

**CONCHO VALLEY  
ECONOMIC DEVELOPMENT DISTRICT, INC.**

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FINANCIAL STATEMENTS

and

INDEPENDENT AUDITOR'S REPORT

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Year Ended June 30, 2009

# CONCHO VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

## CONTENTS

	<u>Page</u>
Independent Auditor's Report .....	1
Financial Statements	
Statement of Financial Position.....	2
Statement of Activities .....	3
Statement of Functional Expenses.....	4
Statement of Cash Flows .....	5
Notes to Financial Statements .....	6

Independent Auditor's Report

To the Board of Directors of  
**Concho Valley Economic Development District, Inc.**

We have audited the accompanying statement of financial position of **Concho Valley Economic Development District, Inc.** (a nonprofit organization) as of June 30, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the **District's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Concho Valley Economic Development District, Inc.** as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Davis Kinard & Co, PC*

**DAVIS KINARD & CO, PC**

Abilene, Texas  
October 20, 2009

**CONCHO VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.**

Statement of Financial Position

June 30, 2009

**Assets**

Cash and cash equivalents	\$	64,442
Grants receivable		12,500
Accounts receivable		5,189
Notes receivable		<u>234,673</u>
Total assets	\$	<u><u>316,804</u></u>

**Liabilities and Net Assets**

**Liabilities**

Accounts payable	\$	<u>25,307</u>
Total liabilities		<u>25,307</u>

**Net Assets**

Unrestricted		58,497
Permanently restricted		<u>233,000</u>
Total net assets		<u>291,497</u>
Total liabilities and net assets	\$	<u><u>316,804</u></u>

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

**CONCHO VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.**

Statement of Activities  
Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues</b>				
EDA planning grant	\$ -	\$ 52,359	\$ -	\$ 52,359
Interest income	19,213	-	-	19,213
Other revenue	24,531	-	-	24,531
Net assets released from restrictions	<u>52,359</u>	<u>(52,359)</u>	<u>-</u>	<u>-</u>
 Total revenues	 <u>96,103</u>	 <u>-</u>	 <u>-</u>	 <u>96,103</u>
<b>Expenses</b>				
Grant programs	81,107	-	-	81,107
Supporting services	<u>646</u>	<u>-</u>	<u>-</u>	<u>646</u>
 Total expenses	 <u>81,753</u>	 <u>-</u>	 <u>-</u>	 <u>81,753</u>
 <b>Change in net assets</b>	 14,350	 -	 -	 14,350
 <b>Net assets, beginning of year</b>	 <u>44,147</u>	 <u>-</u>	 <u>233,000</u>	 <u>277,147</u>
 <b>Net assets, end of year</b>	 <u>\$ 58,497</u>	 <u>\$ -</u>	 <u>\$ 233,000</u>	 <u>\$ 291,497</u>

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

CONCHO VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

Statement of Functional Expenses

Year Ended June 30, 2009

<b>Expenses</b>	<u>Grant Programs</u>	<u>Supporting Services</u>	<u>Total</u>
Personnel	\$ 62,829	\$ -	\$ 62,829
Contract services	7,643	-	7,643
Travel	2,129	-	2,129
Printing and publications	571	-	571
Rent	2,618	-	2,618
Utilities	546	-	546
Maintenance	280	-	280
Dues and fees	677	-	677
Audit	3,600	-	3,600
Other	214	-	214
Loan administration	-	646	646
<b>Total expenses</b>	<u>\$ 81,107</u>	<u>\$ 646</u>	<u>\$ 81,753</u>

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

**CONCHO VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.**

Statement of Cash Flows  
Year Ended June 30, 2009

<b>Cash flows from operating activities</b>	
Change in net assets	\$ 14,350
Adjustments to reconcile change in net assets to cash used in operating activities:	
Increase in grants receivable	(2,359)
Decrease in accounts receivable	4,114
Decrease in notes receivable	6,686
Decrease in accounts payable	<u>(23,798)</u>
Net cash used in operating activities	<u>(1,007)</u>
<b>Net decrease in cash and cash equivalents</b>	(1,007)
<b>Cash and cash equivalents, beginning of year</b>	<u>65,449</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 64,442</u></u>

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

# CONCHO VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

Notes to Financial Statements

June 30, 2009

## Note 1: Summary of Significant Accounting Policies

A summary of the **Concho Valley Economic Development District, Inc's** significant accounting policies consistently applied in the preparation of the accompanying statements follows:

### Organization and Nature of Activities

The **Concho Valley Economic Development District, Inc.** ("the District") is a nonprofit organization whose primary purpose and objectives are to further the economic development and social welfare in the Concho Valley by promoting and assisting the economic growth and development of this geographic region. The principal objectives of the District are to increase the employment opportunities of the unemployed and underemployed through expansion of the business and industry base within the economy. The District assists and coordinates economic development efforts of local governments and organizations, coordinates economic development planning with transportation planning, community development programs and activities which might stimulate the region's economic betterment, to implement an economic development technical assistance program which includes workshops, assistance in implanting economic development programs, and assistance to local organizations in applying for grant assistance for economic development purposes and to develop a regional overall economic development program (OEDP) which builds upon county level OEDPs.

### Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis of accounting, revenue is recognized when earned, and expenses are generally recognized when incurred.

### Basis of Presentation

The focus of these financial statements is to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of transactions into three classes of net assets as follows:

*Unrestricted Net Assets* – Net assets that are not subject to donor-imposed stipulations.

*Temporarily Restricted Net Assets* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the District and/or the passage of time.

*Permanently Restricted Net Assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the District. Generally, the donors of these permit the District to use all or part of the income earned on any related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.



**CONCHO VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.**

Notes to Financial Statements

June 30, 2009

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

The District maintains its cash deposits at banks. Cash deposits at each bank as of June 30, 2009 are within the federal insurance limits. For purposes of the statement of cash flows, the District considers all short-term highly liquid investments that are readily convertible into cash within ninety (90) days of date of purchase to be cash equivalents.

Support and Revenue

The District receives substantially its entire grant and contract revenue from federal agencies. Grant revenue is recognized (up to the contract amount) to the extent that program expenses are incurred.

Property and Equipment

Purchased property and equipment are recorded at cost. Donated assets are recorded at estimated fair market value at the time of receipt. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. The estimated useful lives range from 5 to 39 years. The District's policy is to capitalize individual asset additions of more than \$5,000. Property and equipment were fully depreciated at June 30, 2005 and were retired from the books since all assets were individually below the \$5,000 capitalization threshold.

Allocated Expenses

The details of the costs of providing the various programs and other activities are reflected in the statement of functional expenses. Accordingly, certain indirect costs and expenses have been allocated among the programs and supporting services benefited based on management's estimates.

Income Taxes

The District is an exempt organization for federal income tax purposes under Section 501(c)(6) of the Internal Revenue Code and, therefore, has made no provision for federal income taxes in the accompanying financial statements.

**CONCHO VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.**

Notes to Financial Statements

June 30, 2009

**Note 2: Notes Receivable**

Notes receivable consist of notes made to various businesses from the EDA Revolving Loan Fund. \$216,710 of these notes are collateralized with real property and/or business equipment. The remaining notes are unsecured. The notes bear interest of 7% and 8%. The District considers these notes to be fully collectible and/or secured; accordingly, no allowance for doubtful accounts is considered necessary at June 30, 2009. If amounts become uncollectible, they will be charged to operations when that determination is made.

**Note 3: Restricted Net Assets**

Permanent restrictions on net assets at June 30, 2009 are as follows:

EDA - RLF business loans	\$233,000
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Net assets were released from temporary restrictions by incurring expenses satisfying the purpose restrictions specified by the grant contract as follows:

EDA Grant 06-08	\$27,359
EDA Grant 09-11	\$25,000

**Note 4: Concentrations and Uncertainties**

The District receives a significant amount of its support and revenue from the U.S. Department of Commerce- Economic Development Administration (EDA). The District receives multi-year grants from this agency and is required to prepare biannual (revolving loan fund) and annual (grant) reports that detail the program expenses incurred for which the District is requesting reimbursement. The District would realize a severe negative impact should the level of this federal grant revenue be significantly reduced or discontinued.

**Note 5: Related Party Transactions**

During the normal course of business, the District contracts for administration, staffing and financial services with the Concho Valley Council of Governments (CVCOG). For the year ended June 30, 2009, the District was charged \$7,643 for contract services provided by this related party. In addition, the District operates within CVCOG's facilities and reimburses CVCOG for rent, overhead, and other related expenses. As of June 30, 2009, \$25,307 was owed to the CVCOG for these administrative services. The District provides services to CVCOG for regional planning and housing finance. During the year ended June 30, 2009, the District recognized revenue of \$24,531 from CVCOG for these services.

**Note 6: Revolving Loan Fund Grant**

The District is the recipient of a Revolving Loan Fund (RLF) grant from the EDA. Under this grant, the District makes business loans to qualified recipients and receives 70-75% of the loan amount from the EDA. RLF income earned in a period may be used for lending or for RLF administrative expenses of the same period. RLF income includes the interest earned on loans, interest earned on accounts holding RLF funds not needed for immediate lending, loan fees received from borrowers and other income generated from RLF activities. The capital received from EDA is permanently restricted for the revolving loan fund.

**CONCHO VALLEY ECONOMIC DEVELOPMENT  
DISTRICT, INC.**

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AUDIT REPORTING PACKAGE

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June 30, 2009

**CONCHO VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.**

**Contents**

Required Communications ..... 1

Appendix A – Summary of Audit Adjustments ..... 5

Appendix B – Summary of Proposed but Unrecorded Journal Entries ..... 6

**Required Communications**

To the Board of Directors of  
 Concho Valley Economic Development District, Inc.:

We have audited the financial statements of the Concho Valley Economic Development District, Inc. for the year ended June 30, 2009 and have issued our report thereon dated October 20, 2009. Professional standards require that we provide you with the following information related to our audit:

Area	Comments
<p><b>Auditors' Responsibilities Under United States Generally Accepted Auditing Standards</b></p>	
<p>In order for those charged with governance to understand the nature of assurance provided by an audit, the auditor should communicate their responsibilities under United States Generally Accepted Auditing Standards.</p>	<p>As stated in our engagement letter dated June 11, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.</p>
<p><b>Significant Audit Findings</b></p>	
<p><i>Qualitative Aspects of Accounting Practices</i></p>	
<p>Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement contract, we will advise management about the appropriateness of accounting policies and their application.</p>	<p>The District's significant accounting policies are described in the notes to the financial statements. As part of our audit, we reviewed the accounting policies followed by management in preparing the financial statements. We believe the accounting policies of the District are consistent with industry practice and are in accordance with generally accepted accounting principles.</p> <p>No new accounting policies of significance were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the District during 2009 for which there is a lack of authoritative guidance or consensus. In addition, we noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.</p>

**Significant Audit Findings - continued***Qualitative Aspects of Accounting Practices - continued*

Accounting estimates are an integral part of the financial statements that require management's judgments based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events affecting them may differ significantly from management's expectations.

We do not believe that there are sensitive estimates affecting the financial statements.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users.

We do not believe that there are significant sensitive disclosures affecting the financial statements.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

**Other Information in Documents  
Containing Audited Financial  
Statements**

The auditor has a responsibility with respect to information in a document prepared by the District that contains the audited financial statements.

We are not aware of any document prepared by the District that will incorporate the audited financial statements.

**Planned Scope and Timing of the  
Audit**

It is the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence. However, communication with those charged with governance may assist in understanding better the consequences of the auditor's work for their oversight activities.

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated June 11, 2009.

**Consultation with Other  
Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

The auditor is required to inform those charged with governance of any major issues, including any discussions regarding the application of accounting principles or auditing standards that were discussed with management in connection with the initial or recurring retention of the auditor.

There were no such matters discussed with management prior to our initial or recurring retention as the District's auditors.

**Difficulties Encountered in Performing the Audit**

The auditor should inform those charged with governance of any difficulties encountered in dealing with management related to the performance and completion of the audit.

We encountered no significant difficulties in dealing with management in performing and completing our audit. Management of the District did a commendable job in preparing for the audit. They prepared the requested schedules and documents in a timely manner and were available for questions at all times.

**Management Representations**

The auditor is required to inform those charged with governance that certain representations are being requested from management in connection with the audit.

We have requested certain representations from management that are included in the management representation letter dated October 20, 2009.

**Audit Adjustments**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Appendix A, Summary of Audit Adjustments, summarizes misstatements detected as a result of audit procedures that were corrected by management.

Appendix B, Summary of Proposed but Unrecorded Journal Entries, summarizes uncorrected misstatements of the financial statements.

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This information is intended solely for the use of the Board of Directors and management of Concho Valley Economic Development District, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

If you have any questions regarding the above, please do not hesitate to call.

Sincerely,

*Davis Kinard & Co, PC*

Davis Kinard & Co, PC  
Certified Public Accountants  
Abilene, Texas  
October 20, 2009



**CONCHO VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.**

**2009 Audit Reporting Package**

**Appendix A**

We adjusted the financial statements by reclassifying deferred revenue in preparation of the Concho Valley Economic Development District, Inc.'s financials.

**CONCHO VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.**

**2009 Audit Reporting Package**

**Appendix B**

There were no proposed unrecorded journal entries in the current year.