

CITY OF CHILDRESS, TEXAS
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

City of Childress, Texas
Annual Financial Report
for the Year Ended September 30, 2019

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Childress, Texas
Childress, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Childress, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Childress, Texas, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and schedule on the Texas Municipal Retirement System on pages 3-8 and 44-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Childress, Texas' basic financial statements. The statistical section is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statistical section is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statistical section is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2020, on our consideration of the City of Childress, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Childress, Texas' internal control over financial reporting and compliance.



Foster & Lambert L.L.C.
March 23, 2020

CITY OF CHILDRESS, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2019

The City was incorporated on May 22, 1922. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter; public safety (police and fire), highways and streets, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

Discretely Presented Unit

Childress Municipal Development District – The Childress Municipal Development District was established by the May 6, 2018 election. The District was established as a political subdivision of the State of Texas and the City of Childress and has the powers and duties given by Section 377 of the Texas Local Government Code (Act). The District was established for the purpose of developing and financing all permissible development projects prescribed by the Act. The District receives its primary funding from a local sales tax approved by the voters. The affairs of the District are managed by a Board of Directors. The Board has five members appointed by the Mayor of the City of Childress with the approval of the City Council. The District is reported as a component unit due to the City's power to appoint a voting majority of the Board.

The City of Childress Housing Finance Corporation - The City of Childress has created the City of Childress Housing Finance Corporation. The Corporation has been formed to develop a means of financing the cost of residential ownership and development that will provide decent, safe and sanitary housing for low and moderate income residents of the City. The Corporation is a separate proprietary unit administered by a five-member board appointed by the City Council. The City exercises significant oversight in approving budgets, accounting, and corporate records.

Economic Conditions and Outlook

Childress' population as reported by the U.S. Census Bureau in the year 2010 was 6,938. This represents an increase of 160 or 2.4% over the 2000 census. Retail sales remains fluid at this time. Childress County will soon begin to benefit from the energy sector infrastructure with the construction of a new solar farm east of town. The construction of this facility will include approximately 20 permanent positions. This new facility will have an appraisal value of around \$400 million. This will definitely have a positive impact on the economic conditions for Childress. Sales and Hotel taxes remain fluid. We are unsure what impact the COVID-19 will have on these sources of revenue.

A tier system has been implemented which encourages water conservation while also allowing users to use water if they are willing to pay for it. The inclining rate structure will capitalize on water usage each time a user consumes an additional 5,000 gallons. Additionally, a proactive ten-year plan has been implemented to collect funds from commercial customers for necessary upgrades at the Main Wastewater Treatment Facility. Each year during the ten-year plan, the base rate of 5,000 gallons will increase slightly over \$1.00 and per 1,000 gallons over the base rate will increase by \$.07 cents. These adjustments in rates are designed to create a revenue stream that will decrease the potential debt service amount if a loan were required and relieve taxpayers of high property tax. These funds will be placed in an escrow account until the project is ready to begin. Additionally, The City of Childress was approved for \$1,269,999 in financial assistance consisting of \$895,000 in financing with a 0.78% interest rate and \$374,999 in principle forgiveness from the Clean Water State Revolving Loan Fund for the planning, design, and construction of wastewater treatment facility improvements. The City of Childress opened Stoney Ridge Golf Course and Recreational Complex in 2008. This facility is serving the City of Childress and surrounding areas with over seven thousand non-member rounds of golf, as well as tournaments for high school golf, junior golf, civic organizations, non-profit groups and corporate outings. With the addition of The Grill on the Green restaurant, the facility now offers the total golfing and recreational

experience. In addition to Stoney Ridge, the City of Childress, with the assistance of Texas Parks & Wildlife, has also opened the Childress ATV & Moto-Cross Park. This park features 30 miles of riding trails and a mile and a quarter-mile professional style moto-cross track complete with starting gates, table tops and rhythm sections.

The Mashburn Event Center, built in 2017, is in full operation. While it has taken more time than anticipated, we are beginning to see an increase in events held at this facility. Livestock stalls and R.V. hookups are in the planning phase and will soon begin construction. These additions will provide and additional stream of revenue at this facility.

Several individuals and local businesses have begun a revitalization of our downtown area. In January of 2013, Childress became an official Texas Main Street Community. With this accreditation, business owners will receive free architectural design assistance and matching grants to help improve their buildings' curb appeal. Many new businesses are now downtown housed in newly remodeled buildings. We have seen a large number of our buildings renovated and facade completed. There is an increase of small business in the downtown area. This too serves to stimulate our economy.

The Childress Regional Medical Center has physical therapy, a cancer treatment center, orthopedic surgeries, and MRI facilities along with Apollo Helicopter for emergency patients and has plans for more renovations. A new hanger was built in 2020 to house the Apollo helicopter. The hospital and clinic bring many people to Childress for healthcare. These people also shop, eat, buy gasoline, and some stay overnight. This has a very positive offset on our local economy.

The Childress Chamber of Commerce and Municipal Development District work tirelessly to provide informative marketing campaigns and additional incentives to potential business owners who show interest in what the City of Childress has to offer in terms of quality of life, a top Rural Health Clinic and Regional Hospital, and an Independent School system that boasts an A Rating as well as a Financial Accountability of superior.

Major initiatives

The fiscal year 2018-19 final budgeted revenues decreased \$115,431 over original budget and expenditures increased \$195,195 from the original budget. Actual revenues were over budget by \$91,446; expenditures were less than budget by \$614,948. Net change in fund balance was \$296,481 more than budgeted, after loan proceeds and operating transfers.

Financial Analysis

Net position may serve, over time, as a useful indicator of a government's financial position. In the case of the City of Childress, Texas, assets and deferred outflows exceeded liabilities and deferred inflows by \$7,355,736 at the close of this fiscal year.

Condensed Statement of Net Position

	Governmental Activities 2018	Governmental Activities 2019	Business- type Activities 2018	Business- type Activities 2019	Total 2018	Total 2019
Current and other assets	\$ 932,351	\$ 1,656,650	\$ 683,654	\$ 1,111,451	\$ 1,616,005	\$ 2,768,101
Capital assets	<u>10,539,403</u>	<u>10,240,899</u>	<u>2,340,640</u>	<u>3,577,424</u>	<u>12,880,043</u>	<u>13,818,323</u>
Total assets	<u>11,471,754</u>	<u>11,897,549</u>	<u>3,024,294</u>	<u>4,688,875</u>	<u>14,496,048</u>	<u>16,586,424</u>
Deferred outflow of resources	<u>382,794</u>	<u>653,665</u>	<u>150,940</u>	<u>296,857</u>	<u>533,734</u>	<u>950,522</u>
Long-term liabilities	5,533,639	5,478,952	1,510,230	2,710,240	7,043,869	8,189,192
Other liabilities	<u>868,253</u>	<u>979,298</u>	<u>610,589</u>	<u>637,730</u>	<u>1,478,842</u>	<u>1,617,028</u>
Total liabilities	<u>6,401,892</u>	<u>6,458,250</u>	<u>2,120,819</u>	<u>3,347,970</u>	<u>8,522,711</u>	<u>9,806,220</u>
Deferred inflow of resources	<u>362,730</u>	<u>257,799</u>	<u>142,879</u>	<u>117,191</u>	<u>505,609</u>	<u>374,990</u>
Net Position:						
Invested in capital assets	6,438,176	6,604,868	1,477,921	1,778,470	7,916,097	8,383,338
Restricted	523,893	1,591,562	-	-	523,893	1,591,562
Unrestricted	<u>(1,872,143)</u>	<u>(2,361,265)</u>	<u>(566,385)</u>	<u>(257,899)</u>	<u>(2,438,528)</u>	<u>(2,619,164)</u>
Total net position	<u>\$ 5,089,926</u>	<u>\$ 5,835,165</u>	<u>\$ 911,536</u>	<u>\$1,520,571</u>	<u>\$ 6,001,462</u>	<u>\$ 7,355,736</u>

Analysis of the City's Operations – Governmental and Business-type activities increased the City's net position by \$1,354,274. The key elements of this decrease are as follows:

Changes in Net Position

	Governmental Activities 2018	Governmental Activities 2019	Business- type Activities 2018	Business- type Activities 2019	Total 2018	Total 2019
Revenues:						
Program revenues:						
Charges for services	\$ 709,708	\$ 936,388	\$3,798,599	\$3,894,380	\$ 4,508,307	\$ 4,830,768
Operating grants and contributions	25,000	38,600	-	-	25,000	38,600
Capital grants and contributions	331,996	374,851	25,525	305,975	357,521	680,826
General revenues:						
Property taxes	1,578,986	1,800,524	-	-	1,578,986	1,800,524
Sales taxes	845,939	850,627	-	-	845,939	850,627
Other taxes	597,392	621,345	-	-	597,392	621,345
Investment income	20,587	42,786	478	674	21,065	43,460
Other income	<u>136,725</u>	<u>38,512</u>	<u>-</u>	<u>-</u>	<u>136,725</u>	<u>38,512</u>
Total revenues	<u>4,246,333</u>	<u>4,703,633</u>	<u>3,824,602</u>	<u>4,201,029</u>	<u>8,070,935</u>	<u>8,904,662</u>
Expenses:						
General government	414,653	740,676	-	-	414,653	740,676
Street	360,011	366,685	-	-	360,011	366,685
Public safety:						
Police	1,081,885	864,593	-	-	1,081,885	864,593
Fire	561,706	639,090	-	-	561,706	639,090
Health	178,010	191,339	-	-	178,010	191,339
Park	304,945	226,170	-	-	304,945	226,170
Cemetery	37,919	56,634	-	-	37,919	56,634
Buildings	162,333	164,440	-	-	162,333	164,440
Airport	49,344	49,985	-	-	49,344	49,985
ATV Park	196,109	194,034	-	-	196,109	194,034
Golf Course	756,292	666,941	-	-	756,292	666,941
Interest on long-term debt	212,339	172,635	-	-	212,339	172,635
Water	-	-	2,255,624	2,337,696	2,255,624	2,337,696
Trash	-	-	702,490	798,899	702,490	798,899
Shop	-	-	<u>102,906</u>	<u>80,571</u>	<u>102,906</u>	<u>80,571</u>
Total expenses	<u>4,315,546</u>	<u>4,333,222</u>	<u>3,061,020</u>	<u>3,217,166</u>	<u>7,376,566</u>	<u>7,550,388</u>
Increase (decrease) in net position before transfers	(69,213)	370,411	763,582	983,863	694,369	1,354,274
Transfers	<u>452,736</u>	<u>374,829</u>	<u>(452,736)</u>	<u>(374,829)</u>	<u>-</u>	<u>-</u>
Increase in net position	383,523	745,240	310,846	609,034	694,369	1,354,274
Net position – beginning	4,811,534	5,089,925	647,391	911,537	5,458,925	6,001,462
Prior period adjustment	<u>(105,132)</u>	<u>-</u>	<u>(46,700)</u>	<u>-</u>	<u>(151,832)</u>	<u>-</u>
Net position – ending	<u>\$ 5,089,925</u>	<u>\$ 5,835,165</u>	<u>\$ 911,537</u>	<u>\$1,520,571</u>	<u>\$ 6,001,462</u>	<u>\$ 7,355,736</u>

Financial Analysis of the Government's Funds

Governmental funds show an increase to net position for the 2018-19 year of \$501,167. A large portion of this increase is due to intergovernmental revenues.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its government-wide activities as of September 30, 2019, amounts to \$13,818,323 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and improvements.

Capital Assets at Year-end (Net of Depreciation)

	Governmental Activities 2018	Governmental Activities 2019	Business- type Activities 2018	Business- type Activities 2019	Total 2018	Total 2019
Land	\$ 865,366	\$ 865,366	\$ 39,722	\$ 39,722	\$ 905,088	\$ 905,088
Buildings and improvements	8,210,320	8,066,549	1,931,023	2,182,861	10,141,343	10,249,410
Equipment	<u>1,463,717</u>	<u>1,308,984</u>	<u>369,895</u>	<u>1,354,841</u>	<u>1,833,612</u>	<u>2,663,825</u>
Totals	<u>\$10,539,403</u>	<u>\$10,240,899</u>	<u>\$2,340,640</u>	<u>\$3,577,424</u>	<u>\$12,880,043</u>	<u>\$13,818,323</u>

This year's major additions included:

Governmental activities:

40x30 Shop ATV park	\$ 51,875
Toro shredder	27,252
Event Center sign	23,844
JD 544J overhaul	19,249
Vent hood Event Center	15,862
Roof police department	14,350
Lean structure ATV park	13,500
Storm siren	9,750

Business-type activities:

623K CAT scrapper	866,613
Sewer plant project	305,975
2020 Freightliner trash truck	176,732
Dirt work sewer plan	52,781
2019 JD Compact Excavator	34,687

Debt

At year-end, the City had \$5,505,112, of certificates of obligation, notes payable, and leases payable as shown below:

Outstanding Debt, at Year-end

	Governmental Activities 2018	Governmental Activities 2019	Business-type Activities 2018	Business-type Activities 2019	Total 2018	Total 2019
Certificates of obligation	\$3,355,000	\$3,086,000	\$ -	\$ -	\$3,355,000	\$3,086,000
Notes payable	95,849	51,801	811,080	950,311	906,929	1,002,112
Lease payable	<u>650,378</u>	<u>498,230</u>	<u>125,626</u>	<u>918,770</u>	<u>776,004</u>	<u>1,417,000</u>
	<u>\$4,101,227</u>	<u>\$3,636,031</u>	<u>\$936,706</u>	<u>\$1,869,081</u>	<u>\$5,037,933</u>	<u>\$5,505,112</u>

Economic Factors for Next Year

The City's elected and appointed officials considered many factors when preparing the fiscal year 2019-2020 budget. One factor that plays a strong role is the economy. Childress has experienced population and economic growth which has stimulated local business and development activity. The community has also placed additional demands on the City to maintain or enhance services which are provided to our citizens. The population continues to grow at a slow but steady pace. The increased growth in population and businesses creates an increase in our ad valorem tax valuations. We also expect another slight increase in sales tax revenue next year. This has been the trend for the past several years. We have also experienced a trend where all revenue has increased over the past several years; we expect that trend to continue.

Subsequent to year end the City Council has approved an ordinance authorizing the issuance of the City of Childress, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Series 2020, in the principal amount of \$895,000, to be used for wastewater improvements. The Council also approved the execution and delivery of a principal forgiveness agreement with Texas Water Development Board, for wastewater improvements, in the amount of \$374,999. This project is expected to begin in the 2019-20 year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator, City of Childress, Texas, P.O. Box 1087, Childress, Texas 79201.

CITY OF CHILDRESS, TEXAS

STATEMENT OF NET POSITION SEPTEMBER 30, 2019

	Primary Government			Component Unit
	Governmental	Business-type		Childress
	Activities	Activities	Total	Municipal
				Development
				District
Assets				
Cash and cash equivalents	\$ 600	\$ 403,042	\$ 403,642	\$ 272,784
Receivables (net of allowances for uncollectibles)	618,178	511,992	1,130,170	98,284
Due from primary government	-	-	-	21,171
Inventory	9,634	-	9,634	-
Restricted assets:				
Cash and cash equivalents	1,028,238	126,290	1,154,528	249,028
Capital assets (net of accumulated depreciation):				
Land	865,366	39,722	905,088	145,403
Buildings and improvements	8,066,549	2,182,861	10,249,410	1,328,491
Equipment	1,308,984	1,354,841	2,663,825	111,327
Landfill permit, net of accumulated amortization	-	70,127	70,127	-
Total assets	<u>11,897,549</u>	<u>4,688,875</u>	<u>16,586,424</u>	<u>2,226,488</u>
Deferred Outflow of Resources				
Pension expenditures	646,704	293,696	940,400	52,166
Other Post Employment Benefit	6,961	3,161	10,122	562
Total deferred outflow of resources	<u>653,665</u>	<u>296,857</u>	<u>950,522</u>	<u>52,728</u>
Liabilities				
Accounts payable and other current liabilities	368,030	138,482	506,512	5,068
Accrued interest payable	9,896	6,746	16,642	-
Accrued wages payable	22,673	10,182	32,855	1,384
Compensated absences -current	7,340	3,763	11,103	999
Note payable	557,528	-	557,528	-
Payable to government agencies	-	4,988	4,988	-
Due to component unit	21,171	-	21,171	-
Customer deposits-payable from restricted assets	-	126,290	126,290	550
Note payable-current portion	-	71,104	71,104	-
Lease payable-current portion	70,937	139,963	210,900	-
Certificate of obligation payable-current portion	278,000	-	278,000	-
Long-term liabilities:				
Estimated liability for landfill closure and postclosure care costs	-	350,952	350,952	-
Net pension obligation	1,635,035	742,540	2,377,575	131,889
Other post employment benefits	134,486	61,076	195,562	10,849
Compensated absences-net of current portion	66,060	33,870	99,930	8,993
Note payable-net of current portion	51,801	879,207	931,008	-
Lease payable-net of current portion	427,293	778,807	1,206,100	-
Certificate of obligation payable-net of current portion	2,808,000	-	2,808,000	-
Total liabilities	<u>6,458,250</u>	<u>3,347,970</u>	<u>9,806,220</u>	<u>159,732</u>
Deferred Inflow of Resources				
Pension expenditures	247,475	112,503	359,978	19,963
Other Post Employment Benefit	10,324	4,688	15,012	833
Total deferred outflow of resources	<u>257,799</u>	<u>117,191</u>	<u>374,990</u>	<u>20,796</u>
Net Position				
Invested in capital assets, net of related debt	6,604,868	1,778,470	8,383,338	1,585,221
Restricted	1,591,562	-	1,591,562	513,467
Unrestricted	(2,361,265)	(257,899)	(2,619,164)	-
Total net position	<u>\$ 5,835,165</u>	<u>\$ 1,520,571</u>	<u>\$ 7,355,736</u>	<u>\$ 2,098,688</u>

The accompanying notes are an integral part of this statement.

CITY OF CHILDRESS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Business-type Activities	Component Unit Municipal Development
			Operating Grants and Contributions	Capital Grants and Contributions			
Primary Government							
Governmental activities:							
General government	\$ 740,676	\$ -	\$ -	\$ 272,533	\$ (468,143)	\$ -	\$ -
Street	366,685	-	-	-	(366,685)	-	-
Public safety:							
Police	864,593	403,775	38,600	-	(422,218)	-	-
Fire	639,090	-	-	-	(639,090)	-	-
Health	191,339	13,163	-	-	(178,176)	-	-
Park	226,170	14,700	-	-	(211,470)	-	-
Cemetery	56,634	24,575	-	-	(32,059)	-	-
Buildings	164,440	21,746	-	28,392	(114,302)	-	-
Airport	49,985	97,191	-	-	47,206	47,206	-
ATV park	194,034	5,944	-	73,926	(114,164)	-	-
Golf course	666,941	355,294	-	-	(311,647)	-	-
Interest on long-term debt	172,635	-	-	-	(172,635)	-	-
Total governmental activities	4,333,222	936,388	38,600	374,851	(2,983,383)	-	-
Business-type activities:							
Water and sewer	2,418,267	3,032,163	-	305,975	-	919,871	-
Trash	798,899	862,217	-	-	-	63,318	-
Total business-type activities	3,217,166	3,894,380	-	305,975	-	983,189	-
Total primary government	\$ 7,550,388	\$ 4,830,768	\$ 38,600	\$ 680,826	(2,983,383)	(2,000,194.0)	\$ -
Component Unit							
Municipal Development	\$ 706,699	\$ 100,322	\$ -	\$ -	-	-	\$ (606,377)
Total Component Units	\$ 706,699	\$ 100,322	\$ -	\$ -	-	-	(606,377)
General revenues:							
Property taxes					1,800,524	-	-
Sales taxes					850,627	-	394,664
Franchise taxes					181,329	-	-
Other taxes					440,016	-	112,998
Unrestricted investment earnings					42,786	674	11,864
Other income					38,512	-	2,471
Transfers					374,829	(374,829)	-
Total general revenues and transfers					3,728,623	(374,155)	521,997
Change in net position					745,240	609,034	(84,380)
Net position - October 1					5,089,925	911,537	2,183,068
Net position - September 30					\$ 5,835,165	\$ 1,520,571	\$ 2,098,688

The accompanying notes are an integral part of this statement.

CITY OF CHILDESS, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS SEPTEMBER 30, 2019

	2019			
	General Fund	Capital Projects Fund	Debt Service Fund	Total Government Funds
ASSETS				
Cash and cash equivalents	600	\$ -	\$ -	\$ 600
Receivables (net of allowances for uncollectibles)	357,486	253,175	7,517	618,178
Restricted assets:				
Cash and cash equivalents	567,844	31,147	429,247	1,028,238
Due from other funds	-	31,000	830,807	861,807
Due from component unit	2,062	-	-	2,062
Inventory	9,634	-	-	9,634
Total assets	937,626	315,322	1,267,571	2,520,519
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	83,855	284,175	-	368,030
Accrued wages payable	22,673	-	-	22,673
Due to other funds	744,503	117,304	-	861,807
Total liabilities	851,031	401,479	-	1,252,510
Fund balances:				
Nonspendable	9,634	-	-	9,634
Restricted for:				
Debt service	-	-	1,267,571	1,267,571
Police department	140,223	-	-	140,223
Street improvement	60,823	-	-	60,823
Tourism	122,945	-	-	122,945
Assigned for:				
Capital improvements	242,132	-	-	242,132
Unassigned	(489,162)	(86,157)	-	(575,319)
Total fund balances	86,595	(86,157)	1,267,571	1,268,009
Total liabilities and fund balances	\$ 937,626	\$ 315,322	\$ 1,267,571	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 10,240,899

Included in the items related to position is the recognition of the City's proportionate share of the net pension liability required by GASB 68 in the amount of \$1,635,035 a deferred inflow of \$247,475, and a deferred outflow of \$646,704. The net effect of this is to decrease net position. (1,235,806)

Included in the items related to position is the recognition of the City's proportionate share of the other post employment benefit liability required by GASB 75 in the amount of \$134,486, and a deferred outflow of \$6,961. The net effect of this is to decrease net position. (127,525)

Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but is recognized as an expenditure when due. (4,310,412)

Net position of governmental activities \$ 5,835,165

The accompanying notes are an integral part of this statement.

CITY OF CHILDRESS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2019			
	General Fund	Capital Projects Fund	Debt Service Fund	Total Government Funds
Revenues				
Taxes:				
Property	\$ 730,156	\$ -	\$ 1,070,368	\$ 1,800,524
Sales	850,627	-	-	850,627
Franchise	181,329	-	-	181,329
Other	440,016	-	-	440,016
Fines and forfeitures	403,775	-	-	403,775
Fees, licenses, and permits	358,954	-	-	358,954
Leases and rentals	119,536	-	-	119,536
Pro Shop sales	32,236	-	-	32,236
Grill on the Green	19,842	-	-	19,842
Interest income	26,020	283	16,483	42,786
Intergovernmental revenues	112,526	272,533	-	385,059
Other income	68,949	-	-	68,949
Total revenues	<u>3,343,966</u>	<u>272,816</u>	<u>1,086,851</u>	<u>4,703,633</u>
Expenditures				
Current:				
General government	420,440	1,729	-	422,169
Street	313,345	-	-	313,345
Public safety:				
Police	762,164	-	-	762,164
Fire	545,873	-	-	545,873
Health	182,108	-	-	182,108
Park	202,567	-	-	202,567
Cemetery	55,930	-	-	55,930
Buildings	126,426	-	-	126,426
Airport	6,420	-	-	6,420
ATV park	85,766	-	-	85,766
Golf course	553,212	-	-	553,212
Debt service:				
Principal	7,500	-	577,607	585,107
Interest	-	-	236,489	236,489
Capital outlay	175,682	305,975	-	481,657
Total expenditures	<u>3,437,433</u>	<u>307,704</u>	<u>814,096</u>	<u>4,559,233</u>
Excess of revenues over (under) expenditures	<u>(93,467)</u>	<u>(34,888)</u>	<u>272,755</u>	<u>144,400</u>
Other financing sources (uses)				
Loan proceeds	19,502	-	-	19,502
Operating transfers (net)	370,446	52,275	(85,456)	337,265
Total other financing sources (uses)	<u>389,948</u>	<u>52,275</u>	<u>(85,456)</u>	<u>356,767</u>
Net change in fund balance	296,481	17,387	187,299	501,167
Fund balance - October 1	<u>(209,886)</u>	<u>(103,544)</u>	<u>1,080,272</u>	<u>766,842</u>
Fund balance - September 30	<u>\$ 86,595</u>	<u>\$ (86,157)</u>	<u>\$ 1,267,571</u>	<u>\$ 1,268,009</u>

The accompanying notes are an integral part of this statement.

CITY OF CHILDRESS, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds	\$ 501,167
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceed capital outlays in the current period.	(298,504)
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	628,648
The implementation of GASB 68 and 75 required that certain expenditures be de-expensed and recorded as deferred resource outflows. The City's share of the unrecognized deferred inflows and outflows for TMRS as of the measurement date had to be amortized. The net effect is to decrease net position.	(86,071)
Changes in net position of governmental activities	<u>\$ 745,240</u>

The accompanying notes are an integral part of this statement.

CITY OF CHILDRESS, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2019			
	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget- Positive (Negative)
Revenues				
Taxes:				
Property	727,459	\$ 777,566	\$ 730,156	\$ (47,410)
Sales	1,100,000	854,869	850,627	(4,242)
Franchise	180,000	185,557	181,329	(4,228)
Other	412,000	426,853	440,016	13,163
Fines and forfeitures	297,682	269,497	403,775	134,278
Fees, licenses, and permits	339,054	401,944	358,954	(42,990)
Leases and rentals	46,000	48,773	119,536	70,763
Pro Shop sales	35,000	35,000	32,236	(2,764)
Grill on the Green	25,000	25,000	19,842	(5,158)
Interest income	5,000	26,705	26,020	(685)
Intergovernmental revenues	159,756	159,756	112,526	(47,230)
Other income	41,000	41,000	68,949	27,949
Total revenues	<u>3,367,951</u>	<u>3,252,520</u>	<u>3,343,966</u>	<u>91,446</u>
Expenditures				
Current:				
General government	393,137	445,626	420,440	25,186
Street	404,253	434,747	313,345	121,402
Public safety:				
Police	965,104	947,213	762,164	185,049
Fire	527,748	583,912	545,873	38,039
Health	215,632	214,632	182,108	32,524
Park	197,222	223,533	202,567	20,966
Cemetery	62,000	61,790	55,930	5,860
Buildings	259,900	257,291	126,426	130,865
Airport	16,084	22,564	6,420	16,144
ATV park	220,466	228,705	85,766	142,939
Golf course	595,640	632,368	553,212	79,156
Debt service:				
Principal	-	-	7,500	(7,500)
Capital outlay	-	-	175,682	(175,682)
Total expenditures	<u>3,857,186</u>	<u>4,052,381</u>	<u>3,437,433</u>	<u>614,948</u>
Excess of revenues over expenditures	<u>(489,235)</u>	<u>(799,861)</u>	<u>(93,467)</u>	<u>706,394</u>
Other financing sources (uses)				
Loan proceeds	-	-	19,502	19,502
Operating transfers (net)	<u>489,235</u>	<u>799,861</u>	<u>370,446</u>	<u>(429,415)</u>
Total other financing sources (uses)	<u>489,235</u>	<u>799,861</u>	<u>389,948</u>	<u>(409,913)</u>
Net change in fund balance	-	-	296,481	296,481
Fund balance - October 1	<u>(209,886)</u>	<u>(209,886)</u>	<u>(209,886)</u>	-
Fund balance - September 30	<u>\$ (209,886)</u>	<u>\$ (209,886)</u>	<u>\$ 86,595</u>	<u>\$ 296,481</u>

The accompanying notes are an integral part of this statement.

CITY OF CHILDRESS, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUND

SEPTEMBER 30, 2019

	Water and Sewer Fund 2019
Assets	
Current assets:	
Cash and cash equivalents	\$ 403,042
Accounts receivable (net of allowance for uncollectibles)	511,992
Total current assets	<u>915,034</u>
Noncurrent assets:	
Restricted cash and cash equivalents	<u>126,290</u>
Capital assets:	
Land	39,722
Buildings and improvements	4,940,315
Equipment	3,218,663
Landfill permit	154,407
Less accumulated depreciation and amortization	<u>(4,705,556)</u>
Total capital assets (net of accumulated depreciation)	<u>3,647,551</u>
Total noncurrent assets	<u>3,773,841</u>
Total assets	<u>4,688,875</u>
Deferred Outflow of Resources	
Pension expenditures	293,696
Other post employment benefits	3,161
Total deferred outflow of resources	<u>296,857</u>
Liabilities	
Current liabilities:	
Accounts payable and other current liabilities	138,482
Accrued interest payable	6,746
Accrued wages	10,182
Compensated absences-current	3,534
Payable to government agencies	4,988
Current portion lease payable	139,963
Current portion long-term note payable	71,104
Total current liabilities	<u>374,999</u>
Current liabilities payable from restricted assets:	
Customer deposits-payable from restricted assets	<u>126,290</u>
Noncurrent liabilities:	
Estimated liability for landfill closure and postclosure care costs	350,952
Compensated absences	34,099
Net pension obligation payable	742,540
Net other post employment benefits payable	61,076
Lease payable (net of current portion)	778,807
Note payable (net of current portion)	879,207
Total noncurrent liabilities	<u>2,846,681</u>
Total liabilities	<u>3,347,970</u>
Deferred Inflow of Resources	
Pension expenditures	112,503
Other post employment benefits	4,688
Total deferred inflow of resources	<u>117,191</u>
Net Position	
Invested in capital assets, net of related debt	1,778,470
Unrestricted	(257,899)
Total net position	<u>\$ 1,520,571</u>

The accompanying notes are an integral part of this statement.

CITY OF CHILDRESS, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-type Activities - Enterprise Fund
	<u>2019</u>
Operating revenues:	
Charges for sales and services:	
Water	\$ 2,313,974
Sewer	668,276
Trash	862,217
Other	49,913
Total operating revenues	<u>3,894,380</u>
Operating expenses:	
Payroll costs	966,582
Office expenses	18,106
Maintenance and repairs	151,445
Supplies	152,772
Equipment rental	167,459
Insurance	61,598
Utilities	56,293
Professional fees and special services	500
Water purchases	1,166,983
Travel and lodging	2,193
Fuel	82,392
Dues and subscriptions	108,703
Depreciation and amortization	193,177
Landfill closure and postclosure costs	23,443
Miscellaneous	24,147
Total operating expenses	<u>3,175,793</u>
Operating income	<u>718,587</u>
Non-operating revenues (expenses):	
Contributed capital	305,975
Interest income	674
Interest expense	(41,373)
Total non-operating revenues (expenses)	<u>265,276</u>
Loss before contributions and transfers	983,863
Contributions and operating transfers:	
Operating transfers (net)	<u>(374,829)</u>
Net contributions and operating transfers	(374,829)
Change in net position	609,034
Total net position - October 1	<u>911,537</u>
Total net position - September 30	<u><u>\$ 1,520,571</u></u>

The accompanying notes are an integral part of this statement.

CITY OF CHILDRESS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Proprietary Fund Type Water & Sewer 2019
Cash flows from operating activities	
Receipts from customers and users	\$ 3,739,193
Payments to suppliers	(1,994,712)
Payments to employees	(869,412)
Net cash provided by operating activities	<u>875,069</u>
Cash flows provided by noncapital financing activities	
Operating transfers	<u>(374,829)</u>
Cash flows from capital and related financing activities	
Purchase of equipment	(1,130,813)
Capital lease proceeds	866,612
Note proceeds	176,732
Debt repayment	(37,501)
Lease repayment	(73,468)
Interest paid on debt	(39,124)
Net cash provided by financing activities	<u>(237,562)</u>
Cash flows from investing activities	
Interest income	674
Customer deposits	2,430
Net cash provided by investing activities	<u>3,104</u>
Net increase in cash and cash equivalents	265,782
Cash and cash equivalents at beginning of year	<u>263,550</u>
Cash and cash equivalents at end of year	<u><u>\$ 529,332</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income	\$ 718,587
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation and amortization	193,177
Loss on sale of assets	10,688
(Increase) decrease in current assets:	
Receivables	(165,875)
Increase (decrease) in current liabilities:	
Accounts payable	(2,039)
Accrued payroll	3,344
Payable to government agencies	(82)
Landfill closure postclosure	23,443
Net pension obligation	93,826
Net cash provided by operating activities	<u><u>\$ 875,069</u></u>
Noncash investing, capital and financing activities:	
Assets contributed from Capital Projects Fund	<u><u>\$ 305,975</u></u>

The accompanying notes are an integral part of this statement.

CITY OF CHILDRESS, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Revolving Loan Fund</u> <u>2019</u>
Assets	
Receivables (net of allowances for uncollectibles)	\$ 28,715
Restricted assets:	
Cash and cash equivalents	105,790
 Total assets	 <u>134,505</u>
 Net Position	
Restricted for:	
Civic development projects	134,505
Total net position	<u>\$ 134,505</u>

The accompanying notes are an integral part of this statement.

CITY OF CHILDRESS, TEXAS
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Revolving Loan Fund</u>
	<u>2019</u>
Additions	
Community development	\$ -
Interest	2,385
Total additions	<u>2,385</u>
Deductions	
Community development	<u>-</u>
Total deduction	<u>-</u>
Change in net assets	2,385
Net position - October 1	132,120
Net position - September 30	<u><u>\$ 134,505</u></u>

The accompanying notes are an integral part of this statement.

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

60A. Summary of Significant Accounting Policies

The financial statements of the City of Childress, Texas, (City) have been prepared in conformity with 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.

1. Reporting Entity

The City was incorporated on May 22, 1922. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

As required by generally accepted accounting principles, these financial statements present the City of Childress (primary government) and its component units. The individual component units discussed below are included in the City's reporting entity because of the significance of its operational and financial relationship with the City. Each of the City's component units has a September 30th year-end.

Discretely Presented Component Units

Childress Municipal Development District – The MDD is a political subdivision of the State of Texas and the City of Childress and has the powers and duties given by Section 377 of the Texas Local Government Code (Act). The District was established for the purpose of developing and financing all permissible development projects prescribed by the Act. The District receives its primary funding from a local sales tax approved by the voters. The affairs of the District are managed by a Board of Directors. The Board has five members appointed by the Mayor of the City of Childress with the approval of the City of Childress City Council. The CMDD is reported as a component unit due to the City's power to appoint a voting majority of the Board.

The City of Childress Housing Finance Corporation - The City of Childress has created the City of Childress Housing Finance Corporation. The Corporation has been formed to develop a means of financing the cost of residential ownership and development that will provide decent, safe and sanitary housing for low and moderate income residents of the City. The Corporation is a separate proprietary unit administered by a five-member board appointed by the City Council. The City exercises significant oversight in approving budgets, accounting, and corporate records. For the year ended September 30, 2019, the Corporation had no activity.

Condensed statements of the discretely presented component units are shown on the Statement of Net Position and the Statement of Activities in separate component unit columns. Further financial information for the City's component units can be obtained from the City's Administrative Offices.

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For the purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government except for those required to be accounted for in other funds.

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt of governmental funds.

The capital projects fund is used to account for funds reserved for capital improvements.

The government reports the following major proprietary fund:

Enterprise Fund is used to account for water and sewer service operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided the periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Other Fund Types

Fiduciary fund is used to account for the revolving loan fund providing financing for civic development projects for the benefit of individuals, private organizations or other governments.

B. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Cash in all funds is combined into one bank account in order to maximize investment opportunities. Although individual funds may experience temporary overdraft liabilities, a positive balance is maintained in combined cash.

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

3. Inventory

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories are recorded as assets when purchased and charged to operations when used.

4. Restricted assets

Restricted assets in the Governmental Funds, Water and Sewer Fund and Nonexpendable Trust Fund, held for specific purposes in accordance with legal restrictions.

5. Capital Assets

Capital assets, which include land, buildings, equipment, improvements purchased or acquired, are carried at historical cost or estimated historical cost if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed. A capitalization threshold of \$5,000 is used for all capital assets.

GASB 34 requires infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) to be capitalized and depreciated. The City has determined that the net value of infrastructure assets at October 1, 2003, would be immaterial to the government-wide financial statements. The City has elected not to include infrastructure assets as required by GASB 34 prior to October 1, 2003, but to record all subsequent additions.

Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

Assets	Years
Buildings and improvements	20-40
Equipment	5-10

The permit for the operation of the City's landfill has been capitalized and is being amortized over the 40-year life of the permit.

6. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

7. Fund Equity

The following classifications of fund equity describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

- Committed fund balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes). When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, The City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council has provided otherwise in its commitment or assignment actions.

8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. Other Post Employment Benefits

Other Post-Employment Benefits recognize the fiduciary net position of the TMRS defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). The net positions has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go-plan and all cash is held in a cash account.

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

C. Stewardship, Compliance, and Accountability

1. Budgetary Information

The official budget was prepared for adoption for the General Fund. The following procedures are followed in establishing the budgetary data reflected in the general purpose financial statements:

- a. Prior to the beginning of the fiscal year, the City prepares a budget for the succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end. During the year, the budget was amended as necessary. All budget appropriations lapse at year-end.

D. Detailed Notes on All Funds

1. Deposits and Investments

Cash includes demand deposits. The City is authorized to invest its funds under State law in obligations of the United States or its agencies, the State of Texas or its agencies, other obligations which are unconditionally guaranteed by the State of Texas or the United States, obligations of other governmental agencies with a bond rating of not less than AA or its equivalent, and certificates of deposit that are insured by Federal depository insurance and fully collateralized direct repurchase agreements. During the year ended September 30, 2019, the City did not own any investments other than those permitted by statute.

Cash Deposits:

At September 30, 2019, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,665,601 and the bank balance was \$2,021,630. At September 30, 2019, the City's cash deposits were covered by FDIC insurance or by pledged collateral held by the agent bank.

The Childress Municipal Development District deposits were \$521,812, and the bank balance was \$544,554. At September 30, 2019, the CEDC's cash deposits were covered by FDIC insurance or by pledged collateral held by the agent bank.

CITY OF CHILDRESS, TEXAS
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Deposits of the City can be exposed to risk that has the potential to result in losses. The following is an analysis of those risks:

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The City will minimize credit risk by limiting investments to certain types of securities, pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business, and diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized. At year-end, the City was not significantly exposed to credit risk.

- Custodial credit risk occurs when deposits are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging of financial institution, or collateralized with securities held by the pledging of financial institutions trust department or agent but not in the City's name. At year-end, the City was not significantly exposed to custodial credit risk.

- Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

To eliminate risk of loss resulting from over-concentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalent assets in all City funds shall be diversified by maturity, issuer, and class of security. At year-end, the City was not significantly exposed to concentration of credit risk related to deposits and investments.

- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The City will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The City's policy is to not directly invest in securities maturity more than six (6) months from date of purchase. The City will also invest operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limits the average maturity of the portfolio. At year-end, the City was not exposed to interest rate risk.

- Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to interest rate risk.

CITY OF CHILDRESS, TEXAS
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YEAR ENDED SEPTEMBER 30, 2019

E. Receivables

Primary Government

Receivables at September 30, 2019, consist of the following:

	General Fund	Water & Sewer Fund	Total
Taxes and assessments	\$ 505,918	\$ -	\$ 505,918
Customer-trade	-	774,749	774,749
Intergovernmental	253,175		253,175
Paving	<u>119,069</u>	<u>-</u>	<u>119,069</u>
Gross receivables	878,162	774,749	1,652,911
Less: Allowance for uncollectible accounts	<u>259,984</u>	<u>262,757</u>	<u>522,741</u>
Net total receivables	<u>\$ 618,178</u>	<u>\$ 511,992</u>	<u>\$ 1,130,170</u>

Discretely Presented Component Unit

Childress Municipal Development District receivables at September 30, 2019, consist of the following:

Taxes and assessments	\$ 79,714
Notes receivable	<u>18,570</u>
Total receivables	<u>\$ 98,284</u>

Revolving Loan Fund Receivables

The proceeds from the loan repayment and interest are returned to the Trust Fund and are available for future business development loans that meet a published loan criterion. At September 30, 2019, two small business loans were receivable. The total due on these loans was \$28,715, and interest rates were 0%. All loans are secured.

F. Property Taxes

Property taxes are levied by October 1 on assessed value listed as of the prior January 1 for all real and business property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The City is permitted by state law to levy taxes for general governmental services, and the payment of principal and interest on long-term debt. The tax rates to finance general governmental services and the payment of principal and interest on long-term debt for the year ended September 30, 2019, were \$.394779 and \$.539898, respectively, per \$100 valuation, for a total of \$.934677.

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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G. Restricted Assets

Restricted assets in the Water and Sewer Fund and Nonexpendable Trust Fund, held for specific purposes in accordance with legal restrictions, are comprised of the following:

<u>General Fund</u>	
For capital improvement	\$ 302,955
For tourism	122,945
For public safety	141,944
Total General Fund	<u>567,844</u>
<u>Capital Projects Fund</u>	
For capital improvement	<u>31,147</u>
<u>Debt Service Fund:</u>	
For debt service	<u>429,247</u>
Total Governmental Funds	<u>1,028,238</u>
<u>Water and Sewer Fund:</u>	
For customer deposits	<u>126,290</u>
<u>Municipal Development</u>	
For business development	<u>249,028</u>
<u>Nonexpendable Trust Fund:</u>	
For business development:	<u>105,790</u>
Total restricted assets	<u>\$ 1,509,346</u>

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

H. Plant, Equipment, and Depreciation

Activity for the year ended September 30, 2019, is as follows:

	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 865,366	\$ -	\$ -	\$ 865,366
Capital assets, being depreciated:				
Buildings and improvements	11,075,399	119,431	-	11,194,830
Equipment	4,196,761	56,251	-	4,253,012
Total capital assets, being depreciated:	15,272,160	175,682	-	15,447,842
Less accumulated depreciation for:				
Buildings and improvements	(2,865,079)	(263,202)	-	(3,128,281)
Equipment	(2,733,044)	(210,984)	-	(2,944,028)
Total accumulated depreciation	(5,598,123)	(474,186)	-	(6,072,309)
Total capital assets, being depreciated, net	9,674,037	(298,504)	-	9,375,533
Governmental activities capital assets, net	\$ 10,539,403	\$ (298,504)	\$ -	\$10,240,899
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 39,722	\$ -	\$ -	\$ 39,722
Capital assets, being depreciated:				
Improvements	4,581,558	358,757	-	4,940,315
Equipment	2,175,291	1,078,032	34,660	3,218,663
Total capital assets, being depreciated:	6,756,849	1,436,789	34,660	8,158,978
Less accumulated depreciation for:				
Improvements	(2,650,535)	(106,919)	-	(2,757,454)
Equipment	(1,805,396)	(82,398)	23,972	(1,863,822)
Total accumulated depreciation	(4,455,931)	(189,317)	23,972	(4,621,276)
Total capital assets, being depreciated, net	2,300,918	1,247,472	10,688	3,537,702
Business-type activities capital assets, net	\$ 2,340,640	\$ 1,247,472	\$ 10,688	\$ 3,577,424

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 1,423
Street	44,792
Police	67,582
Fire	67,799
Health	780
Park	16,723
Cemetery	704
Event Center	21,358
Auditorium	16,656
Airport	43,565
Golf Course	87,760
ATV Park	<u>105,044</u>
Total depreciation expense – governmental activities	<u>\$ 474,186</u>

Business-type activities:

Water and Sewer	\$ 121,992
Trash	<u>67,325</u>
Total depreciation expense – business-type activities:	<u>\$ 189,317</u>

Discretely presented component units

	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Municipal Development activities:				
Capital assets, not being depreciated:				
Land	<u>\$ 145,403</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,403</u>
Capital assets, being depreciated:				
Buildings and improvements	1,840,649	-	-	1,840,649
Equipment	<u>125,819</u>	<u>-</u>	<u>-</u>	<u>125,819</u>
Total capital assets, being depreciated:	<u>1,966,468</u>	<u>-</u>	<u>-</u>	<u>1,966,468</u>
Less accumulated depreciation for:				
Buildings and improvements	(471,903)	(40,255)	-	(512,158)
Equipment	<u>(7,793)</u>	<u>(6,699)</u>	<u>-</u>	<u>(14,492)</u>
Total accumulated depreciation	<u>(479,696)</u>	<u>(46,954)</u>	<u>-</u>	<u>(526,650)</u>
Total capital assets, being depreciated, net	<u>1,486,772</u>	<u>(46,954)</u>	<u>-</u>	<u>1,439,818</u>
Economic Development assets (net)	<u>\$ 1,632,175</u>	<u>\$ (46,954)</u>	<u>\$ -</u>	<u>\$ 1,585,221</u>

Depreciation charges to component units:
Municipal Development District \$46,954

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

I. Long-Term Debt

The following is a summary of changes in long-term obligations of the City for the year ended September 30, 2019:

	Balance at Beginning of Year	Increase	Decrease	Balance at End of Year	Due Within One Year
<u>Governmental activities:</u>					
Certificate of obligation bonds	\$3,355,000	\$ -	\$ 269,000	\$3,086,000	\$ 278,000
Notes payable	95,849	-	44,048	51,801	-
Lease payable	650,378	19,502	171,650	498,230	70,937
Compensated absences	72,589	811	-	73,400	7,340
Governmental activities long-term debt	<u>\$4,173,816</u>	<u>\$ 20,313</u>	<u>\$ 484,698</u>	<u>\$3,709,431</u>	<u>\$ 356,277</u>
<u>Business-type activities:</u>					
Notes payable	\$ 811,080	\$ 176,732	\$ 37,501	\$ 950,311	\$ 71,104
Lease payable	125,626	866,612	73,468	918,770	139,963
Compensated absences	35,339	2,294	-	37,633	3,763
Business-type activities long-term debt	<u>\$ 972,045</u>	<u>\$1,045,638</u>	<u>\$ 110,969</u>	<u>\$ 1,906,714</u>	<u>\$ 214,830</u>
<u>Component units:</u>					
Municipal Development District					
Compensated absences	<u>\$ 8,212</u>	<u>\$ 1,780</u>	<u>\$ -</u>	<u>\$ 9,992</u>	<u>\$ 999</u>

Certificate of Obligation Bonds payable at September 30, 2019, are comprised of the following individual issues:

	Range of Interest Rates	Final Maturity Date	Annual Serial Payments	Bonds Authorized	Bonds Outstanding At 9/30/19
2014 General Refunding Bond	2.2%	2/15/22	\$ 145,000 to 164,000	\$ 1,219,000	\$ 481,000
2015 Certificates of Obligation	3.85%	4/15/35	\$ 102,000 to 213,000	3,043,000	2,605,000

CITY OF CHILDRESS, TEXAS
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The annual requirements to pay principal and interest on the City's bonded debt at September 30, 2019, are as follows:

Year Ending September 30,	Principal	Interest	Total
2020	\$ 278,000	\$ 109,148	\$ 387,148
2021	286,000	101,000	387,000
2022	294,000	92,587	386,587
2023	135,000	85,778	220,778
2024	141,000	80,581	221,581
2025-29	788,000	317,356	1,105,356
2030-34	951,000	153,615	1,104,615
2035	<u>213,000</u>	<u>8,201</u>	<u>221,201</u>
Total	<u>\$ 3,086,000</u>	<u>\$ 948,266</u>	<u>\$ 4,034,266</u>

The Certificate of Obligations Bonds were issued on the full faith and credit of the City and are secured by ad valorem taxes levied against all taxable property. The bonds are serviced by the Debt Service Fund. At September 30, 2019, \$429,247 was available in this fund to service these bonds.

Notes payable

The notes payable at September 30, 2019, consisted of the following:

	Maturity Date	Interest Rate	Balance 9/30/19
<u>Governmental activities:</u>			
Line of Credit	10/1/20	2.40%	\$557,528
Fire truck	11/1/22	3.50%	51,801
<u>Business-type activities:</u>			
Water meter system	9/1/34	3.85%	773,579
Trash truck	6/3/24	4.75%	176,732

The City reinstated a \$1,000,000 line of credit on August 29, 2019, secured by real estate of the City, due on October 1, 2020, and accruing interest at a rate of 2.4%. At September 30, 2019 the City had an unused line of credit available of \$442,472.

The annual requirements to pay principal and interest on the City's notes payable at September 30, 2019, are as follows:

Year Ending September 30,	Principal	Interest	Total Requirements
<u>Governmental activities:</u>			
2020	\$ 23,187	\$ 1,813	\$ 25,000
2021	581,527	16,990	598,517
2022	<u>4,615</u>	<u>162</u>	<u>4,777</u>
Total	<u>\$ 609,329</u>	<u>\$ 18,965</u>	<u>\$ 628,294</u>

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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Business-type activities:

2020	\$ 71,104	\$ 37,806	\$ 108,910
2021	74,145	34,765	108,910
2022	77,318	31,592	108,910
2023	80,628	28,282	108,910
2024	84,075	25,272	109,347
2025-29	254,763	87,088	341,851
2030-34	308,278	33,572	341,850
Total	<u>\$ 950,311</u>	<u>\$ 278,377</u>	<u>\$1,228,688</u>

Leases

Capital lease obligations at September 30, 2019 are as follows:

<u>Purpose</u>	<u>Original Amount</u>	<u>Date of Lease</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 9/30/19</u>
Governmental activities:					
2015 Fire Truck	\$298,921	10/15/16	10/05/21	2.99%	\$124,870
JD Prognator 2020	28,112	08/15/18	07/15/22	4.75%	21,726
JD 620 G Motor Grader	206,600	04/24/18	04/24/23	4.50%	194,421
6 2018 Dodge Chargers	197,616	03/05/18	06/15/22	3.75%	102,798
2 2018 Chev Silverados	68,894	03/05/18	06/15/22	3.75%	42,004
Toro Shredder	19,502	03/29/19	09/30/22	4.99%	12,411
Business-type activities:					
Trash truck	165,170	05/06/14	02/15/21	4.65%	52,158
2019 CAST 623K Scrapper	866,612	07/29/19	09/30/26	3.25%	866,612

Equipment under capital lease agreements at year end had a net book value of \$765,649.

Minimum future rental payments as of September 30, 2019, are as follows:

Year Ending September 30:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2020	\$ 85,540	\$ 144,330
2021	149,944	154,915
2022	149,014	127,001
2023	161,477	127,001
2024	-	127,001
2025	-	350,320
Total minimum lease payments	<u>546,975</u>	<u>1,030,568</u>
Amount representing interest	<u>48,745</u>	<u>111,798</u>
Present value of minimum lease payments	<u>\$ 498,230</u>	<u>\$ 918,770</u>

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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J. Employee Retirement System

Plan Description

The City of Childress participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Plan provisions for the City of Childress were as follows:

Deposit rate:	7%
Matching ratio (to employee)	2 to 1
A member is vested after:	5 years
Service retirement eligibility	60/5, 0/20
Updated service credit	100% Repeating Transfers
Annuity increase (no retirees)	70% of CPI Repeating

Employees covered by benefit terms:

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	41
Inactive employees entitled to but not yet receiving benefits	46
Active employees	<u>60</u>
Total	<u>147</u>

CITY OF CHILDRESS, TEXAS
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Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance any unfunded accrued liability.

Employees for the City of Childress were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Childress were 15.31% and 14.98% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were \$308,704, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-district RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disables. The rates are projected on a fully generational basis by scales BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

CITY OF CHILDRESS, TEXAS
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The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. 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 statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/2017	\$9,101,710	\$ 7,364,334	\$1,737,376
Changes for the year:			
Service cost	333,315	-	333,315
Interest	606,862	-	606,862
Change of benefit terms	-	-	-
Difference between expected and actual experience	63,683	-	63,683
Changes of assumptions	-	-	-
Contributions – employer	-	313,570	(313,570)
Contributions – employee	-	143,229	(143,229)
Net investment income	-	(220,543)	220,543
Benefit payments, including refunds of employee contributions	(555,632)	(555,632)	-
Administrative expense	-	(4,263)	4,263
Other changes	-	(222)	222
Net changes	448,228	(323,861)	772,089
Balance at 12/31/2018	\$9,549,938	\$ 7,040,473	\$2,509,465

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 3,832,675	\$ 2,509,465	\$ 1,427,396

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

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

For the year ended September 30, 2019, the City recognized pension expense of \$772,089.

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 98,651	\$ 98,941
Changes in actuarial assumptions	-	702
Difference between projected and actual investment earnings	657,567	280,184
Contributions subsequent to the measurement date	236,348	-
Total	<u>\$ 992,566</u>	<u>\$ 379,827</u>

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2019	\$ 149,623
2020	35,651
2021	47,590
2022	143,527
Total	<u>\$ 376,391</u>

K. Defined Other Post Employment Benefit Plan:

Plan Description

The City of Childress participates in the Texas Municipal Retirement System (TMRS) defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). The SDBF is considered to be a single-employer plan. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered another postemployment benefit ("OPEB") and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Benefits Provided

The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

Employees covered by benefit terms:

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>60</u>
Total	<u>100</u>

Contributions

The contribution rates for SDBF for the City of Childress were .32% and .27% in calendar years 2019 and 2018, respectively. The City's contributions to SDBF for the year ended September 30, 2019, were \$6,235, and were equal to the required contributions.

Actuarial Assumptions

The OPEB liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Salary increases	3.5% to 10.5% including inflation
Discount rate*	3.71%
Retirees' share of benefit-related costs	\$-
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates – disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

Discount Rate

The discount rate used to measure the OPEB Liability was 3.31%. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from the contributing employers are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of December 31, 2018.

Sensitivity of the OPEB liability to changes in the discount rate

The following presents the OPEB liability of the City, calculated using the discount rate of 3.71%, as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

	1% Decrease in Discount Rate (2.71%)	Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
City's OPEB liability	\$ 242,377	\$ 206,409	\$ 177,694

Changes in the OPEB Liability

	Total OPEB Liability (a)
Balance at 12/31/2017	\$ 210,189
Changes for the year:	
Service cost	10,435
Interest on Total OPEB Liability	7,103
Difference between expected and actual experience	(6,404)
Changes of assumptions or other inputs	(13,277)
Benefit payments*	(1,637)
Net changes	(3,780)
Balance at 12/31/2018	\$ 206,409

*Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2019, the City recognized OPEB expense of \$16,561.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred (Inflows) of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ (5,156)	\$ -
Changes in actuarial assumptions	(1,740)	-
Contributions subsequent to the measurement date	-	1,736
Total	<u>\$ (6,896)</u>	<u>\$ 1,736</u>

\$1,736 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:	
2019	\$ (977)
2020	(977)
2021	(977)
2022	(3,464)
2023	(501)
Total	<u>\$ (6,896)</u>

K. Risk Management

The City 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 2019, the City 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 ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City 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 settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

L. Health Care Coverage

During the year ended September 30, 2019, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$585 per month per employee to the Plan. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

M. Commitments and Contingencies

The City participates in grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the City, 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 combined financial statements for such contingencies.

N. Expenditures in Excess of Budgeted Amounts

During the year ended September 30, 2019, the City had expenditures in excess of the budgeted amount in the General Fund in the following areas and amounts:

Debt service	
Principal	\$ 7,500
Capital outlay	175,682

O. Closure and Postclosure Care Cost

State and federal laws and regulations require that the City of Childress place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$350,952 as of September 30, 2019, which is based on 20% usage (filled) of the landfill. It is estimated that an additional \$1,403,809 will be recognized as closure and post-closure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2048). The estimated total current cost of the landfill closure and postclosure care (\$1,754,761) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2019. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

P. Accumulated Unpaid Vacation and Sick Leave Benefits

At September 30, 2019, the City had accrued vacation leave, comp time and related payroll tax liabilities of \$112,424. Sick leave has not been accrued because it is not payable upon termination of an employee.

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

Q. Interfund Transactions

Interfund receivables and payables at September 30, 2019 consisted of the following:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ -	\$ 765,674
Capital Projects	31,000	117,304
Interest and Sinking	830,807	-
Water and Sewer Fund	-	-
Component Unit	21,171	-
	<u>\$ 882,978</u>	<u>\$ 882,978</u>

Government interfund transfers during the year ended September 30, 2019, were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 1,730,120	\$ -
Capital Projects	138,579	-
Interest and Sinking	-	1,493,870
Water and Sewer Fund	-	374,829
	<u>\$ 1,868,699</u>	<u>\$ 1,868,699</u>

Eliminations

Interfund receivables, payables and transfers are reported in the governmental activities fund financial statements. In the entity-wide statements, interfund transfers are eliminated within the governmental activities column.

Purpose of Transfers

Primarily, transfers are used to 1) move assets completed in the Capital Projects Fund into the General Fund and 2) move any amount recorded in an inappropriate fund to the correct fund in which the amount should be accounted.

R. Litigation

The City is a defendant from time to time in various lawsuits. In the opinion of the City's management, any liabilities resulting from such lawsuits will not have a material effect on the financial position of the City.

S. Subsequent Event

On January 6, 2020, the City Council approved an ordinance authorizing the issuance of the City of Childress, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Series 2020, in the principal amount of \$895,000, to be used for wastewater improvements. The Council also approved the execution and delivery of a principal forgiveness agreement with Texas Water Development Board, for wastewater improvements, in the amount of \$374,999. This project is expected to begin in the 2019-20 year.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF CHILDRESS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2019

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS Last 10 Years (will ultimately be displayed)

	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018
Total pension liability					
Service Cost	\$ 241,040	\$ 299,402	\$ 343,103	\$ 338,618	\$ 333,315
Interest (on the Total Pension Liability)	502,133	541,124	555,848	594,293	606,862
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	173,240	59,415	160,917	(183,505)	63,683
Change of assumptions	-	(10,054)	-	-	-
Benefit payments, including refunds of employee contributions	(373,270)	(403,884)	(410,705)	(565,445)	(555,632)
Net change in Total Pension Liability	543,143	486,003	649,163	183,961	448,228
Total Pension Liability - Beginning	7,239,440	7,782,583	8,268,586	8,917,749	9,101,710
Total Pension Liability - Ending	<u>\$ 7,782,583</u>	<u>\$ 8,268,586</u>	<u>\$ 8,917,749</u>	<u>\$ 9,101,710</u>	<u>\$ 9,549,938</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 257,664	\$ 284,640	\$ 309,899	\$ 314,964	\$ 313,570
Contributions - Employee	123,200	135,476	147,526	146,136	143,229
Net Investment Income	329,285	8,985	412,869	909,709	(220,543)
Benefit payments, including refunds of employee contributions	(373,270)	(403,884)	(410,705)	(565,445)	(555,632)
Administrative expense	(3,438)	(5,473)	(4,663)	(4,715)	(4,263)
Other	(283)	(270)	(251)	(239)	(222)
Net Change in Plan Fiduciary Net Position	333,158	19,474	454,675	800,410	(323,861)
Plan Fiduciary Net Position - Beginning	5,756,617	6,089,775	6,109,249	6,563,924	7,364,334
Plan Fiduciary Net Position - Ending	<u>\$ 6,089,775</u>	<u>\$ 6,109,249</u>	<u>\$ 6,563,924</u>	<u>\$ 7,364,334</u>	<u>\$ 7,040,473</u>
Net Pension Liability Ending (a)-(b)	\$ 1,692,808	\$ 2,159,337	\$ 2,353,825	\$ 1,737,376	\$ 2,509,465
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	78.25%	73.89%	73.61%	80.91%	73.72%
Covered Employee Payroll	\$ 1,760,006	\$ 1,935,374	\$ 2,107,512	\$ 2,087,659	\$ 2,046,134
Net Pension Liability as a Percentage of Covered Employee Payroll	96.18%	111.57%	111.69%	83.22%	122.64%

CITY OF CHILDRESS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2019

SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years (will ultimately be displayed)

	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018
Actuarially Determined Contribution	\$ 257,664	\$ 284,640	\$ 309,899	\$ 314,964	\$ 312,488
Contributions in relation to the actuarially determined contribution	257,664	284,640	309,899	314,964	312,488
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,760,006	\$ 1,935,374	\$ 2,107,512	\$ 2,087,659	\$ 2,046,134
Contributions as a percentage of covered employee payroll	14.64%	14.71%	14.70%	15.09%	15.27%

Notes to Schedule of Contributions

Valuation Date:

Notes

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of Payroll, Closed
Remaining Amortization Period	27 years
Asset Valuation Method	10 year smoothed market, 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits.
	Last updated for the 2015 valuation pursuant to an experience study of the period 2010- 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generated basis with scale BB.

Other Information:

Notes

There were no benefit changes during the year.

CITY OF CHILDRESS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2019

SCHEDULE OF CHANGES IN OTHER POST EMPLOYMENT BENEFIT (OPEB) LIABILITY AND RELATED RATIOS Last 10 Years (will ultimately be displayed)

	<u>12/31/2017</u>	<u>12/31/2018</u>
Total OPEB liability		
Service Cost	\$ 9,394	\$ 10,435
Interest on Total OPEB liability	6,981	7,103
Changes of benefit terms	-	-
Difference between expected and actual experience	-	(6,404)
Change of assumptions or other inputs	14,667	(13,277)
Benefit payments	<u>(1,670)</u>	<u>(1,637)</u>
Net change in OPEB Liability	29,372	(3,780)
Total Pension Liability - Beginning	180,817	210,189
Total Pension Liability - Ending	<u><u>\$ 210,189</u></u>	<u><u>\$ 206,409</u></u>
 Covered Employee Payroll	 \$ 2,087,659	 \$ 2,046,134
 OPEBn Liability as a Percentage of Covered Employee Payroll	 10.07%	 10.09%

* Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

CITY OF CHILDRESS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2019

SCHEDULE OF CITY'S OTHER POST EMPLOYMENT BENEFITS (OPEB) CONTRIBUTIONS

Last 10 Fiscal Years (will ultimately be displayed)

	<u>12/31/2017</u>	<u>12/31/2018</u>
Actuarially Determined Contribution	\$ 3,811	\$ 5,532
Contributions in relation to the actuarially determined contribution	<u>3,811</u>	<u>5,532</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,087,659	\$ 2,087,659
Contributions as a percentage of covered employee payroll	0.18%	0.26%

Notes to Schedule of Contributions

Valuation Date:

The total OPEB liability shown in this report is based on an actuarial valuation performed as of December 31, 2018 and a measurement date of December 31, 2018: as such, no roll-forward is required.

Other Information:

Notes

There were no benefit changes during the year.

STATISTICAL SECTION

CITY OF CHILDRESS, TEXAS**REVENUES BY SOURCE (GENERAL AND DEBT SERVICE FUNDS ONLY) -
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Ad Valorem Taxes</u>	<u>Sales and Other Taxes</u>	<u>Intergovernmental</u>	<u>Leases</u>
2010	\$ 742,417	\$ 1,099,181	\$ 221,166	\$ 43,084
2011	774,253	1,167,811	235,360	171,075
2012	779,686	1,280,931	226,381	41,739
2013	794,804	1,348,606	165,809	78,874
2014	786,836	1,349,785	337,560	112,851
2015	896,161	1,373,619	142,543	134,758
2016	1,055,502	1,341,516	89,616	89,148
2017	1,268,010	1,352,344	293,229	116,369
2018	1,641,611	1,443,331	356,995	152,313
2019	1,800,524	1,471,972	140,918	119,536

<u>Traffic Fines</u>	<u>Interest</u>	<u>Other</u>	<u>Total</u>
\$ 81,172	\$ 1,092	\$ 603,547	\$ 2,791,659
188,047	3,578	693,749	3,233,873
243,146	2,235	628,491	3,202,609
149,816	281	728,447	3,266,637
203,006	779	764,865	3,555,682
217,600	1,895	1,086,604	3,853,180
465,965	1,820	564,396	3,607,963
428,260	1,643	469,716	3,929,571
258,719	20,582	718,036	4,591,587
403,775	42,786	451,589	4,431,100

CITY OF CHILDRESS, TEXAS
GOVERNMENTAL EXPENDITURES BY FUNCTION
(GENERAL AND DEBT SERVICE FUNDS ONLY) -
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Government</u>	<u>Street</u>	<u>Public Safety</u>	<u>Fire</u>	<u>Health</u>	<u>Parks and Recreation</u>
2010	\$ 221,575	\$ 342,887	\$ 619,944	\$ 406,587	\$ 48,213	\$ 189,964
2011	250,331	315,795	796,270	447,105	45,066	213,149
2012	259,283	234,979	846,484	454,118	53,775	232,786
2013	305,464	264,351	857,746	526,375	45,695	261,518
2014	511,904	240,611	885,720	498,326	60,897	241,583
2015	431,489	282,406	1,109,915	487,747	64,971	283,361
2016	347,054	315,806	1,080,329	530,873	53,438	398,221
2017	238,529	335,184	1,172,851	620,102	73,874	455,043
2018	387,417	300,415	993,365	490,335	171,664	245,245
2019	420,440	313,345	762,164	545,873	182,108	202,567

<u>Cemetery</u>	<u>Building</u>	<u>Airport</u>	<u>ATV Park</u>	<u>Golf Course</u>	<u>Debt Service Fund</u>	<u>Total</u>
\$ 132,253	\$ -	\$ 162,967	\$ -	\$ 488,421	\$ 710,250	\$ 3,323,061
103,390	-	284,062	33,090	531,212	665,068	3,684,538
82,306	-	255,126	46,282	594,145	659,248	3,718,532
83,530	-	227,585	54,329	559,997	688,197	3,874,787
88,664	-	175,711	101,922	609,060	391,390	3,805,788
84,891	-	143,538	72,623	624,276	1,521,293	5,106,510
65,779	-	108,463	1,252	666,314	579,836	4,147,365
37,863	-	14,536	50,656	680,745	584,054	4,263,437
37,215	127,338	5,779	86,933	620,666	1,170,834	4,637,206
55,930	126,426	6,420	85,766	553,212	821,596	4,075,847

CITY OF CHILDRESS, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Assessed Value</u>	<u>Combined Tax Rate</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Delinquent Tax Collections Including P&I</u>
2009	\$ 147,087,470	0.494831	\$ 727,834	\$ 715,902	\$ 16,576
2010	156,569,030	0.480750	724,432	685,512	56,905
2011	148,285,510	0.536532	775,147	713,944	60,310
2012	182,232,427	0.539810	772,087	705,991	68,024
2013	184,568,116	0.529818	769,121	720,511	75,287
2014	226,850,011	0.498024	775,284	721,958	66,122
2015	228,963,174	0.571740	880,936	840,785	52,750
2016	255,911,260	0.575292	1,023,733	973,590	81,912
2017	268,564,921	0.678317	1,246,556	1,214,775	53,235
2018	277,100,087	0.934677	1,566,812	1,531,815	109,796
2019	279,263,193	0.934677	1,755,277	1,699,284	90,172

<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>
\$ 732,478	100.64%	\$ 40,888
742,417	102.48%	60,762
774,254	99.88%	74,234
774,015	100.25%	94,248
795,798	103.47%	97,558
788,080	101.65%	101,205
893,535	101.43%	115,069
1,055,502	103.10%	108,377
1,268,010	101.72%	118,361
1,641,611	104.77%	131,129
1,789,456	101.95%	139,366

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

INDEPENDENT AUDITOR'S 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

Mayor and City Council
City of Childress
Childress, Texas 79201

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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Childress, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise City of Childress, Texas' basic financial statements, and have issued our report thereon dated March 23, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Childress, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Childress, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Childress, Texas' 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-1 that we consider to be material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Childress, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Childress, Texas' Response to Findings

City of Childress, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Childress, Texas' response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Foster & Lambert LLC".

Foster & Lambert L.L.C.
March 23, 2020

CITY OF CHILDRESS, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

I. Summary of the Auditor's Results:

Financial Statements:

- Type of auditor's report issued: **Unmodified.**
- Internal control over financial reporting:
 - Material weakness(es) identified: **Finding 2019-1**
 - Significant deficiencies(s) identified that are not considered to be material weaknesses: **None reported.**
- Noncompliance material to financial statements noted: **None.**

Federal Awards:

- Internal control over major programs:
 - Material weakness(es) identified: **Not applicable.**
 - Significant deficiencies(s) identified that are not considered to be material weaknesses: **Not applicable.**
- Type of auditor's report issued on compliance for major programs: **Not applicable.**
- Audit findings disclosed that are required to be reported in accordance with CFR Section 200.516(a): **Not applicable.**
- Identification of major programs: **None.**
- Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000.**
- Auditee qualification as a low-risk auditee: **Not applicable.**

II. Financial Statement Findings:

Finding 2019-1 - Material Weakness in Internal Control over Financial Reporting

Criteria

The City should maintain adequate internal control over financial reporting to ensure accurate reporting in the City's financial statements.

Condition

During the audit, it was noted the City bank reconciliations were not correctly completed, which led to reports provided to the City Council being inaccurate.

Cause

Reconciling items on the bank reconciliations were not corrected in a timely manner.

CITY OF CHILDRESS, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Effect

Reports provided to the City Council were inaccurate as several transactions were not correctly recorded.

III. Federal Award Findings and Questioned Costs:

Not applicable.

CITY OF CHILDRESS, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Finding 2019-1

The City will seek training for the staff so they are more apt to record all transactions in a timely and accurate manner, so that bank reconciliations can be correctly completed soon after month-end. With the implementation of timely and accurate bank reconciliations, accurate reports can be provided to City Council.

The contact person for this corrective action plan is Kevin Hodges.

CITY OF CHILDRESS, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Finding 2018-1

During the audit, material misstatements were noted in the City's Accounting records. The City was to improve accounting records in the future.

Status

Ongoing

Finding 2018-2

It was noted that the City's expenditures exceeded the budgeted amount in total in the General Fund. The City will attempt to monitor more closely the expenditures and the budget.

Corrected