



CONCHO VALLEY
TRANSIT DISTRICT
San Angelo, Texas

ANNUAL FINANCIAL REPORT

AUGUST 31, 2017

CONCHO VALLEY TRANSIT DISTRICT
ANNUAL FINANCIAL REPORT
AUGUST 31, 2017

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Financial Section

March 2, 2018

Independent Auditor's Report on Financial Statements

Executive Committee
Concho Valley Transit District
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 and the major fund of Concho Valley Transit District as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 District'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 and the major fund of Concho Valley Transit District as of August 31, 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 Pension Contributions – Pension Plan on pages 3-7 and 25-26 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 District'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 combining financial statements, 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 Transit District'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 Transit District's internal control over financial reporting and compliance.

Condley and Company, L.L.P.

Certified Public Accountants

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

CONCHO VALLEY TRANSIT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 31, 2017

Our discussion and analysis of **Concho Valley Transit District's (District)** financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2017.

FINANCIAL HIGHLIGHTS

- The District's net position was \$7,001,071 and \$6,566,290 at August 31, 2017 and 2016, respectively.
- The District's revenues totaled \$5,280,168 and \$5,096,727 for the years ended August 31, 2017 and 2016, respectively. Expenses totaled \$4,845,387 and \$4,822,373 for the years ended August 31, 2017 and 2016, respectively. Net assets increased \$434,781 and \$274,354 for the years ended August 31, 2017 and 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District'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 District, including resources held by the District 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 District:

- The first two statements are *government-wide statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District'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, schedule of changes in net pension liability and related ratios – pension plan, and schedule of contributions – pension plan. *Other supplementary information* includes expenditures by grant program, indirect costs, and fringe benefit schedules. The following summarizes the major features of the District's financial statements, including the portion of the District'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 (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary
Required financial Statements	Statement of net position Statement of activities	Balance sheet 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 the 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 District 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 District's *net position* and how it has changed. *Net position*, the difference between the District's assets and liabilities, is one way to measure the District's financial health or *position*.

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

The government-wide financial statements of the District include:

- *Governmental activities* – All of the District'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 District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- *Governmental funds* – All of the District’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 District’s programs.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE – GOVERNMENT WIDE FINANCIAL STATEMENTS

Net Position - The District’s net position is the difference between its assets and liabilities reported in the Statement of Net Position. The District’s net position was \$7,001,071 and \$6,566,290 at August 31, 2017 and 2016, respectively.

Assets, Liabilities, and Net Position – Governmental Activities

	2017	2016
Assets:		
Other current and non-current assets	\$ 1,290,876	\$ 1,078,748
Capital assets, net	6,039,240	5,871,589
Total assets	\$ 7,330,116	\$ 6,950,337
Deferred Outflows of Resources:		
Deferred outflows of resources related to pensions	\$ 356,261	\$ 283,113
Total deferred outflows of resources	\$ 356,261	\$ 283,113
Liabilities:		
Current liabilities	\$ 259,889	\$ 323,873
Net pension liability	182,229	192,231
Total liabilities	\$ 442,118	\$ 516,104
Deferred Inflows of Resources:		
Deferred inflows of resources related to pensions	\$ 243,188	\$ 151,056
Total deferred inflows of resources	\$ 243,188	\$ 151,056
Net position:		
Net investment in capital assets	\$ 6,039,240	\$ 5,871,589
Unrestricted, undesignated	961,831	694,701
Total net position	\$ 7,001,071	\$ 6,566,290

Current assets decreased from 2016 to 2017 due to a reduction in cash and capital assets increased with purchases during 2017. Total liabilities decreased due to a reduction in accounts payable and net pension liability.

OPERATING RESULTS AND CHANGES IN THE DISTRICT’S NET POSITION

The District’s total revenues were \$5,280,168 for the year ended August 31, 2017. In the 2017 fiscal year, approximately 53% of the District’s revenue came from federal grants or federal grants passed through the state, 12% from state grants, 14% from member government contributions, and the remainder is from other local funds such as program income, transit charter, transit medical, toll credits, and funds from aging services vendor.

Changes in Net Position

	<u>2017</u>	<u>2016</u>
Revenues:		
Federal grants	\$ 2,819,812	\$ 2,699,392
State grants	615,125	642,437
Local funds:		
Member government contributions	755,950	815,875
Program income	113,242	174,947
Transit charter	20,900	38,820
Transit medical	440,859	385,644
Local contracts	137,227	83,776
Aging vendor	177,294	44,734
Toll credits	193,493	170,872
Sale of assets	6,266	40,230
Total revenues	<u>5,280,168</u>	<u>5,096,727</u>
Expenses:		
Transportation	<u>4,845,387</u>	<u>4,822,373</u>
Total expenses	<u>4,845,387</u>	<u>4,822,373</u>
Increase in net position	434,781	274,354
Net position at beginning of year	<u>6,566,290</u>	<u>6,291,936</u>
Net position end of year	\$ <u><u>7,001,071</u></u>	\$ <u><u>6,566,290</u></u>

The District relies on federal and state grant awards. The availability of these awards changes from year to year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2017 and 2016 respectively, the District had \$6,039,240 and \$5,871,589 invested in capital assets, net of accumulated depreciation.

See Note 3 to the financial statements for additional information regarding capital assets.

OTHER ECONOMIC FACTORS

Overall, the program funding environment for the District'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 District funding over many years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

CONCHO VALLEY TRANSIT DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 945,499
Grants receivable	279,372
Accounts receivable	66,005
Capital assets:	
Land	353,099
Building	4,442,703
Equipment	4,310,990
Less: accumulated depreciation	<u>(3,067,552)</u>
Total Assets	<u>7,330,116</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	<u>356,261</u>
Total Deferred Outflows of Resources	<u>356,261</u>
LIABILITIES	
Accounts payable	187,553
Unearned revenue	72,336
Net pension liability	<u>182,229</u>
Total Liabilities	<u>442,118</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>243,188</u>
Total Deferred Inflows of Resources	<u>243,188</u>
NET POSITION	
Net investment in capital assets	6,039,240
Unrestricted	<u>961,831</u>
Total Net Position	<u>\$ 7,001,071</u>

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

CONCHO VALLEY TRANSIT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net Revenue and Changes in Net Position</u> <u>Governmental Activities</u>
GOVERNMENTAL ACTIVITIES			
Transportation	\$ <u>4,845,387</u>	\$ <u>5,273,902</u>	\$ <u>428,515</u>
Total Governmental Activities	<u>4,845,387</u>	<u>5,273,902</u>	<u>428,515</u>
Total Primary Government	\$ <u><u>4,845,387</u></u>	\$ <u><u>5,273,902</u></u>	\$ <u><u>428,515</u></u>
General Revenues:			
Gain on sale of assets			\$ <u>6,266</u>
Total General Revenues			<u>6,266</u>
Change in Net Position			434,781
Net Position - Beginning			<u>6,566,290</u>
Net Position - Ending			\$ <u><u>7,001,071</u></u>

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

CONCHO VALLEY TRANSIT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2017

	<u>General Fund</u>
ASSETS	
Cash	\$ 945,499
Grants receivable	279,372
Accounts receivable	<u>66,005</u>
Total Assets	<u>\$ 1,290,876</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 187,553
Unearned revenue	<u>72,336</u>
Total Liabilities	<u>259,889</u>
Fund Balance:	
Unassigned fund balance	<u>1,030,987</u>
Total Fund Balance	<u>1,030,987</u>
Total Liabilities and Fund Balance	<u>\$ 1,290,876</u>

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

CONCHO VALLEY TRANSIT DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 AUGUST 31, 2017*

Total fund balances - governmental funds balance sheet	\$ 1,030,987
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.	356,261
Capital assets used in governmental activities are not reported in the funds.	6,039,240
Net pension liability is not reported in the funds.	(182,229)
Deferred inflows of resources related to pensions are not reported in the funds.	<u>(243,188)</u>
Net position of governmental activities - Statement of Net Position	<u><u>\$ 7,001,071</u></u>

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

CONCHO VALLEY TRANSIT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

	<u>General Fund</u>
Revenues	
Federal grants	\$ 2,819,812
State grants	615,125
Other local funds:	
Member government contributions	755,950
Program income	113,242
Transit charter	20,900
Transit medical	440,859
Local contracts	137,227
Aging vendor	177,294
Toll credits	<u>193,493</u>
Total revenues	<u>5,273,902</u>
Expenditures	
Transportation	4,105,816
Capital outlay	<u>898,240</u>
Total expenditures	<u>5,004,056</u>
Excess of revenues under expenditures	269,846
Other Sources	
Sale of capital assets	<u>6,266</u>
Total other sources	<u>6,266</u>
Excess of revenues and other sources under expenditures and other sources	<u>276,112</u>
Fund balances, September 1	<u>754,875</u>
Fund balances, August 31	<u>\$ 1,030,987</u>

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

CONCHO VALLEY TRANSIT DISTRICT
*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2017*

Net change in fund balances - total governmental funds	\$ 276,112
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.	849,924
Depreciation is not recognized as an expense in governmental funds since it does not require use of current financial resources.	(627,819)
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.	(8,982)
Non-cash retirement and transfers of assets that were reported as transfers out which resulted in a reduction in the statement of net position, but were not included on the governmental funds.	<u>(54,454)</u>
Change in net assets of governmental activities - Statement of Activities	<u><u>\$ 434,781</u></u>

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

CONCHO VALLEY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

Note 1: Summary of Significant Accounting Policies

The financial statements of Concho Valley Transit District (the District or CVTD) 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 Transit District (the District or CVTD) is a local governmental body and political subdivision of the State of Texas established under Chapters 458 of the Transportation Code and 791 of the Government Code of the State of Texas. CVTD offers fixed route transit services for the City of San Angelo and demand-response transit services in the rural Concho Valley region for the Counties of Coke, Concho, Crockett, Irion, Kimble, McCulloch, Menard, Reagan, Schleicher, Sutton, Sterling and Tom Green, and the Cities of Bronte, Robert Lee, Eden, Ozona, Mertzon, Junction, Brady, Menard, Big Lake, Eldorado, and Sterling City. CVTD has identified public transportation, particularly the transportation of its widely scattered rural population, as a high priority goal and has achieved this objective by the operation of this rural public transportation project.

Reporting Entity

The District's basic financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District'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 District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District
- the exclusion of the organization would result in misleading or incomplete financial statements

The District determined no additional entities should be included in these financial statements.

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 District'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 District'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 District 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. Federal and state grant revenues are recognized when program expenditures are incurred in accordance with program guidelines. The major sources of revenue are federal and state grants, member government contributions, program income, transit charter and medical fees, local contracts and toll credits.

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

Assets, Liabilities, and Net Position or Fund Balance

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Grants Receivable and Accounts Receivable

Grants receivable represents allowable expenditures in excess of receipts for specific grants. Accounts receivable represents timing of contributions and other funds from member governments not yet received.

c. 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 extends 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 Useful Lives</u>
Buildings and improvements	40
Vehicles	1-7
Office equipment	5
Computer equipment	5

d. Receivable and Payable Balances

The District believes that sufficient detail of ordinary receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

e. 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 District had deferred outflows of resources related to pensions of \$356,261 as of August 31, 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 District had deferred inflows of resources related to pensions of \$243,188 as of August 31, 2017.

f. Unearned Revenue

Unearned revenue at August 31, 2017 represents timing of insurance funds received for repairs.

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 District's highest level of decision-making authority).

4. Assigned fund balance classification includes amounts intended to be used by the District 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 District's general fund and includes all spendable amounts not contained in the other classifications.

The District does not have nonspendable, restricted, committed or assigned funds as of August 31, 2017.

In the fund financial statements, the District 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 District does not operate under a minimum fund balance policy.

h. Employee Benefits

CVTD 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 District is covered under the Texas Municipal League Workforce Compensation Insurance program and Texas Unemployment Compensation Insurance program for which the District pays the premiums.

i. Indirect Costs Allocation

The District contracts for administration, staffing and financial services with the Concho Valley Council of Governments (CVCOG). The primary objectives of this joint endeavor are to establish an office for business finance to service twelve counties of the Concho Valley region, to provide public transportation services in this region, and to provide consultation to local governments and businesses on the public transportation needs of the Concho Valley area.

Services that are incurred for a common or joint purpose benefitting more than one cost objective or are not readily assignable to the cost objective specifically benefitted, are allocated using the Concho Valley Council of Governments approved Federal Cognizant Indirect Cost Plan rate. All other services that can be identified specifically with a particular final cost objective are allocated as direct costs. Typical direct costs charged to the District are the compensation of employees who work in CVTD and their associated fringe benefits.

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

Stewardship, Compliance and Accountability

CVTD's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ending August 31. It is not a legally adopted budget, therefore presentation of budget comparisons are not required.

The District's primary funding source is federal, state, and other local grants which have grant periods that may or may not coincide with the District'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 District's dependency on federal, state, and local budgetary decisions, revenue estimates are based upon the most available information as to potential sources of funding. CVTD'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. Statements of revenues and expenditures current year – life to date by grant are presented in the other supplementary information section.

Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, 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 August 31, 2017, the carrying amount of the Districts cash deposits, all of which mature in less than one year was \$945,499 and the bank balance was \$952,400. The District's cash deposits at August 31, 2017 and during the year ended August 31, 2017, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Custodial Credit Risk

The District'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 District's agent bank approved pledged securities in an amount sufficient to protect District 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 District 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 District 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 District'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 District adhered to the requirements of the ACT. Additionally, investment practices of the District were in accordance with local policies.

Investment Accounting Policy

The District'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: Capital Assets

Capital asset activity for the year ended August 31, 2017 was as follows:

Governmental activities	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 353,099	\$ -	\$ -	\$ 353,099
Total capital assets not being depreciated	353,099	-	-	353,099
Capital assets being depreciated:				
Buildings and improvements	4,251,654	191,049		4,442,703
Equipment and vehicles	4,321,247	658,875	(669,132)	4,310,990
Total capital assets being depreciated	8,572,901	849,924	(669,132)	8,753,693
Less accumulated depreciation for:				
Buildings and improvements	(414,535)	(109,078)		(523,613)
Equipment and vehicles	(2,639,876)	(518,741)	614,678	(2,543,938)
Total accumulated depreciation	(3,054,411)	(627,819)	614,678	(3,067,552)
Total capital assets being depreciated, net	5,518,490	222,105	(54,454)	5,686,141
Governmental activities capital assets, net	\$ 5,871,589	\$ 222,105	\$ (54,454)	\$ 6,039,240

Depreciation was charged to functions as follows:

Transportation	\$ 627,819
	\$ 627,819

Note 4: Risk Management

The District 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 District 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 District 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 of reinsurance. The District 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 5: Pension Plans

Retirement Pension Plan

Plan Description

The District 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.

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 Council of Governments

The District reports a liability, deferred outflows 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 the Concho Valley Council of Governments (Council).

At December 31, 2016, the District's proportion of the collective net pension liability was 37% and the Council's proportion was 63%. The respective proportion of the net pension liability 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	2
Inactive employees entitled to but not yet receiving benefits	73
Active employees	<u>58</u>
Total participants	133

Funding Policy

The District 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 11.86%.

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 August 31, 2017, the annual pension cost for the TCDRS plan for its employees was \$219,178 and actual contributions were \$219,178.

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 District’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	\$ 2,726,057
Fiduciary net position	<u>2,543,828</u>
Net pension liability	\$ 182,229

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of December 31, 2015	\$ 1,616,922	\$ 1,424,691	\$ 192,231
Changes for the year:			
Service cost	286,894		286,894
Interest on total pension liability	205,435		205,435
Effect of plan changes			
Effect of assumption changes			
Effect of economic / demographic gains or losses	(120,840)		(120,840)
Refund of contributions	(39,071)	(39,071)	0
Benefit payments	(41,393)	(41,393)	0
Administrative expenses		(1,743)	1,743
Member contributions		112,980	(112,980)
Net investment income		160,326	(160,326)
Employer contributions		181,526	(181,526)
Other		25,650	(25,650)
Adjustment due to percentage allocation change	818,110	720,862	97,248
Balances as of December 31, 2016	\$ 2,726,057	\$ 2,543,828	\$ 182,229

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

The following presents the net pension liability of the District calculated using the discount rate of 8.10% as well as what the District 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 (7.10%)	Current Rate (8.10%)	1% Increase (9.10%)
Total pension liability	\$ 3,141,233	\$ 2,726,057	\$ 2,386,758
Fiduciary net position	2,543,828	2,543,828	2,543,828
Net pension liability	\$ 597,405	\$ 182,229	\$ (157,070)

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

For the year ended August 31, 2017, the District recognized total pension expense of \$8,982.

As of August 31, 2017, the District reported on the Statement of Net Position deferred outflows of resources related to pensions from the following sources:

Contributions subsequent to measurement date	\$ 159,815
Difference between projected and actual investment earnings	175,685
Change of assumptions	<u>20,761</u>
Total	<u>\$ 356,261</u>

As of August 31, 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>(243,188)</u>
Total	<u>\$ (243,188)</u>

Deferred outflows of resources related to contributions subsequent to the measurement date of \$159,815 will be recognized as a reduction of the net pension liability for the year ending August 31, 2017. Remaining net deferred outflows and inflows of resources related to pensions totaling \$(46,742) will be recognized in pension expense for the years ending August 31, 2017, 2018, 2019, and 2020 in the amounts of \$(14,869), \$(14,869), \$(20,492), and \$3,488, respectively.

Note 6: Commitments and Contingencies

Contingencies

The District 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 District 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 District, 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 District 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 TRANSIT DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS - PENSION PLAN
FOR THE YEAR ENDED AUGUST 31, 2017 *

	<u>Measurement Date</u> 12/31/2016	<u>Measurement Date</u> 12/31/2015	<u>Measurement Date</u> 12/31/2014
Total Pension Liability:			
Service cost	\$ 286,894	\$ 163,824	\$ 143,687
Interest on total pension liability	205,435	130,083	111,419
Effect of plan changes	-	(25,785)	-
Effect of assumption or plan changes	-	22,977	-
Effect of economic / demographic (gains) or losses	(120,840)	(185,321)	396
Benefit payments / refunds of contributions	(80,464)	(31,007)	(36,188)
Net change in total pension liability	<u>291,025</u>	<u>74,771</u>	<u>219,314</u>
Total pension liability, beginning	<u>1,616,922</u>	<u>1,542,151</u>	<u>1,322,837</u>
Adjustment due to percentage allocation change	818,110		
Total pension liability, ending (a)	<u>2,726,057</u>	<u>1,616,922</u>	<u>1,542,151</u>
Fiduciary Net Position:			
Employer contributions	181,526	121,596	118,052
Member contributions	112,980	71,769	66,746
Investment income net of investment expenses	160,326	(44,746)	70,866
Benefit payments / refunds of contributions	(80,464)	(31,007)	(36,188)
Administrative expenses	(1,743)	(993)	(930)
Other	25,650	554	689
Net change in fiduciary net position	<u>398,275</u>	<u>117,173</u>	<u>219,235</u>
Fiduciary net position, beginning	<u>1,424,691</u>	<u>1,307,518</u>	<u>1,088,283</u>
Adjustment due to percentage allocation change	720,862		
Fiduciary net position, ending (b)	<u>2,543,828</u>	<u>1,424,691</u>	<u>1,307,518</u>
Net pension liability, ending ((a) - (b))	<u>\$ 182,229</u>	<u>\$ 192,231</u>	<u>\$ 234,633</u>
Fiduciary net position as a % of total pension liability	93.32%	88.11%	84.79%
Pensionable covered payroll	\$ 1,614,003	\$ 1,025,267	\$ 953,523
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 TRANSIT DISTRICT
SCHEDULE OF CONTRIBUTIONS - PENSION PLAN
 FOR THE LAST 10 FISCAL YEARS *

Period Ending December 31, (Measurement Date)	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2009	\$ 74,442	\$ 74,442	\$ -	\$ 959,104	7.76%
2010	\$ 163,682	\$ 163,682	\$ -	\$ 1,254,832	13.04%
2011	\$ 113,125	\$ 113,125	\$ -	\$ 767,318	14.74%
2012	\$ 129,271	\$ 129,271	\$ -	\$ 1,088,132	11.88%
2013	\$ 109,189	\$ 109,189	\$ -	\$ 855,979	12.76%
2014	\$ 124,972	\$ 124,972	\$ -	\$ 1,012,491	12.34%
2015	\$ 125,020	\$ 125,020	\$ -	\$ 1,245,343	10.04%
2016	\$ 181,526	\$ 181,526	\$ -	\$ 1,614,003	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
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	8.00%, 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

Other Supplementary Information

CONCHO VALLEY TRANSIT DISTRICT
SCHEDULE OF EXPENDITURES BY GRANT
FOR THE YEAR ENDED AUGUST 31, 2017

	681,711	682,712	699,725,729
	<u>Urban Operating</u>	<u>Rural Operating</u>	<u>Elderly & Disabled TXDOT</u>
Salaries	\$ 941,132	\$ 547,034	\$ 35,546
Fringe benefits	443,956	263,222	12,547
Total personnel	<u>1,385,088</u>	<u>810,256</u>	<u>48,093</u>
Indirect costs	222,666	130,372	7,749
Audit and legal	8,368	8,368	-
Management service fee	71,400	71,400	-
Travel	7,084	7,533	-
Fuel	197,149	118,674	12,832
Lubricant	10,955	6,415	-
Accident / vandalism vehicle repair	1,146	-	-
Vehicle maintenance	113,223	52,830	421
Preventative maintenance	39,460	-	(94)
Tires	27,142	21,224	-
Rent	6,339	6,339	-
Shop and yard space	120,000	-	-
Utilities	650	650	-
Building maintenance	1,027	1,014	-
Supplies	11,795	8,506	-
Capital Technology			23,329
Capital equipment	-	-	-
Capital construction	-	-	-
Insurance	48,668	24,229	-
Communications - bus	35,998	1,100	-
Cell phones	10,973	12,037	-
Internet	-	772	-
Printing / ads and promotions	4,981	4,615	-
Repeater rental	-	5,288	-
Radio maintenance	208	208	-
Training	8,410	8,410	-
Dues and fees	2,692	4,782	-
Communications	1,544	10,127	-
Postage / freight	1,856	1,786	-
Other	59,149	4,956	-
Physicals	597	507	-
Anti-drug program	5,124	2,616	-
Safety	4,908	2,276	-
Multi-modal terminal operations	76,555	-	-
Toll credits	-	-	12,197
Total Expenditures	<u>\$ 2,485,155</u>	<u>\$ 1,327,290</u>	<u>\$ 104,527</u>

670,697,698	566	720	690,713	018	
Bus & Bus Facilities TXDOT	Bus & Bus Facilities FTA	TIGER Discretionary TXDOT	Reg Planning TXDOT	AMR Out of Region Local	Total
\$ -	\$ -	\$ -	\$ 11,320	\$ 8,326	\$ 1,543,358
-	-	-	4,508	2,439	726,672
-	-	-	15,828	10,765	2,270,030
-	-	-	2,550	1,734	365,071
-	-	-	-	-	16,736
-	-	-	-	-	142,800
-	-	-	-	-	14,617
-	-	-	-	-	328,655
-	-	-	-	-	17,370
-	-	-	-	-	1,146
-	-	-	-	-	166,474
-	-	-	-	-	39,366
-	-	-	-	-	48,366
-	-	-	-	-	12,678
-	-	-	-	-	120,000
-	-	-	-	-	1,300
-	-	-	-	-	2,041
-	-	-	-	-	20,301
15,458	-	658,875	-	-	38,787
4,337	-	-	-	-	663,212
-	196,241	-	-	-	196,241
-	-	-	-	-	72,897
-	-	-	-	-	37,098
-	-	-	-	-	23,010
-	-	-	-	-	772
-	-	-	-	-	9,596
-	-	-	-	-	5,288
-	-	-	-	-	416
-	-	-	-	-	16,820
-	-	-	-	-	7,474
-	-	-	-	-	11,671
-	-	-	-	-	3,642
-	-	-	-	-	64,105
-	-	-	-	-	1,104
-	-	-	-	-	7,740
-	-	-	-	-	7,184
-	-	-	-	-	76,555
106,231	-	75,065	-	-	193,493
<u>\$ 126,026</u>	<u>\$ 196,241</u>	<u>\$ 733,940</u>	<u>18,378</u>	<u>12,499</u>	<u>\$ 5,004,056</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 Transit District
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 and the major fund of Concho Valley Transit District as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise Concho Valley Transit District's 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 Transit District's 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 Transit District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Concho Valley Transit District'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 Transit District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

Condley 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

Executive Committee
Concho Valley Transit District
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 Transit District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Concho Valley Transit District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

Report on Internal Control Over Compliance

Management of 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 Transit District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Concho Valley Transit District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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 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. Accordingly, this report is not suitable for any other purpose.

Condly and Company, L.L.P.

Certified Public Accountants

CONCHO VALLEY TRANSIT DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 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 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:

<u>CFDA Number(s)</u> 20.500, 20.507, 20.526	<u>Name of Federal Program or Cluster</u> Federal Transit Cluster
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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 Award Findings and Questioned Costs

None

CONCHO VALLEY TRANSIT DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2017

Findings/Recommendations	Current Status	Management's Explanation If Not Implemented
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None

CONCHO VALLEY TRANSIT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017

Federal/State Grantor/Pass-Through Grantor/ CVTD Grant Number / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
<u>U. S. DEPARTMENT OF TRANSPORTATION</u>				
<i>Federal Transit Administration:</i>				
<i>Federal Transit Cluster</i>				
<i>Direct Program</i>				
566 Section 5309 Bus and Bus Facilities	20.500	TX-04-0046-00	\$	138,885
711 Section 5307 Urban Transportation	20.500	TX-90-Y185-00		946,465
681/711 Section 5307 Urban Transportation	20.507	TX-90-Y141-00		320,748
656/711 Section 5307 Urban Transportation	20.507	TX-90-Y123-00		60,045
<i>Passed through the Office of the Governor.</i>				
<i>Texas Department of Transportation</i>				
697 Section 5339 Bus and Bus Facilities VCR 1603(07)18	20.526	51407F7228		292,579
698 Section 5339 Bus and Bus Facilities VCR 1602(07)18	20.526	51407F7040		4,336
670 Section 5339 Bus and Bus Facilities VCR 1403(07)03	20.526	51407F7265		(277,122)
				<u>1,485,936</u>
<i>Federal Transit Cluster Total</i>				
<i>Passed through the Office of the Governor.</i>				
<i>Texas Department of Transportation</i>				
712 Section 5311 Rural Transportation RPT 1602(07)013	20.509	51018020716		438,891
712 Section 5311 Rural Transportation RPT 1702(07)032-17	20.509	51018020717		107,948
725/729 Section 5310 Transp. For Elderly and Disabled ED 1702(07)	20.513	51016020717		60,000
699 Section 5310 Transp. For Elderly and Disabled ED 1601(07)30	20.513	PO7614		23,655
720 TIGER, National Infrastructure Investments	20.933	TIGER-2016-CVTD-00259		658,874
690 Section 5304 State Planning and Research	20.505	PO7754		(5,485)
713 Section 5304 State Planning and Research	20.505	REG1701(07)23		16,885
732 RTAP, Technical Assistance	20.509	TAP1704(09)013 16		33,108
			<u>-</u>	<u>2,819,812</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>-</u>	<u>2,819,812</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 2,819,812</u>

See notes to the schedule of expenditures of federal awards.

CONCHO VALLEY TRANSIT DISTRICT

*NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017*

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Concho Valley Transit District under programs of the federal government for the year ended August 31, 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). Because the Schedule presents only a selected portion of the operations of Concho Valley Transit District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Concho Valley Transit District.

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 District 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.