

**CITY OF CHILDRESS, TEXAS**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**City of Childress, Texas**  
 Annual Financial Report  
 for the Year Ended September 30, 2017

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## 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, 2017, 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, 2017, 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 41-42 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 June 11, 2018, 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.  
June 11, 2018

## CITY OF CHILDRESS, TEXAS

### MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2017

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 Economic Development Corporation - The activities of the Childress Economic Development Corporation are included in the City's accompanying financial statements as a component unit. This Corporation is a separate nonprofit governmental unit administered by a five-member board and the City's mayor and city manager as ex officio members. The City exercises significant oversight in approving budgets, corporate records, and accounting records of the Corporation.

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. This increase is realized from businesses entering Childress and the general improvement in our local economy. It may also be noted that Childress tax valuation has increased approximately 15% over last year. This is a trend that has been taking place in Childress for the past several consecutive years. Through the efforts of Childress City Council, Commissioners Court, the Childress Economic Development Corporation and others, more growth in our community is expected next year. Retail sales taxes are expected to continue to increase this year over last year at about 4%. This will bring our five-year total combined increases to approximately 25%. Childress County is again making strides in energy sector infrastructure with the construction of a new solar farm east of town beginning in late 2018. The construction of this facility will include 300 temporary jobs and 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 are on pace for about a 5% increase over last year. The new solar farm should cause an uncharacteristic increase in both of these areas for the next 18 months. The City of Childress is finally out of stage 4 water restrictions. We are hoping to regain the 25% of water sales we lost during the over four years of water restrictions. Adjustments to water rates are being made for water users who use over 5,000 gallons a month. This additional income will put the City in a healthier cash-flow position for the future. The Childress Economic Development Corporation has opened a business incubator that serves startup businesses not only in Childress but the surrounding 10 county regional area. The City of Childress has opened the 80,000 square foot indoor all-purpose arena with a 12,000 square foot expo center. This facility is funded with hotel occupancy taxes, and will help to make Childress an overnight destination community. In its first few months of operation this facility has hosted Youth Club Events, Wedding Receptions, School-related Events, Community Enrichment Activities, Concerts, Trade Shows, Craft Shows, Western Events, Sporting Events, as well as a couple of Conferences. Third-Party analysis suggest that this type of facility could add 15 people to the workforce and about \$1,000,000 to the local economy. 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. Stoney Ridge is providing stimulation for our growing economy. 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 City of Childress is planning to host various races including; moto-cross, grand prix, enduro and team events. This facility has had over two thousand non-resident visitors and we believe that it will continue to grow and have a positive impact on our local economy.

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. This too serves to stimulate our economy. All of this equates to increased ad valorem tax dollars for our City as well as an increase in sales tax. We expect the trend to continue.

The Childress Regional Medical Center has completed new physical therapy and MRI facilities and has plans for more renovations. 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.

#### **Major initiatives**

The fiscal year 2016-17 final budgeted revenues increased \$430,050 over original budget and expenditures increased \$287,880 from the original budget. Actual revenues were under budget by \$864,252; expenditures were more than budget by \$339,319. Net change in fund balance was \$80,301 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 \$5,458,925 at the close of this fiscal year.

### Condensed Statement of Net Position

	Governmental Activities 2016	Governmental Activities 2017	Business- type Activities 2016	Business- type Activities 2017	Total 2016	Total 2017
Current and other assets	\$ 546,650	\$ 495,804	\$ 327,571	\$ 483,860	\$ 874,222	\$ 979,664
Capital assets	10,726,606	10,683,501	2,370,136	2,389,780	13,096,741	13,073,281
Total assets	<u>11,273,256</u>	<u>11,179,305</u>	<u>2,697,707</u>	<u>2,873,640</u>	<u>13,970,963</u>	<u>14,052,945</u>
Deferred outflow of resources	<u>517,529</u>	<u>489,926</u>	<u>202,511</u>	<u>201,734</u>	<u>720,040</u>	<u>691,660</u>
Long-term liabilities	6,167,005	6,277,663	1,629,230	1,741,186	7,796,235	8,018,849
Other liabilities	310,734	576,108	976,787	685,180	1,287,521	1,261,288
Total liabilities	<u>6,477,739</u>	<u>6,853,771</u>	<u>2,606,017</u>	<u>2,426,366</u>	<u>9,083,756</u>	<u>9,280,137</u>
Deferred inflow of resources	<u>5,324</u>	<u>3,926</u>	<u>2,083</u>	<u>1,617</u>	<u>7,407</u>	<u>5,543</u>
Net Position:						
Invested in capital assets	6,381,808	6,258,679	1,433,608	1,415,035	7,815,416	7,673,714
Restricted	144,162	155,184	-	-	144,162	155,184
Unrestricted	<u>(1,218,248)</u>	<u>(1,602,329)</u>	<u>(1,141,490)</u>	<u>(767,644)</u>	<u>(2,359,738)</u>	<u>(2,369,973)</u>
Total net position	<u>\$ 5,307,722</u>	<u>\$ 4,811,534</u>	<u>\$ 292,118</u>	<u>\$ 647,391</u>	<u>\$5,599,840</u>	<u>\$5,458,925</u>

Analysis of the City's Operations – Governmental and Business-type activities decreased the City's net position by \$140,915. The key elements of this decrease are as follows:

### Changes in Net Position

	Governmental Activities 2016	Governmental Activities 2017	Business- type Activities 2016	Business- type Activities 2017	Total 2016	Total 2017
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 947,804	\$ 884,759	\$3,775,835	\$3,641,449	\$ 4,723,639	\$ 4,526,208
Operating grants and contributions	-	25,000	-	-	-	25,000
Capital grants and contributions	89,616	293,069	-	-	89,616	293,069
<b>General revenues:</b>						
Property taxes	1,055,502	1,268,010	-	-	1,055,502	1,268,010
Sales taxes	786,640	802,895	-	-	786,640	802,895
Other taxes	554,876	549,449	-	-	554,876	549,449
Investment income	1,820	1,910	-	87	1,820	1,997
Other income	171,705	98,550	-	-	171,705	98,550
<b>Total revenues</b>	<u>3,607,963</u>	<u>3,923,642</u>	<u>3,775,835</u>	<u>3,641,536</u>	<u>7,383,798</u>	<u>7,565,178</u>
<b>Expenses:</b>						
General government	352,072	248,384	-	-	352,072	248,384
Street	369,543	393,323	-	-	369,543	393,323
<b>Public safety:</b>						
Police	1,178,705	1,301,471	-	-	1,178,705	1,301,471
Fire	591,515	698,215	-	-	591,515	698,215
Health	54,430	83,256	-	-	54,430	83,256
Park	443,771	524,671	-	-	443,771	524,671
Cemetery	68,149	38,567	-	-	68,149	38,567
Airport	150,464	50,887	-	-	150,464	50,887
ATV Park	105,859	158,135	-	-	105,859	158,135
Golf Course	816,058	844,989	-	-	816,058	844,989
Interest on long-term debt	158,057	152,409	-	-	158,057	152,409
Water	-	-	2,599,722	2,567,395	2,599,722	2,567,395
Trash	-	-	690,930	552,177	690,930	552,177
Shop	-	-	97,846	92,214	97,846	92,214
<b>Total expenses</b>	<u>4,288,623</u>	<u>4,494,307</u>	<u>3,388,498</u>	<u>3,211,786</u>	<u>7,677,121</u>	<u>7,706,093</u>
Increase (decrease) in net position before transfers	(680,660)	(570,665)	387,337	429,750	(293,323)	(140,915)
Transfers	736,567	74,477	(736,567)	(74,477)	-	-
<b>Increase in net position</b>	<u>55,907</u>	<u>(496,188)</u>	<u>(349,230)</u>	<u>355,273</u>	<u>(293,323)</u>	<u>(140,915)</u>
Net position – beginning	5,251,815	5,307,722	641,348	292,118	5,893,163	5,599,840
<b>Net position – ending</b>	<u>\$ 5,307,722</u>	<u>\$ 4,811,534</u>	<u>\$ 292,118</u>	<u>\$ 647,391</u>	<u>\$ 5,599,840</u>	<u>\$ 5,458,925</u>

### Financial Analysis of the Government's Funds

Governmental funds show an increase to net position for the 2016-17 year of \$51,085. 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, 2017, amounts to \$13,073,281 (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 2016	Governmental Activities 2017	Business- type Activities 2016	Business- type Activities 2017	Total 2016	Total 2017
Land	\$ 865,366	\$ 865,366	\$ 39,722	\$ 39,722	\$ 905,088	\$ 905,088
Buildings and improvements	8,577,572	8,495,423	2,030,684	1,919,851	9,733,908	10,415,274
Equipment	1,283,668	1,322,712	299,730	430,207	1,600,283	1,752,919
Totals	<u>\$10,726,606</u>	<u>\$10,683,501</u>	<u>\$2,370,136</u>	<u>\$2,389,780</u>	<u>\$12,239,279</u>	<u>\$13,073,281</u>

This year's major additions included:

Governmental activities:	
Event center	\$ 118,191
2015 Freightliner Fire Truck	262,991
Breathing compressor	35,860
ATV Park improvements	23,467
Tennis court improvements	40,830
Business-type Activities:	
816F Caterpillar compactor	155,533
Overhaul 963C Caterpillar Dozer	48,346

Debt

At year-end, the City had \$5,477,415, of certificates of obligation, notes payable, and leases payable as shown below:

**Outstanding Debt, at Year-end**

	Governmental Activities 2016	Governmental Activities 2017	Business-type Activities 2016	Business-type Activities 2017	Total 2016	Total 2017
Certificates of obligation	\$3,872,000	\$3,617,000	\$ -	\$ -	\$3,872,000	\$3,617,000
Notes payable	472,798	407,668	896,221	847,477	1,369,019	1,255,145
Lease payable	220,698	400,154	122,013	205,116	342,711	605,270
	<u>\$4,565,496</u>	<u>\$4,424,822</u>	<u>\$1,018,234</u>	<u>\$1,052,593</u>	<u>\$5,583,730</u>	<u>\$5,477,415</u>

## **Economic Factors for Next Year**

The City's elected and appointed officials considered many factors when preparing the fiscal year 2017-2018 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.

The City has been awarded a Community Development Block Grant for \$275,000, for improvements to the lift station, this project is expected to begin in the 2017-18 fiscal year. The City has plans for other improvements to the water and sewer facilities in the coming years, these projects will be accomplished through the assistance of state agencies with grant funding and also the City has increase commercial water rates and implemented a 10 year plan to increase commercial sewer rates incrementally to cover the costs of the infrastructure upgrades needed.

## **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, 2017

	Primary Government			Component Unit
	Governmental	Business-type	Total	Childress
	Activities	Activities		Economic Development Corporation
<b>Assets</b>				
Cash and cash equivalents	\$ 600	\$ 600	\$ 1,200	\$ 30,842
Receivables (net of allowances for uncollectibles)	300,254	382,708	682,962	93,325
Due from component unit	8,346	-	8,346	-
Inventory	18,078	-	18,078	-
Restricted assets:				
Cash and cash equivalents	168,526	22,704	191,230	517,306
Capital assets (net of accumulated depreciation):				
Land	865,366	39,722	905,088	145,403
Buildings and improvements	8,495,423	1,919,851	10,415,274	1,304,774
Equipment	1,322,712	430,207	1,752,919	11,325
Landfill permit, net of accumulated amortization	-	77,848	77,848	-
Total assets	<u>11,179,305</u>	<u>2,873,640</u>	<u>14,052,945</u>	<u>2,102,975</u>
<b>Deferred Outflow of Resources</b>				
Pension expenditures	<u>489,926</u>	<u>201,734</u>	<u>691,660</u>	<u>28,819</u>
<b>Liabilities</b>				
Accounts payable and other current liabilities	129,083	236,829	365,912	3,567
Accrued interest payable	70,911	5,296	76,207	-
Accrued wages payable	16,872	7,416	24,288	403
Compensated absences -current	10,395	2,952	13,347	504
Note payable	507,528	-	507,528	-
Payable to government agencies	-	9,723	9,723	-
Due to primary government	-	-	-	8,346
Customer deposits-payable from restricted assets	-	122,620	122,620	-
Note payable-current portion	51,481	36,397	87,878	-
Lease payable-current portion	125,727	75,096	200,823	-
Certificate of obligation payable-current portion	262,000	-	262,000	-
Long-term liabilities:				
Estimated liability for landfill closure and postclosure care costs	-	303,296	303,296	-
Net pension obligation	1,600,601	659,071	2,259,672	94,153
Compensated absences-net of current portion	93,559	26,570	120,129	4,535
Note payable-net of current portion	356,187	811,080	1,167,267	-
Lease payable-net of current portion	274,427	130,020	404,447	-
Certificate of obligation payable- net of current portion	3,355,000	-	3,355,000	-
Total liabilities	<u>6,853,771</u>	<u>2,426,366</u>	<u>9,280,137</u>	<u>111,508</u>
<b>Deferred Inflow of Resources</b>				
Pension expenditures	<u>3,926</u>	<u>1,617</u>	<u>5,543</u>	<u>231</u>
<b>Net Position</b>				
Invested in capital assets, net of related debt	6,258,679	1,415,035	7,673,714	1,450,177
Restricted				
Debt service	74,016	-	74,016	-
Capital expenditures	67,961	-	67,961	-
Public safety	13,207	-	13,207	-
Economic development	-	-	-	569,878
Unrestricted	(1,602,329)	(767,644)	(2,369,973)	-
Total net position	<u>\$ 4,811,534</u>	<u>\$ 647,391</u>	<u>\$ 5,458,925</u>	<u>\$ 2,020,055</u>

The accompanying notes are an integral part of this statement.

**CITY OF CHILDRESS, TEXAS**  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Economic Development
					Governmental Activities	Business-type Activities		
<b>Primary Government</b>								
Governmental activities:								
General government	\$ 248,384	\$ -	\$ -	\$ -	\$ (248,384)	\$ (248,384)	\$ -	
Street	393,323	6,561	-	-	(386,762)	(386,762)	-	
Public safety:								
Police	1,301,471	338,822	25,000	-	(937,649)	(937,649)	-	
Fire	698,215	3,918	-	200,000	(494,297)	(494,297)	-	
Health	83,256	113,063	-	-	29,807	29,807	-	
Park	524,671	54,258	-	64,840	(405,573)	(405,573)	-	
Cemetery	38,567	19,770	-	-	(18,797)	(18,797)	-	
Airport	50,887	81,437	-	-	30,550	30,550	-	
ATV park	158,135	4,566	-	28,229	(125,340)	(125,340)	-	
Golf course	844,989	262,364	-	-	(582,625)	(582,625)	-	
Interest on long-term debt	152,409	-	-	-	(152,409)	(152,409)	-	
Total governmental activities	4,494,307	884,759	25,000	293,069	(3,291,479)	(3,291,479)	-	
Business-type activities:								
Water and sewer	2,659,609	2,864,776	-	-	205,167	205,167	-	
Trash	552,177	776,673	-	-	224,496	224,496	-	
Total business-type activities	3,211,786	3,641,449	-	-	429,663	429,663	-	
Total primary government	\$ 7,706,093	\$ 4,526,208	\$ 25,000	\$ 293,069	\$ (3,291,479)	\$ (2,861,816)	\$ -	
<b>Component Unit</b>								
Economic Development	\$ 368,370	\$ 72,404	\$ -	\$ -	\$ -	\$ -	\$ (295,966)	
Total Component Units	\$ 368,370	\$ 72,404	\$ -	\$ -	\$ -	\$ -	\$ (295,966)	
General revenues:								
Property taxes					1,268,010	1,268,010	-	
Sales taxes					802,895	802,895	401,377	
Franchise taxes					182,886	182,886	-	
Other taxes					366,563	366,563	-	
Unrestricted investment earnings					87	87	6,200	
Other income					98,550	98,550	17,571	
Transfers					74,477	74,477	-	
Total general revenues and transfers					2,795,291	2,720,901	425,148	
Change in net position					(496,188)	(140,915)	129,182	
Net position - October 1					5,307,722	5,599,840	1,890,873	
Net position - September 30					\$ 4,811,534	\$ 5,458,925	\$ 2,020,055	

The accompanying notes are an integral part of this statement.

**CITY OF CHILDESS, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**  
**WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2016**

	2017			2016	
	General Fund	Capital Projects Fund	Debt Service Fund	Total Government Funds	Total Government Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 600	\$ -	\$ -	\$ 600	\$ 600
Receivables (net of allowances for uncollectibles)	297,158	-	3,096	300,254	345,661
Restricted assets:					
Cash and cash equivalents	86,622	10,984	70,920	168,526	153,032
Due from other funds	-	-	635,831	635,831	402,495
Due from component unit	2,062	-	-	2,062	13,306
Inventory	18,078	-	-	18,078	27,658
<b>Total assets</b>	<u>404,520</u>	<u>10,984</u>	<u>709,847</u>	<u>1,125,351</u>	<u>942,752</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and other current liabilities	129,083	-	-	129,083	233,575
Accrued wages payable	16,872	-	-	16,872	14,201
Due to other funds	518,526	117,304	-	635,830	402,495
<b>Total liabilities</b>	<u>664,481</u>	<u>117,304</u>	<u>-</u>	<u>781,785</u>	<u>650,271</u>
<b>Fund balances:</b>					
Nonspendable	18,078	-	-	18,078	27,658
Restricted for:					
Debt service	-	-	709,847	709,847	404,338
Police department	13,207	-	-	13,207	64,731
Street improvement	67,961	-	-	67,961	3,443
Assigned for:					
Capital improvements	5,455	-	-	5,455	5,427
Unassigned	(364,662)	(106,320)	-	(470,982)	(213,116)
<b>Total fund balances</b>	<u>(259,961)</u>	<u>(106,320)</u>	<u>709,847</u>	<u>343,566</u>	<u>292,481</u>
<b>Total liabilities and fund balances</b>	<u>\$ 404,520</u>	<u>\$ 10,984</u>	<u>\$ 709,847</u>		<u>\$ 942,752</u>

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.	10,683,500
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 \$1,600,601, a deferred inflow of \$3,926, and a deferred outflow of \$489,926. The net effect of this is to decrease net position.	(1,114,601)
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.	(5,100,931)
<b>Net position of governmental activities</b>	<u>\$ 4,811,534</u>

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, 2017  
WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2016

	2017			2016	
	General Fund	Capital Projects Fund	Debt Service Fund	Total Government Funds	Total Government Funds
<b>Revenues</b>					
Taxes:					
Property	\$ 618,057	\$ -	\$ 649,953	\$ 1,268,010	\$ 1,055,502
Sales	802,895	-	-	802,895	786,640
Franchise	182,886	-	-	182,886	189,104
Other	214,195	-	152,368	366,563	365,772
Fines and forfeitures	428,260	-	-	428,260	465,965
Fees, licenses, and permits	263,865	-	-	263,865	199,186
Leases and rentals	116,369	-	-	116,369	89,148
Aviation fuel sales	3,862	-	-	3,862	63,331
Pro Shop sales	48,632	-	-	48,632	38,048
Interest income	1,529	267	114	1,910	1,820
Intergovernmental revenues	293,229	-	-	293,229	89,616
Other income	153,357	-	-	153,357	263,831
Total revenues	<u>3,127,136</u>	<u>267</u>	<u>802,435</u>	<u>3,929,838</u>	<u>3,607,963</u>
<b>Expenditures</b>					
Current:					
General government	238,529	-	-	238,529	347,054
Street	335,184	-	-	335,184	315,806
Public safety:					
Police	1,172,851	-	-	1,172,851	1,080,329
Fire	620,102	-	-	620,102	530,873
Health	73,874	-	-	73,874	53,438
Park	455,043	-	-	455,043	398,221
Cemetery	37,863	-	-	37,863	65,779
Airport	14,536	-	-	14,536	108,463
ATV park	50,656	-	-	50,656	1,252
Golf course	680,745	-	-	680,745	666,314
Debt service:					
Principal	164,385	-	275,211	439,596	421,250
Interest	10,875	-	133,583	144,458	158,586
Capital outlay	473,310	8,000	-	481,310	1,323,025
Total expenditures	<u>4,327,953</u>	<u>8,000</u>	<u>408,794</u>	<u>4,744,747</u>	<u>5,470,390</u>
Excess of revenues over (under) expenditures	<u>(1,200,817)</u>	<u>(7,733)</u>	<u>393,641</u>	<u>(814,909)</u>	<u>(1,862,427)</u>
<b>Other financing sources (uses)</b>					
Loan proceeds	806,449	-	-	806,449	290,000
Operating transfers (net)	207,423	(59,746)	(88,132)	59,545	714,687
Total other financing sources (uses)	<u>1,013,872</u>	<u>(59,746)</u>	<u>(88,132)</u>	<u>865,994</u>	<u>1,004,687</u>
Net change in fund balance	(186,945)	(67,479)	305,509	51,085	(857,740)
Fund balance - October 1	<u>(73,016)</u>	<u>(38,841)</u>	<u>404,338</u>	<u>292,481</u>	<u>1,150,221</u>
Fund balance - September 30	<u>\$ (259,961)</u>	<u>\$ (106,320)</u>	<u>\$ 709,847</u>	<u>\$ 343,566</u>	<u>\$ 292,481</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 30,2017**

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

Net change in fund balances-total governmental funds	\$ 51,085
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.	(51,106)
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.	(344,263)
The implementation of GASB 68 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.	(151,904)
Changes in net position of governmental activities	\$ (496,188)

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, 2017**  
**WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2016**

	2017			Variance with Final Budget- Positive (Negative)	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>Revenues</b>					
Taxes:					
Property	\$ 1,108,738	\$ 1,408,443	\$ 618,057	\$ (790,386)	\$ 899,973
Sales	760,000	760,000	802,895	42,895	786,640
Franchise	235,000	235,000	182,886	(52,114)	189,104
Other	455,000	455,000	214,195	(240,805)	365,772
Fines and forfeitures	397,500	425,000	428,260	3,260	465,965
Fees, licenses, and permits	279,500	243,045	263,865	20,820	199,186
Leases and rentals	43,200	99,000	116,369	17,369	89,148
Aviation fuel sales	-	-	3,862	3,862	63,331
Pro Shop sales	60,000	60,000	48,632	(11,368)	38,048
Interest income	1,500	1,500	1,529	29	1,043
Intergovernmental revenues	188,000	271,500	293,229	21,729	49,616
Other income	32,900	32,900	153,357	120,457	263,831
Total revenues	<u>3,561,338</u>	<u>3,991,388</u>	<u>3,127,136</u>	<u>(864,252)</u>	<u>3,411,657</u>
<b>Expenditures</b>					
Current:					
General government	248,578	294,535	238,529	56,006	347,054
Street	418,009	400,000	335,184	64,816	315,806
Public safety:					
Police	930,521	1,113,161	1,172,851	(59,690)	1,080,329
Fire	509,099	560,578	620,102	(59,524)	530,873
Health	106,659	85,000	73,874	11,126	53,438
Park	264,774	386,000	455,043	(69,043)	398,221
Cemetery	157,574	50,000	37,863	12,137	65,779
Airport	12,000	17,300	14,536	2,764	108,463
ATV park	47,750	47,750	50,656	(2,906)	1,252
Golf course	573,730	675,000	680,745	(5,745)	666,314
Debt service:					
Principal	117,060	117,060	164,385	(47,325)	176,250
Interest	-	-	10,875	(10,875)	14,820
Capital outlay	315,000	242,250	473,310	(231,060)	260,709
Total expenditures	<u>3,700,754</u>	<u>3,988,634</u>	<u>4,327,953</u>	<u>(339,319)</u>	<u>4,019,308</u>
Excess of revenues over expenditures	<u>(139,416)</u>	<u>2,754</u>	<u>(1,200,817)</u>	<u>(1,203,571)</u>	<u>(607,651)</u>
<b>Other financing sources (uses)</b>					
Loan proceeds	-	-	806,449	806,449	290,000
Operating transfers (net)	<u>(270,000)</u>	<u>(270,000)</u>	<u>207,423</u>	<u>477,423</u>	<u>112,690</u>
Total other financing sources (uses)	<u>(270,000)</u>	<u>(270,000)</u>	<u>1,013,872</u>	<u>1,283,872</u>	<u>402,690</u>
Net change in fund balance	(409,416)	(267,246)	(186,945)	80,301	(204,961)
Fund balance - October 1	<u>(73,016)</u>	<u>(73,016)</u>	<u>(73,016)</u>	<u>-</u>	<u>131,945</u>
Fund balance - September 30	<u>\$ (482,432)</u>	<u>\$ (340,262)</u>	<u>\$ (259,961)</u>	<u>\$ 80,301</u>	<u>\$ (73,016)</u>

The accompanying notes are an integral part of this statement.



**CITY OF CHILDRESS, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**  
**WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2016**

	Water and Sewer Fund	
	2017	2016
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 600	\$ 600
Accounts receivable (net of allowance for uncollectibles)	382,708	240,647
Total current assets	<u>383,308</u>	<u>241,247</u>
Noncurrent assets:		
Restricted cash and cash equivalents	22,704	4,618
Capital assets:		
Land	39,722	39,722
Buildings and improvements	4,461,569	4,461,569
Equipment	2,175,291	1,971,411
Landfill permit	154,407	154,407
Less accumulated depreciation and amortization	(4,363,361)	(4,175,267)
Total capital assets (net of accumulated depreciation)	<u>2,467,628</u>	<u>2,451,842</u>
Total noncurrent assets	<u>2,490,332</u>	<u>2,456,460</u>
Total assets	<u>2,873,640</u>	<u>2,697,707</u>
<b>Deferred Outflow of Resources</b>		
Pension expenditures	<u>201,734</u>	<u>202,511</u>
<b>Liabilities</b>		
Current liabilities:		
Bank overdraft	101,363	221,567
Accounts payable and other current liabilities	135,466	331,105
Accrued interest payable	5,296	6,438
Accrued wages	7,416	5,478
Compensated absences-current	2,952	2,797
Payable to government agencies	9,723	10,147
Current portion lease payable	75,096	22,235
Current portion long-term note payable	36,397	48,905
Total current liabilities	<u>373,709</u>	<u>648,672</u>
Current liabilities payable from restricted assets:		
Customer deposits-payable from restricted assets	<u>122,620</u>	<u>120,670</u>
Noncurrent liabilities:		
Estimated liability for landfill closure and postclosure care costs	303,296	281,382
Compensated absences	26,570	25,178
Net pension obligation payable	659,071	583,021
Lease payable (net of current portion)	130,020	99,778
Note payable (net of current portion)	811,080	847,316
Total noncurrent liabilities	<u>1,930,037</u>	<u>1,836,675</u>
Total liabilities	<u>2,426,366</u>	<u>2,606,017</u>
<b>Deferred Inflow of Resources</b>		
Pension expenditures	<u>1,617</u>	<u>2,083</u>
<b>Net Position</b>		
Invested in capital assets, net of related debt	1,415,035	1,433,608
Unrestricted	(767,644)	(1,141,490)
Total net position	<u>\$ 647,391</u>	<u>\$ 292,118</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, 2017**  
**WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2016**

	Business-type Activities - Enterprise Fund	
	2017	2016
<b>Operating revenues:</b>		
Charges for sales and services:		
Water	\$ 2,169,539	\$ 1,977,157
Sewer	667,151	647,227
Trash	776,673	754,381
Other	28,086	397,070
Total operating revenues	<u>3,641,449</u>	<u>3,775,835</u>
<b>Operating expenses:</b>		
Payroll costs	1,093,968	956,081
Office expenses	45,508	33,950
Maintenance and repairs	136,157	289,893
Supplies	212,752	170,967
Insurance	33,561	23,365
Utilities	52,488	120,990
Professional fees and special services	12,021	28,992
Water purchases	1,188,338	1,167,294
Travel and lodging	4,325	4,660
Fuel	67,117	97,785
Dues and subscriptions	83,797	84,162
Depreciation and amortization	188,094	194,376
Landfill closure and postclosure costs	21,915	22,539
Bad debt	-	38,428
Miscellaneous	28,922	113,378
Total operating expenses	<u>3,168,963</u>	<u>3,346,860</u>
Operating income	<u>472,486</u>	<u>428,975</u>
<b>Non-operating revenues (expenses):</b>		
Interest income	87	-
Interest expense	(42,823)	(41,638)
Total non-operating revenues (expenses)	<u>(42,736)</u>	<u>(41,638)</u>
Loss before contributions and transfers	429,750	387,337
<b>Contributions and operating transfers:</b>		
Operating transfers (net)	(74,477)	(736,567)
Net contributions and operating transfers	(74,477)	(736,567)
Change in net position	355,273	(349,230)
Total net position - October 1	<u>292,118</u>	<u>641,348</u>
Total net position - September 30	<u>\$ 647,391</u>	<u>\$ 292,118</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, 2017**  
**WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2016S**

	Proprietary Fund Type Water & Sewer	
	2017	2016
<b>Cash flows from operating activities</b>		
Receipts from customers and users	\$ 3,499,388	\$ 3,762,980
Payments to suppliers	(1,984,689)	(1,984,617)
Payments to employees	(1,090,483)	(901,016)
Net cash provided by operating activities	<u>424,216</u>	<u>877,347</u>
<b>Cash flows provided by noncapital financing activities</b>		
Operating transfers	<u>(74,477)</u>	<u>(736,567)</u>
<b>Cash flows from capital and related financing activities</b>		
Purchase of equipment	(203,880)	(99,684)
Lease proceeds	155,534	-
Debt repayment	(121,175)	(68,256)
Interest paid on debt	(43,965)	(42,192)
Net cash provided by financing activities	<u>(213,486)</u>	<u>(210,132)</u>
<b>Cash flows from investing activities</b>		
Interest income	87	-
Customer deposits	1,950	2,530
Net cash provided by investing activities	<u>2,037</u>	<u>2,530</u>
Net increase in cash and cash equivalents	138,290	(66,822)
Cash and cash equivalents at beginning of year	<u>(216,349)</u>	<u>(149,527)</u>
Cash and cash equivalents at end of year	<u>\$ (78,059)</u>	<u>\$ (216,349)</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	\$ 472,486	\$ 428,975
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization	188,094	194,376
(Increase) decrease in current assets:		
Receivables	(142,061)	(12,855)
Increase (decrease) in current liabilities:		
Accounts payable	(195,639)	183,267
Accrued payroll	3,485	(1,977)
Payable to government agencies	(424)	5,980
Landfill closure postclosure	21,914	22,539
Net pension obligation	76,361	57,042
Net cash provided by operating activities	<u>\$ 424,216</u>	<u>\$ 877,347</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 SEPTMEBER 30, 2017  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Revolving Loan Fund	
	2017	2016
<b>Assets</b>		
Receivables (net of allowances for uncollectibles)	\$ 376,838	\$ 385,177
Restricted assets:		
Cash and cash equivalents	46,316	37,618
 Total assets	423,154	422,795
<b>Net Position</b>		
Restricted for:		
Civic development projects	423,154	422,795
Total net position	\$ 423,154	\$ 422,795

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, 2017  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Revolving Loan Fund	
	2017	2016
<b>Additions</b>		
Community development	\$ -	\$ -
Interest	359	1,291
Total additions	<u>359</u>	<u>1,291</u>
<b>Deductions</b>		
Community development	-	-
Total deduction	<u>-</u>	<u>-</u>
Change in net assets	359	1,291
Net position - October 1	422,795	421,504
Net position - September 30	<u>\$ 423,154</u>	<u>\$ 422,795</u>

The accompanying notes are an integral part of this statement.

**CITY OF CHILDRESS, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

A. 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 Economic Development Corporation - The activities of the Childress Economic Development Corporation are included in the City's accompanying financial statements as a component unit. This Corporation is a separate nonprofit governmental unit administered by a five-member board and the City's mayor and city manager as ex officio members. The City exercises significant oversight in approving budgets, corporate records, and accounting records of the Corporation.

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, 2017, the Corporation had no activity.

Further financial information for the City's component units can be obtained from the City's Administrative Offices.

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.

**CITY OF CHILDRESS, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

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.

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.

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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."

#### 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.



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4. Restricted assets

Restricted assets in the 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

6. 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.
- 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.

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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.

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, 2017, the City did not own any investments other than those permitted by statute.

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Cash Deposits:

At September 30, 2017, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$135,635 and the bank balance was \$283,009. At September 30, 2017, the City's cash deposits were covered by FDIC insurance.

The Childress Economic Development Corporation deposits were \$552,974, and the bank balance was \$548,148. At September 30, 2017, the CEDC's cash deposits were covered by FDIC insurance or by pledged collateral held by the agent bank.

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.

