$39,875 available within one year of the statement of financial position date to meet cash needs for general expenses. 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.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023 and 2022

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 \$1,775,102 and \$1,065,366 as of December 31, 2023 and 2022, respectively, is used for the revolving loan fund programs.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023 and 2022

Credit Quality Indicators

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

Nonperforming Loans

The table below includes nonperforming loans and loans past due 90 days or more and still accruing interest at December 31, 2023 and 2022. 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 three nonperforming loans at December 31, 2023 and one nonperforming loan at December 31, 2022. The DRG had four loans past due 90 days or more and still accruing interest at December 31, 2023 and no loans past due 90 days or more and still accruing interest at December 31, 2022.

	Nonperforming Loans		Accruing Past Due 90 Days or More	
	December 31,		December 31,	
	2023	2022	2023	2022
CDBG	\$ 166,033	\$ 400,000	\$ 75,499	\$ -
Energie Colorado	-	-	51,918	-
CSFS FBLF	96,981	-	-	-
StartUp	-	-	150,000	-
Unrestricted	134,541	-	295,275	-
Total Loans	<u>\$ 397,555</u>	<u>\$ 400,000</u>	<u>\$ 572,692</u>	<u>\$ -</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 Recap	CDBG	Unrestricted	Total Allowance
Balance at December 31, 2021	\$ 27,863	\$ 14,827	\$ 138,949	\$ 181,639
Provision charged to operating expense	-	820,000	621,705	1,441,705
Adjustments between programs	(27,863)	-	27,863	-
Loans charged off (net of recoveries)	-	(620,000)	(764,035)	(1,384,035)
Balance at December 31, 2022	\$ -	\$ 214,827	\$ 24,482	\$ 239,309
Provision charged to operating expense	-	33,967	193,462	227,429
Adjustments between programs	-	-	-	-
Loans charged off (net of recoveries)	-	(233,967)	-	(233,967)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 14,827</u>	<u>\$ 217,944</u>	<u>\$ 232,771</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

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
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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 noninterest bearing loan receivable consisted of the following:

	2023	2022
Note Receivable	\$ 245,963	\$ 294,563
Unamortized Discount on Note Receivable	(45,680)	(62,400)
Net Note Receivable	\$ 200,283	\$ 232,163

NOTE 6 FORECLOSED REAL ESTATE

At December 31, 2023 and 2022, SLV DRG had foreclosed real estate held for sale of \$0 and \$0, respectively. The assets are initially recorded at the lower of the related loan balance or fair value of the collateral less estimated selling costs, with any valuation adjustments charged to the allowance for loan losses. After their initial recognition, foreclosed assets are valued at the lower of the amount recorded at acquisition date or the current fair value less estimated costs to sell. Any resulting valuation adjustments, in addition to gains and losses realized on sales and net operating expenses, are recorded in non-interest expense. Foreclosure losses in 2023 and 2022 amounted to \$0 and \$0. Real estate taxes recognized in other expenses were approximately \$0 in 2023 and \$2,165 in 2022.

NOTE 7 REVOLVING LOAN FUND ACTIVITY

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 sources of funding for the loan fund program is derived from Community Development Block Grants (CDBG), Economic Development Administration (EDA) grants, Rural Business Loan Statewide Fund (RBLF), Energize Colorado, United States Department of Agriculture Intermediary Relending Program (USDA IRP), the Colorado State Forest Service Forest Business Loan Fund (CSFS FBLF), and the Colorado Startup Loan Fund (Startup). Loans disbursed follow the guidelines set forth by the respective program. Accordingly, the portfolio segments mirror the source of funds used for lending: EDA, CDBG, Energize Colorado, RBLF, USDA IRP, CSFS FBLF, Startup, and Non-Federal.

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 partner with banks to mitigate risk to help spur economic activity and help support business operations. 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

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

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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 determined by management and the board of directors.

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.

United States Department of Agriculture Intermediary Relending Program (USDA IRP) provides 1 percent low-interest loans to local lenders or “intermediaries” that re-lend to businesses to improve economic conditions and create jobs in rural communities. The program is a loan agreement between USDA and SLV DRG which includes interest payments on the unpaid balance for the first three years of the IRP. This program began in March of 2021 and SLV DRG is required to strive to use the proceeds of the loan within 3 years of the beginning of the program in order to avoid cancellation of the approval of the funds not yet used. As of December 22, 2023, all funds had been loaned out to businesses as per the USDA IRP program requirements. Funds can be used for a variety of projects including to buy, build, expand jobs, cover start-up costs and purchase land or buy equipment and machinery as needed.

Colorado State Forest Business Loan Fund (CSFS FBLF) provides community-based financial lending loans to support businesses in the forest and wood industry helping these businesses maintain and/or increase local jobs, and contribute to the stability of local economies. CSFS loans function to fill the gap remaining after the primary lender determines it cannot lend all financing and to support the financial needs of the business when there is no other financing involved. CSFS funds are mostly used to finance equipment and provide working capital as needed but CSFS considers other business use cases as per each application.

Colorado Startup Loan Fund (Startup) is a revolving loan fund designed to offer capital to mission driven lenders for supporting Colorado entrepreneurs and small business owners who struggle to secure traditional financing. The fund is meant to provide micro loans under \$150,000 with favorable terms to individuals in rural areas, non-native English speakers, and those with limited assets or prior loan history. The fund aims to facilitate access to capital for existing and new businesses, especially those impacted by COVID-19 or underserved communities. This is a revolving loan fund, meaning that as loans are repaid, the capital is recycled to support additional entrepreneurs. Interest income is used to support the operations of the SLVDRG as a facilitating lender.

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

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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 revolving loan funds. Principal payments of \$70,408 and \$66,975 were made in 2023 and 2022 leaving a balance of \$627,121 and \$697,529 at December 31, 2023 and 2022.

The Organization sold other real estate property and equipment owned in installment sales. The activity for the years ending December 31, 2023 and 2022 follows:

	2023	2022
Beginning Balance	\$ 715,943	\$ 768,617
Additions	-	20,600
Repayments	(74,285)	(69,239)
Write-offs	-	(4,035)
Ending Balance	\$ 641,658	\$ 715,943

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 where the scope of work includes enhancing the business environment by promoting federal, state, and local programs. Using this grant, SLVDRG has also supported business growth through regional market connections, educational collaboration, and strategic sector expansion.

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 is subject to federal lending and reporting requirements until the entire amount has been fully loaned out.

Counties and Cities – The SLVDRG manages a range of projects for the SLV COG. City and Town dues cover the administrative and employee costs incurred by SLVDRG in executing these projects, ensuring ongoing support and progress for SLV COG initiatives.

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.

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NOTE 10 PROPERTY AND EQUIPMENT

Property and Equipment at December 31 are summarized as follows:

	2023	2022
Land	\$ 90,270	\$ 90,270
Construction in Progress	-	-
Building	171,529	162,529
Equipment and Vehicles	82,316	57,784
Less: Accumulated Depreciation	(149,251)	(141,033)
Property and Equipment, net	\$ 194,864	\$ 169,550

Depreciation charged to expense during 2023 and 2022 was \$8,218 and \$8,218.

NOTE 11 LOANS PAYABLE

Loans payable consisted of the following at December 31, 2023 and 2022:

	2023	2022
The Organization received a \$100,000 Colorado Housing and Finance Authority (CHFA) loan, bearing interest of 0% on May 7, 2021. Funds from the loan may be used for assistance to small businesses and nonprofits across Colorado needing disaster response and recovery funding. The entire balance is due on the maturity date of December 31, 2026.	\$ 100,000	\$ 100,000
The Organization received a \$750,000 USDA loan, bearing interest of 1% on March 1, 2021. Funds from the loan may be used solely for activities as set forth in the Intermediary Relending Program (IRP). Interest only will be paid on the unpaid balance for the first three years. Principal and interest will be paid in equal annual amortized installments beginning on March 1, 2024. There were no funds drawn in 2023.	749,840	749,840
The Organization received a loan from the Board of Governors of the Colorado State University System for the use and benefit of the Colorado State Forest Service. The loan terminates upon repayment to the University of the amount provided as loan funding under this agreement or such lesser amount as may be repaid to the University due to defaulted loans. The purpose is to administer a business loan fund for eligible and qualified timber harvesting and manufacturing businesses and hazardous fuel or wildfire mitigation businesses in Colorado. This is not a fixed price loan, however the amount available for the program will not exceed \$2,205,407. The borrower's repaid principal payments and/or prorated loan default recovered funds will be remitted back to the University on an annual basis. \$351,000 was drawn down in 2023.	943,650	592,650
Total Notes Payable	1,793,490	1,442,490
Less: CSFS Current Portion	79,060	9,902
Long-term Notes Payable	\$ 1,714,430	\$ 1,432,588

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The annual debt service for the CHFA and USDA loans are as follows:

	Principal	Interest	Total
2024	\$ -	\$ 7,499	\$ 7,499
2025	24,330	7,499	31,828
2026	24,573	7,255	31,828
2027	24,819	7,010	31,828
2028	25,067	6,761	31,828
2029-2033	129,145	29,996	159,141
2034-2038	235,732	23,409	259,141
2039-2043	142,656	17,897	160,553
2044-2048	149,933	9,208	159,141
2049-2051	93,586	1,878	95,464
	\$ 849,840	\$ 118,411	\$ 968,251

NOTE 12 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. Leveraged amounts may be included for more than one loan or funding source.

	2023		2022	
	Leveraged Participation	DRG Participation	Leveraged Participation	DRG Participation
CDBG	\$ -	\$ -	\$ 319,000	\$ 1,052,067
EDA CARES	-	-	3,737,000	579,203
Startup	906,915	403,050	-	-
Energize Colorado	-	-	-	30,000
USDA IRP	-	-	535,732	749,840
CSFS FBLF	370,700	351,000	448,000	592,650
Unrestricted	921,007	462,000	3,898,000	693,202
	\$ 2,198,623	\$ 1,216,050	\$ 8,937,733	\$ 3,696,962

NOTE 13 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. When the EZ Contribution project receives monetary donations, the primary contact from the EZ Project submits record of receiving the donation on the States website. The DRG reviews the information input to certify the donation for the Department of Revenue. Once certified, an online certificate is sent to the EZ project administrator. The form is then forwarded to the donor for tax purposes.

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NOTE 14 ASSETS RELEASED FROM RESTRICTIONS

Program restriction accomplished:

	<u>2023</u>	<u>2022</u>
CDBG Loan Principal Expenses	\$ 912,135	\$ 74,657
EDA Title IX Interest Income Expenses	-	6,741
EDA Recap Interest Income Expense	-	26,390
EDA CARES Interest Income Expense	-	30,394
SLV Broadband	232,574	165,492
Rural Business Loan Fund	21,173	42,013
Small Business Development Center	32,718	185,682
StartUp Loan Fund	5,500	-
LOR Foundation Expenses	71,702	-
EDA Title IX Revolving Loan Fund	-	237,982
EDA Recap Revolving Loan Fund	-	691,688
Total Assets Released from Restrictions	<u>\$ 1,275,802</u>	<u>\$ 1,461,039</u>

NOTE 15 NET ASSET RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
CDBG Loan Principal	\$ 901,861	\$ 1,813,996
SLV Broadband	109,149	326,818
Small Business Development Center	93,788	96,287
Rural Business Loan Fund	112,300	133,346
StartUp Loan Principal	397,550	-
EDA CARES Interest Loan Fund	47	-
LOR Foundation	43,400	-
EDA RLF Cares Loan Fund	885,048	885,048
Total	<u>\$ 2,543,143</u>	<u>\$ 3,255,495</u>

NOTE 16 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, 2023 and 2022.

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NOTE 17 STATEMENT OF ACTIVITY - SCHEDULE OF EXPENSES

Expenses were incurred for the following in:

2023	PROGRAM	MANAGEMENT	TOTAL
Advertising	\$ 14,658	\$ -	\$ 14,658
Administration	-	12,316	12,316
Contract Services	-	42,865	42,865
Telephone	1,792	15	1,807
Consulting Services	20,115	-	20,115
Conferences and Seminars	8,622	-	8,622
Office Expense	11,161	10,574	21,735
Office Rent	2,250	-	2,250
Dues and Subscriptions	25	16,885	16,910
Insurance	-	5,829	5,829
Miscellaneous	-	3,660	3,660
Personnel	234,911	179,896	414,807
Taxes/Licenses	4,349	3,251	7,600
Fringe Benefits	68,895	29,833	98,728
Bad Debt Expense	227,429	-	227,429
Travel	6,721	887	7,608
Depreciation	-	8,218	8,218
Project Expense	228,924	-	228,924
Grant Expense	4,783	-	4,783
Program/Meeting	28,533	-	28,533
Equipment	-	-	-
Pass-through Expense	158,243	-	158,243
Interest Expense	9,080	-	9,080
REO Expense	-	-	-
CDBG Write-Off Restriction Released	620,000	-	620,000
Principal Repayment Transfer to Unrestricted	84,841	-	84,841
Operating Income Transfer to Permanent	-	-	-
TOTAL	<u>\$ 1,735,332</u>	<u>\$ 314,229</u>	<u>\$ 2,049,561</u>

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2022	PROGRAM	MANAGEMENT	TOTAL
Advertising	\$ 1,566	\$ -	\$ 1,566
Administration	-	1,012	1,012
Auto	-	-	-
Contract Services	48,519	4,700	53,219
Consulting Services	18,906	-	18,906
Conferences and Seminars	11,075	-	11,075
Office Expense	15,124	16,255	31,379
Office Rent	18,000	-	18,000
Dues and Subscriptions	2,074	3,467	5,541
Insurance	-	7,124	7,124
Miscellaneous	356	10	366
Personnel	426,354	65,236	491,590
Taxes/Licenses	25,759	1,665	27,424
Fringe Benefits	89,134	18,884	108,018
Travel	12,883	1,193	14,076
Telephone	1,335	-	1,335
Depreciation	-	8,218	8,218
Bad Debt Expense	1,461,705	-	1,461,705
Project Expense	440,092	-	440,092
Grant Expense	24,939	-	24,939
Program/Meeting	3,989	-	3,989
Equipment	-	-	-
Pass-through Expense	73,857	-	73,857
REO Expense	2,165	-	2,165
Interest Expense	4,386	-	4,386
EDA Restriction Release	929,670	-	929,670
Principal Repayment Transfer to Unrestricted	145,463	-	145,463
Operating Income Transfer to Permanent	-	-	-
TOTAL	\$ 3,757,351	\$ 127,764	\$ 3,885,115

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 18 DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. Eligible employees of the Organization are provided with pensions through the 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 annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

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Benefits provided as of December 31, 2022. 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% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100% 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% or 100% 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.

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, 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 the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. 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 the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the LGDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% 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.

Contributions provisions as of December 31, 2023 and 2022. Eligible employees of, the Organization and the State are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements for the LGDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Employee contribution rates for the period of January 1, 2022 through December 31, 2022 and for the period January 1, 2023 through December 31, 2023 are summarized in the table below:

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	January 1, 2022 Through June 30, 2022	July 1, 2022 Through December 31, 2022	January 1, 2023 Through June 30, 2023	July 1, 2023 Through December 31, 2023
Employee contribution	8.50%	9.00%	9.00%	9.00%

**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 for all employees are summarized in the table below:

	January 1, 2022 Through June 30, 2022	July 1, 2022 Through December 31, 2022	January 1, 2023 Through June 30, 2023	July 1, 2023 Through December 31, 2023
Employer Contribution Rate	10.50%	11.00%	11.00%	11.00%
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%	-1.02%
Amount Apportioned to the LGDTF Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-4111	9.48%	9.98%	9.98%	9.98%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-4111	2.20%	2.20%	2.20%	2.20%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	1.50%	1.50%	1.50%	1.50%
Total Employer Contribution Rate to the LGDTF	0.03%	0.03%	0.06%	0.06%
	<u>13.21%</u>	<u>13.71%</u>	<u>13.74%</u>	<u>13.74%</u>

**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 \$48,546 and \$59,946 for the years ended December 31, 2023 and 2022.

Pension Funding Status

At December 31, 2023 and 2022, the Organization's reported a liability (asset) of \$545,342 and (\$53,075) for its proportionate share of the net pension liability. The net pension liability for the LGDTF was measured as of December 31, 2022, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TPL to December 31, 2022. The Organization proportion of the net pension liability was based on the Organization contributions to the LGDTF for the calendar year 2022 relative to the total contributions of participating employers.

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At December 31, 2022, the Organization proportion was 0.0544%, which was a decrease of 0.0075% from its proportion measured as of December 31, 2021. At December 31, 2021, the Organization proportion was 0.0619%, which was a decrease of 0.0115% from its proportion measured as of December 31, 2020.

Actuarial assumptions. The TPL in the December 31, 2021, actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

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	1.00%
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.

The TPL for the LGDTF, as of the December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, as allowable under C.R.S. § 24-51-313, of Tri-County Health Department (Tri-County Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the FNP as of the December 31, 2022, measurement date.

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

Pre-retirement mortality assumptions for 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 members other than State Troopers were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

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

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

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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.

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% 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	6.00%	4.70%
Total	100.00%	

Note: 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%.

Discount rate. The discount rate used to measure the TPL was 7.25%. 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%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the required adjustments resulting from the 2018 and 2020 AAP assessments. 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 required adjustments resulting from the 2018 and 2020 AAP assessments. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions 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.

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- 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 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, the 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% on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. 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%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Discount rate net pension liability	\$ 915,492	\$ 545,342	\$ 235,465

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

NOTE 19 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, and sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) 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 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

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under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare health benefits program 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% 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 or the DPS 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% 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 \$3,518 and \$4,552 for the years ended December 31, 2023 and 2022.

OPEB Liabilities and OPEB Expense

At December 31, 2023 and 2022, the Organization reported a liability of \$35,910 and \$41,496 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2022, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TOL to December 31, 2022. The Organization proportion of the net OPEB liability was based on the Organization contributions to the HCTF for the calendar year 2022 relative to the total contributions of participating employers to the HCTF.

At December 31, 2022, the Organization proportion was 0.00440%, which was a decrease of 0.0004% from its proportion measured as of December 31, 2021. At December 31, 2021, the Organization proportion was 0.0048%, which was an increase of 0.0008% from its proportion measured as of December 31, 2020.

Actuarial assumptions. The TOL in the December 31, 2021 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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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% - 11.3%
Long-term investment rate of return, net of OPEB	
plan investment expensess, 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	
	6.50% in 2022, gradually decreasing to 4.50% in 2030
Medicare Part A premiums	3.75% in 2022, gradually increasing to 4.50% in 2029

The TOL for the HCTF, as of the December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, allowable under C.R.S. § 24-51-313, of Tri-County Health Department (TriCounty Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the FNP as of the December 31, 2022, measurement date.

Beginning January 1, 2022, the per capita health care costs are developed by plan option; based on 2022 premium rates for the United Healthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the United Healthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure:

Age-Related Morbidity Assumptions

Participant Age	Annual Increase (Male)	Annual Increase (Female)
65-69	3.00%	1.50%
70	2.90%	1.60%
71	1.60%	1.40%
72	1.40%	1.50%
73	1.50%	1.60%
74	1.50%	1.50%
75	1.50%	1.40%
76	1.50%	1.50%
77	1.50%	1.50%
78	1.50%	1.60%
79	1.50%	1.50%
80	1.40%	1.50%
81 and older	0.00%	0.00%

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Sample Age	MAPD PPO #1 without Medicare Part A		MAPD PPO #2 without Medicare Part A		MAPD HMO (Kaiser) without Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$1,704	\$1,450	\$583	\$496	\$1,923	\$1,634
70	\$1,976	\$1,561	\$676	\$534	\$2,229	\$1,761
75	\$2,128	\$1,681	\$728	\$575	\$2,401	\$1,896

Sample Age	MAPD PPO #1 without Medicare Part A		MAPD PPO #2 without Medicare Part A		MAPD HMO (Kaiser) without Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	6514	5542	4227	3596	6752	5739
70	\$7,553	\$5,966	\$4,901	\$3,872	\$7,826	\$6,185
75	\$8,134	\$6,425	\$5,278	\$4,169	\$8,433	\$6,657

The 2022 Medicare Part A premium is \$499 (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.

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, 2020, 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 TOL are summarized in the table below:

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Year	PERACare Medicare Plans	Medicare Part A Premiums
2022	6.50%	3.75%
2023	6.25%	4.00%
2024	6.00%	4.00%
2025	5.75%	4.00%
2026	5.50%	4.25%
2027	5.25%	4.25%
2028	5.00%	4.25%
2029	4.75%	4.50%
2030+	4.50%	4.50%

Mortality assumptions used in the December 31, 2021, valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF, but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

Pre-retirement mortality assumptions for the State and Local Government Divisions 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 were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87% of the rates prior to age 80 and 107% 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% of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105% 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% of the rates for all ages with generational projection using scale MP-2019.

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

- Per capita health care costs in effect as of the December 31, 2021, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to be age 65 and older and are not eligible for premium-free Medicare Part A benefits have been updated to reflect costs for the 2022 plan year.
- The December 31, 2021, valuation utilizes premium information as of January 1, 2022, as the initial per capita health care cost. As of that date, PERACare health benefits administration is performed by UnitedHealthcare. In that transition, the costs for the Medicare Advantage Option #2 decreased to a level that is lower than the maximum possible service-related subsidy as described in the plan provisions.

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- The health care cost trend rates applicable to health care premiums were revised to reflect the then current expectation of future increases in those premiums. Medicare Part A premiums continued with the prior valuation trend pattern.

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

Effective for the December 31, 2022, measurement date, the timing of the retirement decrement was adjusted to middle-of-year within the valuation programming used to determine the TOL, reflecting a recommendation from the 2022 actuarial audit report, dated October 14, 2022, summarizing the results of the actuarial audit performed on the December 31, 2021, actuarial valuation.

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

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.

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.

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	6.00%	4.70%
Total	<u>100.00%</u>	

Note: 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%.

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:

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	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	5.25%	6.25%	7.25%
Ultimate PERACare Medicare Part A trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	3.00%	4.00%	5.00%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$34,894	\$35,910	\$37,016

Discount rate. The discount rate used to measure the TOL was 7.25%. 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, 2021, 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%.
- 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 be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

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%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.25%) or one-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 41,630	\$ 35,910	\$ 31,017

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

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NOTE 20 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 ACFR 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, 2023 and 2022 program members contributed \$9,120 and \$43,708 and employer matching contributions were \$1,449 and \$3,716, respectively.

NOTE 21 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, 2023 and 2022. There was \$50,000 in undisbursed funds at December 31, 2023 and no undisbursed funds at December 31, 2022.

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 22 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

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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.
- 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:

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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.

The foreclosed real estate balance was zero at December 31, 2023 and 2022.

NOTE 23 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 24 COMMON CONTROL

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

SLVCAA was formed in 2009 as a regional organization, and became a 501(c)(3) in 2011, to administer the Community Service Block Grant (CSBG) through the Colorado Department of Local Affairs. Previously, this grant was administered by the counties themselves. The board of the SLVCAA approached DRG in March 2010 requesting that they consider administering the grant as the Organization did not have sufficient funds to hire and maintain the staff required to fulfill the scope of work. The SLVCAA paid the DRG \$0 and \$30,506 for administration of CSBG for the years ending December 31, 2023 and 2022, 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.

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 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.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023 and 2022

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 25 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 July 29, 2024, the date the financial statements were available to be issued.

San Luis Valley Small Business Development Center (SLVSBDC)

In 2024, the management of the SLV SBDC returned to Adams State University 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, 2023

	UNRESTRICTED FUND	NONFEDERAL LOANS PRINCIPAL	ENTERPRISE ZONE	EDA PLANNING GRANTS	CDOT ADMIN GRANT	WITHOUT DONOR RESTRICTIONS TOTALS
SUPPORT AND REVENUES						
Grant Revenues	\$ 63,957	\$ -	\$ 22,474	\$ 70,000	\$ 8,267	\$ 164,698
Business Contributions	40,000	-	-	-	-	40,000
Contract Services	187,447	-	-	-	-	187,447
Other Program Income	5,045	-	6,323	-	-	11,368
Interest on Deposits	15,505	1,342	-	-	18	16,865
Lease Income	6,600	-	-	-	-	6,600
Gain on Sale of Assets	46,000	-	-	-	-	46,000
Miscellaneous Revenue	500	-	-	-	-	500
Interest on DRG Loans Receivable	41,087	-	-	-	-	41,087
Revolving Loan Fund Program						
Interest on Loans	317,297	-	-	-	-	317,297
Amortization of Loan Discount	-	-	-	-	-	-
Loan Fees	19,210	-	-	-	-	19,210
Recovery of Legal and Collection Costs	1,201	-	-	-	-	1,201
Operating Transfers	-	704,841	-	15,000	-	719,841
TOTAL SUPPORT AND REVENUES	743,849	706,183	28,797	85,000	8,285	1,572,114
EXPENSES						
Program Expenses						
Auto	-	-	-	-	-	-
Advertising	14,658	-	-	-	-	14,658
Contract Services	-	-	-	-	-	-
Telephone	1,792	-	-	-	-	1,792
Conferences and Seminars	7,732	-	-	890	-	8,622
Office Expense	11,131	-	-	-	-	11,131
Office Rent	-	-	-	-	-	-
Dues and Subscriptions	25	-	-	-	-	25
Personnel	90,964	-	27,418	75,751	(1,460)	192,673
Taxes	1,859	-	101	624	-	2,584
Fringe Benefits	55,511	-	1,278	8,856	3,250	68,895
Bad Debt Expense	(6,538)	-	-	-	-	(6,538)
Travel	4,222	-	-	1,432	1,067	6,721
Project Expense	6,642	888	-	-	-	7,530
Grant Expense - Indirect Cost	238	-	-	4,545	-	4,783
Program/Meeting	28,533	-	-	-	-	28,533
Pass-through Expense	109,041	-	-	-	-	109,041
Interest Expense	9,080	-	-	-	-	9,080
REO Expense	-	-	-	-	-	-
Total Program Expenses	334,890	888	28,797	92,098	2,857	459,530
Management and General						
Advertising	-	-	-	-	-	-
Administration	12,316	-	-	-	-	12,316
Contract Services	42,865	-	-	-	-	42,865
Office Expense	10,574	-	-	-	-	10,574
Dues and Subscriptions	16,885	-	-	-	-	16,885
Depreciation	8,218	-	-	-	-	8,218
Insurance	5,829	-	-	-	-	5,829
Miscellaneous	3,660	-	-	-	-	3,660
Personnel	179,896	-	-	-	-	179,896
Taxes	3,251	-	-	-	-	3,251
Fringe Benefits	29,833	-	-	-	-	29,833
Travel	887	-	-	-	-	887
Telephone	15	-	-	-	-	15
Utilities	-	-	-	-	-	-
Operating Transfers	15,000	-	-	-	-	15,000
Total Management & General Expenses	329,229	-	-	-	-	329,229
TOTAL EXPENSES	664,119	888	28,797	92,098	2,857	788,759
CHANGE IN NET ASSETS	79,730	705,295	-	(7,098)	5,428	783,355
NET ASSETS, BEGINNING OF YEAR	2,115,789	3,808,186	-	-	5,250	5,929,225
NET ASSETS, END OF YEAR	\$ 2,195,519	\$ 4,513,481	\$ -	\$ (7,098)	\$ 10,678	\$ 6,712,580

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
SUPPLEMENTAL SCHEDULE OF ACTIVITIES
NET ASSETS WITH DONOR RESTRICTIONS

For the Year Ended December 31, 2023

	CDBG LOAN PRINCIPAL	START UP LOAN PRINCIPAL	EDA CARES INTEREST INCOME	LOR FOUNDATION	SLV BROADBAND	SMALL BUSINESS DEVELOPMENT CENTER	RURAL BUSINESS LOAN FUND	EDA CARES REVOLVING LOAN FUND	WITH DONOR RESTRICTIONS TOTALS
SUPPORT AND REVENUES									
Grant Revenues	\$ -	\$ 403,050	\$ -	\$ 70,102	\$ -	\$ 18,506	\$ -	\$ -	\$ 491,658
Business Contributions	-	-	-	-	-	11,713	-	-	11,713
Contract Services	-	-	-	45,000	14,905	-	-	-	59,905
Other Program Income	-	-	-	-	-	-	-	-	-
Interest on Deposits	-	-	47	-	-	-	-	-	47
Revolving Loan Fund Program	-	-	-	-	-	-	-	-	-
Interest on Loans	-	-	-	-	-	-	127	-	127
Loan Fees	-	-	-	-	-	-	-	-	-
Recovery of Bad Debts	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
In-Kind Service and Cash	-	-	-	-	-	-	-	-	-
Operating Transfers	-	-	-	-	-	-	-	-	-
TOTAL SUPPORT AND REVENUES	-	403,050	47	115,102	14,905	30,219	127	-	563,450
EXPENSES									
Program Expenses									
Consulting Services	-	-	-	-	-	20,115	-	-	20,115
Insurance	-	-	-	-	-	-	-	-	-
Office Expense	-	-	-	-	-	30	-	-	30
Office Rent	-	-	-	-	-	2,250	-	-	2,250
Miscellaneous	-	-	-	-	-	-	-	-	-
Personnel	-	-	-	22,500	13,905	5,833	-	-	42,238
Taxes/Licenses	-	-	-	-	-	1,765	-	-	1,765
Fringe Benefits	-	-	-	-	-	-	-	-	-
Bad Debt Expense	233,967	-	-	-	-	-	-	-	233,967
Project Expenses	-	-	-	-	218,669	2,725	-	-	221,394
Pass Through Expenses	-	-	-	49,202	-	-	-	-	49,202
Grant Expenses	-	-	-	-	-	-	-	-	-
Transfer to Other Programs	678,168	5,500	-	-	-	-	21,173	-	704,841
TOTAL EXPENSES	912,135	5,500	-	71,702	232,574	32,718	21,173	-	1,275,802
CHANGE IN NET ASSETS	(912,135)	397,550	47	43,400	(217,669)	(2,499)	(21,046)	-	(712,352)
NET ASSETS, BEGINNING OF YEAR	1,813,996	-	-	-	326,818	96,287	133,346	885,048	3,255,495
NET ASSETS, END OF YEAR	\$ 901,861	\$ 397,550	\$ 47	\$ 43,400	\$ 109,149	\$ 93,788	\$ 112,300	\$ 885,048	\$ 2,543,143

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, 2023

	<u>Budget</u>	<u>2023 Actual</u>	<u>Variance</u>
SUPPORT AND REVENUES			
Federal EDA Grant	\$ 70,000	\$ 70,000	\$ -
Local Matching Fund			
Cash	30,000	15,000	(15,000)
TOTAL SUPPORT AND REVENUES	<u>100,000</u>	<u>85,000</u>	<u>(15,000)</u>
EXPENSES			
EDA Grant Expenses			
Personnel	67,110	78,335	(11,225)
Fringe Benefits	18,120	6,895	11,225
Travel	3,500	151	3,349
Supplies	180	-	180
Contractual	2,000	-	2,000
Indirect Costs	9,090	-	9,090
Other	-	4,545	(4,545)
TOTAL GRANT EXPENSES	<u>100,000</u>	<u>89,926</u>	<u>10,074</u>
CHANGE IN NET ASSETS	-	(4,926)	(4,926)
NET ASSETS, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ (4,926)</u>	<u>\$ (4,926)</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, 2023

	7/1/2020- 6/30/2022 Total Budget	2020 Actual	2021 Actual	2022 Actual	2023 Actual	12/31/2022 Remaining Budget
SUPPORT AND REVENUES						
Federal EDA Grant	\$ 397,148	\$ 49,644	\$ 198,574	\$ 108,840	\$ -	\$ 40,090
TOTAL SUPPORT AND REVENUES	397,148	49,644	198,574	108,840	-	40,090
EXPENSES						
EDA Grant Expenses						
Personnel	179,400	17,946	84,805	87,269	(2,584)	(8,036)
Fringe Benefits	46,644	6,637	27,682	28,606	2,585	(18,866)
Travel	36,000	-	4,471	7,662	1,281	22,586
Equipment	5,000	1,350	-	-	-	3,650
Supplies	4,000	273	10,734	11,717	890	(19,614)
Contractual	72,000	-	-	-	-	72,000
Indirect Costs	36,104	1,500	18,356	15,849	-	399
Other	18,000	315	17,879	14,007	-	(14,201)
TOTAL GRANT EXPENSES	397,148	28,021	163,927	165,110	2,172	37,918
CHANGE IN NET ASSETS	-	21,623	34,647	(56,270)	(2,172)	2,172
NET ASSETS, BEGINNING OF YEAR	-	-	21,623	56,270	-	2,139
NET ASSETS, END OF YEAR	\$ -	\$ 21,623	\$ 56,270	\$ -	\$ (2,172)	\$ 4,311

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP

SINGLE AUDIT SECTION

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023

<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			
COVID-19 Economic Adjustment Assistance - EDA RLF	11.307		\$ 896,907
<i>Total U.S. Department of Commerce</i>			<u>896,907</u>
<i>Total Clusters</i>			<u>896,907</u>
<i>Other Programs</i>			
U.S. Department of Transportation			
Highway Planning and Construction	20.205	Colorado Department of Transportation	8,267
<i>Total U.S. Department of Transportation</i>			<u>8,267</u>
U.S. Department of Commerce			
Economic Development Support for Planning Organizations	11.302		70,000
<i>Total U.S. Department of Commerce</i>			<u>70,000</u>
U.S. Department of Small Business Administration			
Small Business Administration			
Small Business Development Centers	59.037	Colorado Office of Economic Development and International Trade	18,506
<i>Total U.S. Department of Small Business Administration</i>			<u>18,506</u>
<i>Total Other Programs</i>			<u>96,773</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ 993,680</u>

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023

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, 2023. 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 not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance for the year ended December 31, 2023. The Organization did not pass-through federal funds to subrecipients.

NOTE 3 ECONOMIC DEVELOPMENT CLUSTER LOAN CALCULATION

The expenditures reported on the Schedule for the Economic Development Cluster was calculated as follows:

Loan Balance	\$ 737,541
Adjusted Cash Balance	159,366
Total Federal Expenditures	<u>\$ 896,907</u>

**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, 2023, 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 July 29, 2024.

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 identified a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs, as Finding 2023-001 that we consider to be a material weakness.

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

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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 finding 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 the response.

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

July 29, 2024

**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, 2023. 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 its other major federal programs for the year ended December 31, 2023.

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.

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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 Auditor's 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

July 29, 2024

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2023

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Qualified

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:

Federal Assistance
Listing Number(s)
 11.307

Name of Federal Program or Cluster
 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

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022

Section II – Financial Statement Findings

Finding 2023-001: Internal Control Over Financial Reporting
(Repeat of Finding 2022-001, 2021-001, and 2020-001)

Type of Finding: Internal Control (material weakness)

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

Condition: The accounting records were not completely reconciled for financial statement presentation when presented for audit as follows:

1. January 1, 2023 beginning balances did not match the prior year audited ending balances by approximately \$(410,000) due to \$(403,000) of grant revenue credited to equity instead of revenue during 2023, \$(9,400) in changes made to 2022 transactions, and \$2,000 in prior year audit adjustments that were not accurately posted.
2. Transactions netting to approximately \$69,000 were not classified to a program when the accounting records were presented for audit. Other transactions were misclassified between restricted and unrestricted programs, new classes were created unnecessarily, and payroll expenses were not allocated between the programs.
3. Prior year deferred revenue balances were not reconciled and current activity was not recognized in the accounting records.
4. The schedule of active loans, loan program net asset reconciliation, and loan loss analysis were not completed until after the audit had begun. Realized losses of prior year write-offs of \$620,000 were not recognized in the CDBG program and reimbursed to the nonfederal loans program. In addition, the remaining \$223,000 loss in the CDBG program was not recognized in the current year.
5. Changes were made to 2023 transactions after the accounting records were submitted for audit.

Cause: The organization does not have a complete system of internal controls that include the design, documentation, and monitoring over the application of accounting principles and financial statement preparation.

Effect: The accounting records were materially misstated when submitted for audit and returned to management with recommended corrections. Additional errors were identified during the audit and adjustments were proposed to properly state the financial statements as of December 31, 2023, in accordance with generally accepted accounting principles. In addition, reconciliation procedures were necessary to reconcile the drafted financial statements to the accounting records for changes made to the accounting records after they were resubmitted for audit, requiring the financial statements to be redrafted for those changes.

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022

Recommendation: The Organization should adopt and implement written policies and procedures for all transaction cycles, and grant and revolving loan fund program requirements, including explanations for the accounting system structure to properly account for those program requirements. In addition, specific policies should address the regular monitoring of transaction classification, monthly financial close, and year-end reporting to ensure accurate financial statement reporting.

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, 2023

Section II – Financial Statement Findings

**Finding 2022-001: Internal Control Over Financial Reporting
(Repeat of Finding 2021-001 and 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, review and approve financial transactions, and ensure the maintenance of supporting documentation and communication with grantors.

Recommendation: The Organization should adopt written policies and procedures for all transaction cycles, grant and revolving loan fund program requirements. Specific policies should address the monthly financial close and reporting at year-end to ensure accurate financial statement reporting. In addition, the Organization should incorporate a reconciliation and review process over revolving loan fund, payroll and grant activity and reporting.

Status: Partially Implemented (See Finding 2023-001.)

Section III – Federal Award Findings and Questioned Costs

**Finding 2022-002: Community Development Block Grants/State’s Program
and Non-Entitlement Grants in Hawaii, Federal Assistance No. 14.228**

Passed through Colorado Department of Local Affairs and Rio Grande County

Compliance Requirement: Reporting

Grant No.: Not applicable

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

Condition: The Organization inaccurately reported amounts for the leverage section of the Quarterly Financial & Performance Status Report for the period ending December 31, 2022.

Recommendation: The Organization should strengthen its internal controls with adopted policies and procedures to ensure accurate financial reporting in compliance with the CDBG Guidebook.

Status: Implemented

Finding 2022-003: Internal Control Over Federal Awards

Type of Finding: Internal Control (material weakness)

Finding 2022-001 also applies to Federal Awards.

Status: Implemented



SAN LUIS VALLEY
DEVELOPMENT RESOURCES GROUP
&
COUNCIL OF GOVERNMENTS

CORRECTIVE ACTION PLAN

Oversight Agencies: U.S. Department of Commerce

San Luis Valley Development Resource Group respectfully submits the following corrective action plan for the year ended December 31, 2023.

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, 2023

The findings from the December 31, 2023 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 2023-001: Internal Control Over Financial Reporting
(Repeat of Finding 2022-001, 2021-001, and 2020-001)**

Type of finding: Internal Control (material weakness)

Recommendation: The Organization should adopt written policies and procedures for all transaction cycles, and grant and revolving loan fund program requirements, including explanations for the accounting system structure to properly account for those program requirements. In addition, specific policies should address the regular monitoring of transaction classification, monthly financial close, and year-end reporting to ensure accurate financial statement reporting.

San Luis Valley Development Resources Group

Corrective Action Plan

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Management's Response:

Management has prepared a response, including alternative reporting methods that were used during 2023 and control measures, for each of the points identified above.

1. January 1, 2023 beginning balances did not match the prior year audited ending balances by approximately \$(410,000) due to \$(403,000) of grant revenue credited to equity instead of revenue during 2023, \$(9,400) in changes made to 2022 transactions, and \$2,000 in prior year audit adjustments that were not accurately posted.

Management Response and Corrective Action:

The misclassification of the amount to revenue instead of equity resulted from confusion regarding audit adjustments and discrepancies between the 2022 audit adjustment workpapers' coding and the chart of accounts in the Company's internal QuickBooks. This one-time error occurred due to staff turnover in 2023 and a lack of familiarity with the differing account numbers used by the audit and QuickBooks. To prevent this issue in the future, staff training and improved understanding of the audit account coding provided in the audit workpapers and an upgrade to the internal financial system chart of accounts have been implemented as part of new internal controls to avoid similar errors going forward.

2. Transactions netting to approximately \$69,000 were not classified to a program when the accounting records were presented for audit. Other transactions were misclassified between restricted and unrestricted programs, new classes were created unnecessarily, and payroll expenses were not allocated between the programs.

Management Response and Corrective Action:

Following the departure of the previous CFO in 2023, management initiated a comprehensive overhaul of tracking various classes and programs. This included transitioning from QuickBooks Desktop to QuickBooks Online in early 2024. During this period of change and system migration, management recorded all expenses and coding in Excel, outside of QuickBooks, understanding that these changes would not be reflected in the new system until the migration was complete. Some class coding was lost during the transition to QuickBooks Online. However, management quickly rectified this within two business days once the audit had begun, due to the availability of the tracked information in Excel documents. Due to staffing and resource constraints, these adjustments could not be completed before the audit began. Management informed the auditors

San Luis Valley Development Resources Group

Corrective Action Plan

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that these adjustments would be made after the initial trial balance was provided to avoid extending the audit deadline. As of June 2024, the migration to QuickBooks Online and the new processes for classifying programs were finalized. Management now performs monthly reconciliations between QuickBooks and the externally maintained Excel records, which closely track all signed and finalized program documents.

3. Prior year deferred revenue balances were not reconciled and current activity was not recognized in the accounting records.

Management Response and Corrective Action:

During the audit, two deferred revenue balances were identified. The first entry resulted from a miscommunication on both sides during the prior year's audit, where revenue recognized in 2022 was omitted from the final audit workpapers. Consequently, management and the auditors agreed to treat this amount as a catch-up adjustment for the 2023 audit. The second deferred revenue was a non-cash accounting entry related to the amortization of a gain from a prior year's sale. Due to changes in the finance staff, management was initially unaware of this historical amortization entry. The new finance team has been trained regarding this historical amortization entry, and this error will be avoided going forward.

4. The schedule of active loans, loan program net asset reconciliation, and loan loss analysis were not completed until after the audit had begun. Realized losses of prior year write-offs of \$620,000 were not recognized in the CDBG program and reimbursed to the nonfederal loans program. In addition, the remaining \$223,000 loss in the CDBG program was not recognized in the current year.

Management Response and Corrective Action:

In management's opinion, the schedule of active loans and the loan program net asset reconciliation are prepared in a different format on a monthly basis than what is required for the audit. Management regularly generates a loan availability report (at least quarterly) and a net loans receivable amount, which are reported to the loan officer and the board. This process was implemented internally in October 2023. This information was easily used to populate the Excel template for the schedule of active loans and the loan program net asset reconciliation once the audit began. Management was not aware that this Excel template needed to be completed before the audit, despite all the necessary information being readily available and recorded in

San Luis Valley Development Resources Group

Corrective Action Plan

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QuickBooks and our internal monthly records. In previous years, the active loan and net asset reconciliation template had been provided to auditors during the audit without being identified as an issue or internal control concern in the audit report, as the information was readily available, recorded, and reconciled in QuickBooks. Moving forward, the active loan and program net asset reconciliation audit template will be completed prior to the audit. Due to resource and timing constraints, the template could not be completed before this audit.

The new finance team was not aware that the prior write-off of \$620,000 needed to be reimbursed to the nonfederal loans program. This program dated back to 2019, and due to timing and resource constraints, management (new finance team) did not have the opportunity to fully understand the requirements of these older programs. The new finance team (and any future members) have and will receive training on all current programs that are operated under the Company.

The remaining loss of \$223,000 related to one loan was recognized after the audit had begun, also due to resource and time constraints. However, management was aware of the necessary adjustment, as it was tracked in internal reporting workpapers, and communicated this adjustment to the auditors. Going forward, upon hiring a full-time Controller, management intends to complete the adjustment at year-end prior to the audit as part of our year-end close procedures.

Regarding the loan loss allowance, management has significantly improved its loan payment collection process and recognized that the allowance true-up or true-down would not result in a material adjustment to the audit. Management meets with the loan officer on a monthly basis to ensure all loans are being followed up on and was confident that there were no significant changes in the collectability of the loans and therefore this did not result in a significant change in the allowance for the 2023 financial statements. Management would like to also note that the allowance was also completed during the 2022 audit and it was not identified in the 2022 audit report. Therefore, the allowance adjustment was not prioritized as something to be completed prior to the audit. However, going forward, upon the hiring of a full-time Controller, management intends to complete the adjustment at year-end prior to the audit as part of our quarterly and year-end audit close procedures.

5. Changes were made to 2023 transactions after the accounting records were submitted for audit.

Management Response and Corrective Action:

San Luis Valley Development Resources Group

Corrective Action Plan

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The changes made to the 2023 transactions after the accounting records were submitted for audit were mostly reclassifications between balance sheet accounts as part of the cleanup process, improvement controls, and migration to QuickBooks Online that started in mid-July 2023 upon the changeover to the new finance team. This cleanup and change were communicated to the auditors during the audit. Management's internal control, system migration, and class cleanup project will be completed at the beginning of August 2024. This includes locking monthly and year-end financial statements to avoid changes, which will, in turn, avoid future changes during the audit for future audits.

Overall Management Response and Corrective Action:

Management provided 80% of the audit adjustments during the audit because these adjustments had been tracked internally. However, due to time and resource constraints, including reliance on a part-time interim consulting controller and a focus on system migration and implementing various other internal controls, these adjustments were not made timely before the audit. In July 2024, management initiated the search for a full-time controller to ensure adequate resources and to alleviate time constraints on the finance team, aiming for more timely and accurate financial records. The internal control implementation project, which began in July 2023, is expected to be completed by early August 2024. Management believes that the completion of these new internal controls, coupled with the addition of a full-time controller, will continue to enhance the accuracy of our financial records and enable more timely adjustments going forward

If there are any questions regarding this plan, please call the responsible party at (719) 589-6099.

Sincerely yours,

Signed by:

7351AE69669E408...

Alisha Todd, Contracted CFO

San Luis Valley Development Resources Group