

CITY OF CHILDRESS, TEXAS
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018

City of Childress, Texas
 Annual Financial Report
 for the Year Ended September 30, 2018

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	9
Statement of Activities.....	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund.....	14
Statement of Net Position – Proprietary Funds.....	15
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund.....	16
Statement of Cash Flows – Proprietary Fund.....	17
Statement of Fiduciary Net Position – Fiduciary Fund.....	18
Statement of Changes in Fiduciary Net Position – Fiduciary Fund.....	19
Notes to the Financial Statements.....	20
Required Supplementary Information:	
Schedule of Changes in Net Pension Liability and Related Ratios.....	45
Schedule of Contributions.....	46
Schedule of Changes in Other Post Employment Benefits Liability and Related Ratios.....	47
Schedule of Other Post Employment Benefits Contributions.....	48
STATISTICAL SECTION	
Revenues by Source (General and Debt Service Funds Only) - Last Ten Fiscal Years.....	49
Governmental Expenditures by Function (General and Debt Service Funds Only) - Last Ten Fiscal Years.....	51
Property Tax Levies and Collections - Last Ten Fiscal Years.....	53
OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION	
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.....	55
Schedule of Findings and Questioned Costs.....	57
Corrective Action Plan.....	59
Summary schedule of Prior Audit Findings.....	60

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, 2018, 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, 2018, 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 45-48 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 April 30, 2019, 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.
April 30, 2019

CITY OF CHILDRESS, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

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. The Corporation was dissolved by a vote of the public at the May 6, 2018 election. This Corporation was 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 exercised significant oversight in approving budgets, corporate records, and accounting records of the Corporation. The remaining balances were transferred in an escrow account to the City of Childress.

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. 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 10% increase over last year. The new solar farm should cause an uncharacteristic increase in both of these areas for the next 18 months. Adjustments to water rates are being made for water users who use over 5,000 gallons a month. 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. 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 along with Apollo Helicopter for emergency patients 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 2017-18 final budgeted revenues increased \$477,930 over original budget and expenditures increased \$537,838 from the original budget. Actual revenues were under budget by \$388,805; expenditures were more than budget by \$72,524. Net change in fund balance was \$50,076 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 \$6,001,462 at the close of this fiscal year.

Condensed Statement of Net Position

	Governmental Activities 2017	Governmental Activities 2018	Business- type Activities 2017	Business- type Activities 2018	Total 2017	Total 2018
Current and other assets	\$ 495,804	\$ 932,351	\$ 483,860	\$ 683,654	\$ 979,664	\$ 1,616,005
Capital assets	10,683,501	10,539,403	2,389,780	2,340,640	13,073,281	12,880,043
Total assets	<u>11,179,305</u>	<u>11,471,754</u>	<u>2,873,640</u>	<u>3,024,294</u>	<u>14,052,945</u>	<u>14,496,048</u>
Deferred outflow of resources	<u>489,926</u>	<u>382,794</u>	<u>201,734</u>	<u>150,940</u>	<u>691,660</u>	<u>533,734</u>
Long-term liabilities	6,277,663	5,533,639	1,741,186	1,510,230	8,018,849	7,043,869
Other liabilities	576,108	868,253	685,180	610,589	1,261,288	1,478,842
Total liabilities	<u>6,853,771</u>	<u>6,401,892</u>	<u>2,426,366</u>	<u>2,120,819</u>	<u>9,280,137</u>	<u>8,522,711</u>
Deferred inflow of resources	<u>3,926</u>	<u>362,730</u>	<u>1,617</u>	<u>142,879</u>	<u>5,543</u>	<u>505,609</u>
Net Position:						
Invested in capital assets	6,258,679	6,438,176	1,415,035	1,477,921	7,673,714	7,916,097
Restricted	155,184	523,893	-	-	155,184	523,893
Unrestricted	(1,602,329)	(1,872,143)	(767,644)	(566,385)	(2,369,973)	(2,438,528)
Total net position	<u>\$ 4,811,534</u>	<u>\$ 5,089,926</u>	<u>\$ 647,391</u>	<u>\$ 911,536</u>	<u>\$ 5,458,925</u>	<u>\$ 6,001,462</u>

Analysis of the City's Operations – Governmental and Business-type activities increased the City's net position by \$542,537. The key elements of this decrease are as follows:

Changes in Net Position

	Governmental Activities 2017	Governmental Activities 2018	Business- type Activities 2017	Business- type Activities 2018	Total 2017	Total 2018
Revenues:						
Program revenues:						
Charges for services	\$ 884,759	\$ 709,708	\$3,641,449	\$3,798,599	\$ 4,526,208	\$ 4,508,307
Operating grants and contributions	25,000	25,000	-	-	25,000	25,000
Capital grants and contributions	293,069	331,996	-	25,525	293,069	357,521
General revenues:						
Property taxes	1,268,010	1,578,986	-	-	1,268,010	1,578,986
Sales taxes	802,895	845,939	-	-	802,895	845,939
Other taxes	549,449	597,392	-	-	549,449	597,392
Investment income	1,910	20,587	87	478	1,997	21,065
Other income	98,550	136,725	-	-	98,550	136,725
Total revenues	<u>3,923,642</u>	<u>4,246,333</u>	<u>3,641,536</u>	<u>3,824,602</u>	<u>7,565,178</u>	<u>8,070,935</u>
Expenses:						
General government	248,384	414,652	-	-	248,384	414,652
Street	393,323	360,011	-	-	393,323	360,011
Public safety:						
Police	1,301,471	1,081,885	-	-	1,301,471	1,081,885
Fire	698,215	561,706	-	-	698,215	561,706
Health	83,256	178,010	-	-	83,256	178,010
Park	524,671	304,945	-	-	524,671	304,945
Cemetery	38,567	37,919	-	-	38,567	37,919
Buildings	-	162,333	-	-	-	162,333
Airport	50,887	49,344	-	-	50,887	49,344
ATV Park	158,135	196,109	-	-	158,135	196,109
Golf Course	844,989	756,292	-	-	844,989	756,292
Interest on long-term debt	152,409	212,339	-	-	152,409	212,339
Water	-	-	2,567,395	2,255,624	2,567,395	2,255,624
Trash	-	-	552,177	702,490	552,177	702,490
Shop	-	-	92,214	102,907	92,214	102,907
Total expenses	<u>4,494,307</u>	<u>4,315,545</u>	<u>3,211,786</u>	<u>3,061,021</u>	<u>7,706,093</u>	<u>7,376,566</u>
Increase (decrease) in net position before transfers	(570,665)	(69,212)	429,750	763,581	(140,915)	694,369
Transfers	74,477	452,736	(74,477)	(452,736)	-	-
Increase in net position	<u>(496,188)</u>	<u>383,524</u>	<u>355,273</u>	<u>310,845</u>	<u>(140,915)</u>	<u>694,369</u>
Net position – beginning	<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>
Prior period adjustment	-	(105,132)	-	(46,700)	-	(151,832)
Net position – ending	<u>\$ 4,811,534</u>	<u>\$ 5,089,926</u>	<u>\$ 647,391</u>	<u>\$ 911,536</u>	<u>\$ 5,458,925</u>	<u>\$ 6,001,462</u>

Financial Analysis of the Government's Funds

Governmental funds show an increase to net position for the 2017-18 year of \$423,277. 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, 2018, amounts to \$12,880,043 (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 2017	Governmental Activities 2018	Business- type Activities 2017	Business- type Activities 2018	Total 2017	Total 2018
Land	\$ 865,366	\$ 865,366	\$ 39,722	\$ 39,722	\$ 905,088	\$ 905,088
Buildings and improvements	8,495,423	8,210,320	1,919,851	1,931,023	10,415,274	10,141,343
Equipment	<u>1,322,712</u>	<u>1,463,717</u>	<u>430,207</u>	<u>369,895</u>	<u>1,752,919</u>	<u>1,833,612</u>
Totals	<u>\$10,683,501</u>	<u>\$10,539,403</u>	<u>\$2,389,780</u>	<u>\$2,340,640</u>	<u>\$13,073,281</u>	<u>\$12,880,043</u>

This year's major additions included:

Governmental activities:	
JD 620G Motor Grader	\$ 206,600
2 2018 Chev Silverado	84,964
6 2018 Dodge Chargers	261,864
4-Point Package W/Accessories	24,911
Forestry Monitor	5,485
Event Center Sign	23,408
Progator 2020	28,112
Business-type activities:	
Waste water project	119,990

Debt

At year-end, the City had \$5,037,933, of certificates of obligation, notes payable, and leases payable as shown below:

Outstanding Debt, at Year-end

	Governmental Activities 2017	Governmental Activities 2018	Business-type Activities 2017	Business-type Activities 2018	Total 2017	Total 2018
Certificates of obligation	\$3,617,000	\$3,355,000	\$ -	\$ -	\$3,617,000	\$3,355,000
Notes payable	407,668	95,849	847,477	811,080	1,255,145	906,929
Lease payable	<u>400,154</u>	<u>650,378</u>	<u>205,116</u>	<u>125,626</u>	<u>605,270</u>	<u>776,004</u>
	<u>\$4,424,822</u>	<u>\$4,101,227</u>	<u>\$1,052,593</u>	<u>\$936,706</u>	<u>\$5,477,415</u>	<u>\$5,037,933</u>

Economic Factors for Next Year

The City's elected and appointed officials considered many factors when preparing the fiscal year 2018-2019 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 be substantially completed in the 2018-19 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, 2018

	Primary Government			Component Unit	
	Governmental	Business-type	Total	Childress	Childress
	Activities	Activities		Economic Development Corporation	Municipal Development District
Assets					
Cash and cash equivalents	\$ 600	\$ 139,690	\$ 140,290	\$ -	\$ 62,444
Receivables (net of allowances for uncollectibles)	338,017	346,117	684,134	-	93,895
Due from component unit	31,004	-	31,004	-	-
Inventory	8,838	-	8,838	-	-
Restricted assets:					
Cash and cash equivalents	553,892	123,860	677,752	-	487,616
Capital assets (net of accumulated depreciation):					
Land	865,366	39,722	905,088	-	145,403
Buildings and improvements	8,210,320	1,931,023	10,141,343	-	1,368,746
Equipment	1,463,717	369,895	1,833,612	-	118,026
Landfill permit, net of accumulated amortization	-	73,987	73,987	-	-
Total assets	<u>11,471,754</u>	<u>3,024,294</u>	<u>14,496,048</u>	<u>-</u>	<u>2,276,130</u>
Deferred Outflow of Resources					
Pension expenditures	373,907	147,281	521,188	-	12,644
Other Post Employment Benefit	8,887	3,659	12,546	-	523
Total deferred outflow of resources	<u>382,794</u>	<u>150,940</u>	<u>533,734</u>	<u>-</u>	<u>13,167</u>
Liabilities					
Accounts payable and other current liabilities	115,490	140,521	256,011	-	3,568
Accrued interest payable	74,159	4,497	78,656	-	-
Accrued wages payable	21,076	9,132	30,208	-	1,621
Compensated absences-current	7,259	3,534	10,793	-	821
Note payable	657,528	-	657,528	-	-
Payable to government agencies	-	5,070	5,070	-	-
Due to primary government	-	-	-	-	31,004
Customer deposits-payable from restricted assets	-	123,860	123,860	-	-
Note payable-current portion	21,645	37,501	59,146	-	-
Lease payable-current portion	142,875	73,468	216,343	-	-
Certificate of obligation payable-current portion	422,000	-	422,000	-	-
Long-term liabilities:					
Estimated liability for landfill closure and postclosure care costs	-	327,509	327,509	-	-
Net pension obligation	1,216,894	479,332	1,696,226	-	41,150
Other post employment benefits	142,929	58,853	201,782	-	8,408
Compensated absences-net of current portion	65,330	31,805	97,135	-	7,391
Note payable-net of current portion	74,204	773,579	847,783	-	-
Lease payable-net of current portion	507,503	52,158	559,661	-	-
Certificate of obligation payable- net of current portion	2,933,000	-	2,933,000	-	-
Total liabilities	<u>6,401,892</u>	<u>2,120,819</u>	<u>8,522,711</u>	<u>-</u>	<u>93,963</u>
Deferred Inflow of Resources					
Pension expenditures	<u>362,730</u>	<u>142,879</u>	<u>505,609</u>	<u>-</u>	<u>12,266</u>
Net Position					
Invested in capital assets, net of related debt	6,438,176	1,477,921	7,916,097	-	1,514,149
Restricted	523,893	-	523,893	-	668,919
Unrestricted	(1,872,143)	(566,385)	(2,438,528)	-	-
Total net position	<u>\$ 5,089,926</u>	<u>\$ 911,536</u>	<u>\$ 6,001,462</u>	<u>\$ -</u>	<u>\$ 2,183,068</u>

The accompanying notes are an integral part of this statement.

CITY OF CHILDRESS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Business-type Activities	Total	Economic Development	Municipal Development
Primary Government								
Governmental activities:								
General government	\$ 414,652	\$ -	\$ 2,500	\$ (412,152)	\$ -	\$ (412,152)	\$ -	\$ -
Street	360,011	-	-	(360,011)	-	(360,011)	-	-
Public safety:								
Police	1,081,885	25,000	23,748	(774,230)	-	(774,230)	-	-
Fire	561,706	-	25,485	(536,221)	-	(536,221)	-	-
Health	178,010	-	-	(178,010)	-	(178,010)	-	-
Park	304,945	-	-	(290,547)	-	(290,547)	-	-
Cemetery	37,919	-	-	(34,859)	-	(34,859)	-	-
Buildings	162,333	40,000	240,263	164,997	-	164,997	-	-
Airport	49,344	-	-	53,618	-	53,618	-	-
ATV park	196,109	-	-	(190,131)	-	(190,131)	-	-
Golf course	756,292	-	-	(478,956)	-	(478,956)	-	-
Interest on long-term debt	212,339	-	-	(212,339)	-	(212,339)	-	-
Total governmental activities	4,315,545	65,000	291,996	(3,248,841)	-	(3,248,841)	-	-
Business-type activities:								
Water and sewer	2,358,531	-	25,525	-	605,273	605,273	-	-
Trash	702,490	-	-	-	157,830	157,830	-	-
Total business-type activities	3,061,021	-	25,525	-	763,103	763,103	-	-
Total primary government	\$ 7,376,566	\$ 65,000	\$ 317,521	(3,248,841)	763,103	(2,485,738.0)	\$ -	\$ -
Component Unit								
Economic Development	\$ 2,306,238	\$ -	\$ -	-	-	-	\$ (2,264,321)	\$ -
Municipal Development	117,017	-	2,087,215	-	-	-	-	1,997,226
Total Component Units	\$ 2,306,238	\$ -	\$ 2,087,215	-	-	-	(2,264,321)	1,997,226
General revenues:								
Property taxes				1,578,986	-	1,578,986	-	-
Sales taxes				845,939	-	845,939	235,806	187,095
Franchise taxes				193,449	-	193,449	-	-
Other taxes				403,943	-	403,943	-	-
Unrestricted investment earnings				20,587	478	21,065	4,161	678
Other income				136,725	-	136,725	4,299	1,151
Transfers				452,736	(452,736)	-	-	-
Total general revenues and transfers				3,632,365	(452,258)	3,180,107	244,266	188,924
Change in net position				383,524	310,845	694,369	(2,020,055)	2,186,150
Net position - October 1				4,811,534	647,391	5,458,925	2,020,055	-
Prior period adjustment				(105,132)	(46,700)	(151,832)	-	(3,082)
Net position - September 30				\$ 5,089,926	\$ 911,536	\$ 6,001,462	\$ -	\$ 2,183,068

The accompanying notes are an integral part of this statement.

CITY OF CHILDESS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2017

	2018			2017	
	General Fund	Capital Projects Fund	Debt Service Fund	Total Government Funds	Total Government Funds
ASSETS					
Cash and cash equivalents	600	\$ -	\$ -	\$ 600	\$ 600
Receivables (net of allowances for uncollectibles)	335,617	-	2,400	338,017	300,254
Restricted assets:					
Cash and cash equivalents	293,069	13,760	247,064	553,893	168,526
Due from other funds	-	-	830,808	830,808	635,831
Due from component unit	2,062	-	-	2,062	2,062
Inventory	8,838	-	-	8,838	18,078
Total assets	640,186	13,760	1,080,272	1,734,218	1,125,351
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other current liabilities	115,492	-	-	115,492	129,083
Accrued wages payable	21,076	-	-	21,076	16,872
Due to other funds	713,503	117,304	-	830,807	635,830
Total liabilities	850,071	117,304	-	967,375	781,785
Fund balances:					
Nonspendable	8,838	-	-	8,838	18,078
Restricted for:					
Debt service	-	-	1,080,272	1,080,272	709,847
Police department	16,519	-	-	16,519	13,207
Street improvement	59,413	-	-	59,413	67,961
Tourism	20,031	-	-	20,031	-
Assigned for:					
Capital improvements	194,715	-	-	194,715	5,455
Unassigned	(509,401)	(103,544)	-	(612,945)	(470,982)
Total fund balances	(209,885)	(103,544)	1,080,272	766,843	343,566
Total liabilities and fund balances	\$ 640,186	\$ 13,760	\$ 1,080,272		\$ 1,125,351

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.	10,539,402
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 \$1,216,894 a deferred inflow of \$362,730, and a deferred outflow of \$373,907. The net effect of this is to decrease net position.	(1,205,717)
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 \$142,929, and a deferred outflow of \$8,887. The net effect of this is to decrease net position.	(134,042)
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.	(4,876,560)
Net position of governmental activities	\$ 5,089,926

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, 2018
WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2017

	2018			2017	
	General Fund	Capital Projects Fund	Debt Service Fund	Total Government Funds	Total Government Funds
Revenues					
Taxes:					
Property	\$ 633,429	\$ -	\$ 945,556	\$ 1,578,985	\$ 1,268,010
Sales	845,939	-	-	845,939	802,895
Franchise	193,449	-	-	193,449	182,886
Other	208,966	-	194,977	403,943	366,563
Fines and forfeitures	240,719	-	-	240,719	428,260
Fees, licenses, and permits	261,040	-	-	261,040	257,719
Leases and rentals	152,313	-	-	152,313	116,369
Aviation fuel sales	-	-	-	-	3,862
Pro Shop sales	34,477	-	-	34,477	48,632
Grill on the Green	21,159	-	-	21,159	6,146
Interest income	13,467	167	6,948	20,582	1,529
Intergovernmental revenues	354,495	2,500	-	356,995	293,229
Other income	401,360	-	-	401,360	153,357
Total revenues	<u>3,360,813</u>	<u>2,667</u>	<u>1,147,481</u>	<u>4,510,961</u>	<u>3,929,838</u>
Expenditures					
Current:					
General government	387,417	-	-	387,417	238,529
Street	300,415	-	-	300,415	335,184
Public safety:					
Police	993,365	-	-	993,365	1,172,851
Fire	490,335	-	-	490,335	620,102
Health	171,664	-	-	171,664	73,874
Park	245,245	-	-	245,245	455,043
Cemetery	37,215	-	-	37,215	37,863
Buildings	127,338	-	-	127,338	-
Airport	5,779	-	-	5,779	14,536
ATV park	86,933	-	-	86,933	50,656
Golf course	620,666	-	-	620,666	680,745
Debt service:					
Principal	374,362	-	587,555	961,917	439,596
Interest	4,523	-	204,392	208,915	144,458
Capital outlay	635,345	25,525	-	660,870	481,310
Total expenditures	<u>4,480,602</u>	<u>25,525</u>	<u>791,947</u>	<u>5,298,074</u>	<u>4,744,747</u>
Excess of revenues over (under) expenditures	<u>(1,119,789)</u>	<u>(22,858)</u>	<u>355,534</u>	<u>(787,113)</u>	<u>(814,909)</u>
Other financing sources (uses)					
Loan proceeds	750,675	-	-	750,675	806,449
Operating transfers (net)	419,190	25,634	14,891	459,715	59,545
Total other financing sources (uses)	<u>1,169,865</u>	<u>25,634</u>	<u>14,891</u>	<u>1,210,390</u>	<u>865,994</u>
Net change in fund balance	50,076	2,776	370,425	423,277	51,085
Fund balance - October 1	<u>(259,961)</u>	<u>(106,320)</u>	<u>709,847</u>	<u>343,566</u>	<u>292,481</u>
Fund balance - September 30	<u>\$ (209,885)</u>	<u>\$ (103,544)</u>	<u>\$ 1,080,272</u>	<u>\$ 766,843</u>	<u>\$ 343,566</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, 2018

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

Net change in fund balances-total governmental funds	\$ 423,277
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.	(193,070)
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.	230,081
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.	(76,764)
Changes in net position of governmental activities	\$ 383,524

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, 2018
WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2017

	2018			Variance with Final Budget- Positive (Negative)	2017
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Taxes:					
Property	\$ 717,656	\$ 703,119	\$ 633,429	\$ (69,690)	\$ 618,057
Sales	775,000	950,000	845,939	(104,061)	802,895
Franchise	235,000	188,921	193,449	4,528	182,886
Other	415,000	413,000	208,966	(204,034)	214,195
Fines and forfeitures	360,700	287,140	240,719	(46,421)	428,260
Fees, licenses, and permits	279,000	336,854	261,040	(75,814)	263,865
Leases and rentals	76,900	100,048	152,313	52,265	116,369
Aviation fuel sales	-	-	-	-	3,862
Pro Shop sales	60,000	60,000	34,477	(25,523)	48,632
Grill on the Green	25,000	25,000	21,159	(3,841)	-
Interest income	1,000	9,245	13,467	4,222	1,529
Intergovernmental revenues	293,927	293,927	354,495	60,568	293,229
Other income	32,505	382,364	401,360	18,996	153,357
Total revenues	<u>3,271,688</u>	<u>3,749,618</u>	<u>3,360,813</u>	<u>(388,805)</u>	<u>3,127,136</u>
Expenditures					
Current:					
General government	320,293	415,037	387,417	27,620	238,529
Street	402,614	451,021	300,415	150,606	335,184
Public safety:					
Police	1,045,116	1,116,688	993,365	123,323	1,172,851
Fire	454,052	542,932	490,335	52,597	620,102
Health	217,948	227,884	171,664	56,220	73,874
Park	191,373	286,322	245,245	41,077	455,043
Cemetery	51,955	51,955	37,215	14,740	37,863
Buildings	311,950	401,815	127,338	274,477	-
Airport	14,000	14,000	5,779	8,221	14,536
ATV park	85,779	108,273	86,933	21,340	50,656
Golf course	699,250	792,151	620,666	171,485	680,745
Debt service:					
Principal	-	-	374,362	(374,362)	164,385
Interest	-	-	4,523	(4,523)	10,875
Capital outlay	75,910	-	635,345	(635,345)	473,310
Total expenditures	<u>3,870,240</u>	<u>4,408,078</u>	<u>4,480,602</u>	<u>(72,524)</u>	<u>4,327,953</u>
Excess of revenues over expenditures	<u>(598,552)</u>	<u>(658,460)</u>	<u>(1,119,789)</u>	<u>(461,329)</u>	<u>(1,200,817)</u>
Other financing sources (uses)					
Loan proceeds	-	-	750,675	750,675	806,449
Operating transfers (net)	598,552	658,460	419,190	(239,270)	207,423
Total other financing sources (uses)	<u>598,552</u>	<u>658,460</u>	<u>1,169,865</u>	<u>511,405</u>	<u>1,013,872</u>
Net change in fund balance	-	-	50,076	50,076	(186,945)
Fund balance - October 1	<u>(259,961)</u>	<u>(259,961)</u>	<u>(259,961)</u>	-	<u>(73,016)</u>
Fund balance - September 30	<u>\$ (259,961)</u>	<u>\$ (259,961)</u>	<u>\$ (209,885)</u>	<u>\$ 50,076</u>	<u>\$ (259,961)</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, 2018
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2017

	Water and Sewer Fund	
	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 139,690	\$ 600
Accounts receivable (net of allowance for uncollectibles)	346,117	382,708
Total current assets	<u>485,807</u>	<u>383,308</u>
Noncurrent assets:		
Restricted cash and cash equivalents	123,860	22,704
Capital assets:		
Land	39,722	39,722
Buildings and improvements	4,581,558	4,461,569
Equipment	2,175,292	2,175,291
Landfill permit	154,407	154,407
Less accumulated depreciation and amortization	<u>(4,536,352)</u>	<u>(4,363,361)</u>
Total capital assets (net of accumulated depreciation)	<u>2,414,627</u>	<u>2,467,628</u>
Total noncurrent assets	<u>2,538,487</u>	<u>2,490,332</u>
Total assets	<u>3,024,294</u>	<u>2,873,640</u>
Deferred Outflow of Resources		
Pension expenditures	147,281	201,734
Other post employment benefits	3,659	-
Total deferred outflow of resources	<u>150,940</u>	<u>201,734</u>
Liabilities		
Current liabilities:		
Bank overdraft	-	101,363
Accounts payable and other current liabilities	140,521	135,466
Accrued interest payable	4,497	5,296
Accrued wages	9,132	7,416
Compensated absences-current	3,534	2,952
Payable to government agencies	5,070	9,723
Current portion lease payable	73,468	75,096
Current portion long-term note payable	37,501	36,397
Total current liabilities	<u>273,723</u>	<u>373,709</u>
Current liabilities payable from restricted assets:		
Customer deposits-payable from restricted assets	<u>123,860</u>	<u>122,620</u>
Noncurrent liabilities:		
Estimated liability for landfill closure and postclosure care costs	327,509	303,296
Compensated absences	31,805	26,570
Net pension obligation payable	479,332	659,071
Net other post employment benefits payable	58,853	-
Lease payable (net of current portion)	52,158	130,020
Note payable (net of current portion)	773,579	811,080
Total noncurrent liabilities	<u>1,723,236</u>	<u>1,930,037</u>
Total liabilities	<u>2,120,819</u>	<u>2,426,366</u>
Deferred Inflow of Resources		
Pension expenditures	<u>142,879</u>	<u>1,617</u>
Net Position		
Invested in capital assets, net of related debt	1,477,921	1,415,035
Unrestricted	<u>(566,385)</u>	<u>(767,644)</u>
Total net position	<u>\$ 911,536</u>	<u>\$ 647,391</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, 2018
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2017

	Business-type Activities - Enterprise Fund	
	2018	2017
Operating revenues:		
Charges for sales and services:		
Water	\$ 2,242,827	\$ 2,169,539
Sewer	660,406	667,151
Trash	860,320	776,673
Other	35,046	28,086
Total operating revenues	<u>3,798,599</u>	<u>3,641,449</u>
Operating expenses:		
Payroll costs	925,048	1,093,968
Office expenses	14,814	46,406
Maintenance and repairs	159,990	136,157
Supplies	129,397	212,752
Equipment rental	74,922	-
Insurance	65,671	33,561
Utilities	58,498	52,488
Professional fees and special services	2,862	12,021
Water purchases	1,188,609	1,188,338
Travel and lodging	1,634	4,325
Fuel	69,552	67,117
Dues and subscriptions	110,312	83,797
Depreciation and amortization	172,991	188,094
Landfill closure and postclosure costs	24,213	21,915
Miscellaneous	23,635	28,922
Total operating expenses	<u>3,022,148</u>	<u>3,168,963</u>
Operating income	<u>776,451</u>	<u>472,486</u>
Non-operating revenues (expenses):		
Contributed capital	25,525	-
Interest income	478	87
Interest expense	(38,873)	(42,823)
Total non-operating revenues (expenses)	<u>(12,870)</u>	<u>(42,736)</u>
Loss before contributions and transfers	763,581	429,750
Contributions and operating transfers:		
Operating transfers (net)	<u>(452,736)</u>	<u>(74,477)</u>
Net contributions and operating transfers	(452,736)	(74,477)
Change in net position	310,845	355,273
Total net position - October 1	<u>647,391</u>	<u>292,118</u>
Prior period adjustment	(46,700)	-
Total net position - September 30	<u>\$ 911,536</u>	<u>\$ 647,391</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, 2018
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2017

	Proprietary Fund Type Water & Sewer	
	2018	2017
Cash flows from operating activities		
Receipts from customers and users	\$ 3,835,190	\$ 3,499,388
Payments to suppliers	(1,899,495)	(1,984,689)
Payments to employees	(893,045)	(1,090,483)
Net cash provided by operating activities	<u>1,042,650</u>	<u>424,216</u>
Cash flows provided by noncapital financing activities		
Operating transfers	<u>(452,736)</u>	<u>(74,477)</u>
Cash flows from capital and related financing activities		
Purchase of equipment	(94,464)	(203,880)
Capital lease proceeds	-	155,534
Debt repayment	(115,887)	(121,175)
Interest paid on debt	(39,672)	(43,965)
Net cash provided by financing activities	<u>(250,023)</u>	<u>(213,486)</u>
Cash flows from investing activities		
Interest income	478	87
Customer deposits	1,240	1,950
Net cash provided by investing activities	<u>1,718</u>	<u>2,037</u>
Net increase in cash and cash equivalents	341,609	138,290
Cash and cash equivalents at beginning of year	<u>(78,059)</u>	<u>(216,349)</u>
Cash and cash equivalents at end of year	<u>\$ 263,550</u>	<u>\$ (78,059)</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$ 776,451	\$ 472,486
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization	172,991	188,094
(Increase) decrease in current assets:		
Receivables	36,591	(142,061)
Increase (decrease) in current liabilities:		
Accounts payable	5,055	(195,639)
Accrued payroll	7,533	3,485
Payable to government agencies	(4,653)	(424)
Landfill closure postclosure	24,213	21,914
Net pension obligation	24,469	76,361
Net cash provided by operating activities	<u>\$ 1,042,650</u>	<u>\$ 424,216</u>
Noncash investing, capital and financing activities:		
Assets contributed from Capital Projects Fund	<u>\$ 25,525</u>	<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 SEPTMEBER 30, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Revolving Loan Fund	
	2018	2017
Assets		
Receivables (net of allowances for uncollectibles)	\$ 32,234	\$ 376,838
Restricted assets:		
Cash and cash equivalents	99,886	46,316
Total assets	132,120	423,154
Net Position		
Restricted for:		
Civic development projects	132,120	423,154
Total net position	\$ 132,120	\$ 423,154

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, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Revolving Loan Fund	
	2018	2017
Additions		
Community development	\$ -	\$ -
Interest	499	359
Total additions	<u>499</u>	<u>359</u>
Deductions		
Community development	291,533	-
Total deduction	<u>291,533</u>	<u>-</u>
Change in net assets	(291,034)	359
Net position - October 1	423,154	422,795
Net position - September 30	<u>\$ 132,120</u>	<u>\$ 423,154</u>

The accompanying notes are an integral part of this statement.

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

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 (CEDC) are included in the City's accompanying financial statements as a component unit. This Corporation was 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 exercised significant oversight in approving budgets, corporate records, and accounting records of the Corporation. The City of Childress brought a proposal to the taxpayers to terminate the CEDC and authorized the creation of the Childress Municipal Development District (MDD) in the May 6, 2018 election and the proposal passed. A plan of dissolution was adopted which involved satisfying all financial obligations and transferring any remaining assets to the City of Childress. A reserve/escrow account has been established to pay future miscellaneous project expenses.

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, 2018, 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.

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

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.

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, 2018

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, 2018

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, 2018

- 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

In fiscal year 2018, the City adopted GASB 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits of OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions, as amended and No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 41, Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

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.

10. Some prior year numbers have been restated to more closely match current year activity.

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.

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

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, 2018, the City did not own any investments other than those permitted by statute.

Cash Deposits:

At September 30, 2018, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$817,963 and the bank balance was \$1,023,805. At September 30, 2018, 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 \$649,946, and the bank balance was \$651,012. At September 30, 2018, 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.

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

- 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.

E. Receivables

Primary Government

Receivables at September 30, 2018, consist of the following:

	General Fund	Water & Sewer Fund	Total
Taxes and assessments	\$ 469,931	\$ -	\$ 469,931
Customer-trade	-	589,215	589,215
Paving	<u>119,069</u>	<u>-</u>	<u>119,069</u>
Gross receivables	589,000	589,215	1,178,215
Less: Allowance for uncollectible accounts	<u>250,983</u>	<u>243,098</u>	<u>494,081</u>
Net total receivables	<u>\$ 338,017</u>	<u>\$ 346,117</u>	<u>\$ 684,134</u>

Discretely Presented Component Unit

Childress Municipal Development District receivables at September 30, 2018, consist of the following:

Taxes and assessments	\$ 75,991
Notes receivable	<u>17,904</u>
Total receivables	<u>\$ 93,895</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, 2018, two small business loans were receivable. The total due on these loans was \$32,234, 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.

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

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, 2018, were \$.394779 and \$.539898, respectively, per \$100 valuation, for a total of \$.934677.

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	\$ 254,128
For tourism	20,031
For public safety	<u>18,910</u>
Total General Fund	<u>293,069</u>
<u>Capital Projects Fund</u>	
For capital improvement	<u>13,760</u>
<u>Debt Service Fund:</u>	
For debt service	<u>247,064</u>
Total Governmental Funds	<u>553,893</u>
<u>Water and Sewer Fund:</u>	
For customer deposits	<u>123,860</u>
<u>Municipal Development</u>	
For business development	<u>487,616</u>
<u>Nonexpendable Trust Fund:</u>	
For business development:	<u>99,886</u>
Total restricted assets	<u>\$ 1,265,255</u>

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

H. Plant, Equipment, and Depreciation

Activity for the year ended September 30, 2018, 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	11,051,991	23,408	-	11,075,399
Equipment	3,958,751	611,936	373,926	4,196,761
Total capital assets, being depreciated:	15,010,742	635,344	373,926	15,272,160
Less accumulated depreciation for:				
Buildings and improvements	(2,558,745)	(306,334)	-	(2,865,079)
Equipment	(2,633,862)	(257,446)	158,264	(2,733,044)
Total accumulated depreciation	(5,192,607)	(563,780)	158,264	(5,598,123)
Total capital assets, being depreciated, net	9,818,135	95,856	239,954	9,674,037
Governmental activities capital assets, net	\$ 10,683,501	\$ 95,856	\$ 239,954	\$ 10,539,403
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 39,722	\$ -	\$ -	\$ 39,722
Capital assets, being depreciated:				
Improvements	4,461,569	119,989	-	4,581,558
Equipment	2,175,291	-	-	2,175,291
Total capital assets, being depreciated:	6,636,860	119,989	-	6,756,849
Less accumulated depreciation for:				
Improvements	(2,541,718)	(108,817)	-	(2,650,535)
Equipment	(1,745,084)	(60,312)	-	(1,805,396)
Total accumulated depreciation	(4,286,802)	(169,129)	-	(4,455,931)
Total capital assets, being depreciated, net	2,350,058	(49,140)	-	2,300,918
Business-type activities capital assets, net	\$ 2,389,780	\$ (49,140)	\$ -	\$ 2,340,640

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 1,065
Street	55,615
Police	67,431
Fire	65,934
Health	780
Park	55,318
Cemetery	704
Buildings	34,483
Airport	43,565
Golf Course	133,223
ATV Park	<u>105,662</u>
Total depreciation expense – governmental activities	<u>\$ 536,780</u>
Business-type activities:	
Water and Sewer	\$ 125,084
Trash	<u>44,045</u>
Total depreciation expense – business-type activities:	<u>\$ 169,129</u>

Discretely presented component units

	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Economic Development activities:				
Capital assets, not being depreciated:				
Land	<u>\$ 145,403</u>	<u>\$ -</u>	<u>\$ 145,403</u>	<u>\$ -</u>
Capital assets, being depreciated:				
Buildings and improvements	1,733,555	114,723	1,848,278	-
Equipment	<u>46,640</u>	<u>116,961</u>	<u>163,601</u>	<u>-</u>
Total capital assets, being depreciated:	<u>1,780,195</u>	<u>231,684</u>	<u>2,011,879</u>	<u>-</u>
Less accumulated depreciation for:				
Buildings and improvements	(428,781)	(27,696)	456,477	-
Equipment	<u>(35,315)</u>	<u>-</u>	<u>35,315</u>	<u>-</u>
Total accumulated depreciation	<u>(464,096)</u>	<u>(27,696)</u>	<u>491,792</u>	<u>-</u>
Total capital assets, being depreciated, net	<u>1,316,099</u>	<u>203,988</u>	<u>1,520,087</u>	<u>-</u>
Economic Development assets (net)	<u>\$1,461,502</u>	<u>\$ 203,988</u>	<u>\$1,665,490</u>	<u>\$ -</u>

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Municipal Development activities:				
Capital assets, not being depreciated:				
Land	\$ -	\$ 145,403	\$ -	\$ 145,403
Capital assets, being depreciated:				
Buildings and improvements	-	1,840,649	-	1,840,649
Equipment	-	125,819	-	125,819
Total capital assets, being depreciated:	-	1,966,468	-	1,966,468
Less accumulated depreciation for:				
Buildings and improvements	-	(471,903)	-	(471,903)
Equipment	-	(7,793)	-	(7,793)
Total accumulated depreciation	-	(479,696)	-	(479,696)
Total capital assets, being depreciated, net	-	1,486,772	-	1,486,772
Economic Development assets (net)	\$ -	\$ 1,632,175	\$ -	\$ 1,632,175

Depreciation charges to component units:
Economic Development Corporation \$ 27,696
Municipal Development District 17,426

I. Long-Term Debt

The following is a summary of changes in long-term obligations of the City for the year ended September 30, 2018:

	Balance at Beginning of Year	Increase	Decrease	Balance at End of Year	Due Within One Year
<u>Governmental activities:</u>					
Certificate of obligation bonds	\$3,617,000	\$ -	\$ 262,000	\$3,355,000	\$ 422,000
Notes payable	407,668	-	311,819	95,849	21,645
Lease payable	437,254	501,222	288,098	650,378	142,875
Compensated absences	103,954	-	31,365	72,589	7,259
Governmental activities long-term debt	<u>\$4,565,876</u>	<u>\$ 501,222</u>	<u>\$ 893,282</u>	<u>\$4,173,816</u>	<u>\$ 593,779</u>

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

	Balance at Beginning of Year	Increase	Decrease	Balance at End of Year	Due Within One Year
<u>Business-type activities:</u>					
Notes payable	\$ 847,477	\$ -	\$ 36,397	\$ 811,080	\$ 37,501
Lease payable	205,116	-	79,490	125,626	73,468
Compensated absences	<u>29,522</u>	<u>5,817</u>	<u>-</u>	<u>35,339</u>	<u>3,534</u>
Business-type activities long-term debt	<u>\$1,082,115</u>	<u>\$ 5,817</u>	<u>\$ 115,887</u>	<u>\$ 972,045</u>	<u>\$ 114,503</u>
<u>Component units:</u>					
Economic Development Corporation					
Compensated absences	<u>\$ 5,039</u>	<u>\$ -</u>	<u>\$ 5,039</u>	<u>\$ -</u>	<u>\$ -</u>
Municipal Development District					
Compensated absences	<u>\$ -</u>	<u>\$ 8,212</u>	<u>\$ -</u>	<u>\$ 8,212</u>	<u>\$ 821</u>

Certificate of Obligation Bonds payable at September 30, 2018, are comprised of the following individual issues:

	Range of Interest Rates	Final Maturity Date	Annual Serial Payments	Bonds Authorized	Bonds Outstanding At 9/30/18
2014 General Refunding Bond	2.2%	2/15/22	\$ 145,000 to 164,000	\$ 1,219,000	\$ 634,000
2015 Certificates of Obligation	3.85%	4/15/35	\$ 102,000 to 213,000	3,043,000	2,721,000

The annual requirements to pay principal and interest on the City's bonded debt at September 30, 2018, are as follows:

Year Ending September 30,	Principal	Interest	Total
2019	\$ 269,000	\$ 117,024	\$ 386,024
2020	278,000	109,148	387,148
2021	286,000	101,002	387,002
2022	294,000	92,587	386,587
2023	135,000	85,778	220,778
2024-28	759,000	346,577	1,105,577
2029-33	916,000	188,881	1,104,881
2034-35	<u>418,000</u>	<u>24,294</u>	<u>442,294</u>
Total	<u>\$ 3,355,000</u>	<u>\$ 1,065,291</u>	<u>\$ 4,420,291</u>

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

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, 2018, \$246,963 was available in this fund to service these bonds.

Notes payable

The notes payable at September 30, 2018, consisted of the following:

	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>9/30/18</u>
<u>Governmental activities:</u>			
Line of Credit	8/15/19	4.50%	\$657,528
Fire truck	11/01/22	3.50%	95,849
<u>Business-type activities:</u>			
Water meter system	9/01/34	3.85%	811,080

The City reinstated a \$1,000,000 line of credit on August 15, 2018, secured by real estate of the City, due on August 15, 2018, and accruing interest at a rate of 4.5%. At September 30, 2018 the City had an unused line of credit available of \$342,472.

The annual requirements to pay principal and interest on the City's notes payable at September 30, 2018, are as follows:

Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
<u>Governmental activities:</u>			
2019	\$ 679,173	\$ 32,944	\$ 712,117
2020	22,403	2,597	25,000
2021	23,187	1,813	25,000
2022	23,999	1,001	25,000
2023	4,615	162	4,777
Total	<u>\$ 753,377</u>	<u>\$ 38,517</u>	<u>\$ 791,894</u>
<u>Business-type activities:</u>			
2019	\$ 37,501	\$ 30,869	\$ 68,370
2020	38,959	29,411	68,370
2021	40,473	27,897	68,370
2022	42,046	26,324	68,370
2023	43,681	24,689	68,370
2024-28	245,231	96,620	341,851
2029-33	296,744	45,107	341,851
2034	66,445	1,925	68,370
Total	<u>\$ 811,080</u>	<u>\$ 282,842</u>	<u>\$1,093,922</u>

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

Leases

Capital lease obligations at September 30, 2018 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 9/30/18</u>
Governmental activities:					
Copsync equipment	\$101,366	11/14/14	10/01/19	2.40%	41,920
2015 Fire Truck	298,921	10/15/16	10/05/21	2.99%	184,605
JD Progator 2020	28,112	08/15/18	07/15/22	4.75%	27,565
JD 620 G Motor Grader	206,600	04/24/18	04/24/23	4.75%	206,600
6 2018 Dodge Chargers	197,616	03/05/18	06/15/22	3.75%	134,618
2 2018 Chev Silverados	68,894	03/05/18	06/15/22	3.75%	55,070
Business-type activities:					
Trash truck	165,170	05/06/14	02/15/21	4.65%	76,510
816F Compactor	155,534	10/01/16	09/16/19	3.20%	49,117

Equipment under capital lease agreements at year end had a net book value of \$765,649.
 Minimum future rental payments as of September 30, 2018, are as follows:

Year Ending September 30:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2019	\$ 101,612	\$ 77,817
2020	166,866	27,912
2021	145,165	27,912
2022	149,574	-
2022	<u>161,477</u>	<u>-</u>
Total minimum lease payments	724,694	133,641
Amount representing interest	<u>74,316</u>	<u>8,015</u>
Present value of minimum lease payments	<u>\$ 650,378</u>	<u>\$ 125,626</u>

J. Employee Retirement System

Plan Description

The City of Childress participates as one of 883 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.

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

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	0%
Annuity increase (no retirees)	0% of CPI

Employees covered by benefit terms:

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	39
Inactive employees entitled to but not yet receiving benefits	39
Active employees	<u>60</u>
Total	<u>138</u>

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 14.71% and 15.01% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were \$304,550, and were equal to the required contributions.

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017, 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 males 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.

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).

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
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, 2018

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/2016	<u>\$8,917,749</u>	<u>\$ 6,563,924</u>	<u>\$2,353,825</u>
Changes for the year:			
Service cost	338,618	-	338,618
Interest	594,293	-	594,293
Change of benefit terms	-	-	-
Difference between expected and actual experience	(183,505)	-	(183,505)
Changes of assumptions	-	-	-
Contributions – employer	-	314,964	(314,964)
Contributions – employee	-	146,136	(146,136)
Net investment income	-	909,709	(909,709)
Benefit payments, including refunds of employee contributions	(565,445)	(565,445)	-
Administrative expense	-	(4,715)	4,715
Other changes	-	(239)	239
Net changes	<u>183,961</u>	<u>800,410</u>	<u>(616,449)</u>
Balance at 12/31/2017	<u>\$9,101,710</u>	<u>\$ 7,364,334</u>	<u>\$1,737,376</u>

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	\$ 3,002,448	\$ 1,737,376	\$ 701,233

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, 2018, the City recognized pension expense of \$401,446.

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 29,176
Changes in actuarial assumptions	-	3,040
Difference between projected and actual investment earnings	-	191,959
Contributions subsequent to the measurement date	<u>240,132</u>	<u>-</u>
Total	<u>\$ 240,132</u>	<u>\$ 224,175</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:	
2018	\$ 19,920
2019	(11,209)
2020	(125,181)
2021	<u>(107,705)</u>
Total	<u>\$ (224,175)</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, 2018

Employees covered by benefit terms:

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	35
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>60</u>
Total	<u>99</u>

Contributions

The contribution rates for SDBF for the City of Childress were .27% and .27% in calendar years 2018 and 2017, respectively. The City's contributions to SDBF for the year ended September 30, 2018, were \$3,811, and were equal to the required contributions.

Actuarial Assumptions

The OPEB liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Salary increases	3.5% to 10.5% including inflation
Discount rate*	3.31%
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, 2017.

CITY OF CHILDRESS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

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, 2017.

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 3.31%, 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 (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

	1% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
City's OPEB liability	\$ 246,993	\$ 210,189	\$ 180,683

Changes in the OPEB Liability

	Total OPEB Liability (a)
Balance at 12/31/2016	\$ <u>180,817</u>
Changes for the year:	
Service cost	9,394
Interest on Total OPEB Liability	6,981
Change of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions or other inputs	14,667
Benefit payments*	<u>(1,670)</u>
Net changes	<u>29,372</u>
Balance at 12/31/2017	\$ <u>210,189</u>

*Due to the SDBF being considered an unfunded OPEB plan under GASB 78, 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, 2018

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

For the year ended September 30, 2018, the City recognized OPEB expense of \$19,234.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred (Inflows) of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ -
Changes in actuarial assumptions	-	11,808
Contributions subsequent to the measurement date	<u>-</u>	<u>1,261</u>
Total	<u>\$ -</u>	<u>\$ 13,069</u>

\$2,995 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, 2018. 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:	
2018	\$ 2,859
2019	2,859
2020	2,859
2021	2,859
2022	<u>372</u>
Total	<u>\$ 11,808</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 2018, 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, 2018

L. Health Care Coverage

During the year ended September 30, 2018, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$485 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, 2018, the City had expenditures in excess of the budgeted amount in the General Fund in the following areas and amounts:

Debt service	
Principal	374,362
Interest	4,523
Capital outlay	635,345

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 \$327,509 as of September 30, 2018, which is based on 19% usage (filled) of the landfill. It is estimated that an additional \$1,396,225 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 (\$1,723,734) 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, 2018. 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, 2018, the City had accrued vacation leave, comp time and related payroll tax liabilities of \$107,928. 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, 2018

Q. Interfund Transactions

Interfund receivables and payables at September 30, 2018 consisted of the following:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 31,004	\$ 713,503
Capital Projects	-	117,304
Interest and Sinking	830,807	-
Water and Sewer Fund	-	-
Component Unit	-	31,004
	<u>\$ 861,811</u>	<u>\$ 861,811</u>

Government interfund transfers during the year ended September 30, 2018, were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 999,766	\$ -
Capital Projects	25,634	-
Interest and Sinking	-	572,664
Water and Sewer Fund	-	452,736
	<u>\$ 1,025,400</u>	<u>\$ 1,025,400</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. Prior Period Adjustment

The 2018 prior period adjustments consisted of:

	Governmental Activities	Business-type Activities
Net position September 30, 2017	\$4,811,534	\$ 647,391
Prior year capital asset omitted	48,973	-
Lease payable Interceptor omitted	(37,100)	-
TMRS prior year reporting error	8,637	3,557
Required implementation of GASB 75	<u>(125,642)</u>	<u>(50,257)</u>
Net position September 30, 2017 restated	<u>\$4,706,402</u>	<u>\$ 600,691</u>

CITY OF CHILDRESS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2018

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

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

CITY OF CHILDRESS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2018

SCHEDULE OF CONTRIBUTIONS Last 10 Fiscal Years (will ultimately be displayed)

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

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	28 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, 2018

SCHEDULE OF CITY'S OTHER POST EMPLOYMENT BENEFITS (OPEB) CONTRIBUTIONS Last 10 Fiscal Years (will ultimately be displayed)

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

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, 2017 and a measurement date of December 31, 2017: as such, no roll-forward is required.

Other Information:

Notes

There were no benefit changes during the year.

CITY OF CHILDRESS, TEXASREVENUES 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>
2009	732,032	1,153,266	259,372	33,842
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

<u>Traffic Fines</u>	<u>Interest</u>	<u>Other</u>	<u>Total</u>
43,336	8	968,173	3,190,029
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

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>
2009	223,134	307,909	535,751	381,126	16,894	165,283
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

<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>
115,240	-	209,995	31,200	423,747	396,562	2,806,841
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

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>
2008	130,026,076	0.526083	676,706	651,757	29,922
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

<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>
681,679	100.73%	28,258
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

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, 2018, 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 April 30, 2019.

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 preceding paragraph 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 2018-1 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 2018-2.

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.
April 30, 2019

CITY OF CHILDRESS, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal Control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X No

Non compliance material to financial statements noted? X Yes No

2. Federal Awards

Under the guidelines of 2 CFR part 200, a Single Audit was not required for the year ended September 30, 2018.

B. Findings Required to be Reported in Accordance with Government Auditing Standards

Finding 2018-1 - 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 was not current with their bank reconciliations which led to reports provided to the City Council being incomplete.

Cause

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

Effect

Reports provided to the City Council were incomplete as several transactions were not recorded timely.

CITY OF CHILDRESS, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Finding 2018-2 - Noncompliance - Overexpended Budget

Criteria

The City Council approves an annual budget before each fiscal year and budget amendments are approved throughout the year to make changes to the original budget. At no time should expenditures exceed the amended budget amounts by functional category.

Condition

The expenditures exceeded the amended budget in the following functional categories and in total in the General Fund during the year ended September 30, 2018:

Debt service	
Principal	374,362
Interest	4,523
Capital outlay	635,345

Cause

The amended budgets were overexpended as a result of posting errors.

Effect

Expenditures exceeded budget in three functional areas.

Recommendation

We recommend that the City carefully monitor capital expenditures and debt payments and amend the budget accordingly so that the budgeted amounts are not exceeded.

C. Findings and Questioned Costs for State Awards

None, under the guidelines of 2 CFR part 200, a Single Audit was not required for the year ended September 30, 2018.

CITY OF CHILDRESS, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Finding 2018-1

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

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

Finding 2018-2

The City will monitor expenditures more closely to ensure that expenditures do not exceed the budgeted amounts.

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, 2018

Finding 2017-1

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 2017-2

Property taxes levied for debt service were not being deposited into the Interest & Sinking Fund to be used only for the payment of debt.

Corrected

Finding 2017-3

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

Ongoing