



CONCHO VALLEY
TRANSIT DISTRICT
San Angelo, Texas

ANNUAL FINANCIAL REPORT

AUGUST 31, 2023

CONCHO VALLEY TRANSIT DISTRICT
ANNUAL FINANCIAL REPORT
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Financial Section

March 8, 2024

Board of Directors Executive Committee
Concho Valley Transit District
5430 Link Rd.
San Angelo, Texas 76904

Independent Auditor's Report on Financial Statements

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of Concho Valley Transit District (District) as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund information of the Concho Valley Transit District as of August 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Concho Valley Transit District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing

procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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 March 8, 2024 on our consideration of 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

Condly and Company, L.L.P.

Certified Public Accountants

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

CONCHO VALLEY TRANSIT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 31, 2023

Our discussion and analysis of **Concho Valley Transit District's (the "District")** financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2023.

FINANCIAL HIGHLIGHTS

- The District's net position was \$10,703,583 and \$9,791,194 at August 31, 2023 and 2022, respectively.
- The District's revenues totaled \$8,944,591 and \$6,614,165 for the years ended August 31, 2023 and 2022, respectively. Expenses totaled \$8,032,202 and \$6,243,129 for the years ended August 31, 2023 and 2022, respectively. Net position increased \$912,389 and \$371,036 for the years ended August 31, 2023 and 2022, 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 / (asset) 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.

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

Government-Wide Statements

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

The two government-wide statements report the District's *net position* and how it has changed. *Net position*, the difference between the District's assets (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 \$10,703,583 and \$9,791,194 at August 31, 2023 and 2022, respectively.

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

	<u>2023</u>	<u>2022</u>
Assets:		
Other current and non-current assets	\$ 2,417,709	\$ 2,078,508
Net pension asset	161,715	741,292
Capital assets, net	<u>8,902,250</u>	<u>8,329,262</u>
Total assets	<u>\$ 11,481,674</u>	<u>\$ 11,149,062</u>
Deferred Outflows of Resources:		
Deferred outflows of resources related to pensions	\$ <u>691,936</u>	\$ <u>302,190</u>
Total deferred outflows of resources	<u>\$ 691,936</u>	<u>\$ 302,190</u>
Liabilities:		
Current liabilities	\$ 621,221	\$ 648,123
Noncurrent liabilities	<u>16,140</u>	<u></u>
Total liabilities	<u>\$ 637,361</u>	<u>\$ 648,123</u>
Deferred Inflows of Resources:		
Deferred inflows of resources related to pensions	\$ 321,534	\$ 487,670
Deferred inflows of resources related to leases	<u>511,132</u>	<u>524,265</u>
Total deferred inflows of resources	<u>\$ 832,666</u>	<u>\$ 1,011,935</u>
Net position:		
Net investment in capital assets	\$ 8,874,872	\$ 8,329,262
Unrestricted, undesignated	<u>1,828,711</u>	<u>1,461,932</u>
Total net position	<u>\$ 10,703,583</u>	<u>\$ 9,791,194</u>

Current assets increased overall from 2022 to 2023 due to an increase in a cash and grants receivable due to timing of payments received. Capital assets increased with additions of vehicles and some building improvements during 2023. Total liabilities decreased due to the timing of payables.

OPERATING RESULTS AND CHANGES IN THE DISTRICT'S NET POSITION

The District's total revenues were \$8,944,591 for the year ended August 31, 2023. In the 2023 fiscal year, approximately 59% of the District's revenue came from federal grants or federal grants passed through the state, 10% from state grants, 9% 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

	2023	2022
Revenues:		
Federal grants	\$ 5,289,133	\$ 3,458,001
State grants	862,838	919,603
Local funds:		
Member government contributions	818,477	845,258
Transit medical	556,304	494,260
Facility management allocation	428,132	266,606
Local contracts	168,046	256,469
Aging vendor	375,997	188,437
Program income	141,623	136,795
Toll credits	277,965	30,327
Transit charter	26,076	18,409
Gain on sale of assets	-	-
Total revenues	<u>8,944,591</u>	<u>6,614,165</u>
Expenses:		
Transportation	<u>8,032,202</u>	<u>6,243,129</u>
Total expenses	<u>8,032,202</u>	<u>6,243,129</u>
Increase (decrease) in net position	912,389	371,036
Net position - beginning of year	<u>9,791,194</u>	<u>9,420,158</u>
Net position - end of year	<u>\$ 10,703,583</u>	<u>\$ 9,791,194</u>

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

CAPITAL ASSETS

Capital Assets

At August 31, 2023 and 2022 respectively, the District had \$8,874,872 and \$8,329,262 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 September 30, 2023, the District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and recorded SBITA payables totaling \$27,378. See Note 5 to the financial statements for additional information regarding leases 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 5430 Link Road, San Angelo, Texas or 325-944-9666.

Basic Financial Statements

CONCHO VALLEY TRANSIT DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 1,142,543
Grants receivable	719,352
Accounts receivable	44,682
Lease receivable	511,132
Capital assets:	
Land	749,099
Buildings and improvements	8,210,624
Equipment and vehicles	5,173,944
Right-of-use assets - SBITAs	38,611
Less: accumulated depreciation and amortization	(5,270,028)
Net pension asset	<u>161,715</u>
 Total Assets	 <u>11,481,674</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	<u>691,936</u>
 Total Deferred Outflows of Resources	 <u>691,936</u>
LIABILITIES	
Current	
Accounts payable	609,408
Accrued liabilities	575
SBITA leases payable - current	11,238
Noncurrent Liabilities:	
SBITA leases payable	<u>16,140</u>
 Total Liabilities	 <u>637,361</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	321,534
Deferred inflows of resources related to leases	<u>511,132</u>
 Total Deferred Inflows of Resources	 <u>832,666</u>
NET POSITION	
Net investment in capital assets	8,874,872
Unrestricted, undesignated	<u>1,828,711</u>
 Total Net Position	 <u>\$ 10,703,583</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, 2023

Functions/Programs	Expenses	Program Revenues		Net Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES				
Transportation	\$ <u>8,032,202</u>	\$ <u>1,100,000</u>	\$ <u>7,844,591</u>	\$ <u>912,389</u>
Total Governmental Activities	<u>8,032,202</u>	<u>1,100,000</u>	<u>7,844,591</u>	<u>912,389</u>
Total Primary Government	\$ <u><u>8,032,202</u></u>	\$ <u><u>1,100,000</u></u>	\$ <u><u>7,844,591</u></u>	\$ <u><u>912,389</u></u>
Change in Net Position				912,389
Net Position - Beginning				<u>9,791,194</u>
Net Position - Ending				\$ <u><u>10,703,583</u></u>

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

CONCHO VALLEY TRANSIT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
AUGUST 31, 2023

	<u>General Fund</u>
ASSETS	
Cash	\$ 1,142,543
Grants receivable	719,352
Accounts receivable	<u>44,682</u>
Total Assets	<u>\$ 1,906,577</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 609,408
Accrued liabilities	<u>575</u>
Total Liabilities	<u>609,983</u>
Fund Balance:	
Assigned fund balance for transportation	<u>1,296,594</u>
Total Fund Balance	<u>1,296,594</u>
Total Liabilities and Fund Balance	<u>\$ 1,906,577</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, 2023*

Total fund balances - governmental fund balance sheet	\$ 1,296,594
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.	691,936
Capital assets used in governmental activities are not reported in governmental funds.	8,902,250
Net pension asset is not reported in governmental funds.	161,715
Lease receivable is not reported in governmental funds.	511,132
Leases payable are not reported in governmental funds.	(27,378)
Deferred inflows of resources related to pensions are not reported in governmental funds.	(321,534)
Deferred inflows of resources related to leases are not reported in governmental funds.	<u>(511,132)</u>
Net position of governmental activities - Statement of Net Position	<u><u>\$ 10,703,583</u></u>

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

CONCHO VALLEY TRANSIT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
FOR THE YEAR ENDED AUGUST 31, 2023

	<u>General Fund</u>
REVENUES	
Federal grants	\$ 5,289,133
State grants	862,838
Other local funds:	
Member government contributions	818,477
Facility management allocation	428,132
Program income	141,623
Transit charter	26,076
Transit medical	556,304
Local contracts	168,046
Aging vendor	375,997
Toll credits	<u>277,965</u>
Total revenues	<u>8,944,591</u>
EXPENDITURES	
Transportation	6,761,302
Capital outlay	<u>1,792,815</u>
Total expenditures	<u>8,554,117</u>
Excess of revenues over expenditures	<u>390,474</u>
Fund balances, September 1	<u>906,120</u>
Fund balances, August 31	<u>\$ 1,296,594</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, 2023*

Net change in fund balances - total governmental fund	\$ 390,474
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Governmental funds report capital outlay as expenditures, but are shown as increases in capital assets in governmental activities.	1,181,892
Depreciation is not recognized as an expenditure in governmental funds since it does not require use of current financial resources.	(636,128)
Governmental funds report lease payments as expenditures, but lease payments are shown as decreases in lease liabilities and decreases in capital assets in governmental activities.	(11,540)
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>(12,309)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 912,389</u>

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

CONCHO VALLEY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Concho Valley Transit District (District) 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 District 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. The District 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. The District has identified public transportation, particularly the transportation of its widely scattered rural population, as a high-priority goal and has achieved this objective through 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 the 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 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.

CONCHO VALLEY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

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

The District reports the following governmental funds:

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

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using an 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 following 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 were 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

Highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Grants Receivable and Accounts Receivable

Grants receivable represents allowable expenditures above receipts for specific grants. Accounts receivable represents the 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.

CONCHO VALLEY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extends the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	40
Vehicles	1-7
Office equipment	5
Computer equipment	5

Right-of-use subscription assets resulting from qualifying subscription-based information technology arrangements (SBITAs) are amortized over the subscription term.

d. Lease Receivable

The District records lease receivables at the present value of the remaining lease payments that are not paid at the commencement date. If an implicit interest rate is not readily available, the 3-month treasury bill rate is used. Lease payments are recognized as a reduction in the lease receivable and corresponding deferred inflows of resources related to leases.

e. Accounts Payable and Accrued Liability Balances

Accounts payable for the District include \$405,386 payable to Concho Valley Council of Governments and the remaining accounts payable balance is trade payables. Accrued liabilities are not material to the financial statements.

f. Leases Payable

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

The District recognizes a lease liability and corresponding right-of-use asset at the commencement date of a lease. The lease liability is initially measured at the present value of the remaining lease payments that are not paid at the commencement date. If an implicit interest rate can readily be determined for a lease contract, this rate is used to discount future payments. If the rate is not available, the District uses the 3-month treasury bill rate as the discount rate.

g. 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 \$691,936 as of August 31, 2023.

CONCHO VALLEY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

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 and to leases totaling \$321,534 and \$511,132 as of August 31, 2023, respectively.

h. Subscription-based information technology leases

The District recognizes a subscription-based information technology arrangement (SBITA) liability and a corresponding right-of-use asset at the commencement date of a SBITA. The SBITA liability is initially measured at the present value of the remaining payments that are not paid at the commencement date. If an implicit interest rate can readily be determined for a SBITA contract, this rate is used to discount future payments. If this rate is not available, the District uses the 3-month treasury bill rate as the discount rate.

i. 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 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 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 do 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, 2023. The entire fund balance is assigned for transportation.

In the fund financial statements, the District considers restricted or unrestricted amounts to having 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.

CONCHO VALLEY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

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

j. 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 – Consists 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 before the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

k. 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.

l. 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.

m. 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.

CONCHO VALLEY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

n. Subsequent Events

The District has evaluated subsequent events through March 8, 2024, the day the financial statements were available to be issued.

o. Recent Accounting Pronouncements

ADOPTED

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, 2023, and all reporting periods thereafter. The District adopted this statement during the year ended August 31, 2023. An implementation adjustment to net position was not considered necessary due to the immateriality of the amount.

NOT ADOPTED

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, which enhances accounting and financial reporting requirements and accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The District is evaluating the impact, if any, upon its financial position and results of operations upon adoption of this statement.

Stewardship, Compliance and Accountability

The District'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 is 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. The District'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) the 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.

CONCHO VALLEY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

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, 2023, the carrying amount of the District's cash deposits, all of which mature in less than one year was \$1,142,393 and the bank balance was \$1,195,176. The District's cash deposits at August 31, 2023 and during the year ended August 31, 2023, 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 daily 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 limit investments in public funds investment pools to those rated no lower than AAA 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, the 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 that guarantees a higher value. The term "short-term" refers to investments that 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.

CONCHO VALLEY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

NOTE 3: GRANTS RECEIVABLE

Grants receivable at August 31, 2023, is summarized as follows:

Grant Number	Name	Amount
U03, U04	Urban Transportation	\$ 198,837
R01, R03, R04	Rural Transportation	503,035
P02	Regional Planning FY 22-23	5,056
M03, M04	Transportation for Elderly and Disabled	<u>12,424</u>
	Total grants receivable	<u>\$ 719,352</u>

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2023 was as follows:

Governmental activities	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 749,099	\$ -	\$ -	\$ 749,099
Total capital assets not being depreciated	<u>749,099</u>	<u>-</u>	<u>-</u>	<u>749,099</u>
Capital assets being depreciated:				
Buildings and improvements	8,109,766	100,858		8,210,624
Equipment and vehicles	4,092,909	1,112,588	(31,554)	5,173,943
Right-of-use assets - SBITAs		38,611		38,611
Total capital assets being depreciated	<u>12,202,675</u>	<u>1,252,057</u>	<u>(31,554)</u>	<u>13,423,178</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,253,932)	(210,364)		(1,464,296)
Equipment and vehicles	(3,368,580)	(425,765)		(3,794,345)
Right-of-use assets - SBITAs		(11,386)		(11,386)
Total accumulated depreciation	<u>(4,622,512)</u>	<u>(647,515)</u>	<u>-</u>	<u>(5,270,027)</u>
Total capital assets being depreciated, net	<u>7,580,163</u>	<u>604,542</u>	<u>(31,554)</u>	<u>8,153,151</u>
Governmental activities capital assets, net	<u>\$ 8,329,262</u>	<u>\$ 604,542</u>	<u>\$ (31,554)</u>	<u>\$ 8,902,250</u>

Depreciation was charged to functions as follows:

Transportation	\$ 647,515
	<u>\$ 647,515</u>

NOTE 5: LONG-TERM OBLIGATIONS

A summary of long-term liability activity for the year ended August 31, 2023, are as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
ROU SBITAs	\$ -	\$ 27,378	\$ -	\$ 27,378	\$ 11,238
Total	<u>\$ -</u>	<u>\$ 27,378</u>	<u>\$ -</u>	<u>\$ 27,378</u>	<u>\$ 11,238</u>

CONCHO VALLEY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

Subscription-Based Information Technology Arrangements Payable

The Council entered into an arrangement with Urban Transportation associates for \$65,605 dated December 16, 2020 for an automated passenger counter, payable in monthly principal and interest payments due monthly on the 1st, with interest rate of 0.03%, final payment due March 1, 2026.

\$ 16,139

The Council entered into an arrangement with Token Transit for \$25,000 dated March 8, 2021 for software, payable in monthly principal and interest payments due monthly on the 1st, with interest rate of 0.09%, final payment due November 1, 2025.

11,239

Total SBITA payable

\$ 27,378

Commitments under lease agreements for building and equipment provide for minimum future rental payments as of September 30, 2023, as follows:

Year Ending September 30,		
2024	\$	11,238
2025		11,244
2026		4,896
2027		-
2028+		-
Total Minimum Rentals	\$	<u><u>27,378</u></u>

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 2023, 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 level of reinsurance. The District continues to carry commercial insurance for 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.

CONCHO VALLEY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

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 with over 800 participating counties and districts throughout Texas. TCDRS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR 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 ACFR is also available at www.tcdrs.org.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members 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, 2023, 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 deposit into their account. Members can retire at ages 60 and above with ten or more years of service, 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 service 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.

CONCHO VALLEY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

As of the most recent measurement date which was December 31, 2022, membership data for the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	112
Active employees	<u>69</u>
Total participants	<u>193</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 employers 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 2023 was 12.40%.

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, 2023, the annual pension cost for the TCDRS plan for its employees was \$280,336 and actual contributions were \$280,336.

Net Pension Asset

The net pension liability / (asset) (NPA) 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 NPA was measured as of December 31, 2022, and the TPL used to calculate the NPA was determined by an actuarial valuation as of that date.

Total pension liability	\$ 5,164,891
Fiduciary net position	<u>5,326,606</u>
Net pension asset	<u>\$ (161,715)</u>

Actuarial Assumptions

The demographic assumptions used in the December 31, 2022 valuation were developed from an actuarial experience investigation of TCDRS over the years 2017-2020. They were recommended by Millman and adopted by the TCDRS Board of Trustees in 2021 and first used in the December 31, 2021 actuarial valuation. All economic assumptions were reviewed at the March 2021 TCDRS Board of Trustees meeting and revised assumptions were adopted. These revisions included changes in the investment return, price inflation, salary increases, and maximum payroll growth assumptions. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2022. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

CONCHO VALLEY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

The total pension liability in the December 31, 2022 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 - 135% of the PubG-2010 Employee amount-weighted mortality table for males and 120% of the PubG-2010 Employee amount-weighted mortality table for females, both projected from 2021 using 100% of the MP-2021 Ultimate Projection Scale; for service retirees, beneficiaries, and non-depositing members - 135% of the PubG-2010 Healthy Retiree amount-weighted mortality table for males and 120% of the PubG-2010 Healthy Retiree amount-weighted mortality table for females, both projected from 2010 using 100% of the MP-2021 Ultimate Projection Scale; for disabled retirees - 160% of the PubG-2010 Disabled Retiree amount-weighted mortality table for males and 125% of the PubG-2010 Disabled Retiree amount-weighted mortality table for females, both projected from 2010 using 100% of the MP-2014 Ultimate Projection Scale.

The long-term expected rate of return on pension plan investments is 7.60%. The pension plan's policy regarding 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 reassessed at a minimum of every four years and is set based on a long-term time horizon. The most recent analysis was performed in March 2021. 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%	4.95%
Private Equity	25.00%	7.95%
Global Equities	2.50%	4.95%
International Equities - Developed	5.00%	4.95%
International Equities - Emerging	6.00%	4.95%
Investment Grade Bonds	3.00%	2.40%
Strategic Credit	9.00%	3.39%
Direct Lending	16.00%	6.95%
Distressed Debt	4.00%	7.60%
REIT Equities	2.00%	4.15%
Master Limited Partnerships	2.00%	5.30%
Private Real Estate Partnerships	6.00%	5.70%
Hedge Funds	6.00%	2.90%
Cash Equivalents	2.00%	0.20%

CONCHO VALLEY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

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 currently 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, 2020	\$ 4,564,640	\$ 5,305,932	\$ (741,292)
Changes for the year:			
Service cost	405,138		405,138
Interest on total pension liability	372,141		372,141
Effect of economic / demographic gains or losses	(27,932)		(27,932)
Effect of assumption changes or inputs			-
Refund of contributions	(58,796)	(58,796)	-
Benefit payments	(90,300)	(90,300)	-
Administrative expenses		(3,121)	3,121
Member contributions		170,519	(170,519)
Net investment income		(337,736)	337,736
Employer contributions		291,587	(291,587)
Other		48,521	(48,521)
Balances as of December 31, 2022	\$ 5,164,891	\$ 5,326,606	\$ (161,715)

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	\$ 5,975,887	\$ 5,164,891	\$ 4,495,346
Fiduciary net position	5,326,606	5,326,606	5,326,606
Net pension liability (asset)	\$ 649,281	\$ (161,715)	\$ (831,260)

CONCHO VALLEY TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

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

For the year ended August 31, 2023, the District recognized a total pension expense of \$23,696.

As of August 31, 2023, 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	\$ 181,167
Difference between expected and actual experience	12,934
Change of assumptions	48,004
Difference between projected and actual investment earnings	<u>449,831</u>
Total	\$ <u>691,936</u>

As of August 31, 2023, 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	\$ (17,936)
Change of assumptions	(4,392)
Difference between projected and actual investment earnings	<u>(299,206)</u>
Total	\$ <u>(321,534)</u>

Deferred outflows of resources related to contributions subsequent to the measurement date of \$181,167 will be recognized as a reduction of the net pension liability for the year ending August 31, 2024. Remaining net deferred outflows of resources related to pensions totaling \$510,769 will be recognized in pension expense for the years ending August 31, 2024, 2025, 2026, and 2027 in the amounts of \$171,310, \$150,872, \$150,871, and \$37,716, respectively. Net deferred inflows of resources related to pensions totaling \$321,534 will be recognized in pension income for the years ending August 31, 2024, 2025, and 2026 in the amounts of (\$156,822), (\$132,668), and (\$32,044) respectively.

NOTE 8: COMMITMENTS, CONTINGENCIES, AND CONCENTRATIONS

Contingencies

The District participates in grant programs that 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, 2023, these grants represented approximately 69% 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, 2023 *

	Measurement Date 12/31/2022	Measurement Date 12/31/2021	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
Total Pension Liability:									
Service cost	\$ 405,138	\$ 415,079	\$ 328,698	\$ 219,722	\$ 336,196	\$ 320,498	\$ 286,894	\$ 163,824	\$ 143,687
Interest on total pension liability	372,141	328,229	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		(12,654)	257,609			21,695		22,977	
Effect of economic / demographic (gains) or losses	(27,932)	(9,775)	49,956	24,321	(139,873)	(46,741)	(120,840)	(185,321)	396
Benefit payments / refunds of contributions	(149,098)	(117,763)	(95,920)	(96,320)	(116,667)	(111,481)	(80,464)	(31,007)	(36,188)
Net change in total pension liability	600,249	603,117	817,800	385,141	401,143	466,598	291,025	74,771	219,314
Total pension liability, beginning	4,564,640	3,961,524	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	-	-
Total pension liability, ending (a)	5,164,890	4,564,640	3,961,524	3,143,724	4,091,119	3,689,976	2,726,057	1,616,922	1,542,151
Fiduciary Net Position:									
Employer contributions	291,587	279,290	267,843	201,684	239,084	289,214	181,526	121,596	118,052
Member contributions	170,519	170,003	163,032	122,764	145,529	134,967	112,980	71,769	66,746
Investment income net of investment expenses	(337,736)	925,724	346,955	439,623	(67,174)	444,079	160,326	(44,746)	70,866
Benefit payments / refunds of contributions	(149,097)	(117,763)	(95,920)	(96,320)	(116,667)	(111,481)	(80,464)	(31,007)	(36,188)
Administrative expenses	(3,121)	(2,871)	(2,957)	(2,554)	(3,191)	(2,505)	(1,743)	(993)	(930)
Other	48,521	10,506	10,224	8,222	8,347	4,167	25,650	554	689
Net change in fiduciary net position	20,673	1,264,889	689,177	673,419	205,928	758,441	398,275	117,173	219,235
Fiduciary net position, beginning	5,305,932	4,041,043	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	-	-
Fiduciary net position, ending (b)	5,326,605	5,305,932	4,041,043	3,351,866	3,972,273	3,766,345	2,543,828	1,424,691	1,307,518
Net pension liability (asset), ending ((a) - (b))	\$ (161,715)	\$ (741,292)	\$ (79,519)	\$ (208,142)	\$ 118,846	\$ (76,369)	\$ 182,229	\$ 192,231	\$ 234,633
Fiduciary net position as a % of total pension liability	103.13%	116.24%	102.01%	106.62%	97.10%	102.07%	93.32%	88.11%	84.79%
Pensionable covered payroll	\$ 2,435,981	\$ 2,428,610	\$ 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	-6.64%	-30.52%	-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
2014	\$ 141,739	\$ 141,746	\$ (7)	\$ 1,121,840	12.64%
2015	\$ 145,995	\$ 145,995	\$ -	\$ 1,144,901	12.75%
2016	\$ 144,730	\$ 144,730	\$ -	\$ 1,230,988	11.76%
2017	\$ 158,090	\$ 195,013	\$ (36,923)	\$ 1,286,840	15.15%
2018	\$ 161,211	\$ 161,211	\$ -	\$ 1,300,084	12.40%
2019	\$ 193,440	\$ 201,684	\$ (8,244)	\$ 1,401,832	14.39%
2020	\$ 246,411	\$ 267,843	\$ (21,432)	\$ 1,753,767	15.27%
2021	\$ 242,861	\$ 279,290	\$ (36,429)	\$ 2,329,032	11.99%
2022	\$ 291,587	\$ 291,587	\$ -	\$ 2,435,981	11.97%
2023	\$ 284,089	\$ 284,089	\$ -	\$ 2,379,252	11.94%

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	18 years (based on contribution rate calculated in 12/31/22 valuation)
Asset Valuation Method	5 year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service with a 4.7% 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	135% of the PUB-2010 General Retirees Table for males and 120% of the PUB-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
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 2019: New inflation, mortality and other assumptions were reflected 2022: New investment return and inflation 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 2021: No changes in plan provisions were reflected in the Schedule 2022: 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, 2023

	U01, U03	800, U02	R01, R03	825	M03, M04	P02	B01, 815, 816	010	018	L01, L02, K01	
	Urban Operating	Urban CARES	Rural Operating	Rural CARES	Elderly & Disabled TXDOT	Reg Planning TXDOT	Bus & Bus Facilities TXDOT	ICB Program Local	Extended Medicaid Trips Local	General	Total
Salaries	\$ 1,429,658		\$ 568,158	\$ 148,888	\$ 61,810	\$ 23,246		\$ 17,708	\$ 70,589	\$ 60,886	\$ 2,380,943
Fringe benefits	657,279		265,868	70,737	25,115	8,927		3,706	30,004	30,535	1,092,171
Total personnel	2,086,937	-	834,026	219,625	86,925	32,173	-	21,414	100,593	91,421	3,473,114
Indirect costs	129,044		51,627	13,529	5,373	1,990		1,324	6,222	5,654	214,763
Audit and legal	10,789		8,477								19,266
Contract services	3,092		168,994				337,750			140,000	649,836
Uniforms	1,554		1,172	38						367	3,131
Human resource service center	57,027		44,807							1,592	103,426
Procurement service center	34,840		27,374							8,887	71,101
Information technology service center	44,163		34,700							3,237	82,100
Pass-thru								(676)			(676)
Travel	1,922		1,596			221					3,739
Fuel	329,480		161,680	33,279						346	524,785
Lubricant	18,984	243	7,480	1,432						1,344	29,483
Preventative maintenance	313,596		100,699	11,578							425,873
Tires	44,479	220	15,196	2,484							62,379
Shop and yard space	67,200		52,800								120,000
Utilities										50,888	50,888
Building maintenance	10,398		8,170							68,455	87,023
Capital facility improvements				100,579							100,579
Supplies	45,699	520	25,497	1,298		549		181		10,509	84,253
Capital technology	48,368		39,603		9,540						97,511
Capital equipment	48,227	615,280	9,400	265,079			754,250				1,692,236
Tools	5,058	37	3,869	134						872	9,970
Copier	522		338	77		48					985
Insurance	42,777		20,905	4,148						26,379	94,209
Communications - bus	55,684		24,495	578							80,757
Cell phones	1,087		656	72							1,815
Internet			84	31							115
Printing / ads and promotions	4,245		3,452	179							7,876
Publications											-
Capital construction											-
Capital construction planning											-
Capital construction administration											-
Dues and fees	12,324		4,029	173							16,526
Vehicle registration	282		172	24							478
Postage / freight	422		332	60							814
Other	606		511								1,117
Coffee	62		49								111
Physicals	2,953		1,220	310							4,483
Safety	6,538		3,406	11						3,554	13,509
Multi-modal terminal operations	53,837	100	38,777	3,556							96,270
Shop Christoval operations	5,206		4,048	12,636						30,417	52,307
Toll credits			33,313		19,257	6,995	218,400				277,965
Total Expenditures	\$ 3,487,402	\$ 616,400	\$ 1,732,954	\$ 670,910	\$ 121,095	\$ 41,976	\$ 1,310,400	\$ 22,243	\$ 106,815	\$ 443,922	\$ 8,554,117

CONCHO VALLEY TRANSIT DISTRICT
SCHEDULE OF GRANT EXPENDITURES BY AGENCY (FEDERAL AND STATE)
 FOR THE YEAR ENDED AUGUST 31, 2023

Federal/State Grantor/Pass-Through Grantor/ CVTD Grant Number / Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
<u>EXPENDITURES OF FEDERAL AWARDS</u>				
<u>U. S. DEPARTMENT OF TRANSPORTATION</u>				
<i>Federal Transit Administration:</i>				
<i>Federal Transit Cluster</i>				
<i>Direct Program</i>				
U01/U03 Section 5307 Urban Transportation	20.507	TX-2021-109-01 Y446	\$	\$ 432,580
U02 Section 5307 Urban Transportation - CARES	20.507	TX-2021-073-00		1,108
800 Section 5307 Urban Transportation - CARES	20.507	TX-2020-096-00 Y364 CARES		615,279
<i>CARES Total</i>				<u>616,387</u>
U03/U04 Section 5307 Urban Transportation	20.507	TX-2023-005-00		1,360,157
<i>Passed through the Office of the Governor:</i>				
816 Section 5339 Bus and Bus Facilities	20.526	51003F30721		337,749
815 Section 5339 Bus and Bus Facilities	20.526	51003F20721		634,130
B01 Section 5339 Bus and Bus Facilities	20.526	51003020723		120,120
<i>Federal Transit Cluster Total</i>				<u>3,501,123</u>
<i>Passed through the Office of the Governor:</i>				
<i>Texas Department of Transportation</i>				
R04 Section 5311 Rural Transportation RPT 2302 (07) 051_022	20.509	51018030723		707,463
825 Section 5311 Rural Transportation - CAF 2102 (07) 072_20	20.509	51018020721		670,852
R03 Section 5311 Rural Transportation - RPT 2102(07)045_20	20.509	51018010321		278,422
<i>Transit Services Programs Cluster</i>				
M03/M04 Section 5310 Transp. For Elderly and Disabled ED 2102 (07) 074_19	20.513	51016020723		96,296
<i>Transit Services Programs Cluster Total</i>				<u>96,296</u>
P02 Section 5304 State Planning and Research	20.505	51008010723		34,977
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>-</u>	<u>5,289,133</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 5,289,133</u>
<u>EXPENDITURES OF STATE AWARDS</u>				
<u>Texas Department of Transportation</u>				
R03 Rural Transportation RUR 2302(07)		51218020723	\$	\$ 489,202
U02 Urban Transportation URB 2301(07)		51309010723		373,636
TOTAL TEXAS DEPARTMENT OF TRANSPORTATION			<u>-</u>	<u>862,838</u>
TOTAL EXPENDITURES OF STATE AWARDS			<u>\$ -</u>	<u>\$ 862,838</u>

Internal Control Section

March 8, 2024

Executive Committee
Concho Valley Transit District
5430 Link Rd.
San Angelo, Texas 76904

Independent Auditor's 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

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, 2023, and the related notes to the financial statements, which collectively comprise Concho Valley Transit District's basic financial statements, and have issued our report thereon dated March 8, 2024.

Report on 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 (internal control) 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.

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.

Report on 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 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 cursive script that reads "Condly and Company, L.L.P.".

Certified Public Accountants