



CONCHO VALLEY  
TRANSIT DISTRICT  
*San Angelo, Texas*

***ANNUAL FINANCIAL REPORT***

AUGUST 31, 2021

**CONCHO VALLEY TRANSIT DISTRICT**  
*ANNUAL FINANCIAL REPORT*  
*AUGUST 31, 2021*

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## **Financial Section**

February 28, 2022

**Independent Auditors' 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, 2021, 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.

**Auditors' 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.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Concho Valley Transit District as of August 31, 2021, 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 / (Asset) and Related Ratios - Pension Plan and Schedule of Contributions - Pension Plan on pages 3-6 and 27-28 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 Schedule of Expenditures by Grant and Schedule of Grant Expenditures by Agency (Federal and State), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures by Grant and the Schedule of Grant Expenditures by Agency (Federal and State) are the responsibility of management and were derived from and relate 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 Schedule of Expenditures by Grant and the Schedule of Grant Expenditures by Agency (Federal and State) are 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 February 28, 2022 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 & Company, LLP*

Certified Public Accountants

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

# CONCHO VALLEY TRANSIT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

August 31, 2021

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, 2021.

### FINANCIAL HIGHLIGHTS

- The District's net position was \$9,420,158 and \$8,378,604 at August 31, 2021 and 2020, respectively.
- The District's revenues totaled \$7,024,187 and \$7,574,667 for the years ended August 31, 2021 and 2020, respectively. Expenses totaled \$5,982,633 and \$5,482,713 for the years ended August 31, 2021 and 2020, respectively. Net position increased \$1,041,554 and \$2,091,954 for the years ended August 31, 2021 and 2020, respectively.

### 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 and grant expenditures by agency. 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 and grant expenditures by agency. 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.

<b>Type of Statement</b>	<b>Government-Wide</b>	<b>Governmental Funds</b>
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 (including deferred outflows of resources) and liabilities (including deferred inflows of resources), 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 (including deferred outflows) and liabilities (including deferred inflows) reported in the Statement of Net Position. The District’s net position was \$9,420,158 and \$8,378,604 at August 31, 2021 and 2020, respectively.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position – Governmental Activities

	<u>2021</u>	<u>2020</u>
Assets:		
Other current and non-current assets	\$ 1,945,454	\$ 3,261,106
Net pension asset	79,519	208,142
Capital assets, net	<u>7,982,045</u>	<u>7,419,269</u>
Total assets	<u>\$ 10,007,018</u>	<u>\$ 10,888,517</u>
Deferred Outflows of Resources:		
Deferred outflows of resources related to pensions	<u>\$ 415,293</u>	<u>\$ 287,395</u>
Total deferred outflows of resources	<u>\$ 415,293</u>	<u>\$ 287,395</u>
Liabilities:		
Current liabilities	\$ 852,112	\$ 789,571
Notes payable	<u>-</u>	<u>1,800,000</u>
Total liabilities	<u>\$ 852,112</u>	<u>\$ 2,589,571</u>
Deferred Inflows of Resources:		
Deferred inflows of resources related to pensions	<u>\$ 150,041</u>	<u>\$ 207,737</u>
Total deferred inflows of resources	<u>\$ 150,041</u>	<u>\$ 207,737</u>
Net position:		
Net investment in capital assets	\$ 7,982,045	\$ 5,619,269
Restricted for debt service	-	1,800,000
Unrestricted, undesignated	<u>1,438,113</u>	<u>959,335</u>
Total net position	<u>\$ 9,420,158</u>	<u>\$ 8,378,604</u>

Current assets decreased from 2020 to 2021 due to a decrease in grants receivable and capital assets increased with the additions to the Link Road property during 2021. Total liabilities decreased due to the payoff of notes payable totaling \$1,800,000.

**OPERATING RESULTS AND CHANGES IN THE DISTRICT’S NET POSITION**

The District’s total revenues were \$7,024,187 for the year ended August 31, 2021. In the 2021 fiscal year, approximately 68% of the District’s revenue came from federal grants or federal grants passed through the state, 10% from state grants, 13% 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

	2021	2020
Revenues:		
Federal grants	\$ 4,739,085	\$ 5,025,874
State grants	667,099	823,556
Local funds:		
Member government contributions	891,241	841,460
Program income	166,315	157,628
Transit charter	13,361	18,638
Transit medical	218,974	275,136
Local contracts	91,300	127,680
Aging vendor	175,226	176,963
Toll credits	38,211	120,903
Gain on sale of assets	23,375	6,829
Total revenues	<u>7,024,187</u>	<u>7,574,667</u>
Expenses:		
Transportation	<u>5,982,633</u>	<u>5,482,713</u>
Total expenses	<u>5,982,633</u>	<u>5,482,713</u>
Increase in net position	1,041,554	2,091,954
Net position - beginning of year	<u>8,378,604</u>	<u>6,286,650</u>
Net position - end of year	<u>\$ 9,420,158</u>	<u>\$ 8,378,604</u>

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At August 31, 2021 and 2020 respectively, the District had \$7,982,045 and \$5,619,269 invested in capital assets, net of accumulated depreciation and related debt. See Note 4 to the financial statements for additional information regarding capital assets.

### Debt

During the year ended August 31, 2020, the District entered into note payable agreements totaling \$1,800,000 for property on Link Road and at August 31, 2021 the balances were paid in full. See Note 5 to the financial statements for additional information regarding notes payable.

## 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 at 510 N. Chadbourne Street, San Angelo, Texas or 325-947-8729.

## **Basic Financial Statements**

**CONCHO VALLEY TRANSIT DISTRICT**  
**STATEMENT OF NET POSITION**  
**AUGUST 31, 2021**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 1,025,618
Grants receivable	832,192
Accounts receivable	87,644
Capital assets:	
Land	789,099
Buildings and improvements	6,402,265
Equipment and vehicles	4,026,401
Construction in progress	989,768
Less: accumulated depreciation	(4,225,488)
Net pension asset	<u>79,519</u>
 Total Assets	 <u>10,007,018</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to pensions	<u>415,293</u>
 Total Deferred Outflows of Resources	 <u>415,293</u>
<b>LIABILITIES</b>	
Accounts payable	794,848
Accrued liabilities	<u>57,264</u>
 Total Liabilities	 <u>852,112</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	<u>150,041</u>
 Total Deferred Inflows of Resources	 <u>150,041</u>
<b>NET POSITION</b>	
Net investment in capital assets	7,982,045
Unrestricted	<u>1,438,113</u>
 Total Net Position	 <u>\$ 9,420,158</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, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net Revenue and Changes in Net Position Governmental Activities</u>
<b>GOVERNMENTAL ACTIVITIES</b>			
Transportation	\$ <u>5,982,633</u>	\$ <u>7,000,812</u>	\$ <u>1,018,179</u>
Total Governmental Activities	<u>5,982,633</u>	<u>7,000,812</u>	<u>1,018,179</u>
Total Primary Government	\$ <u><u>5,982,633</u></u>	\$ <u><u>7,000,812</u></u>	\$ <u><u>1,018,179</u></u>
General Revenues:			
Gain on sale of assets			\$ <u>23,375</u>
Total General Revenues			<u>23,375</u>
Change in Net Position			1,041,554
Net Position - Beginning			<u>8,378,604</u>
Net Position - Ending			\$ <u><u>9,420,158</u></u>

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

**CONCHO VALLEY TRANSIT DISTRICT**  
*BALANCE SHEET - GOVERNMENTAL FUND*  
*AUGUST 31, 2021*

	<u>General Fund</u>
<b>ASSETS</b>	
Cash	\$ 1,025,618
Grants receivable	832,192
Accounts receivable	<u>87,644</u>
Total Assets	<u>\$ 1,945,454</u>
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities:	
Accounts payable	\$ 794,848
Accrued liabilities	<u>57,264</u>
Total Liabilities	<u>852,112</u>
Fund Balance:	
Assigned fund balance for transportation	<u>1,093,342</u>
Total Fund Balance	<u>1,093,342</u>
Total Liabilities and Fund Balance	<u>\$ 1,945,454</u>

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

**CONCHO VALLEY TRANSIT DISTRICT**  
*RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 AUGUST 31, 2021*

Total fund balances - governmental fund balance sheet	\$ 1,093,342
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 governmental funds.	415,293
Capital assets used in governmental activities are not reported in governmental funds.	7,982,045
Net pension asset is not reported in governmental funds.	79,519
Deferred inflows of resources related to pensions are not reported in governmental funds.	<u>(150,041)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 9,420,158</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 FUND**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

	<u>General Fund</u>
<b>REVENUES</b>	
Federal grants	\$ 4,739,085
State grants	667,099
Other local funds:	
Member government contributions	891,241
Program income	166,315
Transit charter	13,361
Transit medical	218,974
Local contracts	91,300
Aging vendor	175,226
Toll credits	38,211
	<u>7,000,812</u>
Total revenues	
<b>EXPENDITURES</b>	
Transportation	5,484,098
Capital outlay	1,118,282
	<u>6,602,380</u>
Total expenditures	
Excess of revenues over expenditures	398,432
<b>OTHER SOURCES (USES)</b>	
Sale of capital assets	23,375
Payments on debt	(1,800,000)
	<u>(1,776,625)</u>
Total other uses	
Deficit of revenues and other sources over expenditures and other uses	<u>(1,378,193)</u>
Fund balances, September 1	<u>2,471,535</u>
Fund balances, August 31	<u>\$ 1,093,342</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 THE GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2021*

Net change in fund balances - total governmental fund	\$ (1,378,193)
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 in governmental activities.	1,198,851
Governmental funds report debt payments as other uses, but shown in governmental activities as liabilities.	1,800,000
Depreciation is not recognized as an expense in governmental funds since it does not require use of current financial resources.	(636,075)
The change in net pension asset 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 governmental funds.	<u>56,971</u>
Change in net assets of governmental activities - Statement of Activities	<u><u>\$ 1,041,554</u></u>

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

**CONCHO VALLEY TRANSIT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2021**

**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, however, the District is reported as a blended component unit of Concho Valley Council of Governments.

*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 fund:

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, 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. Investments and Fair Value

Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application (GASB Statement No. 72), establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions.

GASB Statement No. 72 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described below:

*Level 1* - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District can access at the measurement date.

*Level 2* - Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

*Level 3* - Inputs to the valuation methodology are unobservable.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

c. 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. Both grants and accounts receivable are considered fully collectible, and accordingly, no allowances have been recorded. Grants receivable is summarized by source in Note 3.

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 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

e. Accounts Payable and Accrued Liability Balances

The District believes that sufficient detail of ordinary payable and accrued liability 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.

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 District had deferred outflows of resources related to pensions of \$415,293 as of August 31, 2021.

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 \$150,041 as of August 31, 2021.

g. Notes Payable / Debt

All debt arising from cash basis transactions to be repaid from governmental resources is reported as a liability in the government-wide statements.

Debt arising from cash basis transactions of governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

h. Fund Balance – Fund Financial Statements

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, or committed funds as of August 31, 2021. The entire fund balance is assigned for transportation.

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.

i. Net Position – Government-Wide Financial Statements

Equity is classified as net position and displayed in three components:

*Net investment in capital assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

*Restricted net position* – Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

*Unrestricted net position* – All other net positions that do not meet the definition of the “restricted” or “net investment in capital assets”.

It is the District’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

j. 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.

k. 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.

I. 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.

m. Subsequent Events

The District has evaluated subsequent events through February 28, 2022, the day the financial statements were available to be issued.

n. Recent Accounting Pronouncements

*NOT ADOPTED*

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting by requiring reporting of certain lease liabilities that currently are not reported. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2021. The District is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements related to Statement 87 and implementation guide 2019-3 are effective upon issuance. The other requirements of the statement are effective for fiscal years beginning after June 15, 2021.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which improves accounting and financial reporting for subscription-based information technology arrangements for government end users. The requirements of this statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

*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.

#### *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, 2021, the carrying amount of the Districts cash deposits, all of which mature in less than one year was \$1,025,618 and the bank balance was \$1,061,720. The District's cash deposits at August 31, 2021 and during the year ended August 31, 2021, 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: GRANTS RECEIVABLE**

Grants receivable at August 31, 2021, is summarized as follows:

Grant Number	Name	Amount
800, 813	Urban Transportation	\$ 202,747
814, 825	Rural Transportation	266,937
823, 824	Transportation for Elderly and Disabled FY 18-19	6,900
817	State Planning and Research	17,408
020	Economic Adjustment Assistance	<u>338,200</u>
Total grants receivable		<u>\$ 832,192</u>

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2021 was as follows:

<u>Governmental activities</u>	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 789,099	\$	\$	\$ 789,099
Construction in progress	8,515	981,253		989,768
Total capital assets not being depreciated	<u>797,614</u>	<u>981,253</u>	<u>-</u>	<u>1,778,867</u>
Capital assets being depreciated:				
Buildings and improvements	6,332,393	69,872		6,402,265
Equipment and vehicles	4,483,960	147,726	(605,285)	4,026,401
Total capital assets being depreciated	<u>10,816,353</u>	<u>217,598</u>	<u>(605,285)</u>	<u>10,428,666</u>
Less accumulated depreciation for:				
Buildings and improvements	(882,630)	(162,200)		(1,044,830)
Equipment and vehicles	(3,312,068)	(473,875)	605,285	(3,180,658)
Total accumulated depreciation	<u>(4,194,698)</u>	<u>(636,075)</u>	<u>605,285</u>	<u>(4,225,488)</u>
Total capital assets being depreciated, net	<u>6,621,655</u>	<u>(418,477)</u>	<u>-</u>	<u>6,203,178</u>
Governmental activities capital assets, net	<u>\$ 7,419,269</u>	<u>\$ 562,776</u>	<u>\$ -</u>	<u>\$ 7,982,045</u>

Depreciation was charged to functions as follows:

Transportation	\$ <u>636,075</u>
	\$ <u>636,075</u>

**NOTE 5: NOTES PAYABLE AND CHANGES IN LONG-TERM OBLIGATIONS**

On March 5, 2020, the Council authorized a note payable in the amount of \$550,000 for the Link Road property purchase, payable in one year with principal and interest due by March 5, 2021, with an interest rate of 2%, secured by a certificate of deposit of \$550,000. This loan was paid in full on March 24, 2021.

On March 6, 2020, the Council authorized a note payable in the amount of \$1,250,000 for the Link Road property purchase, payable in one year with interest due monthly beginning April 2020 and the principal balance due March 6, 2021, with an interest rate of 4.25%, secured by the deed to the property. This note was paid in full on September 29, 2020.

The District has no other debt outstanding as of August 31, 2021.

*Long-Term Obligation Activity*

A summary of long-term liability activity for the year ended August 31, 2021, are as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Direct borrowings	\$ 1,800,000	\$ -	\$ (1,800,000)	\$ -	\$ -
Total	\$ 1,800,000	\$ -	\$ (1,800,000)	\$ -	\$ -

**NOTE 6: RISK MANAGEMENT AND UNCERTAINTIES**

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 2021, 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 or 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.

The COVID-19 outbreak in the United States has created economic uncertainties that may impact future operations. The extent of the impact on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and impact on the District’s grant sources, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the District’s financial condition or results of operations is uncertain.

**NOTE 7: 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 over

800 participating counties and districts throughout Texas. 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 have the flexibility and local control to adjust benefits annually and pay for those benefits based on their needs and budgets.

Each employer has a defined benefit plan that functions similarly to a cash balance plan. The assets of the plans are pooled for investment purposes, but each employer's plan assets may be used only for the payment of benefits to the members of that employer's plan. In accordance with Texas law, it is intended that the pension plan be construed and administered in a manner that the retirement system will be considered qualified under Section 401(a) of the Internal Revenue Code. All employees (except temporary staff) of a participating employer must be enrolled in the plan.

#### *Contractual Agreement with Concho Valley Council of Governments*

The District reports an asset or liability, deferred outflows of resources, deferred inflows of resources, and expense or benefit 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 August 31, 2021, the District's proportion of the collective net pension asset or liability was 29.5% and the Council's proportion was 70.5%. The respective proportion of the net pension asset or liability for each entity was based on each entity's share of contributions to the pension plan relative to the total.

#### *Benefits Provided*

At retirement, the employee's account balance is combined with employer matching and converted into a lifetime monthly benefit. Employees receive a month of service time for each month that they make a deposit into their account. 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. Retirees elect to receive their lifetime benefit by choosing one of seven actuarially equivalent payment options.

As of the most recent measurement date which was December 31, 2020, membership data for the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	93
Active employees	<u>73</u>
Total participants	<u>177</u>

#### *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 2021 was 11.50%.

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, 2021, the annual pension cost for the TCDRS plan for its employees was \$258,648 and actual contributions were \$258,648.

*Net Pension Asset*

The net pension liability / (asset) (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, 2020, and the TPL used to calculate the NPL was determined by an actuarial valuation as of that date.

Total pension liability	\$	3,961,524
Fiduciary net position		<u>4,041,043</u>
Net pension asset	\$	<u>(79,519)</u>

*Actuarial Assumptions*

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of actuarial experience studies. The experience study was for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB Statement No. 68. The economic assumptions were reviewed at the March 2021 TCDRS Board of Trustees meeting and revised assumptions were adopted. These revisions included reductions in the investment return, wage growth, and maximum payroll growth assumptions. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%	
Overall payroll growth	2.00%	
Investment rate of return	7.60%	This rate reflects the long-term rate of return funding valuation assumption of 7.50%, 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. Regarding mortality rates, for depositing members - 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014; for service retirees, beneficiaries, and non-depositing members - 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014; for disabled retirees - 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

The long-term expected rate of return on pension plan investments is 7.60%. 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. 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 long-term time horizon. The most recent analysis was performed in 2020. 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	11.50%	4.25%
Private Equity	25.00%	7.25%
Global Equities	2.50%	4.55%
International Equities - Developed	5.00%	4.25%
International Equities - Emerging	6.00%	4.75%
Investment Grade Bonds	3.00%	-0.85%
Strategic Credit	9.00%	2.11%
Direct Lending	16.00%	6.70%
Distressed Debt	4.00%	5.70%
REIT Equities	2.00%	3.45%
Master Limited Partnerships	2.00%	5.10%
Private Real Estate Partnerships	6.00%	4.90%
Hedge Funds	6.00%	1.85%

The discount rate used to measure the total pension liability was 7.60%. 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 (Asset)*

Changes in the District's net pension liability (asset) 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 / (Asset) (a)-(b)
Balances as of December 31, 2019	\$ 3,143,724	\$ 3,351,866	\$ (208,142)
Changes for the year:			
Service cost	328,698		328,698
Interest on total pension liability	277,457		277,457
Effect of economic / demographic gains or losses	49,956		49,956
Effect of assumption changes or inputs	257,609		257,609
Refund of contributions	(23,275)	(23,275)	-
Benefit payments	(72,644)	(72,644)	-
Administrative expenses		(2,957)	2,957
Member contributions		163,032	(163,032)
Net investment income		346,955	(346,955)
Employer contributions		267,843	(267,843)
Other		10,224	(10,224)
Balances as of December 31, 2020	\$ 3,961,525	\$ 4,041,044	\$ (79,519)

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

The following presents the net pension liability (asset) of the District calculated using the discount rate of 7.60% 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 (6.60%)	Current Rate (7.60%)	1% Increase (8.60%)
Total pension liability	\$ 4,565,283	\$ 3,961,524	\$ 3,464,215
Fiduciary net position	4,041,043	4,041,043	4,041,043
Net pension liability (asset)	\$ 524,240	\$ (79,519)	\$ (576,828)

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

For the year ended August 31, 2021, the District recognized a total pension benefit of \$56,971.

As of August 31, 2021, 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	\$ 166,035
Difference between expected and actual experience	36,915
Change of assumptions	139,076
Difference between projected and actual investment earnings	<u>73,267</u>
Total	<u>\$ 415,293</u>

As of August 31, 2021, the District reported on the Statement of Net Position deferred inflows of resources related to pensions from the following sources:

Difference between expected and actual experience	\$ (19,263)
Difference between projected and actual investment earnings	<u>(130,778)</u>
Total	<u>\$ (150,041)</u>

Deferred outflows of resources related to contributions subsequent to the measurement date of \$166,035 will be recognized as a reduction of the net pension liability for the year ending August 31, 2021. Remaining net deferred outflows of resources related to pensions totaling \$249,258 will be recognized in pension expense for the years ending August 31, 2022, 2023, and 2024 in the amounts of \$34,086, \$133,418, and \$81,754, respectively. Net deferred inflows of resources related to pensions totaling \$150,041 will be recognized in pension income for the years ending August 31, 2022, 2023, 2024, and 2025 in the amounts of (\$27,570), (\$55,049), (\$55,050), and (\$12,372), respectively.

**NOTE 8: COMMITMENTS, CONTINGENCIES, AND CONCENTRATIONS**

*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.

The District's primary source of revenue is in the form of federal and state grants and for the year ended August 31, 2021, these grants represented approximately 78% of total revenue.

## **Required Supplementary Information**



**CONCHO VALLEY TRANSIT DISTRICT**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY / (ASSET)**  
**AND RELATED RATIOS - PENSION PLAN**  
**FOR THE YEAR ENDED AUGUST 31, 2021 \***

	Measurement Date 12/31/2020	Measurement Date 12/31/2019	Measurement Date 12/31/2018	Measurement Date 12/31/2017	Measurement Date 12/31/2016	Measurement Date 12/31/2015	Measurement Date 12/31/2014
<b>Total Pension Liability:</b>							
Service cost	\$ 328,698	\$ 219,722	\$ 336,196	\$ 320,498	\$ 286,894	\$ 163,824	\$ 143,687
Interest on total pension liability	277,457	237,418	321,487	282,627	205,435	130,083	111,419
Effect of plan changes	-	-	-	-	-	(25,785)	-
Effect of assumption or plan changes	257,609	-	-	21,695	-	22,977	-
Effect of economic / demographic (gains) or losses	49,956	24,321	(139,873)	(46,741)	(120,840)	(185,321)	396
Benefit payments / refunds of contributions	(95,920)	(96,320)	(116,667)	(111,481)	(80,464)	(31,007)	(36,188)
<b>Net change in total pension liability</b>	<b>817,800</b>	<b>385,141</b>	<b>401,143</b>	<b>466,598</b>	<b>291,025</b>	<b>74,771</b>	<b>219,314</b>
Total pension liability, beginning	3,143,724	4,091,119	3,689,976	2,726,057	1,616,922	1,542,151	1,322,837
Adjustment due to percentage allocation change	-	(1,332,536)	-	497,321	818,110	-	-
<b>Total pension liability, ending (a)</b>	<b>3,961,524</b>	<b>3,143,724</b>	<b>4,091,119</b>	<b>3,689,976</b>	<b>2,726,057</b>	<b>1,616,922</b>	<b>1,542,151</b>
<b>Fiduciary Net Position:</b>							
Employer contributions	267,843	201,684	239,084	289,214	181,526	121,596	118,052
Member contributions	163,032	122,764	145,529	134,967	112,980	71,769	66,746
Investment income net of investment expenses	346,955	439,623	(67,174)	444,079	160,326	(44,746)	70,866
Benefit payments / refunds of contributions	(95,920)	(96,320)	(116,667)	(111,481)	(80,464)	(31,007)	(36,188)
Administrative expenses	(2,957)	(2,554)	(3,191)	(2,505)	(1,743)	(993)	(930)
Other	10,224	8,222	8,347	4,167	25,650	554	689
<b>Net change in fiduciary net position</b>	<b>689,177</b>	<b>673,419</b>	<b>205,928</b>	<b>758,441</b>	<b>398,275</b>	<b>117,173</b>	<b>219,235</b>
Fiduciary net position, beginning	3,351,866	3,972,273	3,766,345	2,543,828	1,424,691	1,307,518	1,088,283
Adjustment due to percentage allocation change	-	(1,293,826)	-	464,076	720,862	-	-
<b>Fiduciary net position, ending (b)</b>	<b>4,041,043</b>	<b>3,351,866</b>	<b>3,972,273</b>	<b>3,766,345</b>	<b>2,543,828</b>	<b>1,424,691</b>	<b>1,307,518</b>
<b>Net pension liability (asset), ending ((a) - (b))</b>	<b>\$ (79,519)</b>	<b>\$ (208,142)</b>	<b>\$ 118,846</b>	<b>\$ (76,369)</b>	<b>\$ 182,229</b>	<b>\$ 192,231</b>	<b>\$ 234,633</b>
Fiduciary net position as a % of total pension liability	102.01%	106.62%	97.10%	102.07%	93.32%	88.11%	84.79%
Pensionable covered payroll	\$ 2,329,032	\$ 1,753,748	\$ 2,078,988	\$ 1,928,091	\$ 1,614,003	\$ 1,025,267	\$ 953,523
Net pension liability (asset) as a % of covered payroll	-3.41%	-11.87%	5.72%	-3.96%	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
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%
2017	\$ 289,214	\$ 289,214	\$ -	\$ 1,928,091	15.00%
2018	\$ 239,084	\$ 239,084	\$ -	\$ 2,078,988	11.50%
2019	\$ 193,440	\$ 201,684	\$ (8,243)	\$ 1,753,748	11.50%
2020	\$ 246,411	\$ 267,843	\$ (21,432)	\$ 2,329,032	11.50%

**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	20.0 years (based on contribution rate calculated in 12/31/20 valuation)
Asset Valuation Method	5 year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service with a 4.6% average over career including inflation
Investment Rate of Return	7.50%, net of administrative 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	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected 2017: New mortality assumptions were reflected
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions were reflected in the Schedule 2016: No changes in plan provisions were reflected in the Schedule 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017 2018: No changes in plan provisions were reflected in the Schedule 2019: No changes in plan provisions were reflected in the Schedule 2020: No changes in plan provisions were reflected in the Schedule

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

## **Other Supplementary Information**

**CONCHO VALLEY TRANSIT DISTRICT**  
***SCHEDULE OF EXPENDITURES BY GRANT***  
**FOR THE YEAR ENDED AUGUST 31, 2021**

	778, 813	800	779, 814
	<u>Urban Operating</u>	<u>Urban CARES</u>	<u>Rural Operating</u>
Salaries	\$ 821,674	\$ 525,033	\$ 300,763
Fringe benefits	395,830	221,295	156,926
<b>Total personnel</b>	<b><u>1,217,504</u></b>	<b><u>746,328</u></b>	<b><u>457,689</u></b>
Indirect costs	82,414	51,620	30,950
Audit and legal	9,585	-	7,531
Contract services	65,106	-	1,729
Uniforms	263	23,999	123
Human resource service center	36,138	11,485	20,453
Procurement service center	36,339	14,493	25,953
Information technology service center	33,990	7,868	21,297
Pass-thru	-	-	-
Management service fee	-	-	-
Travel	-	9	-
Fuel	168,292	42,278	52,894
Lubricant	6,306	3,699	2,434
Preventative maintenance	189,677	69,606	31,941
Tires	19,784	12,654	2,096
Rent	-	-	-
Shop and yard space	120,000	-	-
Utilities	-	-	-
Building maintenance	1,271	570	876
Capital facility improvements	9,352	19,740	4,334
Supplies	36,680	31,964	29,485
Capital technology	-	13,759	-
Capital equipment	-	92,613	-
Tools	6,984	2,980	788
Copier	403	172	251
Insurance	37,706	17,902	16,379
Communications - bus	32,254	60,657	38,620
Cell phones	1,974	668	2,005
Internet	-	-	265
Printing / ads and promotions	6,360	5,720	1,641
Publications	391	549	-
Repeater rental	-	-	-
Capital construction	-	-	-
Capital construction planning	-	-	-
Capital construction administration	-	-	-
Training	-	-	-
Dues and fees	7,546	3,500	1,065
Vehicle registration	212	41	55
Postage / freight	795	623	653
Other	13,657	-	2,183
Coffee	279	-	219
Physicals	2,191	225	710
Safety	4,249	1,361	1,934
Multi-modal terminal operations	57,733	30,647	30,699
Toll credits	-	-	9,859
<b>Total Expenditures</b>	<b><u>\$ 2,205,435</u></b>	<b><u>\$ 1,267,730</u></b>	<b><u>\$ 797,111</u></b>

801, 825	823, 824	817	802	019, 020, 023
Rural CARES	Elderly & Disabled TXDOT	Reg Planning TXDOT	Bus & Bus Facilities TXDOT	Link Road Facility US Commerce
\$ 453,819	\$ 47,037	\$ 14,822	\$ -	\$ -
207,395	20,012	6,485	-	-
<u>661,214</u>	<u>67,049</u>	<u>21,307</u>	<u>-</u>	<u>-</u>
45,398	4,545	1,444	-	-
-	-	-	-	2,973
2,500	-	4,696	-	-
18,940	-	-	-	-
16,965	-	-	-	-
5,700	-	-	-	37,661
11,592	-	-	-	-
-	-	-	-	-
-	-	-	-	-
7	-	-	-	-
70,523	-	-	-	-
3,038	-	-	-	-
33,231	-	-	-	-
3,371	-	-	-	-
-	-	-	-	-
-	-	-	-	-
570	-	-	-	20,687
29,334	-	-	-	19,843
23,783	-	4,384	-	1,974
-	-	-	-	-
4,353	-	-	106,298	-
3,465	-	-	-	-
196	-	-	-	-
16,496	-	-	-	22,046
33,398	-	-	-	-
2,173	-	-	-	-
382	-	-	-	-
1,414	-	-	-	-
562	-	-	-	-
-	-	-	-	-
-	-	-	-	707,845
-	-	-	-	126,530
-	-	-	-	4,125
-	-	-	-	-
2,770	-	-	-	12,902
95	-	-	-	-
763	-	-	-	-
-	-	-	-	-
-	-	-	-	-
560	-	-	-	-
913	-	-	-	-
38,680	-	-	-	-
<u>-</u>	<u>13,411</u>	<u>-</u>	<u>14,941</u>	<u>-</u>
<u>\$ 1,032,386</u>	<u>\$ 85,005</u>	<u>\$ 31,831</u>	<u>\$ 121,239</u>	<u>\$ 956,586</u>

**CONCHO VALLEY TRANSIT DISTRICT**  
**SCHEDULE OF EXPENDITURES BY GRANT (CONT'D)**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

	010	018	013	
	ICB Program	Extended	General	Total
	Local	Medicaid Trips		
	Local	Local		
Salaries	\$ 6,050	\$ 14,040	\$ -	\$ 2,183,238
Fringe benefits	1,090	6,825	-	1,015,858
<b>Total personnel</b>	<b>7,140</b>	<b>20,865</b>	<b>-</b>	<b>3,199,096</b>
Indirect costs	483	1,419	-	218,273
Audit and legal	-	-	-	20,089
Contract services	-	-	-	74,031
Uniforms	-	-	-	43,325
Human resource service center	-	-	-	85,041
Procurement service center	-	-	-	120,146
Information technology service center	-	-	-	74,747
Pass-thru	-	-	-	-
Management service fee	-	-	-	-
Travel	-	-	-	16
Fuel	-	-	-	333,987
Lubricant	-	-	-	15,477
Preventative maintenance	-	-	-	324,455
Tires	-	-	-	37,905
Rent	-	-	-	-
Shop and yard space	-	-	-	120,000
Utilities	-	-	-	20,687
Building maintenance	-	-	-	23,130
Capital facility improvements	-	-	-	62,760
Supplies	-	-	-	128,270
Capital technology	-	-	-	13,759
Capital equipment	-	-	-	203,264
Tools	-	-	-	14,217
Copier	-	-	-	1,022
Insurance	-	-	-	110,529
Communications - bus	-	-	-	164,929
Cell phones	-	-	-	6,820
Internet	-	-	-	647
Printing / ads and promotions	-	-	-	15,135
Publications	-	-	-	1,502
Repeater rental	-	-	-	-
Capital construction	-	-	-	707,845
Capital construction planning	-	-	-	126,530
Capital construction administration	-	-	-	4,125
Training	-	-	-	-
Dues and fees	-	-	-	27,783
Vehicle registration	-	-	-	403
Postage / freight	-	-	-	2,834
Other	-	-	-	15,840
Coffee	-	-	-	498
Physicals	-	-	-	3,686
Safety	-	-	-	8,457
Multi-modal terminal operations	-	-	75,150	232,909
Toll credits	-	-	-	38,211
<b>Total Expenditures</b>	<b>\$ 7,623</b>	<b>\$ 22,284</b>	<b>\$ 75,150</b>	<b>\$ 6,602,380</b>

**CONCHO VALLEY TRANSIT DISTRICT**  
SCHEDULE OF GRANT EXPENDITURES BY AGENCY (FEDERAL AND STATE)  
 FOR THE YEAR ENDED AUGUST 31, 2021

Federal/State Grantor/Pass-Through Grantor/ CVTD Grant Number / Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
<b><u>EXPENDITURES OF FEDERAL AWARDS</u></b>				
<b><u>U. S. DEPARTMENT OF TRANSPORTATION</u></b>				
<i>Federal Transit Administration:</i>				
<i>Federal Transit Cluster</i>				
<i>Direct Program</i>				
778/813 Section 5307 Urban Transportation	20.507	TX-2019-109-00 Y318	\$	\$ 198,645
813 Section 5307 Urban Transportation	20.507	TX-2020-175-00		992,947
800 Section 5307 Urban Transportation	20.507	TX-2020-096-00 Y364 CARES		1,264,461
<i>Passed through the Office of the Governor,</i>				
802 Section 5339 Bus and Bus Facilities	20.526	51003020720		99,608
<i>Federal Transit Cluster Total</i>				
<i>Passed through the Office of the Governor,</i>				
<i>Texas Department of Transportation</i>				
814 Section 5311 Rural Transportation RPT 2102(07) 045-20	20.509	51018010321		411,945
825 Section 5311 Rural Transportation - CAF 2102 (07) 072_20	20.509	5108020721		360,478
801 Section 5311 Rural Transportation - CARES	20.509	51018020720		670,780
823/824 Section 5310 Transp. For Elderly and Disabled ED 2102 (07) 0741_19	20.513	51016020721		67,039
817 Section 5304 State Planning and Research	20.505	51008010721		31,826
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>			<b>-</b>	<b><u>4,097,729</u></b>
<b><u>U. S. DEPARTMENT OF COMMERCE</u></b>				
<i>Passed through Economic Develop Administration</i>				
020 Economic Adjustment Assistance-Title II, Section 209	11.307	EDA 08-79-05344		641,355
<b>TOTAL U.S. DEPARTMENT OF COMMERCE</b>			<b>-</b>	<b><u>641,355</u></b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ -</b>	<b><u>\$ 4,739,084</u></b>
<b><u>EXPENDITURES OF STATE AWARDS</u></b>				
<b><u>Texas Department of Transportation</u></b>				
814 Rural Transportation RUR 2102(07)		51218020721	\$	\$ 311,722
813 Urban Transportation URB 2101(07)		51309010721		355,377
<b>TOTAL TEXAS DEPARTMENT OF TRANSPORTATION</b>			<b>-</b>	<b><u>667,099</u></b>
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>			<b>\$ -</b>	<b><u>\$ 667,099</u></b>

## **Internal Control Section**



February 28, 2022

## 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, 2021, 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 February 28, 2022.

#### 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 as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

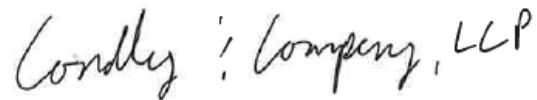
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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.

A handwritten signature in black ink that reads "Connelly & Company, LLP". The signature is written in a cursive, flowing style.

Certified Public Accountants