

**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

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Childress, Texas, as of and for the year ended September 30, 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
<b>Revenues:</b>						
<b>Program revenues:</b>						
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
<b>General revenues:</b>						
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
<b>Total revenues</b>	<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>
<b>Expenses:</b>						
General government	248,384	414,652	-	-	248,384	414,652
Street	393,323	360,011	-	-	393,323	360,011
<b>Public safety:</b>						
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
<b>Total expenses</b>	<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)	-	-
<b>Increase in net position</b>	<u>(496,188)</u>	<u>383,524</u>	<u>355,273</u>	<u>310,845</u>	<u>(140,915)</u>	<u>694,369</u>
<b>Net position – beginning</b>	<u>5,307,722</u>	<u>4,811,534</u>	<u>292,118</u>	<u>647,391</u>	<u>5,599,840</u>	<u>5,458,925</u>
Prior period adjustment	-	(105,132)	-	(46,700)	-	(151,832)
<b>Net position – ending</b>	<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
<b>Assets</b>					
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>
<b>Deferred Outflow of Resources</b>					
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>
<b>Liabilities</b>					
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>
<b>Deferred Inflow of Resources</b>					
Pension expenditures	<u>362,730</u>	<u>142,879</u>	<u>505,609</u>	<u>-</u>	<u>12,266</u>
<b>Net Position</b>					
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
<b>Primary Government</b>								
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)	\$ -	\$ -
<b>Component Unit</b>								
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
<b>ASSETS</b>					
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
<b>Total assets</b>	<b>640,186</b>	<b>13,760</b>	<b>1,080,272</b>	<b>1,734,218</b>	<b>1,125,351</b>
<b>LIABILITIES AND FUND BALANCES</b>					
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
<b>Total liabilities</b>	<b>850,071</b>	<b>117,304</b>	<b>-</b>	<b>967,375</b>	<b>781,785</b>
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)
<b>Total fund balances</b>	<b>(209,885)</b>	<b>(103,544)</b>	<b>1,080,272</b>	<b>766,843</b>	<b>343,566</b>
<b>Total liabilities and fund balances</b>	<b>\$ 640,186</b>	<b>\$ 13,760</b>	<b>\$ 1,080,272</b>		<b>\$ 1,125,351</b>

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)
<b>Net position of governmental activities</b>	<b>\$ 5,089,926</b>

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
<b>Revenues</b>					
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>
<b>Expenditures</b>					
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>
<b>Other financing sources (uses)</b>					
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			
<b>Revenues</b>					
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>
<b>Expenditures</b>					
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>
<b>Other financing sources (uses)</b>					
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
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 139,690	\$ 600
Accounts receivable (net of allowance for uncollectibles)	346,117	382,708
Total current assets	485,807	383,308
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	(4,536,352)	(4,363,361)
Total capital assets (net of accumulated depreciation)	2,414,627	2,467,628
Total noncurrent assets	2,538,487	2,490,332
Total assets	3,024,294	2,873,640
<b>Deferred Outflow of Resources</b>		
Pension expenditures	147,281	201,734
Other post employment benefits	3,659	-
Total deferred outflow of resources	150,940	201,734
<b>Liabilities</b>		
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	273,723	373,709
Current liabilities payable from restricted assets:		
Customer deposits-payable from restricted assets	123,860	122,620
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	1,723,236	1,930,037
Total liabilities	2,120,819	2,426,366
<b>Deferred Inflow of Resources</b>		
Pension expenditures	142,879	1,617
<b>Net Position</b>		
Invested in capital assets, net of related debt	1,477,921	1,415,035
Unrestricted	(566,385)	(767,644)
Total net position	\$ 911,536	\$ 647,391

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
<b>Operating revenues:</b>		
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>
<b>Operating expenses:</b>		
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>
<b>Non-operating revenues (expenses):</b>		
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
<b>Contributions and operating transfers:</b>		
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
<b>Cash flows from operating activities</b>		
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	1,042,650	424,216
<b>Cash flows provided by noncapital financing activities</b>		
Operating transfers	(452,736)	(74,477)
<b>Cash flows from capital and related financing activities</b>		
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	(250,023)	(213,486)
<b>Cash flows from investing activities</b>		
Interest income	478	87
Customer deposits	1,240	1,950
Net cash provided by investing activities	1,718	2,037
Net increase in cash and cash equivalents	341,609	138,290
Cash and cash equivalents at beginning of year	(78,059)	(216,349)
Cash and cash equivalents at end of year	\$ 263,550	\$ (78,059)
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
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	\$ 1,042,650	\$ 424,216
<b>Noncash investing, capital and financing activities:</b>		
Assets contributed from Capital Projects Fund	\$ 25,525	\$ -

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
<b>Assets</b>		
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
<b>Net Position</b>		
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
<b>Additions</b>		
Community development	\$ -	\$ -
Interest	499	359
Total additions	<u>499</u>	<u>359</u>
<b>Deductions</b>		
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.

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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.

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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."



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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.

