CONCHO VALLEY COUNCIL OF GOVERNMENTS
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SEPTEMBER 30, 2008

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<td>39 - 40</td>
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<td>41 - 44</td>
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<td>45</td>
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<tr>
<td>46</td>
<td></td>
</tr>
<tr>
<td>47</td>
<td></td>
</tr>
</tbody>
</table>
FINANCIAL SECTION
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Concho Valley Council of Governments
San Angelo, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Concho Valley Council of Governments, as of and for the year ended September 30, 2008, which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Concho Valley Council of Governments as of September 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated January 28, 2009, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.
Management’s Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council’s basic financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards (“SEFSA”) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Nonprofit Organizations, and the State of Texas Single Audit Circular, and is not a required part of the basic financial statements of the Council. The supplementary schedules and the SEFSA have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Davis, Kinard & Co., P.C.

DAVIS, KINARD & CO., P.C.

Abilene, Texas
January 28, 2009
CONCHO VALLEY COUNCIL OF GOVERNMENTS

Management's Discussion and Analysis

As management of the Concho Valley Council of Governments, we offer readers of the Council's financial statements this narrative overview and analysis of the financial activities of the Council for the fiscal year ended September 30, 2008.

FINANCIAL HIGHLIGHTS

- The assets of Concho Valley Council of Governments ("Council") exceeded its liabilities as of September 30, 2008, by $39,863 (net assets). Amounts reported for 2007 include the assets and liabilities of the Concho Valley Transit District ("District"). In 2008, the Concho Valley Transit District issued its own Single Audit report. As a result, the Council's assets and liabilities for 2008 do not include the assets and liabilities of the Concho Valley Transit District. The Council continues to manage and provide administration services for the District.

- The Council's total net assets increased by $105,333 for the year, excluding the prior period adjustments to remove the Concho Valley Transit District's net assets.

- As of the close of the current fiscal year, Concho Valley Council of Governments' governmental funds reported combined ending fund balances of $0.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements. The Council's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the Council's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Council's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Council is improving or deteriorating.

The Statement of Activities presents information showing how the Council's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., earned but unused compensated absences). The government-wide financial statements can be found on pages 8 – 10 of this report.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Council, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.
**Governmental Funds** – Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Council maintains two individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund and the Special Revenue Fund, both of which are considered to be major funds.

The Council’s Board approves a financial plan for revenue and expenditures in all funds. Although the financial plans are reviewed and approved by the Council’s Board, they are not considered legally adopted budgets or appropriations. Accordingly, comparative budget and actual results are not presented in this report.

The basic governmental fund financial statements can be found on pages 11 – 13 of this report.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 14 of this report.

**Other Supplementary Information** – In addition to the basic financial statements and accompanying notes, this report also presents other schedules that further support the information in the financial statements. The supplementary schedules begin on page 25 of this report.
GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of Concho Valley Council of Governments, assets exceeded liabilities by $39,863 as of September 30, 2008.

A portion of the Council’s net assets ($115,474) reflects its investment in capital assets (e.g., equipment), net of related debt (capital lease payable). The Council uses these capital assets to provide services; consequently, these assets are not available for future spending. The amounts reported for 2007 include the assets and liabilities of the Concho Valley Transit District, whereas these amounts were omitted for 2008 since the CVTD is presenting separately issued financial statements for 2008.

GOVERNMENT-WIDE NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>2007</td>
</tr>
<tr>
<td>Current assets</td>
<td>$ 1,724,390</td>
<td>$ 2,522,217</td>
</tr>
<tr>
<td>Capital assets</td>
<td>143,011</td>
<td>779,617</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,867,401</td>
<td>3,301,834</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>103,148</td>
<td>147,228</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>1,724,390</td>
<td>2,151,482</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1,827,538</td>
<td>2,298,710</td>
</tr>
<tr>
<td>Net assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>115,474</td>
<td>735,218</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>( 75,611)</td>
<td>267,906</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$ 39,863</td>
<td>$ 1,003,124</td>
</tr>
</tbody>
</table>
The following table provides a summary of the Council’s operations for the year ended September 30, 2008. Governmental activities increased the Council’s net assets by $105,333. In 2007, the revenues and expenses of the Concho Valley Transit District (“District”) were reported with the Council’s activity. In 2008, the revenues and expenses of the District were reported in separately issued financial statements. As a result, the beginning net assets of the Council were decreased by $1,126,989 to remove the Concho Valley Transit District’s net assets from the Council’s previously reported net assets for 2007. See also Note 4 on page 23 for a description of other prior period adjustments.

GOVERNMENT-WIDE CHANGES IN NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>2007</td>
</tr>
<tr>
<td>Revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating grants and contributions</td>
<td>$12,057,065</td>
<td>$15,017,284</td>
</tr>
<tr>
<td>Capital grants and contributions</td>
<td>-</td>
<td>403,053</td>
</tr>
<tr>
<td>General revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted grants and contributions</td>
<td>23,826</td>
<td>33,048</td>
</tr>
<tr>
<td>Interest income</td>
<td>322</td>
<td>5,090</td>
</tr>
<tr>
<td>Total revenues</td>
<td>12,081,213</td>
<td>15,458,475</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>24,148</td>
<td>71,461</td>
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<tr>
<td>Aging</td>
<td>1,391,516</td>
<td>1,365,600</td>
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<td>Head Start</td>
<td>6,745,718</td>
<td>7,091,192</td>
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<tr>
<td>Transportation</td>
<td>-</td>
<td>3,532,689</td>
</tr>
<tr>
<td>Emergency Communications</td>
<td>2,012,379</td>
<td>1,272,151</td>
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<tr>
<td>Criminal Justice</td>
<td>172,287</td>
<td>181,300</td>
</tr>
<tr>
<td>Environmental Quality</td>
<td>86,071</td>
<td>176,368</td>
</tr>
<tr>
<td>Regional Development</td>
<td>315,981</td>
<td>73,945</td>
</tr>
<tr>
<td>211 Information and Referral</td>
<td>230,229</td>
<td>234,468</td>
</tr>
<tr>
<td>Foster Grandparent</td>
<td>421,084</td>
<td>396,731</td>
</tr>
<tr>
<td>Senior Companion</td>
<td>337,957</td>
<td>317,876</td>
</tr>
<tr>
<td>Emergency Management</td>
<td>238,510</td>
<td>291,317</td>
</tr>
<tr>
<td>Total expenses</td>
<td>11,975,880</td>
<td>15,005,098</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>105,333</td>
<td>453,377</td>
</tr>
<tr>
<td>Net assets, beginning</td>
<td>1,003,124</td>
<td>555,347</td>
</tr>
<tr>
<td>Prior period adjustment</td>
<td>(1,068,594)</td>
<td>(5,600)</td>
</tr>
<tr>
<td>Net assets, ending</td>
<td>$ 39,863</td>
<td>$ 1,003,124</td>
</tr>
</tbody>
</table>
FINANCIAL ANALYSIS OF THE COUNCIL’S FUNDS

Governmental Funds – The focus of Concho Valley Council of Governments’ governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Council’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Concho Valley Council of Governments’ governmental funds reported combined ending fund balances of $0.

CAPITAL ASSETS

The Concho Valley Council of Governments’ investment in capital assets for its governmental activities as of September 30, 2008, amounts to $143,011 (net of accumulated depreciation). Capital assets as of the end of the current fiscal year included the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>$226,742</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>(83,731)</td>
</tr>
<tr>
<td>Total capital assets</td>
<td>$143,011</td>
</tr>
</tbody>
</table>

Additional information on the Council’s capital assets can be found in Note 3, page 22 of this report.

LONG-TERM DEBT

The Concho Valley Council of Governments’ long-term debt for its governmental activities as of September 30, 2008, amounts to $103,148. Long-term debt as of the end of the current fiscal year included the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Capital leases payable</td>
<td>$27,537</td>
</tr>
<tr>
<td>Compensated absences</td>
<td>75,611</td>
</tr>
<tr>
<td>Total long-term debt</td>
<td>$103,148</td>
</tr>
</tbody>
</table>

Additional information on the Council’s long-term debt can be found in Note 3, pages 22-23 of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Council’s finances. If you have questions about this report or need any additional information, contact the Department of Finance at:

Concho Valley Council of Governments
2801 W. Loop 306, Suite A
San Angelo, TX 76904
CONCHO VALLEY COUNCIL OF GOVERNMENTS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2008

<table>
<thead>
<tr>
<th>Governmental Activities</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets:</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 278,771</td>
</tr>
<tr>
<td>Investments</td>
<td>431,781</td>
</tr>
<tr>
<td>Receivables</td>
<td></td>
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<tr>
<td>Grantor</td>
<td>960,253</td>
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<tr>
<td>Other</td>
<td>48,427</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>5,158</td>
</tr>
<tr>
<td>Total current assets</td>
<td>1,724,390</td>
</tr>
<tr>
<td>Noncurrent assets:</td>
<td></td>
</tr>
<tr>
<td>Capital assets:</td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>226,742</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>(83,731)</td>
</tr>
<tr>
<td>Total capital assets</td>
<td>143,011</td>
</tr>
<tr>
<td>Total noncurrent assets</td>
<td>143,011</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,867,401</td>
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</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities:</td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>704,962</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>1,019,428</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>1,724,390</td>
</tr>
<tr>
<td>Noncurrent liabilities:</td>
<td></td>
</tr>
<tr>
<td>Due in less than one year</td>
<td>8,822</td>
</tr>
<tr>
<td>Due in more than one year</td>
<td>94,326</td>
</tr>
<tr>
<td>Total noncurrent liabilities</td>
<td>103,148</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1,827,538</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>115,474</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>(75,611)</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$ 39,863</td>
</tr>
</tbody>
</table>

The notes to the financial statements are an integral part of this statement.
### CONCHO VALLEY COUNCIL OF GOVERNMENTS

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

<table>
<thead>
<tr>
<th>Functions/Programs</th>
<th>Expenses</th>
<th>Indirect Cost Allocation</th>
<th>Expenses After Allocation of Indirect Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governmental activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Government</td>
<td>$24,148</td>
<td>$37,514</td>
<td>$1,391,516</td>
</tr>
<tr>
<td>Aging</td>
<td>1,354,002</td>
<td>181,573</td>
<td>6,745,718</td>
</tr>
<tr>
<td>Head Start</td>
<td>6,564,145</td>
<td>28,808</td>
<td>2,012,379</td>
</tr>
<tr>
<td>Emergency Communications</td>
<td>1,983,571</td>
<td>10,821</td>
<td>172,287</td>
</tr>
<tr>
<td>Criminal Justice</td>
<td>161,466</td>
<td>7,526</td>
<td>86,071</td>
</tr>
<tr>
<td>Environmental Quality</td>
<td>78,545</td>
<td>16,375</td>
<td>315,981</td>
</tr>
<tr>
<td>Regional Development</td>
<td>299,606</td>
<td>9,876</td>
<td>230,229</td>
</tr>
<tr>
<td>211 Information and Referral</td>
<td>220,353</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foster Grandparent</td>
<td>412,874</td>
<td>8,210</td>
<td>421,084</td>
</tr>
<tr>
<td>Senior Companion</td>
<td>330,888</td>
<td>7,069</td>
<td>337,957</td>
</tr>
<tr>
<td>Emergency Management</td>
<td>227,824</td>
<td>10,686</td>
<td>238,510</td>
</tr>
<tr>
<td><strong>Indirect costs</strong></td>
<td>318,458</td>
<td>(318,458)</td>
<td></td>
</tr>
<tr>
<td><strong>Total governmental activities</strong></td>
<td>11,975,880</td>
<td></td>
<td>11,975,880</td>
</tr>
</tbody>
</table>

The notes to the financial statements are an integral part of this statement.
<table>
<thead>
<tr>
<th>Program Revenues</th>
<th>Net (Expense) Revenue and Changes in Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Grants and Contributions</td>
<td>Operating Grants and Contributions</td>
</tr>
<tr>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>1,391,516</td>
<td>50,349</td>
</tr>
<tr>
<td>6,796,067</td>
<td>17,227</td>
</tr>
<tr>
<td>2,029,606</td>
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<tr>
<td>172,287</td>
<td>-</td>
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<tr>
<td>86,071</td>
<td>-</td>
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<tr>
<td>315,981</td>
<td>-</td>
</tr>
<tr>
<td>230,229</td>
<td>-</td>
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<tr>
<td>421,084</td>
<td>-</td>
</tr>
<tr>
<td>337,957</td>
<td>-</td>
</tr>
<tr>
<td>276,267</td>
<td>37,757</td>
</tr>
<tr>
<td>12,057,065</td>
<td>-</td>
</tr>
</tbody>
</table>

General revenues:
- Unrestricted grants and contributions: 23,826
- Interest income: 322
Total general revenues: 24,148

Change in net assets: 105,333

Net assets, beginning: 1,003,124
Prior period adjustment: (1,068,594)

Net assets, ending: $39,863
CONCHO VALLEY COUNCIL OF GOVERNMENTS

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>Special Revenue</th>
<th>Total Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$171,237</td>
<td>$107,534</td>
<td>$278,771</td>
</tr>
<tr>
<td>Investments</td>
<td>48,187</td>
<td>383,594</td>
<td>431,781</td>
</tr>
<tr>
<td>Accounts receivable:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grantors</td>
<td></td>
<td>960,253</td>
<td>960,253</td>
</tr>
<tr>
<td>Other</td>
<td>48,427</td>
<td></td>
<td>48,427</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>275,219</td>
<td></td>
<td>275,219</td>
</tr>
<tr>
<td>Prepaid expenditures</td>
<td>5,158</td>
<td></td>
<td>5,158</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$548,228</td>
<td>$1,451,381</td>
<td>$1,999,609</td>
</tr>
</tbody>
</table>

| **LIABILITIES AND FUND BALANCES** |            |                 |                          |

| Liabilities:       |            |                 |                          |
| Accounts payable   | $6,671     | $674,817        | $681,488                 |
| Payroll payable    |            | 23,474          | 23,474                   |
| Deferred revenue   | 541,557    | 477,871         | 1,019,428                |
| Due to other funds |            | 275,219         | 275,219                  |
| **Total liabilities** | $548,228   | $1,451,381      | $1,999,609               |

| Fund balances:     |            |                 |                          |
| Reserved for prepaid expenditures | 5,158      |                 | 5,158                    |
| Unreserved         | (5,158)    |                 | (5,158)                  |
| **Total fund balances** |          |                 |                          |

| **Total liabilities and fund balances** | $548,228   | $1,451,381      | $1,999,609               |

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 143,011

Long-term liabilities, such as capital leases payable ($27,537) and compensated absences ($75,611), are not due and payable in the current period and therefore are not reported in the funds. (103,148)

Net assets of governmental activities $39,863

The notes to the financial statements are an integral part of this statement.
## Statement of Revenues, Expenditures, and Changes in Fund Balances

### Governmental Funds

FOR THE YEAR ENDED SEPTEMBER 30, 2008

### Revenues

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>Special Revenue</th>
<th>Total Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal</td>
<td>$</td>
<td>$7,538,641</td>
<td>$7,538,641</td>
</tr>
<tr>
<td>State</td>
<td>-</td>
<td>2,435,101</td>
<td>2,435,101</td>
</tr>
<tr>
<td>Local</td>
<td>24,148</td>
<td>2,083,323</td>
<td>2,107,471</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td><strong>24,148</strong></td>
<td><strong>12,057,065</strong></td>
<td><strong>12,081,213</strong></td>
</tr>
</tbody>
</table>

### Expenditures

<table>
<thead>
<tr>
<th>Category</th>
<th>General</th>
<th>Special</th>
<th>Total Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Government</td>
<td>24,148</td>
<td>-</td>
<td>24,148</td>
</tr>
<tr>
<td>Aging</td>
<td>-</td>
<td>1,391,516</td>
<td>1,391,516</td>
</tr>
<tr>
<td>Head Start</td>
<td>-</td>
<td>6,796,067</td>
<td>6,796,067</td>
</tr>
<tr>
<td>911 Emergency Communications</td>
<td>-</td>
<td>2,029,606</td>
<td>2,029,606</td>
</tr>
<tr>
<td>Criminal Justice</td>
<td>-</td>
<td>172,287</td>
<td>172,287</td>
</tr>
<tr>
<td>Environmental Quality</td>
<td>-</td>
<td>86,071</td>
<td>86,071</td>
</tr>
<tr>
<td>Regional Development</td>
<td>-</td>
<td>315,981</td>
<td>315,981</td>
</tr>
<tr>
<td>211 Information and Referral</td>
<td>-</td>
<td>230,229</td>
<td>230,229</td>
</tr>
<tr>
<td>Foster Grandparent</td>
<td>-</td>
<td>421,084</td>
<td>421,084</td>
</tr>
<tr>
<td>Senior Companion</td>
<td>-</td>
<td>337,957</td>
<td>337,957</td>
</tr>
<tr>
<td>Emergency Management</td>
<td>-</td>
<td>276,267</td>
<td>276,267</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td><strong>24,148</strong></td>
<td><strong>12,057,065</strong></td>
<td><strong>12,081,213</strong></td>
</tr>
</tbody>
</table>

### Net Change in Fund Balances

|                | -       | -       | -                        |

### Fund Balances, Beginning

|                | 370,735 | -       | 370,735                  |

### Prior Period Adjustment

|                | (370,735)| -       | (370,735)                |

### Fund Balances, Ending

|                | $       | -       | $                        |

The notes to the financial statements are an integral part of this statement.
Net change in fund balances - total governmental funds (page 12)  

Amounts reported for governmental activities in the Statement of Activities (pages 9-10) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and depreciated over their useful lives. Thus, net assets are increased by the amount by which capital outlays ($76,619) exceeded depreciation ($15,366) in the current period.

The repayment of principal on capital leases payable consumes the current financial resources of governmental funds. However, long-term capital lease repayment reduces long-term liabilities in the statement of net assets. This is the amount of principal repayments.

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the amount of increase in compensated absences.

Change in net assets of governmental activities (page 10)  

The notes to the financial statements are an integral part of this statement.
1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Concho Valley Council of Governments (the "Council") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following represents the significant accounting policies and practices used by the Council.

**A. Reporting Entity**

Concho Valley Council of Governments is a political subdivision of the State of Texas. The Council receives funds from federal grants, state administered federal grants, state grants, and local sources, over all of which the Council has oversight responsibility and control. The Council must comply with all requirements of these funding sources. The Council’s basic financial statements include the accounts of all Council operations.

Membership in the Council is voluntary. Any county, city or special purpose district within the Concho Valley Region may become a member of the independent association by passing a resolution to join the Council and paying annual dues. Each member government is entitled to have one representative on the Council’s Executive Board which is the policy making and oversight body for the Council. The Council’s financial statements do not include the operations of member governments and various local agencies for which grants and fundings are issued by the Council, because none of the criteria for inclusion as set forth in GASB No. 14 have been met.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Council. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or identifiable activity. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenue are reported instead as *general revenue*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Council considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Grant revenue is susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Council.

The Council reports the following major governmental funds:

**General Fund** – This fund is used to account for financial resources over which the Council has control, in that the fund balance does not necessarily revert to a grantor at a specific point in time and, therefore, is not required to be accounted for in a Special Revenue Fund.

**Special Revenue Fund** – This fund consists of financial resources for certain purposes for which unused balances are returned to the grantor at the close of a project. These resources are restricted to designated purposes during the specified periods.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Net Assets or Equity

Cash and Cash Equivalents

Cash and equivalents are defined as short-term, highly liquid investments that are both readily convertiable to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash and cash equivalents in the Council's financial statements include amounts in demand deposits and certificates of deposits. Interest earned is based on the amount of funds invested.

State statutes authorize the Council to invest in obligations of the United States, its agencies, certificates of deposits with banks and savings and loan associations, banker's acceptances, commercial paper, mutual funds, investment pools and repurchase agreements with underlying collateral of government securities.

Grants Receivable

Grants receivable represent amounts due from federal and state agencies for the various programs administered by the Council. The receivable includes amounts due on programs closed-out and those in progress as of September 30, 2008.

Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." The Council had no long-term interfund loans (noncurrent portion) that are generally reported as "advances from and to other funds." Interfund receivables and payables between funds are eliminated in the Statement of Net Assets.

Restricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Council's policy is to apply restricted net assets first.

Deferred Revenue

Deferred revenue represents amounts received from grantors in excess of expenditures for programs in progress as of September 30, 2008.
CONCHO VALLEY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. The Council’s grantor agencies retain a reversionary interest in the grant equipment that the Council has recorded on their financial statements. That is, if the grantor agency were to terminate the program, the title to the equipment reverts to the grantor agency and the equipment would be required to be returned to the grantor agency.

Equipment of the primary government is depreciated using the straight-line method over the following useful lives:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Equipment</td>
<td>3 - 5</td>
</tr>
</tbody>
</table>

Compensated Absences

It is the Council’s policy to permit employees to accumulate a limited amount of earned, but unused, vacation leave, which will be paid upon separation from the Council’s service or which may be paid in lieu of vacation time with Executive Director approval. Vested or accumulated vacation leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

2. BUDGET INFORMATION

The Council’s primary funding source is federal, state and local grants which have grant periods that may or may not coincide with the Council’s fiscal year. These grants normally are for a 12-month period; however, they can be awarded for periods shorter or longer than 12 months.

Because of the Council’s dependency on federal, state and local budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding. The Council’s annual financial plan differs from that of a general purpose local government in two respects: (1) the uncertain nature of grant awards from other entities and (2) conversion of grant budgets to a fiscal year basis.
2. BUDGET INFORMATION (continued)

The resultant annual financial plan is subject to constant change within the fiscal year due to:

- Increases/decreases in actual grant awards from those estimated;
- Changes in grant periods;
- Unanticipated grant awards not included in the financial plan; and
- Expected grant awards which fail to materialize.

Although the financial plan is reviewed and approved by the Council’s Board, it is not considered a legally adopted annual budget. Accordingly, comprehensive budget and actual results are not presented in this report.

3. DETAILED NOTES ON ALL FUNDS

Cash and Investments

Deposits
Custodial credit risk- deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Council’s deposits may not be returned to it. The Council’s cash deposits, including interest-bearing deposits, at September 30, 2008, were entirely covered by FDIC insurance and by pledged collateral held by the Council’s agent bank in the Council’s name.

Investments
The Council’s investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The Council’s investment policy allows investments only in U.S. Government securities, certificates of deposit issued by banks or savings and loans domiciled in the state of Texas that are fully insured by the FDIC, or government-sponsored investment pools.

Custodial credit risk- investments. In the case of investments, this is the risk that, in the event of the failure of the counterparty, the Council will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Council’s investments consist of money market funds invested in treasury obligations. The Council is not significantly exposed to this risk.

Interest rate risk – Interest-rate risk occurs when potential purchases of debt securities do not agree to pay face value for those securities if interest rates rise. The Council is not significantly exposed to interest rate risk.

Credit risk – State law limits investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. The Council has no investments in public funds investment pools.

Concentration of credit risk – The Council’s investment policy does not limit investments in any one issuer except as limited by the PFIA.
3. **DETAILED NOTES ON ALL FUNDS (continued)**

**Grants Receivable**

Grants receivable represents allowable expenditures in excess of receipts for specific grants. These earned grant revenues were comprised of the following at year-end:

<table>
<thead>
<tr>
<th>Grant Number</th>
<th>Name</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>911 Comm 06-07</td>
<td>$138,306</td>
</tr>
<tr>
<td>30</td>
<td>CERT Grant 2006-07</td>
<td>1,736</td>
</tr>
<tr>
<td>501</td>
<td>Criminal Justice Law Enforcement Trng 2007-08</td>
<td>3,883</td>
</tr>
<tr>
<td>503</td>
<td>Senior Companion Program 2007-08</td>
<td>19,660</td>
</tr>
<tr>
<td>504</td>
<td>Foster Grandparent Program 2007-08</td>
<td>51,471</td>
</tr>
<tr>
<td>508</td>
<td>Homeland Security 2007-08</td>
<td>34,222</td>
</tr>
<tr>
<td>509</td>
<td>CERT 07-08</td>
<td>258</td>
</tr>
<tr>
<td>510</td>
<td>Area Agency on Aging 07-08</td>
<td>217,047</td>
</tr>
<tr>
<td>511</td>
<td>CEDAF 2007-08</td>
<td>2,481</td>
</tr>
<tr>
<td>512</td>
<td>Criminal Justice Planning Contract 2007-08</td>
<td>10,860</td>
</tr>
<tr>
<td>517</td>
<td>Reg Planning 07-08</td>
<td>14,061</td>
</tr>
<tr>
<td>520</td>
<td>Head Start 08-09</td>
<td>440,387</td>
</tr>
<tr>
<td>522</td>
<td>Brookdale Foundation</td>
<td>95</td>
</tr>
<tr>
<td>529</td>
<td>Criminal Justice Law Enforcement Trng 08-09</td>
<td>3,706</td>
</tr>
<tr>
<td>531</td>
<td>Criminal Justice Planning Services 08-09</td>
<td>5,860</td>
</tr>
<tr>
<td>533</td>
<td>211 Info &amp; Referral 08-09</td>
<td>16,220</td>
</tr>
</tbody>
</table>

**Total Grants Receivable** $960,253
3. **DETAILED NOTES ON ALL FUNDS (continued)**

**Deferred Revenue**

Deferred revenue represents receipts in excess of allowable expenditures for specific grants and local sources. These unearned, or deferred, revenues were comprised of the following at year-end.

<table>
<thead>
<tr>
<th>Name</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spring Fling</td>
<td>$ 10,899</td>
</tr>
<tr>
<td>Pandemic Flu</td>
<td>2,806</td>
</tr>
<tr>
<td>Faith in Action</td>
<td>9,997</td>
</tr>
<tr>
<td>911 Program</td>
<td>259,808</td>
</tr>
<tr>
<td>CERT - Howard College</td>
<td>509</td>
</tr>
<tr>
<td>Community Outreach</td>
<td>2,583</td>
</tr>
<tr>
<td>Solid Waste</td>
<td>82,941</td>
</tr>
<tr>
<td>USDA Note</td>
<td>7,048</td>
</tr>
<tr>
<td>211 Information</td>
<td>5,311</td>
</tr>
<tr>
<td>Area on Aging - Membership Dues</td>
<td>4,382</td>
</tr>
<tr>
<td>Senior Companion</td>
<td>52,352</td>
</tr>
<tr>
<td>Regional Law Night</td>
<td>22,027</td>
</tr>
<tr>
<td>Foster Grandparent</td>
<td>482</td>
</tr>
<tr>
<td>Regional Law Day</td>
<td>32,195</td>
</tr>
<tr>
<td>CJ Planning</td>
<td>1,575</td>
</tr>
<tr>
<td>CVCOG 08-09 Membership Dues</td>
<td>770</td>
</tr>
<tr>
<td>Fringe Benefit Pool Allocation 06/07 and 07/08</td>
<td>491,010</td>
</tr>
<tr>
<td>Other</td>
<td>32,733</td>
</tr>
<tr>
<td><strong>Total Deferred Revenue</strong></td>
<td>$ 1,019,428</td>
</tr>
</tbody>
</table>

**Cost Pools**

Cost pools are used to account for indirect costs that are incurred and subsequently allocated to the various grants on a set percentage or rate. The rates and percentages used during the current year, which were approved by the Texas Department of Aging and Disability Services, as fixed, were allocated as follows: fringe benefits at 34.85% of direct salary; indirect costs at 12.12% of direct salary and fringe benefits for all personnel.

**Interfund Receivables/Payables**

The General Fund has a receivable from the Special Revenue Fund of $275,219 at September 30, 2008 for temporary fund balancing purposes.
3. DETAILED NOTES ON ALL FUNDS (continued)

Defined Contribution Plan

Concho Valley Council of Governments sponsors a defined contribution pension plan that covers regular full-time employees and part-time employees who, after six months of employment, work at least 1,000 hours per year. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Concho Valley Council of Governments shall contribute an amount equal to 14.65% if hired before 03/01/86, and 13.2% if hired after 03/01/86, of the employee’s base salary each month in the fiscal year ending September 30, 2008, computed using the following basis:

a. Basic contribution of 7% of the participant’s covered compensation.
b. Excess contribution for the employer’s portion of the social security tax.

Also, each participant may make a voluntary contribution of up to 10% of his or her compensation. Concho Valley Council of Government’s contribution for each employee and the investment earnings allocated to the employee’s account are fully vested after five years of service, attainment of normal retirement age, death, or disability. The Council’s contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the Council’s current period contribution requirement.

The Council’s contributions were calculated using the base salary amount of $2,662,386 for covered employees. Total salary for the year ended September 30, 2008, was $2,683,837. Concho Valley Council of Governments made the required contribution, amounting to $276,714.

Leases

The Council entered into a seven year operating lease incepting October 2006 for their office space. The Council leases other equipment on a month-to-month basis. Rental expense for the year ended September 30, 2008, totaled $182,802.

Future minimum lease payments are:

<table>
<thead>
<tr>
<th>Year Ending September 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$ 165,600</td>
</tr>
<tr>
<td>2010</td>
<td>$ 165,600</td>
</tr>
<tr>
<td>2011</td>
<td>$ 165,600</td>
</tr>
<tr>
<td>2012</td>
<td>$ 165,600</td>
</tr>
<tr>
<td>2013</td>
<td>$ 138,000</td>
</tr>
<tr>
<td></td>
<td><strong>$ 800,400</strong></td>
</tr>
</tbody>
</table>
3. DETAILED NOTES ON ALL FUNDS (continued)

Capital Assets

Capital asset activity for the year ended September 30, 2008, was as follows:

Governmental activities:

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance</th>
<th>Remove CVTD Assets</th>
<th>Increases</th>
<th>Decreases</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciable assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>$1,849,656</td>
<td>$(1,699,533)</td>
<td>$76,619</td>
<td>-</td>
<td>$226,742</td>
</tr>
<tr>
<td>Total</td>
<td>1,849,656</td>
<td>(1,699,533)</td>
<td>76,619</td>
<td>-</td>
<td>226,742</td>
</tr>
<tr>
<td>Less accumulated depreciation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>1,070,039</td>
<td>(1,001,674)</td>
<td>15,366</td>
<td>-</td>
<td>83,731</td>
</tr>
<tr>
<td>Total</td>
<td>1,070,039</td>
<td>(1,001,674)</td>
<td>15,366</td>
<td>-</td>
<td>83,731</td>
</tr>
<tr>
<td></td>
<td>$779,617</td>
<td>$(697,859)</td>
<td>61,253</td>
<td>-</td>
<td>$143,011</td>
</tr>
</tbody>
</table>

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

Governmental activities:

<table>
<thead>
<tr>
<th>Function</th>
<th>Depreciation Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Government</td>
<td>$8,765</td>
</tr>
<tr>
<td>Head Start</td>
<td>$4,133</td>
</tr>
<tr>
<td>Emergency Management</td>
<td>$315</td>
</tr>
<tr>
<td>911 Program</td>
<td>$2,153</td>
</tr>
<tr>
<td>Total depreciation expense - governmental activities</td>
<td>$15,366</td>
</tr>
</tbody>
</table>

Long-term Debt

A summary of long-term liability activity for the year ended September 30, 2008, is as follows:

Governmental activities:

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Deletions</th>
<th>Ending Balance</th>
<th>Amount Due in One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital leases</td>
<td>$44,399</td>
<td>- $16,862</td>
<td>$27,537</td>
<td>$8,822</td>
<td></td>
</tr>
<tr>
<td>Compensated absences</td>
<td>102,829</td>
<td>- 27,218</td>
<td>75,611</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>$147,228</td>
<td>- $44,080</td>
<td>$103,148</td>
<td>$8,822</td>
<td></td>
</tr>
</tbody>
</table>
3. DETAILED NOTES ON ALL FUNDS (continued)

Capital Leases

In August 2006, the Council entered into a capital lease agreement to purchase a Xerox copier. The lease will be paid in 60 monthly installments of $936. The interest rate applicable to the lease is 10.25%. Total interest expenditures under this obligation for 2008 were $3,272. The asset (equipment) under this lease is recorded at $43,825. Related amortization of this lease is recorded as depreciation expense.

Future minimum lease requirements are:

<table>
<thead>
<tr>
<th>Year Ending</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>September 30,</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>$ 11,237</td>
</tr>
<tr>
<td>2010</td>
<td>11,237</td>
</tr>
<tr>
<td>2011</td>
<td>9,364</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31,838</strong></td>
</tr>
<tr>
<td>Less: amount representing interest</td>
<td>4,301</td>
</tr>
<tr>
<td><strong>Capital Lease Payable</strong></td>
<td><strong>$ 27,537</strong></td>
</tr>
</tbody>
</table>

Nonmonetary Transactions

In-kind contributions are valued at their fair value at the date of service. These contributions totaled $1,477,272 for the fiscal year ended September 30, 2008.

4. PRIOR PERIOD ADJUSTMENT

In 2007, the revenues and expenses of the Concho Valley Transit District ("District") were reported with the Council's governmental activities. In 2008, the revenues and expenses of the District were reported in separately issued financial statements. As a result, the beginning net assets of the Council were decreased by $1,126,989 to remove the Concho Valley Transit District's net assets from the Council's previously reported net assets for 2007. Likewise, in the fund financial statements, the District's revenues, expenditures and fund balance were reported with the Council's in 2007. As a result, the beginning fund balance of the Council was decreased by $429,130 to remove the Concho Valley Transit District's fund balance from the Council's previously reported fund balance for 2007.

Prior to 2008, the net proceeds from the USDA revolving loan fund were reported as deferred revenue, including the interest income received from notes receivable that had not been loaned out yet. However, since the USDA revolving loan proceeds are to be used in perpetuity until the loan funds are exhausted, management believes that the appropriate accounting treatment of these funds is to be reported as fund equity rather than deferred revenue. As a result, a prior period adjustment was recorded to increase fund equity and decrease deferred revenue by $21,894 at October 1, 2007. Further, when the District's financial activity was separated from the Council's, the General Fund had a net deficit equity of $36,501. As a result, a prior period adjustment was recorded to recognize deferred revenue of $36,501 to eliminate the fund equity deficit.
SUPPLEMENTAL SCHEDULES
CONCHO VALLEY COUNCIL OF GOVERNMENTS

SCHEDULE OF REVENUE AND EXPENDITURES BY SOURCE - SPECIAL REVENUE FUNDS

YEAR ENDED SEPTEMBER 30, 2008

<table>
<thead>
<tr>
<th>Grant No.</th>
<th>State Administered Federal Funds</th>
<th>State</th>
<th>Total</th>
</tr>
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<tr>
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<td>911 FY 06-07</td>
<td>214</td>
<td>658,592</td>
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<tr>
<td>22</td>
<td>Aging FY 06-2007</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>24</td>
<td>Senior Comp Prg 04SCWTX002</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>26</td>
<td>Foster Grandparent Program 2006-07</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>27</td>
<td>THHS Community Outreach</td>
<td>-</td>
<td>31,998</td>
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<tr>
<td>28</td>
<td>State Health Dept. Pandemic Flu</td>
<td>1,210</td>
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</tr>
<tr>
<td>29</td>
<td>Homeland Security Jan-Dec 2007</td>
<td>33,222</td>
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</tr>
<tr>
<td>30</td>
<td>CERT 06-07</td>
<td>10,628</td>
<td>-</td>
</tr>
<tr>
<td>39</td>
<td>Regional Law Enf Night Academy</td>
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<tr>
<td>40</td>
<td>Economic Development District</td>
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<tr>
<td>50</td>
<td>USDA Loan Contract</td>
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<tr>
<td>55</td>
<td>Faith in Action</td>
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<td>1,146</td>
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<tr>
<td>56</td>
<td>211 Program Contracts</td>
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<tr>
<td>79</td>
<td>Regional Fire Fighting Academy</td>
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<td>90</td>
<td>Regional Law Enf Day Academy</td>
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<td>Head Start 07-08</td>
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<tr>
<td>103</td>
<td>911 FY 07-08</td>
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<td>CJ Regional Law Enforcement Tng 07-08</td>
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<td>44,592</td>
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<tr>
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<tr>
<td>503</td>
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<td>504</td>
<td>Foster Grandparent Program 2007-08</td>
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<tr>
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<td>211 Information and Referral</td>
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<td>Homeland Security Jan-Dec 2008</td>
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<td>Regional Planning</td>
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<td>Head Start 08-09</td>
<td>13,603</td>
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<td>911 Communication Services FY 08-09</td>
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<td>Brookdale Foundation</td>
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<td>Solid Waste FY 08-09</td>
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<td>535</td>
<td>Regional Planning FY 08-09</td>
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<td><strong>$ 2,435,101</strong></td>
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<td>Project Income</td>
<td>In-kind</td>
<td>Federal</td>
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<td>8,796</td>
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<td>76,826</td>
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<td>9,431</td>
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<td>121,347</td>
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<td>178,223</td>
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<tr>
<td>220</td>
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<td>1,332,403</td>
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<tr>
<td>-</td>
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</tr>
<tr>
<td>$ 409,023</td>
<td>$ 197,028</td>
<td>$ 1,472,272</td>
<td>$ 5,784,220</td>
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</table>
## SCHEDULE OF EXPENDITURES BY GRANT

**YEAR ENDED SEPTEMBER 30, 2008**

<table>
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<tr>
<th></th>
<th>911 Comm FY 06-07 013</th>
<th>Area Agency on Aging 06-07 022</th>
<th>Senior Companion FY 06-07 024</th>
<th>Community Based Outreach 027</th>
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<tbody>
<tr>
<td>Salaries</td>
<td>$</td>
<td>$</td>
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<td>5,779</td>
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<td>Workers Comp Insurance</td>
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<td>TEC Unemployment Insurance</td>
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<tr>
<td>Pension Plan</td>
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<td><strong>Total personnel</strong></td>
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<td>Indirect costs rate 12.12%</td>
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<td>Contract Services</td>
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<tr>
<td>Head Start Delegate Agency</td>
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<td>Physicals</td>
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<tr>
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</tr>
<tr>
<td>Assn Dues &amp; Fees</td>
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<tr>
<td>Recognition</td>
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<tr>
<td>InKind</td>
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</tr>
<tr>
<td><strong>Total expenditures</strong></td>
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<td>$128</td>
<td>$31,998</td>
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(continued)

28
## CONCHO VALLEY COUNCIL OF GOVERNMENTS

### SCHEDULE OF EXPENDITURES BY GRANT
(Continued)

**YEAR ENDED SEPTEMBER 30, 2008**

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(continued)
## CONCHO VALLEY COUNCIL OF GOVERNMENTS

### SCHEDULE OF EXPENDITURES BY GRANT

(Continued)

**YEAR ENDED SEPTEMBER 30, 2008**

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(continued)

32
**CONCHO VALLEY COUNCIL OF GOVERNMENTS**

**SCHEDULE OF EXPENDITURES BY GRANT**

*(Continued)*

**YEAR ENDED SEPTEMBER 30, 2008**

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## SCHEDULE OF INDIRECT COSTS

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<td>Dues / Fees</td>
<td>10,000</td>
</tr>
<tr>
<td>Communication</td>
<td>8,000</td>
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<tr>
<td>Postage Freight</td>
<td>10,000</td>
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<tr>
<td>Other</td>
<td>550</td>
</tr>
<tr>
<td><strong>Less CVCOG Membership Dues</strong></td>
<td>(14,270)</td>
</tr>
<tr>
<td><strong>Sub-Total Indirect Expenses</strong></td>
<td><strong>161,358</strong></td>
</tr>
<tr>
<td><strong>GRAND TOTAL INDIRECT COSTS</strong></td>
<td><strong>514,662</strong></td>
</tr>
</tbody>
</table>

**TOTAL PROGRAM PERSONNEL COSTS** $4,246,519

**INDIRECT COST RATE** 12.12%

**Basis for Allocation of Indirect Costs:**
Total Indirect Costs divided by Total Program Personnel Costs
SINGLE AUDIT SECTION
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

To the Board of Directors
Concho Valley Council of Governments
San Angelo, Texas

We have audited the financial statements of the governmental activities and each major fund of the Concho Valley Council of Governments (the "Council") as of and for the year ended September 30, 2008, which collectively comprise the Center's basic financial statements and have issued our report thereon dated January 28, 2009. 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.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered the Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Council's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Council's financial statements that is more than inconsequential will not be prevented or detected by the Council's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Council's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.
Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Council’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Directors, management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Davis, Kinard & Co., P.C.

DAVIS, KINARD & CO., P.C.

Abilene, Texas
January 28, 2009
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

To the Board of Directors
Concho Valley Council of Governments
San Angelo, Texas

Compliance
We have audited the compliance of Concho Valley Council of Governments (the “Council”) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the State of Texas Single Audit Circular (TSAC) that are applicable to each of its major federal and state programs for the year ended September 30, 2008. The Council’s major federal and state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Council’s management. Our responsibility is to express an opinion on the Council’s compliance based on our audit.

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; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State of Texas Single Audit Circular. Those standards and circulars require that we plan and perform our audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Council’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Council’s compliance with those requirements.

In our opinion, the Council complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended September 30, 2008.

Internal Control Over Compliance
The management of the Council is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Council’s internal control over compliance with requirements that could have a direct and material effect on a major federal and state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council’s internal control over compliance.
A control deficiency in an entity’s internal control over compliance 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 noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Council’s ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the Council’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the Council’s internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Davis, Kinard & Co., P.C.

DAVIS, KINARD & CO., P.C.

Abilene, Texas
January 28, 2009
<table>
<thead>
<tr>
<th>Federal Grantor/Pass-through Grantor/Fund Number/Program Title</th>
<th>Grant Number</th>
<th>CFDA Number</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</strong></td>
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<tr>
<td>Passed-through Office of Rural Community Affairs:</td>
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<tr>
<td>511 CEDA 07/08</td>
<td>C77204</td>
<td>14.228</td>
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<tr>
<td>Total Passed through Texas Office of Rural Community Affairs</td>
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<tr>
<td>Total U. S. Department of Housing and Urban Development</td>
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<tr>
<td><strong>U. S. DEPARTMENT OF JUSTICE</strong></td>
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<tr>
<td>Passed-through Texas Criminal Justice Division:</td>
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<tr>
<td>502 C. J. Juvenile Justice Purchase of Service 07/08</td>
<td>14843-06</td>
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<tr>
<td>Total Passed through Texas Criminal Justice Division</td>
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<tr>
<td>Total U. S. Department of Justice</td>
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<td>22,957</td>
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<td><strong>U. S. DEPARTMENT OF EDUCATION</strong></td>
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<tr>
<td>Passed-through Texas Criminal Justice Division:</td>
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<tr>
<td>Total Passed through Texas Criminal Justice Division</td>
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<td><strong>U. S. DEPARTMENT OF HOMELAND SECURITY</strong></td>
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<tr>
<td>Passed-through Governor's Division of Emergency Management:</td>
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<td></td>
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<tr>
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<td>2005-HSGP-99007</td>
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<tr>
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<td>97.073</td>
<td>33,222</td>
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<td>Total Passed-through Governor's Division of Emergency Management</td>
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<td>275,054</td>
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<tr>
<td>Passed-through Texas Department of State Health Services:</td>
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<td></td>
</tr>
<tr>
<td>028 Pandemic Flu</td>
<td>93.283</td>
<td></td>
<td>1,210</td>
</tr>
<tr>
<td>516 Pandemic Flu</td>
<td>2008-025344-001</td>
<td>93.283</td>
<td>34,353</td>
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<tr>
<td>Total Passed-through Texas Department of State Health Services</td>
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<td>35,563</td>
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<tr>
<td>Total U. S. Department of Homeland Security</td>
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<td>310,617</td>
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CONCHO VALLEY COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
(continued)
YEAR ENDED SEPTEMBER 30, 2008

<table>
<thead>
<tr>
<th>Federal Grantor/Pass-through Grantor/Fund Number/Program Title</th>
<th>Grant Number</th>
<th>CFDA Number</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed-through Texas Department of Aging and Disability Services:</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>510   Aging 07/08:</td>
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<tr>
<td>Title VII, EAP-Prevention of Elder Abuse</td>
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<td>Title VII, OAG-Long Term Care</td>
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<td>93.042</td>
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<tr>
<td>Title III, Part D National Fam. Caregiver Support Program</td>
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<td>93.043</td>
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<td>Title III, Part B-Svs Assist Ind Living</td>
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<td>93.044</td>
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<tr>
<td>Title III, C-Nutrition Services</td>
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<td>93.045</td>
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<td>Access &amp; Assist Cor-CMS</td>
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<td>93.779</td>
<td>100,549</td>
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<td>93.053</td>
<td>88,101</td>
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<tr>
<td>502   Aging 06/07:</td>
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<td></td>
</tr>
<tr>
<td>Title III, Part B-Svs Assist Ind Living</td>
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<td>93.044</td>
<td>214</td>
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<tr>
<td>Total Passed-through Texas Department of Aging and Disability Services</td>
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<td>1,027,592</td>
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<tr>
<td>Passed-through Texas 211 Program:</td>
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<tr>
<td>533   211 Child Care Contract</td>
<td>529-07-0105-00006</td>
<td>93.575</td>
<td>15,908</td>
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<td>505   211 Child Care Contract</td>
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<td>93.575</td>
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<td>Total Passed-through Texas 211 Program</td>
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<td>210,538</td>
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<td>Direct Program:</td>
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<td></td>
</tr>
<tr>
<td>100   Head Start-Office of Children &amp; Families 07/08</td>
<td>06CH7039/04</td>
<td>93.600</td>
<td>3,856,862</td>
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<tr>
<td>520   Head Start-Office of Children &amp; Families 08/09</td>
<td>06CH7039/05</td>
<td>93.600</td>
<td>1,332,404</td>
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<tr>
<td>Total Direct Program</td>
<td></td>
<td></td>
<td>5,189,266</td>
</tr>
<tr>
<td>Total U.S. Department of Health and Human Services</td>
<td></td>
<td></td>
<td>6,427,396</td>
</tr>
</tbody>
</table>

**CORPORATION FOR NATIONAL AND COMMUNITY SERVICE**

Direct Program:
| 026 Foster Grandparent Program 06/07                         | 04SFWTX003  | 94.011      | (1,281)      |
| 024 Senior Companion Program 06/07                          | 04SCWTX002  | 94.016      | 1,346        |
| 503 Senior Companion Program 07/08                          | 07SCWTX003  | 94.016      | 230,210      |
| 503 Senior Companion Program 07/08                          | 07SZWTX008  | 94.016      | 5,381        |
| 504 Foster Grandparent Program 07/08                         | 07SFWTX004  | 94.011      | 354,299      |
| 504 Foster Grandparent Program 07/08                         | 07FZWTX002  | 94.011      | 5,000        |

Total Corporation for National and Community Service          |              |             | 594,955      |
# SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
## CONCHO VALLEY COUNCIL OF GOVERNMENTS
### YEAR ENDED SEPTEMBER 30, 2008

<table>
<thead>
<tr>
<th>Federal Grantor/Pass-through Grantor/Fund Number/Program Title</th>
<th>Grant Number</th>
<th>CFDA Number</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passed-through Texas Health and Human Services Commission:</td>
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<td></td>
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<tr>
<td>520 Child Food Service Program</td>
<td>75-Q2002</td>
<td>10.558</td>
<td>$13,603</td>
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<tr>
<td>100 Child Food Service Program</td>
<td>75-Q2002</td>
<td>10.558</td>
<td>127,491</td>
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<td><strong>Total Passed-through Texas Health and Human Services Commis</strong></td>
<td></td>
<td></td>
<td><strong>141,094</strong></td>
</tr>
<tr>
<td><strong>Total U. S. Department of Agriculture</strong></td>
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<tr>
<td><strong>Total Federal Awards</strong></td>
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<td><strong>7,538,641</strong></td>
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<tr>
<td>State Grantor/Fund Number/Program Title</td>
<td>Grant Number</td>
<td>Expenditures</td>
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</tr>
<tr>
<td>-----------------------------------------------------------------------------</td>
<td>--------------------</td>
<td>--------------</td>
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</tr>
<tr>
<td><strong>COMMISSION ON STATE EMERGENCY COMMUNICATIONS</strong></td>
<td>N/A</td>
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<tr>
<td>013  911 Project 06/07</td>
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<tr>
<td>103  911 Project 07/08</td>
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<tr>
<td>521  911 Project 08/09</td>
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<td>Total Commission on State Emergency Communications</td>
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<tr>
<td><strong>CRIMINAL JUSTICE DIVISION</strong></td>
<td>SF-09-197-14413-09</td>
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<tr>
<td>531  C. J. Planning 08/09</td>
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<tr>
<td>529  C. J. Regional Law Enforcement Training 08/09</td>
<td>SF-08-197-14413-09</td>
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<td>512  C. J. Planning 07/08</td>
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<td>501  C. J. Regional Law Enforcement Training 07/08</td>
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<td>61,973</td>
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<td>517  Regional Planning 07/08</td>
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<tr>
<td>535  Regional Planning 08/09</td>
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<td>Total Criminal Justice Division</td>
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<tr>
<td><strong>TEXAS DEPARTMENT OF AGING AND DISABILITY SERVICES</strong></td>
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<tr>
<td>510  Aging Program 07/08</td>
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<tr>
<td>Total Texas Department of Aging and Disability Services</td>
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<td><strong>TEXAS COMMISSION ON ENVIRONMENTAL QUALITY</strong></td>
<td>582-8-86686</td>
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<td>506  Regional Solid Waste Grant 07/08</td>
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<td>534  Regional Solid Waste Grant 08/09</td>
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<td>027  THHS Community Outreach</td>
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<td>056  Database 211</td>
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<td>056  Database 211</td>
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<td>Total Federal and State Awards</td>
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<td>$9,973,742</td>
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CONCHO VALLEY COUNCIL OF GOVERNMENTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2008

1. GENERAL

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of Concho Valley Council of Governments. Federal and state awards received directly from federal and state agencies, as well as federal awards passed through other government agencies, are included on the Schedule of Expenditures of Federal and State Awards.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal and State Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations* and the State of Texas Single Audit Circular. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
A. Summary of Auditor’s Results

1. The auditor’s report expresses an unqualified opinion on the basic financial statements of Concho Valley Council of Governments.

2. No significant deficiencies relating to the audit of the financial statements are reported in the 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.

3. No instances of noncompliance material to the financial statements of Concho Valley Council of Governments were disclosed during the audit.

4. No significant deficiencies relating to the audit of major federal and state award programs is reported in the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 and the State of Texas Single Audit Circular.

5. The auditor’s report on compliance for the major federal and state award programs for Concho Valley Council of Governments expresses an unqualified opinion.

6. There were no audit findings relative to major federal or state award programs required to be reported under Section 510(a) of OMB Circular A-133 and the State of Texas Single Audit Circular.

7. The programs tested as major federal and state award programs were:
   
   Federal- Aging Cluster- CFDA #93.044/93.045/93.053 Special Programs For The Aging-Title III and Nutrition Services Incentive Program
   Federal- CFDA #93.600 Head Start
   Federal- Foster Grandparent and Senior Companion Cluster- CFDA #94.011 Foster Grandparent Program, Federal CFDA #94.016 Senior Companion Program
   State- Commission on State Emergency Communications – 911 Project

8. The threshold for distinguishing Types A and B programs was $300,000 for federal and state award programs.

9. Concho Valley Council of Governments did qualify as a low risk auditee.

B. Findings Required to be Reported in Accordance with Government Auditing Standards

None.

C. Findings and Questioned Costs – Major Federal and State Award Programs

None.
CONCHO VALLEY COUNCIL OF GOVERNMENTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2008

N/A - There were no findings reported in the prior year.