



**CONCHO VALLEY  
COUNCIL OF GOVERNMENTS**  
*San Angelo, Texas*

***ANNUAL FINANCIAL REPORT***  
**SEPTEMBER 30, 2017**

**CONCHO VALLEY COUNCIL OF GOVERNMENTS**  
*ANNUAL FINANCIAL REPORT*  
*SEPTEMBER 30, 2017*

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## **Financial Section**

March 2, 2018

**Independent Auditor's Report on Financial Statements**

Executive Committee  
Concho Valley Council of Governments  
2801 W. Loop 306, Suite A  
San Angelo, Texas 76904

Members of the Executive Committee:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the major fund, and the discretely presented component unit of Concho Valley Council of Governments as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the discretely presented component unit of Concho Valley Council of Governments as of September 30, 2017, and the respective changes in financial position, for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Changes in Net Pension Liability and Related Ratios – Pension Plan and Schedule of Contributions – Pension Plan on pages 3-7 and 29-30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The other supplementary information and Schedule of Expenditures of Federal Awards, as required by title 2 U.S. Code of Federal Regulations (CFR) part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2018 on our consideration of the Concho Valley Council of Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Concho Valley Council of Government's internal control over financial reporting and compliance.

*Condly and Company, L.L.P.*

Certified Public Accountants

**Management's Discussion and Analysis  
Required Supplementary Information**

## CONCHO VALLEY COUNCIL OF GOVERNMENTS

### MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2017

Our discussion and analysis of **Concho Valley Council of Governments' (Council)** financial performance provides an overview of the Council's financial activities for the fiscal year ended September 30, 2017.

#### FINANCIAL HIGHLIGHTS

- The Council's net position was \$518,505 and \$323,025 at September 30, 2017 and 2016, respectively.
- The Council's revenues totaled \$13,673,656 and \$13,842,907 for the years ended September 30, 2017 and 2016, respectively. Expenses totaled \$13,478,176 and \$13,701,656 for the years ended September 30, 2017 and 2016, respectively. Net assets increased \$195,480 and \$141,251 for the years ended September 30, 2017 and 2016, respectively.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

The Council's financial statements consist of four parts – management's discussion and analysis (this section), the basic financial statements, other required supplementary information, and other supplementary information that present expenditures by grant program, indirect costs, and fringe benefit schedules. These financial statements and related notes provide information about the activities of the Council, including resources held by the Council but restricted for specific purposes by grantors, contributors, or enabling legislation.

The basic financial statements include two kinds of statements that present different views of the Council:

- The first two statements are *government-wide statements* that provide both *long-term* and *short-term* information about the Council's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Council, reporting the Council's operations in *more* detail than the government-wide statements.
  - The *governmental* fund statements present how *general government* services were financed in the *short term* as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. Required supplementary information includes management's discussion and analysis and schedule of funding progress for the Council's pension plan. *Other supplementary information* includes expenditures by grant program, indirect costs, and fringe benefit schedules. The following summarizes the major features of the Council's financial statements, including the portion of the Council's operations they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

| Type of Statement                      | Government-Wide  | Governmental Funds  |
|--|--|---|
| Scope                                  | Entire Agency<br>(except fiduciary funds)  | The activities of the Council that are not proprietary or fiduciary   |
| Required financial Statements          | Statement of net position<br>Statement of activities                               | Balance sheet<br>Statement of revenues, expenditures & changes in fund balances   |
| Accounting basis and measurement focus | Accrual accounting and economic measurement focus                                  | Modified accrual accounting and current measurement focus   |
| Asset/liability Information            | All assets and liabilities, both financial and capital – short-term and long-term  | Only assets expected to be used up & liabilities that come due during the year or 60 days thereafter, no capital assets included  |
| In flow/out flow Information           | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during year or 60 days after the end of year, expenditures when goods or services have been received and payment is due during the year or 60 days thereafter |

### Government-Wide Statements

The government-wide statements report information about the Council as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the entity's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Council's *net position* and how it has changed. *Net position*, the difference between the Council's assets and liabilities, is one way to measure the Council's financial health or *position*.

- Over time, increases or decreases in the Council's net position *could* be an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Council, you need to consider additional non-financial factors.

The government-wide financial statements of the Council include:

- *Governmental activities* – All of the Council's services are included here. Federal, state, and local grants finance the primary activities.

### Fund Financial Statements

The fund financial statements provide more detailed information about the Council's most significant funds, not the Council as a whole. Funds are accounting devices that the Council uses to keep track of specific sources of funding and spending for particular purposes.

- *Governmental funds* – All of the Council's services are included in governmental funds, which focus on (1) how *cash* and *other financial assets* that can be readily converted to cash flow in and out and (2) the balances left at year-end that are available for spending.

Consequently, the governmental fund statements provide a *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Council's programs.

## FINANCIAL ANALYSIS OF THE COUNCIL AS A WHOLE – GOVERNMENT WIDE FINANCIAL STATEMENTS

**Net Position** - The Council's net position is the difference between its assets and liabilities reported in the Statement of Net Position. The Council's net position was \$518,505 and \$323,025 at September 30, 2017 and 2016, respectively.

### Assets, Liabilities, and Net Position – Governmental Activities

|  | 2017                | 2016                |
|--|---------------------|---------------------|
| <b>Assets:</b>                                     |                     |                     |
| Other current and non-current assets               | \$ 2,430,625        | \$ 2,531,168        |
| Capital assets, net                                | 129,243             | 149,842             |
| Total assets                                       | <u>\$ 2,559,868</u> | <u>\$ 2,681,010</u> |
| <b>Deferred Outflows of Resources:</b>             |                     |                     |
| Deferred outflows of resources related to pensions | \$ 636,489          | \$ 719,748          |
| Total deferred outflows of resources               | <u>\$ 636,489</u>   | <u>\$ 719,748</u>   |
| <b>Liabilities:</b>                                |                     |                     |
| Pension and other long-term liabilities            | \$ 452,530          | \$ 732,397          |
| Other current and non-current liabilities          | 1,811,245           | 1,881,595           |
| Total liabilities                                  | <u>\$ 2,263,775</u> | <u>\$ 2,613,992</u> |
| <b>Deferred Inflows of Resources:</b>              |                     |                     |
| Deferred inflows of resources related to pensions  | \$ 414,077          | 463,741             |
| Total deferred inflows of resources                | <u>\$ 414,077</u>   | <u>463,741</u>      |
| <b>Net position:</b>                               |                     |                     |
| Net investment in capital assets                   | \$ 129,243          | \$ 149,842          |
| Restricted for federal and state programs          | 28,005              | 29,925              |
| Unrestricted, undesignated                         | 361,257             | 143,258             |
| Total net position                                 | <u>\$ 518,505</u>   | <u>\$ 323,025</u>   |

Current assets decreased from 2016 to 2017 mainly due to timing of 9-1-1 cash. Total liabilities decreased largely due to a decrease in the net pension liability of \$279,866. Deferred outflows and inflows of resources related to pensions decreased due to a reduction of outflows and inflows related to the pension plan, and capital assets decreased due to depreciation expenditures surpassing purchases for 2017.

## OPERATING RESULTS AND CHANGES IN THE COUNCIL'S NET POSITION

The Council's total revenues were \$13,673,656 for the year ended September 30, 2017. In the 2017 fiscal year, approximately 58% of the Council's revenue came from federal grants or federal grants passed through the state, 23% from state grants, 15% from matching and in-kind, 2% from local funds and the remainder is from program income, government membership dues, and other miscellaneous revenue.

## Changes in Net Position

|                                   | 2017              | 2016              |
|-----------------------------------|-------------------|-------------------|
| Revenues:                         |                   |                   |
| Federal grants                    | \$ 7,944,496      | \$ 7,885,471      |
| State grants                      | 3,096,244         | 2,860,679         |
| Local funds                       | 256,260           | 227,577           |
| Matching / in-kind                | 2,065,517         | 2,600,422         |
| Other local funds:                |                   |                   |
| Program income                    | 204,881           | 168,527           |
| Membership dues                   | 106,183           | 99,582            |
| Interest and miscellaneous        | 75                | 649               |
| Total revenues                    | <u>13,673,656</u> | <u>13,842,907</u> |
| Expenses:                         |                   |                   |
| General government                | (138,420)         | 36,536            |
| Family and children services      | 7,884,777         | 8,287,130         |
| Aging services                    | 2,231,334         | 2,251,138         |
| Emergency communications          | 2,714,406         | 2,437,283         |
| Emergency management              | 152,489           | 186,097           |
| Criminal justice                  | 247,098           | 237,589           |
| Community and environmental       | 182,965           | 78,215            |
| Information and referral          | 203,527           | 187,668           |
| Total expenses                    | <u>13,478,176</u> | <u>13,701,656</u> |
| Increase in net position          | 195,480           | 141,251           |
| Net position at beginning of year | <u>323,025</u>    | <u>181,774</u>    |
| Net position end of year          | \$ <u>518,505</u> | \$ <u>323,025</u> |

Programs experienced increases or decreases typical to cyclical funding which caused increases or decreases in expenses proportionately. Changes in Matching / In-Kind are due to changes in reporting measure requirements at Senior Nutrition Centers.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2017 and 2016 respectively, the Council had \$129,243 and \$149,842 invested in capital assets, net of accumulated depreciation.

See Note 4 to the financial statements for additional information regarding capital assets.

## OTHER ECONOMIC FACTORS

Overall, the program funding environment for the Council's operations was relatively stable during the period covered by the annual financial report. Funding fluctuations as discussed above are a pattern typical of the Council funding over many years.

## **CONTACTING THE COUNCIL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, granting agencies, suppliers, taxpayers, and creditors with a general overview of the Council's finances and to show the Council's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Council's Administrative Offices.

## **Basic Financial Statements**

**CONCHO VALLEY COUNCIL OF GOVERNMENTS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

|  | Primary<br>Government      | Component Unit   |
|--|----------------------------|--|
|  | Governmental<br>Activities | Concho Valley<br>Economic<br>Development<br>District, Inc. |
| <b>ASSETS</b>                                      |                            |  |
| Cash   | \$ 1,262,643               | \$ 182,181   |
| Investments  | 49,299                     |  |
| Receivables:                                       |                            |  |
| Grants   | 851,782                    | 15,000   |
| Other  | 251,625                    |  |
| Notes receivable, current                          |                            | 128,462  |
| Prepaid expenses                                   | 15,276                     |  |
| Notes receivable, long-term                        |                            | 75,140   |
| Capital assets:                                    |                            |  |
| Leasehold improvements                             | 75,000                     |  |
| Equipment  | 623,084                    |  |
| Less: accumulated depreciation                     | (568,841)                  |  |
| Total Assets                                       | 2,559,868                  | 400,783  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>              |                            |  |
| Deferred outflows of resources related to pensions | 636,489                    |  |
| Total Deferred Outflows of Resources               | 636,489                    | -  |
| <b>LIABILITIES</b>                                 |                            |  |
| Accounts payable                                   | 709,154                    |  |
| Payroll payable                                    | 296,759                    |  |
| Due to primary government                          |                            | 9,674  |
| Unearned revenue                                   | 711,531                    | 89,825   |
| Due to other local organizations                   | 93,801                     |  |
| Compensated absences                               | 142,247                    |  |
| Net pension liability                              | 310,283                    |  |
| Total Liabilities                                  | 2,263,775                  | 99,499   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>               |                            |  |
| Deferred inflows of resources related to pensions  | 414,077                    | -  |
| Total Deferred Outflows of Resources               | 414,077                    | -  |
| <b>NET POSITION</b>                                |                            |  |
| Net investment in capital assets                   | 129,243                    |  |
| Restricted for federal and state programs          | 28,005                     |  |
| Unrestricted, undesignated                         | 361,257                    | 301,284  |
| Total Net Position                                 | \$ 518,505                 | \$ 301,284   |

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

**CONCHO VALLEY COUNCIL OF GOVERNMENTS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

| Functions/Programs                                | Expenses          | Indirect Cost<br>Allocation | Expenses After<br>Allocation of<br>Indirect Costs |
|---|-------------------|-----------------------------|---|
| <b>GOVERNMENTAL ACTIVITIES</b>                    |                   |                             |   |
| General government                                | \$ (138,420)      | \$ -                        | \$ (138,420)                                      |
| Family and children services                      | 7,626,674         | 258,103                     | 7,884,777   |
| Aging services                                    | 2,144,314         | 87,020                      | 2,231,334   |
| Emergency communications                          | 2,655,655         | 58,751                      | 2,714,406   |
| Emergency management                              | 139,464           | 13,025                      | 152,489   |
| Criminal justice                                  | 231,256           | 15,842                      | 247,098   |
| Community and environmental                       | 174,076           | 8,889                       | 182,965   |
| Information and referral                          | 181,042           | 22,485                      | 203,527   |
| Indirect costs                                    | 464,115           | (464,115)                   | -   |
| Total Governmental Activities                     | <u>13,478,176</u> | <u>-</u>                    | <u>13,478,176</u>                                 |
| <b>COMPONENT UNIT</b>                             |                   |                             |   |
| Concho Valley Economic Development District, Inc. | <u>88,831</u>     | <u>-</u>                    | <u>88,831</u>                                     |
| Total Component Unit                              | <u>88,831</u>     | <u>-</u>                    | <u>88,831</u>                                     |

General Revenues:  
Membership dues  
Unrestricted investment earnings

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

|                         |  | Net (Expense) Revenues and Changes<br>in Net Position |   |
|-------------------------|--|---|---|
| Program Revenues        |  | Primary Government                                    | Component Unit  |
| Charges for<br>Services | Operating<br>Grants and<br>Contributions | Governmental<br>Activities                            | Concho Valley<br>Economic Development<br>District, Inc. |
| \$ -                    | \$ 24,303                                | \$ 162,723  | \$ -  |
| -                       | 7,876,287                                | (8,490)   | -   |
| 325,999                 | 1,874,723                                | (30,612)  | -   |
| -                       | 2,719,548                                | 5,142   | -   |
| -                       | 149,112                                  | (3,377)   | -   |
| 42,122                  | 162,081                                  | (42,895)  | -   |
| -                       | 190,409                                  | 7,444   | -   |
| -                       | 202,814                                  | (713)   | -   |
| -                       | -  | -   | -   |
| <u>368,121</u>          | <u>13,199,277</u>                        | <u>89,222</u>   | <u>-</u>  |
| <u>36,143</u>           | <u>60,000</u>                            | <u>-</u>  | <u>7,312</u>  |
| <u>36,143</u>           | <u>60,000</u>                            | <u>-</u>  | <u>7,312</u>  |
|                         |  | 106,183   | -   |
|                         |  | <u>75</u>   | <u>-</u>  |
|                         |  | <u>106,258</u>  | <u>-</u>  |
|                         |  | 195,480   | 7,312   |
|                         |  | <u>323,025</u>  | <u>293,972</u>  |
|                         |  | <u>\$ 518,505</u>                                     | <u>\$ 301,284</u>                                       |

**CONCHO VALLEY COUNCIL OF GOVERNMENTS****BALANCE SHEET - GOVERNMENTAL FUNDS****SEPTEMBER 30, 2017**

|  | <u>General<br/>Fund</u>        |
|--|--------------------------------|
| <b>ASSETS</b>  |                                |
| Cash   | \$ 1,262,643                   |
| Investments  | 49,299                         |
| Receivables:   |                                |
| Grants   | 851,782                        |
| Other  | 251,625                        |
| Prepaid expenses                                       | <u>15,276</u>                  |
| <br>Total Assets                                       | <br>\$ <u><u>2,430,625</u></u> |
| <b>LIABILITIES AND FUND BALANCE</b>                    |                                |
| Liabilities:   |                                |
| Accounts payable                                       | \$ 709,154                     |
| Payroll payable  | 296,759                        |
| Unearned revenue                                       | 711,531                        |
| Due to other local organizations                       | <u>93,801</u>                  |
| <br>Total Liabilities                                  | <br><u>1,811,245</u>           |
| Fund Balance:  |                                |
| Nonspendable fund balance                              | 15,276                         |
| Restricted fund balance for federal and state programs | 28,005                         |
| Assigned fund balance for:                             |                                |
| Aging services   | 17,757                         |
| Emergency management                                   | 14,013                         |
| Criminal justice                                       | 224,351                        |
| Community and environmental                            | 58,836                         |
| Information referral                                   | 45,163                         |
| Unassigned fund balance                                | <u>215,979</u>                 |
| <br>Total Fund Balance                                 | <br><u>619,380</u>             |
| <br>Total Liabilities and Fund Balance                 | <br>\$ <u><u>2,430,625</u></u> |

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

**CONCHO VALLEY COUNCIL OF GOVERNMENTS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

|  |    |                       |
|--|----|-----------------------|
| Total fund balances - governmental funds balance sheet   | \$ | 619,380               |
| Amounts reported for governmental activities in the Statement of Net Position are different because: |    |                       |
| Deferred outflows of resources related to pensions are not reported in the funds.                    |    | 636,489               |
| Capital assets used in governmental activities are not reported in the funds.                        |    | 129,243               |
| Liabilities for compensated absences are not reported in the funds.                                  |    | (142,247)             |
| Net pension liability is not reported in the funds.  |    | (310,283)             |
| Deferred inflows of resources related to pensions are not reported in the funds.                     |    | <u>(414,077)</u>      |
| Net position of governmental activities - Statement of Net Position                                  | \$ | <u><u>518,505</u></u> |

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

**CONCHO VALLEY COUNCIL OF GOVERNMENTS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|  | General<br>Fund |
|--|-----------------|
| <b>Revenues</b>  |                 |
| Federal grants   | \$ 7,944,496    |
| State grants   | 3,096,244       |
| Local funds:   |                 |
| Program income   | 204,881         |
| Membership dues  | 106,183         |
| Other local revenues   | 256,260         |
| Interest income  | 75              |
|  | <hr/>           |
| Total revenues   | 11,608,139      |
|  | <hr/>           |
| <b>Expenditures</b>  |                 |
| General government   | 100,601         |
| Family and children services   | 7,876,287       |
| Aging services   | 2,231,334       |
| Emergency communications   | 2,719,548       |
| Emergency management   | 142,489         |
| Criminal justice   | 247,098         |
| Community and environmental  | 182,965         |
| Information and referral   | 203,527         |
|  | <hr/>           |
| Total expenditures   | 13,703,849      |
|  | <hr/>           |
| Defecit of revenues over expenditures  | (2,095,710)     |
|  |                 |
| <b>Other Sources</b>   |                 |
| Match / in-kind  | 2,065,517       |
|  | <hr/>           |
| Total other sources  | 2,065,517       |
|  | <hr/>           |
| Defecit of revenues and other sources over<br>expenditures and other sources | (30,193)        |
|  | <hr/>           |
| Fund balances, October 1   | 649,573         |
|  | <hr/>           |
| Fund balances, September 30  | \$ 619,380      |
|  | <hr/> <hr/>     |

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

**CONCHO VALLEY COUNCIL OF GOVERNMENTS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|   |                          |
|---|--------------------------|
| Net change in fund balances - total governmental funds  | \$ (30,193)              |
| Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:  |                          |
| Governmental funds report capital outlays as expenditures, but shown as increases in capital assets.  | 45,916                   |
| Depreciation is not recognized as an expense in governmental funds since it does not require use of current financial resources.  | (66,515)                 |
| The change in net pension liability and the related deferred outflows and inflows of resources reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as an expenditure in the governmental funds. | <u>246,272</u>           |
| Change in net assets of governmental activities - Statement of Activities   | \$ <u><u>195,480</u></u> |

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

**CONCHO VALLEY COUNCIL OF GOVERNMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**Note 1: Summary of Significant Accounting Policies**

The financial statements of Concho Valley Council of Governments (the Council or CVCOG) have been prepared in conformity with the accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Concho Valley Council of Governments (the Council or CVCOG) is a voluntary association of cities, counties, school districts, and special districts within the thirteen county Concho Valley of Texas region. The Council was established to assist local government in planning common needs, cooperating for mutual benefit, and coordinating for sound regional development. CVCOG is a political subdivision of the State of Texas under Article 391 of the Texas Local Government Code. The basic operations of the Council are financed by membership dues and by financial assistance provided by federal and state grants, and other local funds. The Council serves as fiscal agent for the Concho Valley Transit District.

*Reporting Entity*

The Council's basic financial statements include the accounts of all its operations. The Council evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the Council's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity", include whether:

- the organization is legally separate (can sue or be sued in its name)
- the Council holds the corporate powers of the organization
- the Council appoints a voting majority of the organization's board
- the Council is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Council
- there is fiscal dependency by the organization on the Council
- the exclusion of the organization would result in misleading or incomplete financial statements

Membership in the CVCOG is voluntary. Any county, city, or special purpose district within the Concho Valley of Texas 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 voting representative on the Council's Board of Directors which is the Council's governing board. Each year the Board of Directors elects a sixteen (16) member Executive Committee which is the policy making and oversight body of the Council.

*Discretely Presented Component Unit*

The Concho Valley Economic Development District, Inc. (the District) is a nonprofit organization whose primary purpose and objectives are to further economic development and social welfare in the Concho Valley by promoting and assisting the economic growth and development of this geographic region. The principal objectives of the District are to increase the employment opportunities of the unemployed and underemployed through expansion of the business and industry base within the economy.

The Council appoints a voting majority of the governing body of the District and is able to impose its will on the District by significantly influencing the programs, projects, activities and level of service performed by the District.

The District has a June 30 fiscal year end. Accordingly, the financial information included in this report for the District is as of and for the fiscal year ended June 30, 2017. This disparity in fiscal year within the reporting entity can cause differences between how balances and activities are reported between the primary government and the discretely presented component unit. For example, in the Statement of Net Position, amounts reported for "Due from component unit" may not agree to amounts reported as "Due to primary government".

#### *Basis of Presentation, Basis of Accounting*

##### **a. Basis of Presentation**

**Government-wide Statements:** The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities (if any). Eliminations have been made to minimize the double-counting of internal activities. Government activities generally are financed through memberships, federal, state, and local grants and other miscellaneous transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Council's government activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the Council's funds with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Council reports the following governmental funds:

**General Fund:** This fund is used to account for all activities of the primary government.

##### **b. Measurement Focus, Basis of Accounting**

**Government-wide Financial Statements:** These financial statements are reported using the economic resources measurement focus. They are reported using accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. The major sources of revenue are federal and state grants, member government dues, local contributed cash, contributed services, and other revenue as discussed below:

###### Federal and State Grant Revenues

Recognized when program expenditures are incurred in accordance with program guidelines.

###### Member Government Dues

Recognized as revenue when assessed as they are measurable and are collectible within the current period. Dues may be used to meet the matching requirements of the grants, if necessary.

###### Local Contributed Cash

Contributions to grant programs from local governments and other participants are recognized when grant expenditures are incurred.

###### In-Kind Contributed Services

Local contributions, which include contributed services by individuals, private organizations and local governments, are used to match federal funding on various grants. Contributed services are therefore reflected as revenue and expenditures in accordance with legal requirements of the

individual grants. The amounts of such services are recorded at their estimated fair values at date of receipt.

#### Other Revenues

Other revenues are composed primarily of interest and miscellaneous charges for services. Interest income is recorded as earned. Miscellaneous charges for services are recorded as revenue when received in cash because they are generally not measurable until actually received.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Council considered all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues received from Federal and State grants are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the Council incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the Council's policy to use restricted resources first, then unrestricted resources.

#### *Assets, Liabilities, and Net Position or Fund Balance*

##### a. Cash, Cash Equivalents, and Investments

Highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased. Investments consist of certificate of deposits with a maturity of six months.

##### b. Inventories and Prepaid Items

The Council records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

##### c. Notes Receivable (Discretely presented component unit)

The District reports notes receivable of \$203,602 at June 30, 2017 which represent notes made to various businesses from the EDA revolving loan fund. These notes are collateralized with real property and / or business equipment. The notes bear interest of rates ranging from 5% to 8%. The District considers these notes to be fully collectible and / or secured adequately and accordingly, no allowance for doubtful accounts is considered necessary at June 30, 2017. If amounts become uncollectible they will be charged to operations when that determination is made. The notes mature in fiscal years 2018, 2019, 2020, 2021, and 2022 and beyond in the amounts of \$128,462, \$20,052, \$12,364, \$3,593, and \$39,131, respectively.

##### d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The

cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset Class</u>     | <u>Estimated<br/>Useful Lives</u> |
|------------------------|-----------------------------------|
| Leasehold improvements | 7.5                               |
| Vehicles               | 5                                 |
| Office equipment       | 5                                 |
| Computer equipment     | 5                                 |
| Playground equipment   | 15                                |

e. Receivable and Unearned Revenue Balances

Grants receivable represents allowable expenditures in excess of receipts for specific grants. Unearned revenue represents receipts in excess of corresponding eligible expenditures. Grants receivable and unearned revenue are summarized by source in Note 3 and Note 5, respectively.

f. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense / expenditure) until then. The Council had deferred outflows of resources related to pensions of \$636,489 as of September 30, 2017.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Council had deferred inflows of resources related to pensions of \$414,077 as of September 30, 2017.

g. Fund Balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This Statement defines the different classifications of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires that fund balance amounts to be properly reported within one of the fund balance categories listed below:

1. Nonspendable, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).
2. Restricted fund balance category includes amounts that can be spent for only the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Directors (the Council's highest level of decision-making authority).

4. Assigned fund balance classification includes amounts intended to be used by the Council for specific purposes but does not meet the criteria to be classified as restricted or committed.
5. Unassigned fund balance is the residual classification for the Council's general fund and includes all spendable amounts not contained in the other classifications.

Fund balance categories applicable for the Council are identified and described as such on the governmental funds balance sheet.

In the fund financial statements the Council considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and whether committed, assigned or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. Designations of fund balance represent tentative management plans that are subject to change. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended are assigned first followed by unassigned.

The Council does not operate under a minimum fund balance policy.

h. Employee Benefits

CVCOG provides various benefits to regular employees including medical and dental insurance coverage, disability benefits, life insurance, retirement, vacation, personal leave, and other released times. In addition, the Council is covered under the Texas Municipal League Workforce Compensation Insurance program and Texas Unemployment Compensation Insurance program for which the Council pays the premiums.

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 which may be paid in lieu of vacation time with the approval of the Executive Director. 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.

i. Indirect Costs Allocation

General and administrative costs are allocated to grant programs based upon a negotiated indirect cost rate. Indirect costs are defined by Office of Management and Budget (OMB) Circular A87, Attachment "A" as costs "(a) incurred for a common or joint purpose benefitting more than one cost objective, and (b) not readily assignable to the cost objective specifically benefited, without effort disproportionate to the results achieved." The Council's indirect cost rate is based upon prior cost experience, documented by a cost allocation plan, and is approved by a federal cognizant agency. It is the Council's policy to negotiate with the cognizant agency a provisional rate which is used for billing purposes during the fiscal year. Upon the completion of an independent audit at the end of each fiscal year, the indirect cost rate is finalized with the cognizant agency.

j. Use of Estimates

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

k. Subsequent Events

The Council has evaluated subsequent events through March 2, 2018, the day the financial statements were available to be issued.

*Stewardship, Compliance and Accountability*

CVCOG's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ending September 30. It is not a legally adopted budget, therefore presentation of budget comparisons are not required.

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

Because of the Council's dependency on federal, state, and local budgetary decisions, revenue estimates are based upon the most available information as to potential sources of funding. CVCOG's annual budget differs from that of a 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.

The resultant annual budget change within a fiscal year would be due to: (1) increases/decreases in actual grant awards from those estimated; (2) changes in grant periods; (3) unanticipated grant awards not included in the budget; and (4) expected grant awards fail to materialize.

The Board of Directors formally approves the annual budget, but greater emphasis is placed on complying with the budgets and terms and conditions on a grant-by-grant basis. These terms and conditions usually specify the period during which costs may be incurred and outline budget restrictions or allowances. All budget appropriations lapse at year end.

*Encumbrance Accounting*

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at September 30, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

**Note 2: Deposits and Investments**

Cash Deposits

At September 30, 2017, the carrying amount of the Council's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in cash and short-term investments) all of which mature in less than six months was \$1,311,942 and the bank balance was \$1,329,503. The Council's cash deposits at September 30, 2017 and during the year ended September 30, 2017, were entirely covered by FDIC insurance or by pledged collateral held by the Council's agent bank in the Council's name.

Custodial Credit Risk

The Council's funds are required to be deposited and invested under the terms of the depository contract. The depository bank deposits for safekeeping and trust with the Council's agent bank approved pledged securities in an amount sufficient to protect Council funds on a daily basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Interest Rate Risk

In accordance with its investment policy, the Council manages its exposure to declines in fair value by limiting the maximum allowable maturity to one year, unless otherwise provided in a specific investment strategy that complies with current law.

### Credit Risk

State law and Council policy limits investments in public funds investment pools to those rated no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service. Additional authorized investments are consistent with governing law (Government Code 2256).

### Concentration of Credit Risk

The Council's investment policy does not limit investments in any one issuer except that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity, or specific issuer.

The Public Funds Investment Act ("ACT") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the Council adhered to the requirements of the ACT. Additionally, investment practices of the Council were in accordance with local policies.

### Investment Accounting Policy

The Council's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

**Note 3: Grants Receivable**

Grants receivable at September 30, 2017 is summarized as follows:

| Grant Number            | Name   | Amount            |
|-------------------------|--|-------------------|
| 582                     | Community and Economic Development Assistance Fund     | \$ 7,498          |
| 706,735                 | 2-1-1 Operations                                       | 59,143            |
| 709                     | C.J. Planning Services FY 16-17                        | 3,748             |
| 741                     | C.J. Planning Services FY 17-18                        | 3,747             |
| 665, 687                | Area Agency on Aging FY 16-17                          | 192,280           |
| 714                     | Child Food Service Program FY 16-17                    | 21,366            |
| 691, 710                | Homeland Security Grants Division                      | 2,931             |
| 716                     | Homeland Security Grant Program – SHSP 16-17           | 15,526            |
| 717, 747                | Citizen Corps Program                                  | 1,678             |
| 728                     | Head Start FY 17-18                                    | 461,140           |
| 730                     | Foster Grandparent Program FY 16-17                    | 28,756            |
| 731                     | Senior Companion Program FY 16-17                      | 15,049            |
| 708                     | C.J. Purchase of Services FY 16-17                     | 1,128             |
| 719                     | Transportation for Elderly and Disabled FY 16-17       | 28,848            |
| 745                     | Solid Waste 17-19                                      | 4,899             |
| -                       | U.S. Dept. of Commerce, passed thru City of San Angelo | <u>4,045</u>      |
| Total grants receivable |  | <u>\$ 851,782</u> |

**Note 4: Capital Assets**

Capital asset activity for the year ended September 30, 2017, was as follows:

| Governmental activities                     | Beginning Balances | Increases          | Decreases   | Ending Balances   |
|---|--------------------|--------------------|-------------|-------------------|
| Capital assets being depreciated:           |                    |                    |             |                   |
| Leasehold improvements                      | \$ 75,000          | \$                 | \$          | \$ 75,000         |
| Equipment                                   | 577,168            | 45,916             | -           | 623,084           |
| Total capital assets being depreciated      | <u>652,168</u>     | <u>45,916</u>      | <u>-</u>    | <u>698,084</u>    |
| Less: accumulated depreciation              | <u>(502,326)</u>   | <u>(66,515)</u>    | <u>-</u>    | <u>(568,841)</u>  |
| Governmental activities capital assets, net | <u>\$ 149,842</u>  | <u>\$ (20,599)</u> | <u>\$ -</u> | <u>\$ 129,243</u> |

Depreciation was charged to functions as follows:

|                              |                  |
|------------------------------|------------------|
| Family and children services | \$ 8,490         |
| Emergency communications     | 40,774           |
| Emergency management         | 10,000           |
| General government           | 7,251            |
|                              | <u>\$ 66,515</u> |

**Note 5: Unearned Revenue**

Unearned revenue at September 30, 2017 is summarized as follows:

| Name                      | Amount            |
|---------------------------|-------------------|
| Membership dues FY 17-18  | \$ 23,623         |
| 9-1-1 program             | 655,297           |
| C.J. Regional Law Academy | 25,419            |
| C.J. Planning             | 970               |
| HSGD contract             | 912               |
| Solid waste program       | 560               |
| Other local               | <u>4,750</u>      |
| Total unearned revenue    | <u>\$ 711,531</u> |

**Note 6: Changes in Long-Term Obligations***Long-Term Obligation Activity*

A summary of long-term liability activity for the year ended September 30, 2017, are as follows:

| Governmental<br>Activities: | Beginning<br>Balance | Increases           | Decreases           | Ending<br>Balance | Amounts<br>Due<br>Within<br>One Year |
|-----------------------------|----------------------|---------------------|---------------------|-------------------|--------------------------------------|
| Compensated<br>absences     | \$ 142,248           | \$ 164,256          | \$ 155,938          | \$ 150,566        | \$ 44,160                            |
| Net pension liability       | 590,149              | 841,257             | 1,121,123           | 310,283           | -                                    |
| Total                       | <u>\$ 732,397</u>    | <u>\$ 1,005,513</u> | <u>\$ 1,277,061</u> | <u>\$ 460,849</u> | <u>\$ 44,160</u>                     |

**Note 7: Commitments Under Non-capitalized Leases**

Commitments under operating (non-capitalized) lease agreements for equipment provide for minimum future rental payments as of September 30, 2017, as follows:

| Year Ending September 30,       |                       |
|---------------------------------|-----------------------|
| 2018                            | \$ 345,294            |
| 2019                            | 327,461               |
| 2020                            | 322,650               |
| 2021                            | 319,431               |
| 2022+                           | 239,688               |
| Total Minimum Rentals           | <u>\$ 1,554,524</u>   |
| <br>Rental Expenditures in 2017 | <br><u>\$ 335,623</u> |

**Note 8: Risk Management**

The Council is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2017, the Council obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TMLIRP). TMLIRP is a self-funded pool operating as a common risk management and insurance program. The Council pays an annual premium to TMLIRP for insurance coverage. The agreement for the formation of TMLIRP provides

that TMLIRP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level or reinsurance. The Council continues to carry commercial insurance of other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and any settled claims have not exceeded coverage in any of the past three fiscal years.

## **Note 9: Pension Plans**

### **Retirement Pension Plan**

#### *Plan Description*

The Council provides retirement, disability, and death benefits for all of its full-time employees through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 618 non-traditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available on written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034, or by calling (800) 823-7782. TCDRS's CAFR is also available at [www.tcdrs.org](http://www.tcdrs.org).

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with ten or more years of services, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after ten years of services but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdrew their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

#### *Contractual Agreement with Concho Valley Transit District*

The Concho Valley Transit District (District) reports a liability, deferred outflows of resources, deferred inflows of resources, and expense as a result of its contractual obligation to contribute to the Texas County and District Retirement System under an agreement with Concho Valley Council of Governments.

At December 31, 2016, the District's proportion of the collective net pension liability was 37%. Accordingly, the Council's proportion of the collective net pension liability was 63%. The respective proportion of the NPL for each entity was based on each entity's share of contributions to the pension plan relative to the total.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS.

As of the most recent measurement date which was December 31, 2016, membership data for the pension plan was as follows:

|   |     |
|---|-----|
| Retirees and beneficiaries currently receiving benefits       | 4   |
| Inactive employees entitled to but not yet receiving benefits | 123 |
| Active employees  | 98  |
| Total participants  | 225 |

### *Funding Policy*

The Council elected, effective January 1, 2000, the annually determined contribution rate (variable rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employees, members, and employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. However, the governing body chose to contribute at an elected rate in 2000 that exceeded the actuarially determined rate as allowed by the provisions of the TCDRS Act. The rate contributed for 2017 was 15%.

The deposit rate payable by the employee members is the rate of 7% as adopted by the governing body of the employer.

### *Annual Pension Cost*

For the employer's accounting year ended September 30, 2017, the annual pension cost for the TCDRS plan for its employees was \$378,922 and actual contributions were \$378,922.

### *Net Pension Liability*

The net pension liability (NPL) is the difference between the total pension liability (TPL) and the plan's fiduciary net position. The TPL is the present value of pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The TPL includes benefits related to projected salary and service. The fiduciary net position is determined on the same basis used by the pension plans. The Council's NPL was measured as of December 31, 2016, and the TPL used to calculate the NPL was determined by an actuarial valuation as of that date.

|                         |    |           |
|-------------------------|----|-----------|
| Total pension liability | \$ | 4,641,665 |
| Fiduciary net position  |    | 4,331,382 |
| Net pension liability   | \$ | 310,283   |

### *Actuarial Assumptions*

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of actuarial experience studies. The experience study was for the period January 1, 2009 – December 31, 2012, except where required to be different by GASB Statement No. 68.

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

|                           |       |  |
|---------------------------|-------|--|
| Inflation                 | 3.00% |  |
| Overall payroll growth    | 2.00% |  |
| Investment rate of return | 8.10% | This rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB Statement No. 68 |

Salary increases were based on a service-related table. Mortality rates for active members, was based on the gender-specific RP-2000 Active Employee Mortality Table with a two-year set-forward for males and a four-year set-back for females, both with the projection scale AA and then projected with 110% of the MP-2014 Ultimate scale after that. For service retirees, beneficiaries, and non-depositing members, the gender-specific RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females was used. For disabled annuitants, gender-specific RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and a two-year set-forward for females was used.

The long-term expected rate of return on pension plan investments is 8.10%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed based on expected long-term real returns and reflecting expected volatility and correlation. The valuation assumption for the long-term expected return is re-assessed at a minimum of every four years and is set based on a thirty-year time horizon. The most recent analysis was performed in 2013. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized below:

| Asset Class                        | Target Allocation | Geometric Real Rate of Return (expected minus inflation) |
|------------------------------------|-------------------|--|
| U.S. Equities                      | 13.50%            | 4.70%  |
| Private Equity                     | 16.00%            | 7.70%  |
| Global Equities                    | 1.50%             | 5.00%  |
| International Equities - Developed | 10.00%            | 4.70%  |
| International Equities – Emerging  | 7.00%             | 5.70%  |
| Investment Grade Bonds             | 3.00%             | 0.60%  |
| High-Yield Bonds                   | 3.00%             | 3.70%  |
| Opportunistic Credit               | 2.00%             | 3.83%  |
| Direct Lending                     | 10.00%            | 8.15%  |
| Distressed Debt                    | 3.00%             | 6.70%  |
| REIT Equities                      | 2.00%             | 3.85%  |
| Master Limited Partnerships        | 3.00%             | 5.60%  |
| Private Real Estate Partnerships   | 6.00%             | 7.20%  |
| Hedge Funds                        | 20.00%            | 3.85%  |

The discount rate used to measure the total pension liability was 8.10%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in the statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Schedule of Changes in the Net Pension Liability*

Changes in the Council's net pension liability presented below is calculated on the same basis as the plan.

|  | Increase (Decrease)               |   |  |
|--|-----------------------------------|---|--|
|  | Total Pension<br>Liability<br>(a) | Plan<br>Fiduciary<br>Net<br>Position<br>(b) | Net<br>Pension<br>Liability<br>(a)-(b) |
| Balances as of December 31, 2015                 | \$ 4,964,248                      | \$ 4,374,099                                | \$ 590,149                             |
| Changes for the year:                            |                                   |   |  |
| Service cost                                     | 488,494                           |   | 488,494                                |
| Interest on total pension liability              | 349,795                           |   | 349,795                                |
| Effect of plan changes                           |                                   |   |  |
| Effect of assumption changes                     |                                   |   |  |
| Effect of economic / demographic gains or losses | (205,755)                         |   | (205,755)                              |
| Refund of contributions                          | (66,525)                          | (66,525)                                    | 0                                      |
| Benefit payments                                 | (70,482)                          | (70,482)                                    | 0                                      |
| Administrative expenses                          |                                   | (2,968)                                     | 2,968                                  |
| Member contributions                             |                                   | 192,372                                     | (192,372)                              |
| Net investment income                            |                                   | 272,989                                     | (272,989)                              |
| Employer contributions                           |                                   | 309,084                                     | (309,084)                              |
| Other  |                                   | 43,675                                      | (43,675)                               |
| Adjustment due to percentage allocation change   | (818,110)                         | (720,862)                                   | (97,248)                               |
| Balances as of December 31, 2016                 | \$ 4,641,665                      | \$ 4,331,382                                | \$ 310,283                             |

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the Council calculated using the discount rate of 8.10% as well as what the Council net pension liability would have been if it were calculated using a discount rate that is 1% lower and 1% higher than the current rate:

|                               | 1% Decrease<br>(7.10%) | Current<br>Rate<br>(8.10%) | 1%<br>Increase<br>(9.10%) |
|-------------------------------|------------------------|----------------------------|---------------------------|
| Total pension liability       | \$ 5,348,586           | \$ 4,641,665               | \$ 4,063,938              |
| Fiduciary net position        | 4,331,382              | 4,331,382                  | 4,331,382                 |
| Net pension liability (asset) | \$ 1,017,204           | \$ 310,283                 | \$ (267,444)              |

*Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions*

For the year ended September 30, 2017, the Council recognized total pension expense of \$64,206.

As of September 30, 2017, the Council reported on the Statement of Net Position deferred outflows of resources related to pensions from the following sources:

|   |                   |
|---|-------------------|
| Contributions subsequent to measurement date                | \$ 302,000        |
| Difference between projected and actual investment earnings | 299,140           |
| Change of assumptions                                       | <u>35,349</u>     |
| Total   | \$ <u>636,489</u> |

As of September 30, 2017, the Council reported on the Statement of Net Position deferred inflows of resources related to pensions from the following sources:

|   |                     |
|---|---------------------|
| Difference between expected and actual experience | \$ <u>(414,077)</u> |
| Total   | \$ <u>(414,077)</u> |

Deferred outflows of resources related to contributions subsequent to the measurement date of \$302,000 will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Remaining net deferred outflows and inflows of resources related to pensions totaling \$(79,588) will be recognized in pension expense for the years ending September 30, 2018, 2019, 2020, and 2021 in the amounts of \$(25,320), \$(25,320), \$(34,888), and \$5,940, respectively.

#### **Note 10: Commitments and Contingencies**

##### *Contingencies*

The Council participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Council has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the Council, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

##### *Federal and State Grants*

In the normal course of operations, the Council receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

## **Required Supplementary Information**

**CONCHO VALLEY COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY**  
**AND RELATED RATIOS - PENSION PLAN**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017 \***

|  | Measurement Date<br>12/31/2016 | Measurement Date<br>12/31/2015 | Measurement Date<br>12/31/2014 |
|--|--------------------------------|--------------------------------|--------------------------------|
| Total Pension Liability:                                 |                                |                                |                                |
| Service cost   | \$ 488,494                     | \$ 502,940                     | \$ 441,148                     |
| Interest on total pension liability                      | 349,795                        | 399,355                        | 342,077                        |
| Effect of plan changes                                   | -                              | (79,160)                       | -                              |
| Effect of assumption or plan changes                     | -                              | 70,540                         | -                              |
| Effect of economic / demographic (gains) or losses       | (205,755)                      | (568,936)                      | 1,216                          |
| Benefit payments / refunds of contributions              | (137,007)                      | (95,192)                       | (111,104)                      |
| Net change in total pension liability                    | 495,527                        | 229,547                        | 673,337                        |
| Total pension liability, beginning                       | 4,964,248                      | 4,734,701                      | 4,061,364                      |
| Adjustment due to percentage allocation change           | (818,110)                      |                                |                                |
| Total pension liability, ending (a)                      | 4,641,665                      | 4,964,248                      | 4,734,701                      |
| Fiduciary Net Position:                                  |                                |                                |                                |
| Employer contributions                                   | 309,084                        | 373,302                        | 362,443                        |
| Member contributions                                     | 192,372                        | 220,330                        | 204,925                        |
| Investment income net of investment expenses             | 272,989                        | (137,370)                      | 217,572                        |
| Benefit payments / refunds of contributions              | (137,007)                      | (95,192)                       | (111,104)                      |
| Administrative expenses                                  | (2,968)                        | (3,047)                        | (2,851)                        |
| Other  | 43,675                         | 1,742                          | 2,111                          |
| Net change in fiduciary net position                     | 678,145                        | 359,765                        | 673,096                        |
| Fiduciary net position, beginning                        | 4,374,099                      | 4,014,334                      | 3,341,238                      |
| Adjustment due to percentage allocation change           | (720,862)                      |                                |                                |
| Fiduciary net position, ending (b)                       | 4,331,382                      | 4,374,099                      | 4,014,334                      |
| Net pension liability, ending ((a) - (b))                | \$ 310,283                     | \$ 590,149                     | \$ 720,367                     |
| Fiduciary net position as a % of total pension liability | 93.32%                         | 88.11%                         | 84.79%                         |
| Pensionable covered payroll                              | \$ 2,748,167                   | \$ 3,147,574                   | \$ 2,927,498                   |
| Net pension liability as a % of covered payroll          | 11.29%                         | 18.75%                         | 24.61%                         |

\* A full 10-year schedule will be displayed as it becomes available

**CONCHO VALLEY COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF CONTRIBUTIONS - PENSION PLAN**  
**FOR THE LAST 10 FISCAL YEARS \***

| Period Ending<br>December 31,<br>(Measurement<br>Date) | Actuarially<br>Determined<br>Contribution | Actual Employer<br>Contribution | Contribution<br>Deficiency<br>(Excess) | Pensionable<br>Covered<br>Payroll** | Actual<br>Contribution as<br>a % of Covered<br>Payroll |
|--|---|---------------------------------|--|-------------------------------------|--|
| 2009   | \$ 226,866                                | \$ 226,866                      | \$ -                                   | \$ 2,598,247                        | 8.73%  |
| 2010   | \$ 344,343                                | \$ 344,343                      | \$ -                                   | \$ 2,683,350                        | 12.83%   |
| 2011   | \$ 368,788                                | \$ 368,788                      | \$ -                                   | \$ 2,970,616                        | 12.41%   |
| 2012   | \$ 372,346                                | \$ 372,346                      | \$ -                                   | \$ 2,818,566                        | 13.21%   |
| 2013   | \$ 367,307                                | \$ 367,307                      | \$ -                                   | \$ 2,946,867                        | 12.46%   |
| 2014   | \$ 355,498                                | \$ 355,498                      | \$ -                                   | \$ 2,868,530                        | 12.39%   |
| 2015   | \$ 369,878                                | \$ 369,878                      | \$ -                                   | \$ 2,927,498                        | 12.63%   |
| 2016   | \$ 309,084                                | \$ 309,084                      | \$ -                                   | \$ 2,748,167                        | 11.25%   |

**Notes to Schedule of Contributions:**

Valuation date:

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

**Methods and Assumptions Used to Determine Contribution Rates:**

|                               |  |
|-------------------------------|--|
| Actuarial Cost Method         | Entry age normal   |
| Amortization Method           | Level percentage of payroll, closed  |
| Remaining Amortization Period | 3.1 years (based on contribution rate calculated in 12/31/16 valuation)  |
| Asset Valuation Method        | 5 year smoothed market   |
| Inflation                     | 3%   |
| Salary Increases              | Varies by age and service. 4.9% average over career including inflation  |
| Investment Rate of Return     | 8.0%, net of investment expenses, including inflation  |
| Retirement Age                | Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.  |
| Mortality                     | In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014. |
| Other information             | There were no changes in plan provisions.  |

\* A full 10-year schedule will be displayed as it becomes available

\*\* Payroll is calculated based on contributions as reported to TCDRS

## **Other Supplementary Information**

**CONCHO VALLEY COUNCIL OF GOVERNMENTS****SCHEDULE OF EXPENDITURES BY GRANT**

FOR THE YEAR ENDED SEPTEMBER 30, 2017

|   | Homeland<br>Security<br>SHSP | Head Start   | Senior<br>Companion |
|---|------------------------------|--------------|---------------------|
| Salaries  | \$ 56,955                    | \$ 1,105,217 | \$ 37,654           |
| Fringe benefits   | 23,890                       | 497,235      | 8,718               |
| Total personnel   | 80,845                       | 1,602,452    | 46,372              |
| Indirect costs  | 13,025                       | 258,103      | 7,471               |
| Stipend   | -                            | -            | 109,963             |
| Recognition   | -                            | -            | 25,875              |
| Counseling services   | -                            | -            | -                   |
| Contract services   | -                            | 27,157       | -                   |
| HS policy council   | -                            | 3,294        | -                   |
| HS nutrition service  | -                            | 144,853      | -                   |
| HS parent service   | -                            | 7,758        | -                   |
| Head Start T & T A  | -                            | 23,829       | -                   |
| Congregate meals  | -                            | -            | -                   |
| Home delivered meals  | -                            | -            | -                   |
| Travel  | 6,392                        | 4,113        | 15,287              |
| Fuel  | -                            | -            | -                   |
| Vehicle maintenance   | 633                          | -            | -                   |
| Rent  | 23,002                       | 50,561       | 4,514               |
| Utilities   | 2,629                        | 27,565       | 427                 |
| Building maintenance  | 3,680                        | 68,143       | 722                 |
| Supplies  | 6,271                        | 91,003       | 1,339               |
| County equipment  | -                            | -            | -                   |
| Computer / software   | -                            | -            | -                   |
| Copier  | 1,777                        | 6,079        | 188                 |
| Insurance   | 304                          | 2,943        | 469                 |
| Printing / publications / ads                               | -                            | 5,877        | 24                  |
| Training  | -                            | -            | -                   |
| Dues and fees   | 356                          | 2,155        | 100                 |
| Communications  | 3,167                        | 10,003       | 212                 |
| Postage / freight   | 183                          | 1,941        | 58                  |
| 911 wireless service, network, and<br>equipment maintenance | -                            | -            | -                   |
| Project equipment   | -                            | -            | -                   |
| Public education  | -                            | -            | -                   |
| Passed through to delegate agency                           | -                            | 3,560,948    | -                   |
| Delegate agency in-kind                                     | -                            | 1,323,053    | -                   |
| In-kind   | -                            | 654,457      | 8,391               |
| Other   | 225                          | -            | 6,121               |
| Total Expenditures  | \$ 142,489                   | \$ 7,876,287 | \$ 227,533          |

| Foster<br>Grandparent | Criminal<br>Justice<br>Academy | Criminal<br>Justice<br>Planning | Criminal<br>Justice<br>Purchased Service | 911 Emergency<br>Communications |
|-----------------------|--------------------------------|---------------------------------|--|---------------------------------|
| \$ 50,972             | \$ 54,724                      | \$ 14,002                       | \$ 3,243                                 | \$ 267,282                      |
| 11,867                | 19,101                         | 5,851                           | 1,416                                    | 98,387                          |
| 62,839                | 73,825                         | 19,853                          | 4,659                                    | 365,669                         |
| 10,122                | 11,894                         | 3,198                           | 750                                      | 58,751                          |
| 205,413               | -                              | -                               | -  | -                               |
| 31,636                | -                              | -                               | -  | -                               |
| -                     | -                              | -                               | 22,000                                   | -                               |
| -                     | 16,074                         | -                               | -  | -                               |
| -                     | -                              | -                               | -  | -                               |
| -                     | -                              | -                               | -  | -                               |
| -                     | -                              | -                               | -  | -                               |
| -                     | -                              | -                               | -  | -                               |
| -                     | -                              | -                               | -  | -                               |
| 39,604                | 4,172                          | 764                             | -  | 23,485                          |
| -                     | 596                            | -                               | -  | -                               |
| -                     | 980                            | -                               | -  | -                               |
| 7,587                 | 34,199                         | 4,623                           | -  | 68,870                          |
| 737                   | 3,411                          | 391                             | -  | 6,674                           |
| 1,214                 | 5,391                          | 740                             | -  | 10,847                          |
| 2,858                 | 16,874                         | 397                             | -  | 50,257                          |
| -                     | -                              | -                               | -  | 301,364                         |
| -                     | -                              | 1,850                           | -  | -                               |
| 329                   | 11,404                         | 955                             | -  | -                               |
| 587                   | 1,371                          | -                               | -  | -                               |
| 24                    | -                              | -                               | -  | 5,525                           |
| -                     | -                              | -                               | -  | 4,447                           |
| 100                   | 3,050                          | 30                              | -  | 435                             |
| 226                   | 3,299                          | -                               | -  | 11,848                          |
| 176                   | 269                            | 79                              | -  | 236                             |
| -                     | -                              | -                               | -  | 1,811,140                       |
| -                     | -                              | -                               | -  | -                               |
| -                     | -                              | -                               | -  | -                               |
| -                     | -                              | -                               | -  | -                               |
| -                     | -                              | -                               | -  | -                               |
| 49,891                | -                              | -                               | -  | -                               |
| 10,783                | -                              | -                               | -  | -                               |
| \$ 424,126            | \$ 186,809                     | \$ 32,880                       | \$ 27,409                                | \$ 2,719,548                    |

**CONCHO VALLEY COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF EXPENDITURES BY GRANT (CONT'D)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|   | Area Agency<br>on Aging | 211 Info and<br>Referral | Solid<br>Waste |
|---|-------------------------|--------------------------|----------------|
| Salaries  | \$ 310,996              | \$ 96,729                | \$ 27,299      |
| Fringe benefits   | 119,956                 | 42,840                   | 10,072         |
| Total personnel   | 430,952                 | 139,569                  | 37,371         |
| Indirect costs  | 69,427                  | 22,485                   | 6,023          |
| Stipend   | -                       | -                        | -              |
| Recognition   | -                       | -                        | -              |
| Counseling services   | -                       | -                        | -              |
| Contract services   | 207,752                 | 9,189                    | -              |
| HS policy council   | -                       | -                        | -              |
| HS nutrition service  | -                       | -                        | -              |
| HS parent service   | -                       | -                        | -              |
| Head Start T & T A  | -                       | -                        | -              |
| Congregate meals  | 415,289                 | -                        | -              |
| Home delivered meals  | 297,156                 | -                        | -              |
| Travel  | 20,724                  | 2,902                    | 1,050          |
| Fuel  | -                       | -                        | -              |
| Vehicle maintenance   | -                       | -                        | -              |
| Rent  | 47,125                  | 14,726                   | 2,465          |
| Utilities   | 4,639                   | 1,450                    | 243            |
| Building maintenance  | 7,540                   | 2,356                    | 394            |
| Supplies  | 2,914                   | 6,396                    | 176            |
| County equipment  | -                       | -                        | 112,172        |
| Computer / software   | -                       | -                        | -              |
| Copier  | 1,948                   | -                        | -              |
| Insurance   | -                       | -                        | -              |
| Printing / publications / ads                               | 2,447                   | 403                      | 217            |
| Training  | -                       | -                        | -              |
| Dues and fees   | 3,564                   | 779                      | 181            |
| Communications  | 4,068                   | 1,636                    | 975            |
| Postage / freight   | 2,006                   | 97                       | 26             |
| 911 wireless service, network, and<br>equipment maintenance | -                       | -                        | -              |
| Project equipment   | -                       | -                        | -              |
| Public education  | -                       | -                        | -              |
| Passed through to delegate agency                           | -                       | -                        | -              |
| Delegate agency in-kind                                     | -                       | -                        | -              |
| In-kind   | 62,117                  | -                        | -              |
| Other   | 7                       | 1,539                    | -              |
| Total Expenditures  | \$ 1,579,675            | \$ 203,527               | \$ 161,293     |

| <u>CEDAF</u> |              | <u>Other</u> |                | <u>Total</u> |                   |
|--------------|--------------|--------------|----------------|--------------|-------------------|
| \$           | 3,782        | \$           | 9,306          | \$           | 2,038,161         |
|              | 1,403        |              | 3,294          |              | 844,030           |
|              | <u>5,185</u> |              | <u>12,600</u>  |              | <u>2,882,191</u>  |
|              | 836          |              | 2,030          |              | 464,115           |
|              | -            |              | -              |              | 315,376           |
|              | -            |              | -              |              | 57,511            |
|              | -            |              | -              |              | 22,000            |
|              | -            |              | -              |              | 260,172           |
|              | -            |              | -              |              | 3,294             |
|              | -            |              | -              |              | 144,853           |
|              | -            |              | -              |              | 7,758             |
|              | -            |              | -              |              | 23,829            |
|              | -            |              | -              |              | 415,289           |
|              | -            |              | -              |              | 297,156           |
|              | -            |              | -              |              | 118,493           |
|              | -            |              | -              |              | 596               |
|              | -            |              | -              |              | 1,613             |
|              | 811          |              | -              |              | 258,483           |
|              | 80           |              | -              |              | 48,246            |
|              | 130          |              | -              |              | 101,157           |
|              | -            |              | -              |              | 178,485           |
|              | -            |              | -              |              | 413,536           |
|              | -            |              | -              |              | 1,850             |
|              | -            |              | -              |              | 22,680            |
|              | -            |              | -              |              | 5,674             |
|              | -            |              | -              |              | 14,517            |
|              | -            |              | -              |              | 4,447             |
|              | -            |              | -              |              | 10,750            |
|              | -            |              | -              |              | 35,434            |
|              | -            |              | -              |              | 5,071             |
|              | -            |              | -              |              | 1,811,140         |
|              | -            |              | -              |              | -                 |
|              | -            |              | -              |              | -                 |
|              | -            |              | -              |              | 3,560,948         |
|              | -            |              | -              |              | 1,323,053         |
|              | -            |              | -              |              | 774,856           |
|              | -            |              | 100,601        |              | 119,276           |
| \$           | <u>7,042</u> | \$           | <u>115,231</u> | \$           | <u>13,703,849</u> |

**CONCHO VALLEY COUNCIL OF GOVERNMENTS****SCHEDULE OF INDIRECT COSTS**

FOR THE YEAR ENDED SEPTEMBER 30, 2017

|  | <u>Budget</u> | <u>Expenditures</u> | <u>Variance</u> |
|--|---------------|---------------------|-----------------|
| Salaries   | \$ 493,524    | \$ 491,911          | \$ 1,613        |
| Fringe benefits                                      | 219,427       | 177,358             | 42,069          |
| Subtotal indirect payroll costs                      | 712,951       | 669,269             | 43,682          |
| Audit & legal  | 36,000        | 36,651              | (651)           |
| Contract   | 6,500         | -                   | 6,500           |
| Travel-in region                                     | 7,882         | 5,706               | 2,176           |
| Travel-out of region                                 | 13,365        | 7,243               | 6,122           |
| Rent   | 60,124        | 61,952              | (1,828)         |
| Utilities  | 13,555        | 9,825               | 3,730           |
| Bldg maintenance                                     | 9,513         | 9,532               | (19)            |
| Supplies   | 7,145         | 4,503               | 2,642           |
| Internal computer/software                           | 40,851        | 12,317              | 28,534          |
| Copier   | (9,913)       | (7,729)             | (2,184)         |
| Insurance  | 9,689         | 6,307               | 3,382           |
| Cell phones  | 1,253         | 1,611               | (358)           |
| Printing   | 3,974         | 2,187               | 1,787           |
| Ads & promotions                                     | 2,350         | 727                 | 1,623           |
| Publications   | 2,849         | 615                 | 2,234           |
| Training   | 8,560         | 3,319               | 5,241           |
| Dues and fees  | 31,470        | 28,715              | 2,755           |
| Communications                                       | 3,766         | 3,831               | (65)            |
| Postage/freight                                      | 8,022         | 8,834               | (812)           |
| Other  | -             | 3,043               | (3,043)         |
| Subtotal other indirect costs                        | 256,955       | 199,189             | 57,766          |
| Total indirect costs                                 | 969,906       | 868,458             | 101,448         |
| Less: membership dues                                | -             | (11,044)            | 11,044          |
| Net indirect costs                                   | 969,906       | 857,414             | \$ 112,492      |
| Less: Prior period over allocation of indirect costs | -             | (6,771)             |                 |
| Less: Current year under recovery of indirect costs  | -             | (5,736)             |                 |
| Net indirect costs recovered in 2016                 | 969,906       | 844,907             |                 |

**CALCULATION OF INDIRECT COST RATE**

|   |              |              |
|---|--------------|--------------|
| Total salaries (less salaries billed to Fringe)           | 4,417,570    | 4,154,741    |
| Net fringe benefits direct billed                         | 2,315,900    | 1,763,219    |
| Less: indirect personnel costs                            | (712,951)    | (669,269)    |
| Total program personnel costs                             | \$ 6,020,519 | \$ 5,248,691 |
| Actual net indirect costs / total program personnel costs | 16.11%       | 16.34%       |
| Net indirect costs recovered / total program personnel    | 16.11%       | 16.10%       |

**CONCHO VALLEY COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF FRINGE BENEFITS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|   | <u>Budget</u>     | <u>Expenditures</u> | <u>Variance</u>    |
|---|-------------------|---------------------|--------------------|
| Direct salaries   | \$ 2,974,487      | \$ 1,810,247        | \$ 1,164,240       |
| Indirect salaries   | <u>526,425</u>    | <u>491,911</u>      | <u>34,514</u>      |
| Total salaries  | <u>3,500,912</u>  | <u>2,302,158</u>    | <u>1,198,754</u>   |
| Payroll taxes associated with release time                              | 2,904             | 2,846               | 58                 |
| Retirement contributions associated with release time                   | 20,513            | 28,425              | (7,912)            |
| Employee life, disability, health premiums associated with release time | 34,015            | 27,755              | 6,260              |
| COBRA fees  | -                 | -                   | -                  |
| Worker's compensation associated with release time                      | 2,919             | 2,625               | 294                |
| Release time  | <u>145,871</u>    | <u>166,427</u>      | <u>(20,556)</u>    |
| Total release time fringe   | <u>206,222</u>    | <u>228,078</u>      | <u>\$ (21,856)</u> |
| Less: prior period over allocation of fringe benefits                   |                   | (13,458)            |                    |
| Less: Current year under recovery of Release Time fringe                |                   | <u>(34,915)</u>     |                    |
| Net release time fringe recovered in 2016                               | \$ <u>206,222</u> | \$ <u>179,705</u>   |                    |

**CALCULATION OF RELEASE TIME FRINGE BENEFIT RATE**

|  |              |              |
|--|--------------|--------------|
| Total fringe benefits/total salaries                 | <u>5.89%</u> | <u>9.91%</u> |
| Net fringe benefits recovered in 2017/total salaries | <u>5.89%</u> | <u>7.81%</u> |

**Federal/State Awards Section  
as Supplementary Information**

March 2, 2018

## **Independent Auditors' Report**

### 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*

Executive Committee  
Concho Valley Council of Governments  
2801 W. Loop 306, Suite A  
San Angelo, Texas 76904

Members of the Executive Committee:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the discretely presented component unit of Concho Valley Council of Governments as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Concho Valley Council of Governments' basic financial statements, and have issued our report thereon dated March 2, 2018.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Concho Valley Council of Governments' internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Concho Valley Council of Governments' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Concho Valley Council of Government's internal control over financial reporting.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Concho Valley Council of Governments' 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*.

## **Purpose of this Report**

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

*Condly and Company, L.L.P.*

Certified Public Accountants

March 2, 2018

**Independent Auditors' Report**

Report on Compliance for each Major Federal Program and on Internal Control  
Over Compliance Required by the Uniform Guidance and the  
State of Texas Single Audit Circular

Executive Committee  
Concho Valley Council of Governments  
2801 W. Loop 306, Suite A  
San Angelo, Texas 76904

Members of the Executive Committee:

**Report on Compliance for Each Major Federal Program**

We have audited Concho Valley Council of Governments' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State of Texas Single Audit Circular* that could have a direct and material effect on each of the Council's major federal and state programs for the year ended September 30, 2017. 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.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

## Opinion on Each Major Federal and State Program

In our opinion, Concho Valley Council of Governments complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2017.

## Report on Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Concho Valley Council of Governments' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with Uniform Guidance, and the State of Texas Single Audit Circular 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 Concho Valley Council of Governments' 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 or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*Condley and Company, L.L.P.*

Certified Public Accountants

CONCHO VALLEY COUNCIL OF GOVERNMENTS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

**A. Summary of Auditors' Results**

**1. Financial Statements**

Type of auditor's report issued?

Unqualified

Internal control over financial reporting:

One or more material weaknesses identified?

\_\_\_\_\_ Yes      X No

One of more significant deficiencies identified that are not considered to be material weaknesses?

\_\_\_\_\_ Yes      X None Reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      X No

**2. Federal/State Awards**

Internal control over major programs:

One or more material weaknesses identified?

\_\_\_\_\_ Yes      X No

One or more significant deficiencies identified that are not considered to be material weaknesses?

\_\_\_\_\_ Yes      X None Reported

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

Unqualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

\_\_\_\_\_ Yes      X No

Identification of major programs:

CFDA Number(s)  
93.600

Name of Federal Program or Cluster  
Head Start

n/a – State

Commission on State Emergency  
Communications – 9-1-1

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

X Yes      \_\_\_\_\_ No

**B. Financial Statement Findings**

None

**C. Federal/State Award Findings and Questioned Costs**

None

CONCHO VALLEY COUNCIL OF GOVERNMENTS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

| Findings/Recommendations | Current Status | Management's Explanation<br>If Not Implemented |
|--------------------------|----------------|--|
| None                     |                |  |

**CONCHO VALLEY COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL/STATE AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

| Federal/State Grantor/Pass-Through Grantor/<br>CVCOG Grant Number / Program Title  | Federal<br>CFDA<br>Number | Pass-Through<br>Grantor's<br>Number | Passed Through<br>to Subrecipients | Expenditures   |
|--|---------------------------|-------------------------------------|------------------------------------|----------------|
| <b><u>EXPENDITURES OF FEDERAL AWARDS</u></b>   |                           |                                     |                                    |                |
| <b><u>U. S. DEPARTMENT OF AGRICULTURE</u></b>  |                           |                                     |                                    |                |
| <i><u>Passed through Texas Department of Agriculture</u></i>   |                           |                                     |                                    |                |
| 714 Child Food Service Program   | 10.558                    | 75-Q2017                            |                                    | \$ 175,875     |
| <b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>  |                           |                                     |                                    | <b>175,875</b> |
| <b><u>U. S. DEPARTMENT OF JUSTICE</u></b>  |                           |                                     |                                    |                |
| <i><u>Passed through the Office of the Governor - Criminal Justice Division</u></i>  |                           |                                     |                                    |                |
| 708 Criminal Justice Juvenile Justice Purchase of Service  | 16.523                    | 1484317                             |                                    | 27,409         |
| <b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>  |                           |                                     |                                    | <b>27,409</b>  |
| <b><u>U. S. DEPARTMENT OF TRANSPORTATION</u></b>   |                           |                                     |                                    |                |
| <i><u>Passed through the Office of the Governor</u></i>  |                           |                                     |                                    |                |
| Section 5310 Transp. For Elderly and Disabled ED 1701(07)  | 20.513                    | 51016010717                         |                                    | 161,958        |
| <b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>   |                           |                                     |                                    | <b>161,958</b> |
| <b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>   |                           |                                     |                                    |                |
| <i><u>Passed Through Texas Department of Aging and Disability Services</u></i>   |                           |                                     |                                    |                |
| 687 Special Programs for the Aging-Title VII, Chapter 3-<br>Programs for Prevention of Elder Abuse, Neglect,<br>and Exploitation | 93.041                    | 539-16-00028-00001                  |                                    | 2,107          |
| Special Programs for the Aging-Title VII, Chapter 2-<br>Long-Term Care Ombudsman Services for<br>Older Individuals               | 93.042                    | 539-16-00028-00001                  |                                    | 12,501         |
| 687 Special Programs for the Aging-Title III, Part D-<br>Disease Prevention and Health Promotion Services                        | 93.043                    | 539-16-00028-00001                  |                                    | 10,511         |
| <i><u>Aging Cluster</u></i>  |                           |                                     |                                    |                |
| 687 Special Programs for the Aging-Title III, Part B-<br>Grants for Supportive Services and Senior Centers                       | 93.044                    | 539-16-00028-00001                  |                                    | 262,714        |
| 687 Special Programs for the Aging-Title III, Part C-<br>Nutrition Services  | 93.045                    | 539-16-00028-00001                  |                                    | 415,611        |
| 687 Nutrition Services Incentive Program   | 93.053                    | 539-16-00028-00001                  |                                    | 88,843         |
| <i><u>Aging Cluster Total</u></i>  |                           |                                     |                                    | 767,168        |
| 687 CMS Access and Assistance Coord.   | 93.324                    | 539-16-00028-00001                  |                                    | 23,371         |
| 665 CMS Access and Assistance Coord.   | 93.324                    | 539-16-00028-00001                  |                                    | 39,349         |
| 700 Medicare Enrollment Assistance Program MIPPA   | 93.071                    | 539-16-00028-00001                  |                                    | 17,949         |
| 687 Title III - E  | 93.052                    | 539-16-00028-00001                  |                                    | 62,562         |

**CONCHO VALLEY COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL/STATE AWARDS (CONT'D)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

| Federal/State Grantor/Pass-Through Grantor/<br>CVCOG Grant Number / Program Title | Federal<br>CFDA<br>Number | Pass-Through<br>Grantor's<br>Number | Passed Through<br>to Subrecipients | Expenditures        |
|---|---------------------------|-------------------------------------|------------------------------------|---------------------|
| <u>Passed Through Texas Health and Human Services</u>                             |                           |                                     |                                    |                     |
| 683 2-1-1 Operations  | 93.767                    | 529-16-0006-00004                   |                                    | (120)               |
| 706 2-1-1 Operations  | 93.767                    | 529-16-0006-00004B                  |                                    | 18,595              |
| 706 2-1-1 Operations  | 10.561                    | 529-16-0006-00004B                  |                                    | 18,594              |
| 706 2-1-1 Operations  | 93.778                    | 529-16-0006-00004B                  |                                    | 18,594              |
| 706 2-1-1 Operations  | 93.566                    | 529-16-0006-00004B                  |                                    | 18,594              |
| 706 2-1-1 Operations  | 93.558                    | 529-16-0006-00004B                  |                                    | 18,594              |
| 735 2-1-1 Operations  | 93.767                    | 529-16-0006-00004                   |                                    | 3,576               |
| 735 2-1-1 Operations  | 10.561                    | 529-16-0006-00004                   |                                    | 3,576               |
| 735 2-1-1 Operations  | 93.778                    | 529-16-0006-00004                   |                                    | 3,576               |
| 735 2-1-1 Operations  | 93.566                    | 529-16-0006-00004                   |                                    | 3,576               |
| 735 2-1-1 Operations  | 93.558                    | 529-16-0006-00004                   |                                    | 3,576               |
| 706 2-1-1 Child Care Contract   | 93.575                    | 529-16-0006-00004C                  |                                    | 4,735               |
| <u>Direct Program</u>   |                           |                                     |                                    |                     |
| 701 Head Start - Administration for Children and Families                         | 93.600                    | 06CH711603                          | 3,656,988                          | 4,296,427           |
| 728 Head Start - Administration for Children and Families                         | 93.600                    | 06CH711604                          |                                    | 1,421,050           |
| <b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                         |                           |                                     | <b>3,656,988</b>                   | <b>6,768,461</b>    |
| <u><b>U. S. DEPARTMENT OF HOMELAND SECURITY</b></u>                               |                           |                                     |                                    |                     |
| <u>Passed through the Office of the Governor - Criminal Justice Division</u>      |                           |                                     |                                    |                     |
| 693 Citizens Corps Program  | 97.067                    | 2952801                             |                                    | 2,114               |
| 717 Citizen Corps Program   | 97.067                    | 2952802                             |                                    | 17,882              |
| 747 Citizen Corps Program   | 97.067                    | 2952803                             |                                    | 655                 |
| 692 State Homeland Security Program (SHSP)  | 97.067                    | 2952901                             |                                    | 9,182               |
| 716 State Homeland Security Program (SHSP)  | 97.067                    | 2952902                             |                                    | 100,773             |
| <b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>                                 |                           |                                     |                                    | <b>130,606</b>      |
| <u><b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b></u>                      |                           |                                     |                                    |                     |
| <u>Direct Program</u>   |                           |                                     |                                    |                     |
| <u>Foster Grandparent/Senior Companion Cluster</u>                                |                           |                                     |                                    |                     |
| 730 Foster Grandparent Program  | 94.011                    | 16SFWTX005                          |                                    | 70,958              |
| 702 Foster Grandparent Program  | 94.011                    | 16SFWTX005                          |                                    | 298,267             |
| 704 Foster Grandparent Program  | 94.011                    | 15SFWTX008                          |                                    | 5,000               |
| 696 Senior Companion Program  | 94.016                    | 15SCWTX010                          |                                    | 5,756               |
| 703 Senior Companion Program  | 94.016                    | 16SCWTX004                          |                                    | 170,562             |
| 731 Senior Companion Program  | 94.016                    | 16SCWTX004                          |                                    | 42,174              |
| <b>TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>                       |                           |                                     |                                    | <b>592,717</b>      |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                                       |                           |                                     | <b>\$ 3,656,988</b>                | <b>\$ 7,857,026</b> |

**CONCHO VALLEY COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL/STATE AWARDS (CONT'D)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

| Federal/State Grantor/Pass-Through Grantor/<br>CVCOG Grant Number / Program Title | Federal<br>CFDA<br>Number | Pass-Through<br>Grantor's<br>Number | Passed Through<br>to Subrecipients | Expenditures          |
|---|---------------------------|-------------------------------------|------------------------------------|-----------------------|
| <b><u>EXPENDITURES OF STATE AWARDS</u></b>  |                           |                                     |                                    |                       |
| <b><u>OFFICE OF THE GOVERNOR OF TEXAS</u></b>                                     |                           |                                     |                                    |                       |
| <i><u>Passed Through the Criminal Justice Division</u></i>                        |                           |                                     |                                    |                       |
| 741 Criminal Justice Planning   | N/A                       | 30080262                            | \$                                 | 2,777                 |
| 709 Criminal Justice Planning   | N/A                       | 30071038                            |                                    | 44,028                |
| 684 Law Enforcement Special Training  | N/A                       | 1480414                             |                                    | 50,487                |
| <i><u>Passed Through the Homeland Security Division</u></i>                       |                           |                                     |                                    |                       |
| 691 Homeland Security Program   | N/A                       | 30080244                            |                                    | 553                   |
| 710 Homeland Security Program   | N/A                       | 30070151                            |                                    | 17,452                |
| <b>TOTAL OFFICE OF THE GOVERNOR OF TEXAS</b>                                      |                           |                                     |                                    | <b>115,297</b>        |
| <b><u>TEXAS DEPARTMENT OF AGING AND DISABILITY SERVICES</u></b>                   |                           |                                     |                                    |                       |
| 687 Aging Program State General Revenue   | N/A                       | 539-16-00028-00001                  |                                    | 92,727                |
| <b>TOTAL TEXAS DEPARTMENT OF AGING AND DISABILITY SERVICES</b>                    |                           |                                     |                                    | <b>92,727</b>         |
| <b><u>TEXAS COMMISSION ON ENVIRONMENTAL QUALITY</u></b>                           |                           |                                     |                                    |                       |
| 689 Solid Waste Coordination  | N/A                       | 582-16-60650                        |                                    | 156,394               |
| 745 Solid Waste Coordination  | N/A                       | 582-18-80534                        |                                    | 4,899                 |
| <b>TOTAL TEXAS COMMISSION ON ENVIRONMENTAL QUALITY</b>                            |                           |                                     |                                    | <b>161,293</b>        |
| <b><u>COMMISSION ON STATE EMERGENCY COMMUNICATIONS</u></b>                        |                           |                                     |                                    |                       |
| 654 Emergency Communications  | N/A                       | FY 2015                             |                                    | 769,837               |
| 707 Emergency Communications  | N/A                       | FY 2017                             |                                    | 1,833,277             |
| 736 Emergency Communications  | N/A                       | FY 2018                             |                                    | 116,434               |
| <b>TOTAL COMMISSION ON STATE EMERGENCY COMMUNICATIONS</b>                         |                           |                                     |                                    | <b>2,719,548</b>      |
| <b><u>TEXAS HEALTH AND HUMAN SERVICES COMMISSION</u></b>                          |                           |                                     |                                    |                       |
| 706 2-1-1 Operations  | N/A                       | 529-16-0006-00004B                  |                                    | 87,346                |
| <b>TOTAL TEXAS HEALTH AND HUMAN SERVICES COMMISSION</b>                           |                           |                                     |                                    | <b>87,346</b>         |
| <b><u>TEXAS DEPARTMENT OF RURAL AFFAIRS</u></b>                                   |                           |                                     |                                    |                       |
| 582 Community and Economic Development Assistance Fund                            | N/A                       | C714204                             |                                    | 7,498                 |
| <b>TOTAL TEXAS DEPARTMENT OF RURAL AFFAIRS</b>                                    |                           |                                     |                                    | <b>7,498</b>          |
| <b>TOTAL EXPENDITURES OF STATE AWARDS</b>   |                           |                                     | <b>\$</b>                          | <b>- \$ 3,183,709</b> |

## CONCHO VALLEY COUNCIL OF GOVERNMENTS

### NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL/STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

#### 1. Basis of Presentation

The accompanying schedule of expenditures of federal/state awards includes the federal/state award activity of Concho Valley Council of Governments under programs of the federal/state government for the year ended September 30, 2017. 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, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations; and the State of Texas Single Audit Circular. Because the Schedule presents only a selected portion of the operations of Concho Valley Council of Governments, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Concho Valley Council of Governments.

#### 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

#### 3. Indirect Cost Rate

Since the Council has an approved Indirect Recovery Rate, it has elected not to use the 10% de minimis cost rate as permitted in the UG, Section 200.414.