



# CONCHO VALLEY TRANSIT DISTRICT

Report to the Board of Directors

August 31, 2016



February 28, 2017

To the Board of Directors  
Concho Valley Transit District  
San Angelo, Texas

We are pleased to present this report related to our audit of the financial statements of Concho Valley Transit District for the year ended August 31, 2016. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for Concho Valley Transit District's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to Concho Valley Transit District.

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

Certified Public Accountants

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## Required Communications

Generally accepted auditing standards (*AU-C 260, The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
<b>Auditor's Responsibility Under Professional Standards</b>	Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated September 5, 2016. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
<b>Accounting Practices</b>	<b>Adoption of, or Change in, Accounting Policies</b> Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Transit District. The Transit District has not adopted any significant new accounting policies during the year ended August 31, 2016.  <b>Significant or Unusual Transactions</b> We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.  <b>Alternative Treatments Discussed with Management</b> We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.

Area	Comments
<b>Management's Judgments and Accounting Estimates</b>	Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached "Summary of Accounting Estimates."
<b>Financial Statement Disclosures</b>	There were no specific financial statement disclosures that were separately discussed or were requested to be discussed or clarified.
<b>Audit Adjustments</b>	Audit adjustments recorded by Concho Valley Transit District are shown on the attached "Summary of Recorded Audit Adjustments."
<b>Uncorrected Misstatements</b>	Uncorrected misstatements are summarized in the attached "Summaries of Uncorrected Misstatements."
<b>Disagreements with Management</b>	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
<b>Consultations with Other Accountants</b>	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
<b>Significant Issues Discussed with Management</b>	No significant issues arising from the audit were discussed or were the subject of correspondence with management.
<b>Difficulties Encountered in Performing the Audit</b>	We did not encounter any difficulties in dealing with management during the audit.
<b>Certain Written Communications Between Management and Our Firm</b>	Copies of certain written communications between our firm and the management of the Transit District are attached as Exhibit A.

## Concho Valley Transit District Summary of Accounting Estimates Year Ended August 31, 2016

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the Transit District August 31, 2016 financial statements:

Area	Accounting Policy	Estimation Process	Comments
Accounts Receivable and Allowance for Doubtful Accounts	Receivables are recorded net of amounts considered uncollectible.	Management reviews outstanding accounts receivable balances on an individual grantor basis and determines which balances are expected to be collected.	The methodology for estimating the allowance for uncollectible accounts was determined to be within GAAP guidelines.
Fixed asset lives	Fixed assets are depreciated based on GAAP guidelines.	Management estimates the useful lives of capitalized assets based on the type and life expectancy as well as GAAP guidance.	Fixed asset lives were determined to be within GAAP guidelines.

**Concho Valley Transit District  
 Summary of Recorded Audit Adjustments  
 Year Ended August 31, 2016**

Description	Effect — Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expense
To remove adjustment posted to fund balance.			71,363	(71,363)	
To record government wide fixed assets and related investment.	6,505,340		6,505,340		
To record current year depreciation expense.	(633,752)				633,752
To adjust client capital asset cost accounts to actual.	(953,158)		(953,158)		
To record net pension liability.	132,057	192,231	(110,157)		(49,983)
	<u>\$ 5,050,487</u>	<u>\$ 192,231</u>	<u>\$ 5,513,388</u>	<u>\$ (71,363)</u>	<u>\$ 583,769</u>

**Concho Valley Transit District  
 Summary of Uncorrected Misstatements  
 Year Ended August 31, 2016**

During the course of our audit, we accumulated uncorrected misstatements that were determined by management to be immaterial, both individually and in the aggregate, to the statements of financial position, results of operations, and cash flows and to the related financial statement disclosures. Following is a summary of those differences.

Description	Effect — Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expense
<b>None</b>					
Total Pretax Effect				\$ 0	\$ 0
Balance Sheet Effect (Pretax)	\$ 0	\$ 0	\$ 0		

# Exhibit A - Certain Written Communications Between Management and Our Firm



# Concho Valley Transit District

2801 W. Loop 306 suite A, San Angelo TX 76904  
Office 325-944-9666 - Fax 325-947-8286

February 28, 2017

Condley and Company, L.L.P.  
993 North 3<sup>rd</sup>  
Abilene, Texas 79601

This representation letter is provided in connection with your audit of the primary government basic financial statements of Concho Valley Transit District as of and for the year ended August 31, 2016 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of February 28, 2017:

#### *Financial Statements*

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated September 5, 2016, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions, including those with the primary government having accountability for Concho Valley Transit District, component units for which Concho Valley Transit District is accountable, other organizations for which the nature and significance of their relationship with Concho Valley Transit District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, as defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, all of which have been recorded in accordance with the economic substance of the transaction and appropriately classified and reported.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private that is not disclosed in the financial statement.
9. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are subject to the requirements of the Single Audit Act and U.S. Office of Management and Budget Circular No. A-133 because we have received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
10. We have no knowledge of any uncorrected misstatements in the financial statements.

As of and for the Year Ended August 31, 2016

We believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate to the financial statements. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

DESCRIPTION	ASSETS	LIABILITIES	NET ASSETS	REVENUE	EXPENSES
None.					
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

***Information Provided***

11. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit;
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. All transactions have been recorded in the accounting records and are reflected in the financial statements.
13. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of allegations of fraud or suspected fraud, affecting the entity's financial statements involving:

- a. Management.
  - b. Employees who have significant roles in the internal control.
  - c. Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements received in communications from employees, former employees, analysts, regulators, short sellers, or others.
  16. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.
  17. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
  18. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.
  19. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Entity's ability to record, process, summarize, and report financial data.
  20. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

#### ***Compliance Considerations***

In connection with your audit, conducted in accordance with *Government Auditing Standards*, we confirm that management:

21. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
22. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the auditee.
23. Has identified and disclosed to the auditor all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
24. Has identified and disclosed to the auditor all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
25. Has identified and disclosed to the auditor all instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
26. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.
27. Has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts, and grant agreements; or abuse that the auditor reports.
28. Has a process to track the status of audit findings and recommendations.
29. Has identified for the auditor previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

30. Has provided views on the auditor's reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.
31. Acknowledges its responsibilities as it relates to nonaudit services performed by the auditor, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

In connection with your audit of federal awards conducted in accordance with Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), we confirm:

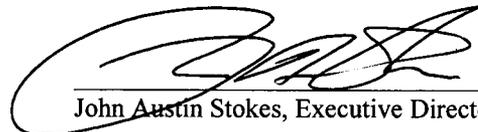
32. Management is responsible for complying, and has complied, with the requirements of Uniform Guidance.
33. Management is responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of its federal programs.
34. Management is responsible for establishing and maintaining, and has established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on its federal programs.
35. Management has prepared the schedule of expenditures of federal awards in accordance with Uniform Guidance and has included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
36. Management has identified and disclosed all of its government programs and related activities subject to the Uniform Guidance compliance audit.
37. Management has identified and disclosed to the auditor the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
38. Management has made available all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
39. Management has identified and disclosed to the auditor all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards.
40. Management believes that the auditee has complied with the direct and material compliance requirements.
41. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
42. Management has provided to the auditor its interpretations of any compliance requirements that are subject to varying interpretations.
43. Management has disclosed to the auditor any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.

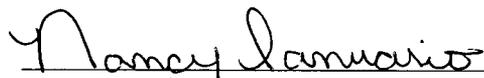
44. Management has disclosed to the auditor the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
45. Management is responsible for taking corrective action on audit findings of the compliance audit.
46. Management has provided the auditor with all information on the status of the follow-up on prior audit findings by federal/state awarding agencies and pass-through entities, including all management decisions.
47. Management has disclosed the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.
48. Management has disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report or stating that there were no such known instances.
49. Management has disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditor's report.
50. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
51. The copies of federal program financial reports provided to the auditor are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
52. If applicable, management has monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.
53. If applicable, management has issued management decisions for audit findings that relate to federal awards it makes to subrecipients and that such management decisions are issued within six months of acceptance of the audit report by the FAC. Additionally, management has followed up to ensure that the subrecipient takes timely and appropriate action on all deficiencies detected through audits, on-site reviews and other means that pertain to the federal award provided to the subrecipient from the pass-through entity.
54. If applicable, management has considered the results of subrecipient monitoring and audits, and has made any necessary adjustments to the auditee's own books and records.
55. Management has charged costs to federal awards in accordance with applicable cost principles and the Uniform Guidance.
56. Management is responsible for, and has accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by Uniform Guidance.
57. The reporting package does not contain protected personally identifiable information.
58. Management has accurately completed the appropriate sections of the data collection form.
59. If applicable, management has disclosed all contracts or other agreements with service organizations.
60. If applicable, management has disclosed to the auditor all communications from service organizations relating to noncompliance at those organizations.

*Supplementary Information*

61. With respect to supplementary information presented in relation to the financial statements as a whole:
  - a. We acknowledge our responsibility for the presentation of such information.
  - b. We believe such information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
62. With respect to Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability and Related Ratios – Pension Plan, and Schedule of Contributions – Pension Plan presented as required by Governmental Accounting Standards Board to supplement the basic financial statements:
  - a. We acknowledge our responsibility for the presentation of such required supplementary information.
  - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
63. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Concho Valley Transit District

  
John Austin Stokes, Executive Director

  
Nancy Ianaurio, Director of Finance