

**CHILDRESS COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

Honorable County Judge  
Members of the Commissioners' Court  
Childress, Texas 79201

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Childress County, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the County'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, each major fund, and the aggregate remaining fund information of the Childress County, Texas, as of September 30, 2020, and the respective changes in financial position 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, budgetary comparison, and analysis, schedule of changes in net pension liability and schedule of contributions on pages 3-8 and 33-36 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 County's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were 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 combining and individual nonmajor fund financial statements 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 August 9, 2021, on our consideration of the Childress County, 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 Childress County, Texas' internal control over financial reporting and compliance.



Foster & Lambert L.L.C.  
August 9, 2021

# CHILDRESS COUNTY, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2020

As management of Childress County, this narrative overview and analysis is provided of the County's financial activities for the fiscal year ending September 30, 2020. We recommend readers consider information in conjunction with the financial statements taken as a whole.

### **Overview of the Financial Statements**

Management's Discussion and Analysis introduces the County's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The County also includes in this report additional information to supplement the basic financial statements.

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances. They are prepared using the full accrual basis of accounting.

The statement of net position presents information on all the County's assets and liabilities with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish governmental activities of the County that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, and public services. Business-type activities include rental property.

### **Fund Financial Statements**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The County uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the County's most significant funds rather than the County as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

# CHILDRESS COUNTY, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2020

The County has two kinds of funds:

**Government funds** – Most of the County's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the County's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

**Fiduciary funds** – The County is the trustee, or fiduciary, for certain funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the government-wide financial statements because the County cannot use these assets to finance its operations.

### **Notes to the Financial Statements**

The accompanying notes to the financial statements provide additional information that is essential for a full understanding of the information provided in the basic financial statements. The notes to the financial statements begin immediately following the basic financial statements.

# CHILDRESS COUNTY, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2020

### Financial Analysis

Net position may serve, over time, as a useful indicator of a governmental financial position. In the case of Childress County, assets and deferred outlays exceeded liabilities and deferred inflows by \$7,216,491 at the close of the fiscal year.

### Condensed Statement of Net Position

	Total Primary Government	
	<u>2019</u>	<u>2020</u>
Current and other assets	\$ 1,797,936	\$ 2,591,855
Capital assets	<u>8,759,866</u>	<u>10,645,180</u>
Total assets	<u>10,557,802</u>	<u>13,237,035</u>
Deferred outflow of resources	<u>345,748</u>	<u>118,234</u>
Other liabilities	189,796	154,266
Long-term liabilities	<u>4,552,242</u>	<u>5,833,392</u>
Total liabilities	<u>4,742,038</u>	<u>5,987,658</u>
Deferred inflow of Resources	<u>50,133</u>	<u>151,120</u>
Net Position:		
Investment in capital assets	4,255,077	4,871,862
Restricted	1,729,665	2,126,626
Unrestricted	<u>126,637</u>	<u>218,003</u>
Total net position	<u>\$ 6,111,379</u>	<u>\$ 7,216,491</u>

# CHILDRESS COUNTY, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2020

Analysis of the County's Operations – Governmental and Business-type activities increased the County's net position by \$1,105,112. The key elements of this increase are as follows:

### Changes in Net Position

	Total Primary Government	
	<u>2019</u>	<u>2020</u>
Revenues:		
Program revenues:		
Charges for services	\$1,238,730	\$1,337,057
Operating grants	37,074	28,527
General revenues:		
Property taxes	2,842,418	2,921,185
Sales taxes	779,116	794,828
Investment income	48,350	19,815
Other income	<u>134,887</u>	<u>925,464</u>
Total revenues	<u>5,080,575</u>	<u>6,026,876</u>
Expenses:		
General government	904,409	1,109,922
Public safety	1,857,235	1,836,769
Justice system	747,501	875,363
Health and human services	14,880	15,332
Environmental services	96,317	91,648
Road and bridge maintenance	830,868	813,594
Corrections and rehabilitation	4,485	3,279
Interest on long-term debt	<u>197,058</u>	<u>175,857</u>
Total expenses	<u>4,652,753</u>	<u>4,921,764</u>
Change in net position	427,822	1,105,112
Net position – beginning	<u>5,683,557</u>	<u>6,111,379</u>
Net position - ending	<u>\$6,111,379</u>	<u>\$7,216,491</u>

### Financial Highlights

The assets of Childress County exceeded its liabilities at the close of the most recent fiscal year by \$7,216,491. Of this amount, \$2,126,626 is restricted to be used to meet the government's debt service obligations and capital projects.

The government's total net position increased by \$1,105,112.

As of the close of the current fiscal year, Childress County's governmental funds reported combined ending fund balances of \$1,933,401.

At the end of current fiscal year, the fund balance for the general fund was \$145,914, deficit.



# CHILDRESS COUNTY, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2020

Governmental fund expenditures were more than revenues by \$2,521,927 for Childress County for the 2019-2020 fiscal year before loan proceeds.

### General Fund Budgetary Highlights

The General Fund budget expenditures for fiscal year 2020 were \$3,566,810 and actual expenses were \$4,024,270.

The General Fund budget complied with financial policies approved by the County Commissioners and maintained core County services.

### Capital Assets and Debt Administration

#### Capital Assets

The County's investment in capital assets for its government-wide activities as of September 30, 2020, amounts to \$10,645,180 (net of accumulated depreciation). This investment in capital assets includes property, equipment and infrastructure.

#### Capital Assets at Year-End (Net of Accumulated Depreciation)

	Total Primary Government	
	2019	2020
Land	\$ 38,210	\$ 38,210
Property	7,574,917	7,475,258
Equipment	1,024,248	2,612,158
Infrastructure	122,491	519,554
Totals	<u>\$8,759,866</u>	<u>\$10,645,180</u>

#### Current year property additions:

4 2019 Chev Tahoes	\$ 200,137
2019 Chev Van	37,487
HVAC united	19,500
Courthouse renovations	400,000
6 John Deere Motor Graders	1,603,500
2 Cat Motor Graders	532,856

# CHILDRESS COUNTY, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2020

### Debt

At year-end, the County had \$5,773,318 of bonds and notes payable, as shown below:

#### Outstanding Debt, at Year-End

	Governmental Activities	
	2019	2020
Lease payable	\$ 1,315,840	\$ 373,318
Notes payable	108,949	-
Bonds payable	<u>3,080,000</u>	<u>5,400,000</u>
Total	<u>\$ 4,504,789</u>	<u>\$ 5,773,318</u>

### Economic Factors for Next Year

The County's elected officials considered many factors when preparing the fiscal year 2020-2021 budget. The total tax rate was set at \$.5800 per \$100 valuation. The maintenance and operating tax rate is \$.4360 per \$100 valuation, with \$.1440 designated for interest and sinking. The County plans to complete the renovation project on the County Courthouse in the 2020-21 year.

### Request for Information

This financial report is designed to provide a general overview of the County'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 Childress County Treasurer, Courthouse Box 10, Childress, Texas, 79201.

# CHILDRESS COUNTY, TEXAS

## STATEMENT OF NET POSITION SEPTEMBER 30, 2020

	<u>Primary Government Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 978,859
Receivables (net of allowances for uncollectibles)	180,462
Restricted assets:	
Cash and cash equivalents	968,046
Prepaid expense	22,868
Net pension asset	441,620
Capital assets (net of accumulated depreciation)	
Land	38,210
Property	7,475,258
Equipment	2,612,158
Infrastructure	519,554
Total assets	<u>13,237,035</u>
<b>Deferred Outflow of Resources</b>	
Deferred outflows - pension	<u>118,234</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and other current liabilities	133,440
Accrued interest payable	20,826
Compensated absences - current	6,007
Lease payable- current	83,249
Bond payable - current	552,000
Noncurrent liabilities:	
Compensated absences	54,067
Lease payable	290,069
Bond payable	4,848,000
Total liabilities	<u>5,987,658</u>
<b>Deferred Inflow of Resources</b>	
Pension expense	<u>151,120</u>
Total deferred inflow of resources	<u>151,120</u>
<b>Net Position</b>	
Net investment in capital assets	4,871,862
Restricted	2,126,626
Unrestricted	<u>218,003</u>
Total net position	<u>\$ 7,216,491</u>

*The accompanying notes are an integral part of these financial statements.*

# CHILDRESS COUNTY, TEXAS

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2020

<u>Function/Programs</u>	<u>Expenses</u>	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Govt. Governmental Activities</u>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 1,109,922	\$ 15,687	\$ -	\$ (1,094,235)
Public safety	1,836,769	598,282	28,527	(1,209,960)
Justice system	875,363	723,088	-	(152,275)
Health and human services	15,332	-	-	(15,332)
Environmental services	91,648	-	-	(91,648)
Road and bridge maintenance	813,594	-	-	(813,594)
Corrections and rehabilitation	3,279	-	-	(3,279)
Interest on long-term debt	175,857	-	-	(175,857)
Total primary government	4,921,764	1,337,057	28,527	(3,556,180)
General revenues:				
				2,921,185
				794,828
				19,815
				925,464
				4,661,292
				1,105,112
				6,111,379
				\$ 7,216,491

*The accompanying notes are an integral part of these financial statements.*

## CHILDRESS COUNTY, TEXAS

### BALANCE SHEET GOVERNMENTAL FUNDS SEPTEMBER 30, 2020

	2020					
	General Fund	Road and Bridge Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Government Funds	Total Government Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 990,516	\$ -	\$ -	\$ -	\$ 9,402	\$ 999,918
Receivables (net of allowance for uncollectible)	150,805	-	-	29,657	-	180,462
Due from other funds	-	-	-	1,632,454	-	1,632,454
<b>Restricted assets;</b>						
Cash and cash equivalents	173,213	-	679,709	115,124	-	968,046
Prepaid expense	22,868	-	-	-	-	22,868
<b>Total assets</b>	<u>1,337,402</u>	<u>-</u>	<u>679,709</u>	<u>1,777,235</u>	<u>9,402</u>	<u>3,803,748</u>
<b>Liabilities</b>						
Accounts payable	125,085	8,355	-	-	-	133,440
Bank overdraft	-	21,058	-	-	-	21,058
Due to other funds	1,302,136	-	330,318	-	-	1,632,454
<b>Total liabilities</b>	<u>1,427,221</u>	<u>29,413</u>	<u>330,318</u>	<u>-</u>	<u>-</u>	<u>1,786,952</u>
<b>Deferred Inflows of Resources</b>						
Unavailable Revenue:						
Property taxes	55,645	-	-	27,300	-	82,945
Fine revenue	450	-	-	-	-	450
<b>Total liabilities</b>	<u>56,095</u>	<u>-</u>	<u>-</u>	<u>27,300</u>	<u>-</u>	<u>83,395</u>
<b>Fund balances:</b>						
Restricted for:						
Debt service	-	-	-	1,749,935	-	1,749,935
Capital projects	-	-	349,391	-	-	349,391
Unrestricted						
Assigned						
Special revenue funds	-	-	-	-	9,402	9,402
Unassigned	(145,914)	(29,413)	-	-	-	(175,327)
<b>Total fund balances</b>	<u>(145,914)</u>	<u>(29,413)</u>	<u>349,391</u>	<u>1,749,935</u>	<u>9,402</u>	<u>1,933,401</u>
<b>Total liabilities, deferred inflows and fund balances</b>	<u>\$ 1,337,402</u>	<u>\$ -</u>	<u>\$ 679,709</u>	<u>\$ 1,777,235</u>	<u>\$ 9,402</u>	<u>\$ 3,803,748</u>

*The accompanying notes are an integral part of these financial statements.*

# CHILDRESS COUNTY, TEXAS

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION FOR THE YEAR ENDED SEPTEMBER 30, 2020

<b>Total Fund Balances - Governmental Funds</b>	\$ 1,933,401
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,645,180
Included in the items related to position is the recognition of the City's proportionate share of the net pension asset required by GASB 68 in the amount of \$441,620, a deferred resource related to RMRS in the amount of \$118,2348, and deferred inflow of \$151,120. The net effect of this is to increase net position.	408,734
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but is recognized as an expenditure when due.	(5,854,217)
Various other reclassifications and eliminations are necessary to convert from the modified basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue.	83,393
<b>Net Position of Governmental Activities</b>	<u>\$ 7,216,491</u>

*The accompanying notes are an integral part of these financial statements.*

## CHILDRESS COUNTY, TEXAS

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2020

	2020					Total Government Funds
	General Fund	Road and Bridge Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Government Funds	
<b>Revenues</b>						
Property taxes	1,721,166	\$ 411,593	\$ -	\$ 801,742	\$ -	\$ 2,934,501
Sales and miscellaneous taxes	506,020	288,808	-	-	-	794,828
Fines and forfeitures	833	-	-	-	4,815	5,648
Charges for services	1,331,304	-	-	-	-	1,331,304
Intergovernmental	28,527	-	-	-	-	28,527
Other income	270,495	1,252,004	-	-	690	1,523,189
Interest income	13,488	-	979	5,301	47	19,815
Total revenues	<u>3,871,833</u>	<u>1,952,405</u>	<u>979</u>	<u>807,043</u>	<u>5,552</u>	<u>6,637,812</u>
<b>Expenditures</b>						
<b>Current:</b>						
General government	1,058,290	-	50,060	166	-	1,108,516
Public safety	1,717,337	-	-	-	-	1,717,337
Justice system	883,451	-	-	-	7,696	891,147
Health and human services	15,829	-	-	-	-	15,829
Environmental services	92,239	-	-	-	-	92,239
Road and bridge maintenance	-	674,710	-	-	-	674,710
Corrections and rehabilitation	-	-	-	-	3,278	3,278
<b>Debt service:</b>						
Principal	-	-	-	570,341	-	570,341
Interest	-	5,306	-	183,495	-	188,801
Capital outlay	257,124	1,104,061	2,536,356	-	-	3,897,541
Total expenditures	<u>4,024,270</u>	<u>1,784,077</u>	<u>2,586,416</u>	<u>754,002</u>	<u>10,974</u>	<u>9,159,739</u>
Excess (deficiency) of revenue over (under) expenditures	(152,437)	168,328	(2,585,437)	53,041	(5,422)	(2,521,927)
<b>Other Financing Sources (Uses)</b>						
Loan proceeds	237,624	-	2,700,000	-	-	2,937,624
Transfers (net)	(65,644)	(147,939)	213,583	-	-	-
Total other financing sources (uses)	<u>171,980</u>	<u>(147,939)</u>	<u>2,913,583</u>	<u>-</u>	<u>-</u>	<u>2,937,624</u>
Net change in fund balance	19,543	20,389	328,146	53,041	(5,422)	415,697
Fund balances - beginning	(165,457)	(49,802)	21,245	1,696,894	14,824	1,517,704
Fund balances - ending	<u>\$ (145,914)</u>	<u>\$ (29,413)</u>	<u>\$ 349,391</u>	<u>\$ 1,749,935</u>	<u>\$ 9,402</u>	<u>\$ 1,933,401</u>

*The accompanying notes are an integral part of these financial statements.*

## CHILDRESS COUNTY, 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, 2020

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

Net change in fund balances - total government funds	\$ 415,697
Governmental funds report capital outlay 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 capital outlay exceeded depreciation in the current period.	1,885,315
The implementation of GASB 68 required that certain expenditures be de-expensed and recorded as deferred resource outflows. The City's share of the unrecognized deferred inflows and outflows for TMRS as of the measurement date had to be amortized. The net effect is to increase net position.	85,520
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.	(1,268,209)
Some of the County's receivables will not be collected for several months after year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount in the current year.	<u>(13,212)</u>
Changes in net assets of governmental activities	<u>\$ 1,105,111</u>

*The accompanying notes are an integral part of these financial statements.*



# CHILDRESS COUNTY, TEXAS

## STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS SEPTEMBER 30, 2020

	<u>2020</u>
<b>Assets</b>	
Restricted assets:	
Cash and cash equivalents	\$ 434,193
Total assets	<u>434,193</u>
<b>Net Position</b>	
Restricted for:	
Trust accounts	434,193
Total net position	<u><u>\$ 434,193</u></u>

*The accompanying notes are an integral part of these financial statements.*

# CHILDRESS COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2020

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Childress County reflected in the accompanying financial statements conform to accounting principles generally acceptable in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*. The most significant accounting and reporting policies of the County are described in the following notes to the financial statements.

#### 1. Reporting Entity

Childress County is an independent governmental entity, governed by elected officials comprising the Commissioners' Court of four county commissioners and the county judge. Because members of the Commissioners' Court are elected by the public, have the authority to make decisions and significantly influence operations, and have the primary accountability for fiscal matters, Childress County is not included in any other governmental "reporting entity" as defined in the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity".

These financial statements of the County include all funds, functions, and activities in which the Commissioners' Court has oversight responsibility. The manifestations of oversight responsibility considered in defining the reporting entity were interdependency, power to designate management, ability to significantly influence operations and primary accountability for fiscal matters. The financial statements include only the individual funds of Childress County as no other entities meet the criteria for inclusion.

#### 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. 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.

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

# CHILDRESS COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2020

### 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 as soon as all eligibility requirements imposed by the provider have been met. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as needed.

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 this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The government reports the following major governmental funds:

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

The road and bridge fund accounts for all financial resources of the four county precincts.

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

The government reports the following fiduciary fund.

Trust and Agency Funds – The County accounts for resources held for others in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations.

# CHILDRESS COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2020

### 4. Assets, Liabilities, and Net Position or Equity

#### a. 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.

#### b. Receivables and Payables

Activity 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 are reported in the government-wide financial statements as "internal balances".

All property tax receivables are shown net of an allowance for uncollectible. The property tax receivable allowance is equal to 37.78 percent of outstanding property taxes at September 30, 2020.

#### c. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. Donated capital assets are recorded at estimated 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Public domain infrastructure	75
Vehicles	8
Off road equipment	10
Office equipment	5
Computer equipment	5

# CHILDRESS COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2020

### **d. Compensated Absences**

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements.

### **e. Long-term Obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities fund type statement of net position.

### **f. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Fund balances are classified as follows:

**Nonspendable**—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

**Restricted**—Amounts that can be spent only for specific purposes because of the County Charter, County Code, state or federal laws, or externally imposed conditions by grantors or creditors.

**Committed**—Amounts that can be used only for specific purposes determined by a formal action by County Commissioners' resolution. This includes the budget reserve account.

**Assigned**—Amounts that are designated by the Judge for a specific purpose but are not spendable until a budget ordinance is passed by the County Commissioners.

**Unassigned**—All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet. Restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by Commissioners or the Assignment has been changed by the Judge. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

# CHILDRESS COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2020

### **g. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or balance sheet can report deferred outflows and resources. Deferred outflow of resources represents a consumption of net position that applies to a future period which will not be recognized as an outflow of resources (expense/expenditure) until that later date. The County has no items that qualify for reporting in this category in the governmental funds. However, for the governmental activities, the amount reported in the category pertains to the County's participation in the Texas County and District Retirement System (TCDRS) of \$345,748.

In addition to liabilities, the statement of net position and/or balance sheet can report deferred inflows of resources. Deferred inflows of resources represent the acquisition of net position that applies to a future period and which will not be recognized as an inflow of resources (revenue) until a later date. The County has property taxes (\$82,945), fines and fees (\$450), that will be recognized in the governmental funds in a future period. For the governmental activities, the amount reported in this category pertains to the County's participation in TCDRS (\$85,520).

### **h. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **i. Pensions**

For the purposes of measuring the net pension liability, net pension asset, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County is reported by TCDRS in their Comprehensive Annual Financial Report. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## **B. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **1. Budgetary Information**

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

- a. In June of every year, the Judge prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. In July, the first meeting is held to review the budget. It is then finalized in August and adopted in September. The proposed budget and final budget are on file in the clerk's office for public viewing.

Once a budget is approved, it can be amended only by approval of the commissioners' court. As required by law, such amendments are reflected in the official minutes of the County.

# CHILDRESS COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2020

### C. DETAILED NOTES ON ALL FUNDS

#### 1. Deposits and Investments

Cash includes demand deposits. The County 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, 2020, the County did not own any investments other than those permitted by statute.

At September 30, 2020, the total amount of the County's demand and time deposits per the general ledgers was \$2,273,055 and the total amount per the County's September 30, 2020, bank statements was \$2,459,994. The entire amount of the year-end bank statement balances was covered by federal depository insurance or by letters credit held as collateral by the County's agent in the County's name.

For purposes of the statements of cash flows, investments with an original maturity of three months or less when purchased are considered cash equivalents.

Deposits of the County 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 County 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 County 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 County 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 County's name. At year-end, the County 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 County funds shall be diversified by maturity, issuer, and class of security. At year-end, the County was not significantly exposed to concentration of credit risk related to deposits and investments.

# CHILDRESS COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2020

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

The County 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 County's policy is to not directly invest in securities maturity more than six (6) months from date of purchase. The County 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 County was not exposed to interest rate risk.

- Foreign Currency Risk

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

### 2. Receivables

Receivables as of year-end for the general fund are as follows for September 30:

	<u>2020</u>	<u>2019</u>
Property taxes	\$ 150,365	\$ 171,245
Sales tax	88,710	69,162
Fines	1,800	1,378
Due from other funds	<u>-</u>	<u>15,784</u>
Gross receivables	240,875	257,569
Less allowance for uncollectible accounts	<u>(60,413)</u>	<u>(67,286)</u>
Net total receivables	<u>\$ 180,462</u>	<u>\$ 190,283</u>

### 3. Property Taxes

Property taxes attach as an enforceable lien on property as of the prior January 1. Taxes are levied on October 1 and become delinquent after January 31. The County Appraisal District bills property taxes on a fee basis.

The County 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 rate to finance general governmental services for the year ended September 30, 2020, was \$.59 per \$100 valuation, \$.4291 for maintenance and operations and \$.1609 for interest and sinking.



# CHILDRESS COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2020

### 4. Restricted Assets

Restricted assets in the Capital Projects Fund are held for specific purposes in accordance with legal restrictions, are comprised of the following:

Cash and cash equivalents:	
General Fund:	
For records management	\$ 42,383
For Courthouse security	33,450
For Pre-trial diversion	15,773
For payroll	<u>81,607</u>
Total general fund	<u>173,213</u>
Debt Service Fund:	
For debt service	115,124
Capital Projects Fund:	
For construction	<u>679,709</u>
Total restricted cash and cash equivalents	<u>\$ 968,046</u>

### 5. Capital Assets

Capital asset activity for the year ended September 30, 2020, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 38,210	\$ -	\$ -	\$ 38,210
Total capital assets not being depreciated	<u>38,210</u>	<u>-</u>	<u>-</u>	<u>38,210</u>
Capital assets, being depreciated:				
Property	9,223,890	19,500	-	9,243,390
Equipment	2,852,130	2,373,980	1,232,157	3,993,953
Infrastructure	<u>1,017,198</u>	<u>400,000</u>	<u>-</u>	<u>1,417,198</u>
Total capital assets being depreciated	<u>13,093,218</u>	<u>2,793,480</u>	<u>1,232,157</u>	<u>14,654,541</u>
Less accumulated depreciation for:				
Property	(1,648,973)	(119,159)	-	(1,768,132)
Equipment	(1,827,882)	(188,344)	634,431	(1,381,795)
Infrastructure	<u>(894,707)</u>	<u>(2,937)</u>	<u>-</u>	<u>(897,644)</u>
Total accumulated depreciation	<u>(4,371,562)</u>	<u>(310,440)</u>	<u>634,431</u>	<u>(4,047,571)</u>
Total capital assets, being depreciated, net	<u>8,721,656</u>	<u>2,483,040</u>	<u>597,726</u>	<u>10,606,970</u>
Total governmental capital assets	<u>\$ 8,759,866</u>	<u>\$ 2,483,040</u>	<u>\$ 597,726</u>	<u>\$10,645,180</u>

# CHILDRESS COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2020

Depreciation expense was charged to functions/programs of the primary government at September 30, as follows:

	2020	2019
Governmental activities:		
General government	\$ 13,000	\$ 71,191
Public safety	149,640	143,667
Justice system	2,685	27,172
Road and bridge maintenance	<u>145,115</u>	<u>146,802</u>
Total – governmental activities	<u>\$ 310,440</u>	<u>\$ 388,832</u>

### 6. Long-term debt

The following is a summary of changes in long-term obligations of the County for the year ended September 30, 2020:

	Beginning Balance	Increase	Decrease	Balance at End of Year	Due Within One Year
Governmental activities:					
Compensated Absences	\$ 47,453	\$ 12,621	\$ -	\$ 60,074	\$ 6,007
Lease payable	1,315,840	237,624	1,180,146	373,318	83,249
Notes payable	108,949	-	108,949	-	-
Bonds payable	<u>3,080,000</u>	<u>2,700,000</u>	<u>380,000</u>	<u>5,400,000</u>	<u>552,000</u>
Governmental activities long-term debt	<u>\$4,552,242</u>	<u>\$2,950,245</u>	<u>\$1,669,095</u>	<u>\$5,833,392</u>	<u>\$ 635,249</u>

#### Bonds Payable

On June 15, 2020, the County authorized the issuance of \$2,700,000 Series 2020 Certificate of Obligation Bonds, for renovations to the County Courthouse and related equipment. The County will use the sinking fund for the assessment and collection of taxes and the redemption of the Bonds. Principal payments on the Bonds are to be made annually, June 15. Interest payments are to be made semi-annually on December 15 and June 15, with final payment due on June 15, 2035. The interest rate on the Series 2020 Bonds is 2.50%.

On June 12, 2006, the County authorized the issuance of \$6,715,000 Childress County, Texas, General Obligation Bonds, Series 2006, for the purpose of construction and equipping of a new county jail and the purchase of sites for the new jail. The county created a sinking fund for the assessment and collection of taxes and the redemption of the Bonds. Principal payments on the Bonds are to be made annually, September 1. Interest payments are to be made semi-annually on March 1 and September 1, with final payment due September 1, 2026. The interest rate on the Series 2006 Bonds is 4.65%.

Bond payments are as follows:

Year Ending September 30	Principal	Interest	Total
2021	\$ 552,000	\$ 191,175	\$ 743,175
2022	574,000	170,650	744,650
2023	598,000	147,270	745,270
2024	622,000	122,860	744,860
2025	646,000	97,420	743,420
2026-2030	1,395,000	218,100	1,613,100
2031-2035	<u>1,013,000</u>	<u>77,200</u>	<u>1,090,200</u>
Total	<u>\$5,400,000</u>	<u>\$1,024,675</u>	<u>\$6,424,675</u>

# CHILDRESS COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2020

Capital leases payable:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 09/30/20</u>
<u>Governmental activities</u>			
4 2019 Chevy Tahoes	11/17/2023	3.8%	\$ 200,137
2019 Chevy Van	11/17/2023	3.8%	37,487
2017 Mack Truck	2/1/22	2.25%	76,170
3 2017 CPS Belly Dump Trucks	2/1/22	2.25%	59,524

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future rental payments as of September 30, 2020, as follows:

Year Ending September 30:

Governmental-type activities

2021	\$ 95,896
2022	186,238
2023	<u>117,904</u>
Total minimum lease payment	400,038
Amount representing interest	<u>26,720</u>
Present value of minimum lease Payments	<u>\$ 373,318</u>

Leased equipment under capital leases in capital assets at September 30, 2020, had a net book value of \$329,363. Amortization of leased equipment under capital assets is included with depreciation expense.

### 7. Health care coverage

During the year ended September 30, 2020, employees of Childress County were covered by a health insurance plan. The County contributed premiums of \$761, per month per employee to the plan, and employees, at their option, authorized payroll withholdings to pay premiums for dependents.

### 8. Pension Plan

#### Plan Description

Childress County participates as one of 798 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas County & District Retirement System (TCFRS). TCDRS is an agency created by the State of Texas and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle G, as an agent multiple-employer retirement system for municipal employees in the State of Texas. TCDRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tcdrs.org](http://www.tcdrs.org).

All eligible employees of the County are required to participate in TCDRS.

# CHILDRESS COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2020

### Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the county-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 Childress County were as follows:

Deposit rate:	5%
Matching ratio (to employee)	1 to 1
A member is vested after:	8 years
Service retirement eligibility	60/8, 0/20

Employees covered by benefit terms:

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	26
Inactive employees entitled to but not yet receiving benefits	40
Active employees	<u>70</u>
Total	<u>136</u>

### Contributions

The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings, and the County matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the County. Under the state law governing TCDRS, the contribution rate for each County is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method.

Employees for the County of Childress were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the County were 5.50% in calendar years 2019 and 2020. The County's contributions to TCDRS for the year ended September 30, 2020, were \$143,982, and were equal to the required contributions.

### Net Pension Liability

The County's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

# CHILDRESS COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2020

### Actuarial Assumptions

The Total Pension Liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions:

Real rate of return	5.25% per year
Inflation	2.75% per year
Long-term investment return	8.00% per year

Demographic and economic assumptions are used to estimate employer liabilities and to determine the amount of funding required from employer contributions as opposed to investment earnings. These assumptions reflect a long-term investment return, long-term inflation and annual payroll increase.

Demographic assumptions are the actuary's best estimate of what will happen to TCDRS members and retirees. Examples of demographic assumptions are employment termination rates, retirement rates and retiree mortality rates. A complete listing of all actuarial assumptions can be found in the annual system-wide valuation report.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2020 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017, See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 – December 31, 2016 for more details.

# CHILDRESS COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2020

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

Asset Class	Benchmark	Target Allocation(1)	Geometric Real Rate of Return (Expected minus inflation)(2)
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index(3)	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.50%
International Equities-Developed	MCSI World Ex USA (net)	7.00%	5.20%
International Equities-Emerging	MCSI Emerging Markets (net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-20%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Associates Distressed Securities Index(4)	4.00%	6.90%
REIT Equities	67% FTSE NAREIT Equity REIT Index + 33% S&P Global REI (net) Index	3.00%	4.50%
Master Limited Partnerships	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index(5)	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	<u>8.00%</u>	2.30%
Total		<u>100.00%</u>	

(1) Target asset allocation adopted at the June 2020 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation of 1.80%, per Cliffwater's 2020 capital market assumptions.

(3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs

### Discount Rate

The discount rate used to measure the Total Pension Liability was 8.10%. 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.

# CHILDRESS COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2020

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) – (b)</u>
Balance at 12/31/2018	<u>\$3,530,781</u>	<u>\$3,535,048</u>	<u>\$ (4,267)</u>
Changes for the year:			
Service cost	173,261	-	173,261
Interest on total pension liability(1)	291,109	-	291,109
Effect of plan changes(2)	-	-	-
Effect of economic/demographic gains or losses	(57,056)	-	(57,056)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(111,673)	(111,673)	-
Benefit payments	(112,905)	(112,905)	-
Administrative expense	-	(3,166)	3,166
Member contributions	-	126,369	(126,369)
Net investment income	-	580,484	(580,484)
Employer contributions	-	139,005	(139,005)
Other(3)	-	1,975	(1,975)
Balance at 12/31/2019	<u>\$3,713,517</u>	<u>\$4,155,137</u>	<u>\$(441,620)</u>

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) No plan changes valued.

(3) Relates to allocation of system-wide items.

### Sensitivity Analysis

The following presents the net pension liability of the county/district, calculated using the discount rate of 8.10%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.10%) or 1-percentage-point higher (9.10%) than the current rate:

	1% Decrease in Discount Rate (7.10%)	Discount Rate (8.10%)	1% Increase in Discount Rate (9.10%)
Total pension liability	\$ 4,174,536	\$ 3,713,517	\$ 3,322,263
Fiduciary net position	<u>4,155,138</u>	<u>4,155,137</u>	<u>4,155,138</u>
Net pension liability/ (asset)	<u>\$ 19,398</u>	<u>\$ (441,620)</u>	<u>\$ (832,875)</u>

### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary Net Position is available in a separately-issued TCDRS financial report. That report may be obtained on the Internet at [www.tcdrs.com](http://www.tcdrs.com).

# CHILDRESS COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2020

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

For the year ended September 30, 2020, the County recognized pension expense of \$58,462.

At December 31, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual economic experience	\$ 56,560	\$ 8,167
Changes in actuarial assumptions	-	3,602
Net difference between projected and actual earnings	94,560	-
Contributions subsequent to the measurement date	-	106,465
Total	<u>\$ 151,120</u>	<u>\$ 118,234</u>

Amounts currently reported as deferred outflows and inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended September 30:	
2020	\$ (30,890)
2021	(35,604)
2022	(2,929)
2023	<u>(69,928)</u>
Total	<u>\$ (139,351)</u>

### **9. Litigation**

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

### **10. Risk management**

The County 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 2020, the County obtained general liability coverage at a cost that is considered to be economically justifiable by jointing together with other governmental entities in the State as a member of the Texas Association of Counties ("TAC"). TAC is a self-funded pool operating as a common risk management and insurance program. The County pays an annual premium to TAC for its above insurance coverage. The agreement for the formation of TAC provides that TAC 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. 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.

### **11. Commitments and Contingent Liabilities**

The District Clerk has invested trust funds at various financial institutions in accordance with court orders. The County has a fiduciary responsibility over these funds until their final disposition.



# CHILDRESS COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2020

### 12. Interfund receivables, payables, and transfers

Due to/from other funds:

	Receivable	Payable
General Fund	\$ -	\$ 1,302,136
Capital Projects Fund		330,318
Debt Service Fund	1,632,454	-
	\$ 1,632,454	\$ 1,632,454

Government interfund transfers, used for operations, during the year ended September 30, 2020, were as follows:

	Transfer In	Transfer Out
General Fund	\$ -	\$ 65,644
Capital Projects Fund	213,583	-
Road and Bridge Fund	-	147,939
	\$ 213,583	\$ 213,583

### 13. Expenditures in excess of budgeted amounts

During the year ended September 30, 2020, the County had expenditures in excess of the budgeted amount in the General Fund in the following areas and amounts:

General Fund	
General government	\$ 106,545
Justice system	129,694
Capital outlay	257,124
Road and Bridge Fund	
Capital outlay	1,104,061

### 14. Tax Abatement

Commissioners Court approved a Tax Abatement Agreement dated June 14, 2017, and amended on April 8, 2019, with Excel Advantage Services, LLC for 100% tax abatement on appraised value of property pursuant to Chapter 312 of the Texas Property Tax Code. The company qualified for a tax abatement under Texas Tax Code 312.001 and the Tax Abatement Guidelines and Criteria of Childress County under the Reinvestment Zone. In order to be eligible for designation as a Reinvestment Zone and receive Tax Abatement, the planned improvements:

1. Must be an eligible facility
2. Must add at least \$1,000,000 to the tax roll of eligible property
3. Will create no fewer than three new, permanent, full-time jobs.
4. Must be reasonably expected to have an increase in positive net economic benefit to Childress County of at least \$1,000,000 over the life of the Abatement, computed to include (but not limited to) new sustaining payroll and/or capital improvement; and
5. Not solely or primarily have the effect of transferring employment from one part of Childress County to another

The completion date was amended to December 31, 2019, for construction of a solar power facility with a minimum of two hundred megawatts of Nameplate Capacity. The owner agrees to make an annual payment to the County in the amount of \$104,118 for each of ten years. When calculated with a maintenance and operating tax rate of \$.4123, the County forgoes collecting \$41,230.

# **CHILDRESS COUNTY, TEXAS**

## **NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2020**

In the event that Excel Advantage Services, LLC terminates the Agreement without consent of the County, or in the event that the Company fails to comply in any material respect with the terms of the Agreement or to meet any material obligation under the Agreement, then the County shall be entitled to the recapture of all the ad valorem tax revenue lost as a result of the Agreement.

**REQUIRED SUPPLEMENTAL INFORMATION**

## CHILDRESS COUNTY, TEXAS

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2020

	2020			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 2,326,330	\$ 2,326,330	\$ 1,721,166	\$ (605,164)
Sales and miscellaneous taxes	355,500	355,500	506,020	150,520
Fines and forfeitures	-	-	833	833
Charges for services	1,219,000	1,219,000	1,331,304	112,304
Intergovernmental	28,750	28,750	28,527	(223)
Other income	758,539	758,539	270,495	(488,044)
Interest income	20,000	20,000	13,488	(6,512)
Total revenues	<u>4,708,119</u>	<u>4,708,119</u>	<u>3,871,833</u>	<u>(836,286)</u>
<b>Expenditures</b>				
Current:				
General government	1,115,445	951,745	1,058,290	(106,545)
Public safety	1,738,335	1,738,668	1,717,337	21,331
Justice system	786,416	753,757	883,451	(129,694)
Health and human services	15,314	27,479	15,829	11,650
Environmental services	94,856	95,160	92,239	2,921
Capital outlay	-	-	257,124	(257,124)
Total expenditures	<u>3,750,367</u>	<u>3,566,810</u>	<u>4,024,270</u>	<u>(457,460)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>957,752</u>	<u>1,141,309</u>	<u>(152,437)</u>	<u>(1,293,746)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	-	-	(65,644)	(65,644)
Loan proceeds	-	-	237,624	237,624
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>171,980</u>	<u>171,980</u>
Net change in fund balance	<u>\$ 957,752</u>	<u>\$ 1,141,309</u>	19,543	<u>\$ (1,121,766)</u>
Fund balances - beginning			(165,457)	
Fund balances - ending			<u>\$ (145,914)</u>	

## CHILDRESS COUNTY, TEXAS

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL ROAD AND BRIDGE FUND FOR THE YEAR ENDED SEPTEMBER 30, 2020

	2020			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 501,876	\$ 501,876	\$ 411,593	\$ (90,283)
Sales and miscellaneous taxes	262,000	262,000	288,808	26,808
Other	-	-	1,252,004	1,252,004
Total revenues	<u>763,876</u>	<u>763,876</u>	<u>1,952,405</u>	<u>1,188,529</u>
<b>Expenditures</b>				
Current:				
Road and bridge maintenance	742,618	763,147	680,016	83,131
Capital outlay	-	-	1,104,061	(1,104,061)
Total expenditures	<u>742,618</u>	<u>763,147</u>	<u>1,784,077</u>	<u>(1,020,930)</u>
Excess (deficiency) of revenue over (under) expenditures	21,258	729	168,328	167,599
<b>Other Financing Sources (Uses)</b>				
Loan proceeds	-	-	-	-
Transfers in	-	-	(147,939)	(147,939)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(147,939)</u>	<u>(147,939)</u>
Net change in fund balances	<u>\$ 21,258</u>	<u>\$ 729</u>	20,389	<u>\$ 19,660</u>
Fund balance - beginning			<u>(13,988)</u>	
Fund balance - ending			<u>\$ 6,401</u>	

# CHILDRESS COUNTY, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2020

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

	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
<b>Total pension liability</b>						
Service Cost	\$ 173,261	\$ 171,148	\$ 160,241	\$ 167,908	\$ 140,581	\$ 143,603
Interest (on the Total Pension Liability)	291,109	273,236	250,474	223,428	210,349	199,670
Effect of plan changes	-	-	-	-	(23,423)	-
Effect of economic/demographic gains or losses	(57,056)	(18,193)	19,848	1,141	(61,231)	(61,099)
Effect of assumptions changes or inputs	-	-	9,008	-	26,530	-
Refund of contributions	(111,673)	(76,941)	(42,013)	(19,484)	(54,582)	(63,478)
Benefit payments	(112,905)	(114,419)	(106,396)	(105,565)	(106,097)	(76,996)
Net change in Total Pension Liability	182,736	234,831	291,162	267,428	132,127	141,700
Total Pension Liability - Beginning	3,530,781	3,295,950	3,004,788	2,737,360	2,605,233	2,463,533
Total Pension Liability - Ending	<u>\$ 3,713,517</u>	<u>\$ 3,530,781</u>	<u>\$ 3,295,950</u>	<u>\$ 3,004,788</u>	<u>\$ 2,737,360</u>	<u>\$ 2,605,233</u>
<b>Plan Fiduciary Net Position</b>						
Refund of contributions	\$ (111,673)	\$ (76,941)	\$ (42,013)	\$ (19,484)	\$ (54,582)	\$ (63,478)
Benefit payments	(112,905)	(114,419)	(106,396)	(105,565)	(106,098)	(76,996)
Administrative expenses	(3,166)	(2,839)	(2,343)	(2,169)	(1,927)	(1,963)
Member contributions	126,369	127,955	125,936	108,614	105,646	99,464
Net investment income	580,484	(64,762)	438,219	199,491	(6,624)	168,835
Employer contributions	139,005	140,750	116,113	101,549	97,496	91,706
Other	1,976	2,658	1,233	21,016	2,635	6
Net Change in Plan Fiduciary Net Position	620,090	12,402	530,749	303,452	36,546	217,574
Plan Fiduciary Net Position - Beginning	3,535,048	3,522,646	2,991,897	2,688,445	2,651,899	2,434,325
Plan Fiduciary Net Position - Ending	<u>\$ 4,155,138</u>	<u>\$ 3,535,048</u>	<u>\$ 3,522,646</u>	<u>\$ 2,991,897</u>	<u>\$ 2,688,445</u>	<u>\$ 2,651,899</u>
Net Pension Asset (Liability) Ending (a)-(b)	\$ (441,621)	\$ (4,267)	\$ (226,696)	\$ 12,891	\$ 48,915	\$ (46,666)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	111.89%	100.12%	106.88%	99.57%	98.21%	101.79%
Covered Employee Payroll	\$ 2,600,907	\$ 2,559,105	\$ 2,387,368	\$ 2,172,273	\$ 2,201,419	\$ 1,989,285
Net Pension Liability as a Percentage of Covered Employee Payroll	-16.98%	-0.17%	-9.50%	0.59%	2.22%	-2.35%

## CHILDRESS COUNTY, TEXAS

### REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2020 SCHEDULE OF CONTRIBUTIONS

Year Ending December 31	Actuarially Determined Contribution(1)	Actual Employer Contribution(1)	Contribution Deficiency (Excess)	Pensionable Covered Payroll(2)	Actual Contribution as a % of Covered Payroll
2010	77,344	83,698	(6,354)	1,815,576	4.6%
2011	72,126	82,505	(10,379)	1,789,716	4.6%
2012	73,325	83,671	(10,346)	1,814,987	4.6%
2013	80,697	90,734	(10,037)	1,968,207	4.6%
2014	81,959	91,706	(9,747)	1,989,285	4.6%
2015	83,671	97,496	(13,825)	2,112,915	4.6%
2016	79,722	101,549	(21,827)	2,172,273	4.7%
2017	64,698	116,114	(51,416)	2,387,365	4.9%
2018	64,745	140,750	(76,005)	2,559,105	5.5%
2019	49,284	139,005	(89,722)	2,527,378	5.5%

(1) TCDRS calculates actuarially determined contributions on a calendar year basis. TASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis

(2) Payroll is calculated based on contributions as reported to TCDRS.

#### NOTES TO SCHEDULE OF CONTRIBUTIONS

**Valuation Date:** Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported

#### Methods and assumptions used to determine contribution rates:

<b>Actuarial Cost Method</b>	Entry Age
<b>Amortization Method</b>	Level percentage of payroll, closed
<b>Remaining Amortization Period</b>	0.0 years (based on contribution rate calculated in 12/31/17 valuation)
<b>Asset Valuation Method</b>	5-year smoothed market
<b>Inflation</b>	2.75%
<b>Salary Increases</b>	Varies by age and service. 4.9% average over career including inflation.
<b>Investment Rate of Return</b>	8.00%, net of investment expenses, including inflation
<b>Retirement Age</b>	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
<b>Mortality</b>	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
<b>Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*</b>	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
<b>Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*</b>	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2019: No changes in plan provisions were reflected in the Schedule.

\* Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to the Schedule.

**OTHER SUPPLEMENTAL INFORMATION**



# CHILDRESS COUNTY, TEXAS

## SCHEDULE OF REVENUES DETAIL BUDGET AND ACTUAL GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2020

	2020			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes				
Ad Valorem - Current	\$ 2,286,330	\$ 2,286,330	\$ 1,631,626	\$ (654,704)
Ad Valorem - Delinquent	20,000	20,000	59,692	39,692
Penalty and interest	20,000	20,000	29,848	9,848
Total property taxes	<u>2,326,330</u>	<u>2,326,330</u>	<u>1,721,166</u>	<u>(605,164)</u>
Sales and miscellaneous taxes				
General sales tax	350,000	350,000	497,569	147,569
Mixed drink tax	5,500	5,500	8,451	2,951
Total sales and miscellaneous taxes	<u>355,500</u>	<u>355,500</u>	<u>506,020</u>	<u>150,520</u>
Fines and forfeitures				
J.P. TFC	-	-	833	833
Charges for services				
Sheriff's office	6,000	6,000	6,339	339
Courthouse security	-	-	7,477	7,477
Library fees	-	-	432	432
Fees of office	763,000	763,000	726,713	(36,287)
Jail fees	450,000	450,000	590,343	140,343
Total charges for services	<u>1,219,000</u>	<u>1,219,000</u>	<u>1,331,304</u>	<u>112,304</u>
Intergovernmental				
Indigent defense grant	8,750	8,750	23,355	14,605
EMC grant	20,000	20,000	5,172	(14,828)
EMC City and School share	-	-	-	-
Total intergovernmental	<u>28,750</u>	<u>28,750</u>	<u>28,527</u>	<u>(223)</u>
Other income				
Sale of assets	-	-	34,800	34,800
Miscellaneous	758,539	758,539	235,695	(522,844)
Total other income	<u>758,539</u>	<u>758,539</u>	<u>270,495</u>	<u>(488,044)</u>
Interest income	<u>20,000</u>	<u>20,000</u>	<u>13,488</u>	<u>(6,512)</u>
<b>Total revenues</b>	<u>\$ 4,708,119</u>	<u>\$ 4,708,119</u>	<u>\$ 3,871,833</u>	<u>\$ (836,286)</u>

# CHILDRESS COUNTY, TEXAS

## SCHEDULE OF REVENUES DETAIL BUDGET AND ACTUAL ROAD AND BRIDGE FUND FOR THE YEAR ENDED SEPTEMBER 30, 2020

	2020			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes				
Ad Valorem - Current				
Precinct #1	\$ 125,469	\$ 125,469	\$ 102,898	\$ (22,571)
Precinct #2	125,469	125,469	102,898	(22,571)
Precinct #3	125,469	125,469	102,899	(22,570)
Precinct #4	125,469	125,469	102,898	(22,571)
Total property taxes	<u>501,876</u>	<u>501,876</u>	<u>411,593</u>	<u>(90,283)</u>
Sales and miscellaneous taxes				
Lateral road fund and other taxes				
Precinct #1	65,500	65,500	72,202	6,702
Precinct #2	65,500	65,500	72,202	6,702
Precinct #3	65,500	65,500	72,202	6,702
Precinct #4	65,500	65,500	72,202	6,702
Total sales and miscellaneous taxes	<u>262,000</u>	<u>262,000</u>	<u>288,808</u>	<u>26,808</u>
Other income				
Precinct #1	-	-	310,000	310,000
Precinct #2	-	-	310,002	310,002
Precinct #3	-	-	310,000	310,000
Precinct #4	-	-	322,002	322,002
Total other income	<u>-</u>	<u>-</u>	<u>1,252,004</u>	<u>1,252,004</u>
Total revenues	<u>\$ 763,876</u>	<u>\$ 763,876</u>	<u>\$ 1,952,405</u>	<u>\$ 1,188,529</u>

# CHILDRESS COUNTY, TEXAS

## SCHEDULE OF EXPENDITURES DETAIL BUDGET AND ACTUAL GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2020

	2020			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>GENERAL GOVERNMENT:</b>				
General Operations:				
Election expense	\$ 15,000	\$ -	\$ 35,399	\$ (35,399)
Auditor fees	13,000	-	14,000	(14,000)
Workers compensation and unemployment	25,000	25,000	27,486	(2,486)
Insurance and bond premium	70,000	70,000	72,393	(2,393)
Courthouse miscellaneous	150,000	150,000	138,468	11,532
Other expense	720	720	2,490	(1,770)
County fire expense	135,000	-	77,913	(77,913)
Public need	25,175	24,475	13,000	11,475
Appraisal district fees	92,000	92,000	97,419	(5,419)
Delinquent tax attorney fees	-	-	642	(642)
Total general operations	<u>525,895</u>	<u>362,195</u>	<u>479,210</u>	<u>(117,015)</u>
County Judge's Office:				
Salary	112,242	112,242	112,015	227
Payroll fringes	33,019	33,019	31,590	1,429
Office supplies and repairs	2,500	2,500	1,312	1,188
Legal notice	2,500	2,500	3,098	(598)
Other expenses	5,500	5,500	4,850	650
Total County Judge's office	<u>155,761</u>	<u>155,761</u>	<u>152,865</u>	<u>2,896</u>
County Treasurer's Office:				
Salary	68,385	68,385	68,785	(400)
Payroll fringes	27,252	27,252	25,974	1,278
Office supplies and repairs	3,000	3,000	3,950	(950)
Service and maintenance contracts	18,483	18,483	13,443	5,040
Telephone	10,000	10,000	16,576	(6,576)
Other expenses	2,775	2,775	1,694	1,081
Total County Treasurer's office	<u>129,895</u>	<u>129,895</u>	<u>130,422</u>	<u>(527)</u>
Tax Assessor-Collector's Office:				
Salary	102,973	102,973	103,341	(368)
Payroll fringes	40,930	40,930	38,537	2,393
Office supplies and repairs	600	600	97	503
Other expenses	1,626	1,626	780	846
Total Tax Assessor-Collector's office	<u>146,129</u>	<u>146,129</u>	<u>142,755</u>	<u>3,374</u>
Library:				
Salary	44,789	44,789	40,793	3,996
Payroll fringes	15,020	15,020	13,707	1,313
Office supplies and repairs	1,500	1,500	1,353	147
Utilities	9,000	9,000	4,574	4,426
Other expenses	9,800	9,800	7,884	1,916
Total Library	<u>80,109</u>	<u>80,109</u>	<u>68,311</u>	<u>11,798</u>

# CHILDRESS COUNTY, TEXAS

## SCHEDULE OF EXPENDITURES DETAIL BUDGET AND ACTUAL GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2020

	2020			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>GENERAL GOVERNMENT (CONT'D.):</b>				
Maintenance:				
Salary	36,347	36,347	26,353	9,994
Payroll fringes	13,910	13,910	11,832	2,078
Courthouse supplies and repairs	7,000	7,000	29,008	(22,008)
Utilities	20,000	20,000	17,453	2,547
Other expense	400	400	81	319
Total maintenance	<u>77,657</u>	<u>77,657</u>	<u>84,727</u>	<u>(7,070)</u>
Total current general government expenditures	<u>\$ 1,115,445</u>	<u>\$ 951,745</u>	<u>\$ 1,058,290</u>	<u>\$ (106,545)</u>
<b>PUBLIC SAFETY:</b>				
Sheriff:				
Salary - sheriff and deputies	\$ 841,775	\$ 841,775	\$ 827,799	\$ 13,976
Payroll fringes	334,258	334,258	280,456	53,802
Office supplies and repairs	22,000	22,000	12,823	9,177
Gas, oil and lubricants	35,000	35,000	15,455	19,545
Vehicle and equipment repairs	24,000	24,000	9,556	14,444
Jail expense	101,500	101,500	266,515	(165,015)
Telephone and utilities	124,000	124,000	82,981	41,019
Other expense	109,600	109,600	87,570	22,030
Total Sheriff	<u>1,592,133</u>	<u>1,592,133</u>	<u>1,583,155</u>	<u>8,978</u>
Constable:				
Salary	39,150	39,150	39,600	(450)
Payroll fringes	14,957	14,957	13,455	1,502
Gas, oil and lubricants	3,000	3,000	1,353	1,647
Other expense	2,060	2,060	982	1,078
Total Constable	<u>59,167</u>	<u>59,167</u>	<u>55,390</u>	<u>3,777</u>
Department of Public Safety:				
Salary	24,600	24,600	20,315	4,285
Payroll fringes	12,142	12,365	9,740	2,625
Telephone and utilities	3,700	3,700	4,171	(471)
Total Department of Public Safety	<u>40,442</u>	<u>40,665</u>	<u>34,226</u>	<u>6,439</u>
Emergency Management Coordinator:				
Salary	34,028	34,028	34,928	(900)
Payroll fringes	4,365	4,475	4,633	(158)
Office supplies and repairs	2,300	2,300	2,424	(124)
Fuel and vehicle repair	3,900	3,900	1,257	2,643
Telephone	1,500	1,500	1,289	211
Other expense	500	500	35	465
Total Emergency Management Coordinator	<u>46,593</u>	<u>46,703</u>	<u>44,566</u>	<u>2,137</u>
Total current public safety expenditures	<u>\$ 1,738,335</u>	<u>\$ 1,738,668</u>	<u>\$ 1,717,337</u>	<u>\$ 21,331</u>

# CHILDRESS COUNTY, TEXAS

## SCHEDULE OF EXPENDITURES DETAIL BUDGET AND ACTUAL GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2020

	2020			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>JUSTICE SYSTEM:</b>				
District Court:				
Salary	\$ 49,289	\$ 50,163	\$ 141,399	\$ (91,236)
Payroll fringes	49,259	15,726	31,236	(15,510)
Office supplies	1,200	1,200	12,851	(11,651)
Court costs	123,000	123,000	103,752	19,248
Telephone	3,000	3,000	491	2,509
Total District Court	<u>225,748</u>	<u>193,089</u>	<u>289,729</u>	<u>(96,640)</u>
Justice of the Peace:				
Salary	91,002	91,002	89,766	1,236
Payroll fringes	30,226	30,226	27,010	3,216
Travel	3,000	3,000	-	3,000
Office supplies and repairs	2,500	2,500	8,623	(6,123)
Telephone	-	-	150	(150)
Other expense	2,650	2,650	60	2,590
Total Justice of the Peace	<u>129,378</u>	<u>129,378</u>	<u>125,609</u>	<u>3,769</u>
County Attorney:				
Salary	114,677	114,677	111,765	2,912
Payroll fringes	33,418	33,418	33,193	225
Office supplies and repairs	3,000	3,000	899	2,101
Telephone	600	600	150	450
Other expense	2,450	2,450	586	1,864
Total County Attorney	<u>154,145</u>	<u>154,145</u>	<u>146,593</u>	<u>7,552</u>
County and District Clerk:				
Salary	113,333	113,333	113,069	264
Payroll fringes	51,423	51,423	48,860	2,563
Travel	3,500	3,500	2,024	1,476
Contract services	20,405	20,405	24,095	(3,690)
Office supplies and repairs	7,000	7,000	13,461	(6,461)
Other expense	13,145	13,145	100	13,045
Total County and District Clerk	<u>208,806</u>	<u>208,806</u>	<u>201,609</u>	<u>7,197</u>
Jury Fund:				
Salary	6,972	6,972	6,463	509
County share - juvenile probation	10,200	10,200	14,326	(4,126)
Payroll fringes	917	917	1,775	(858)
Law library expense	500	500	-	500
Court expenses	49,750	49,750	97,347	(47,597)
Total Jury Fund	<u>68,339</u>	<u>68,339</u>	<u>119,911</u>	<u>(51,572)</u>
Total current justice system expenditures	<u>\$ 786,416</u>	<u>\$ 753,757</u>	<u>\$ 883,451</u>	<u>\$ (129,694)</u>

# CHILDRESS COUNTY, TEXAS

## SCHEDULE OF EXPENDITURES DETAIL BUDGET AND ACTUAL GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2020

	2020			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>HEALTH AND HUMAN SERVICES:</b>				
Veteran's Service Office:				
Salary	\$ 12,164	\$ 24,329	\$ 12,214	\$ 12,115
Payroll fringes	1,600	1,600	1,685	(85)
Office supplies	200	200	190	10
Telephone	600	600	600	-
Other expense	750	750	1,140	(390)
Total Veteran's Service office	\$ 15,314	\$ 27,479	\$ 15,829	\$ 11,650
<b>ENVIRONMENTAL SERVICES:</b>				
Extension Agent:				
Salary	\$ 61,670	\$ 61,670	\$ 61,670	\$ -
Payroll fringes	15,486	15,790	14,978	812
Mileage allowance	14,000	14,000	10,850	3,150
Office supplies and repairs	3,200	3,200	4,481	(1,281)
Other expense	500	500	260	240
Total Extension Agent	\$ 94,856	\$ 95,160	\$ 92,239	\$ 2,921
Capital outlay				
Capital outlay	\$ -	\$ -	\$ 257,124	\$ (257,124)
<b>Total General Fund Expenditures</b>	<b>\$ 3,750,367</b>	<b>\$ 3,566,810</b>	<b>\$ 4,024,270</b>	<b>\$ (457,460)</b>

## CHILDRESS COUNTY, TEXAS

### SCHEDULE OF EXPENDITURES DETAIL BUDGET AND ACTUAL ROAD AND BRIDGE FUND FOR THE YEAR ENDED SEPTEMBER 30, 2020

	2020			
	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts, Budgetary Basis	Final Budget Positive (Negative)
<b>ROAD AND BRIDGE MAINTENANCE:</b>				
Precinct #1:				
Salary	\$ 94,790	\$ 92,263	\$ 93,175	\$ (912)
Travel allowance	6,000	6,000	6,000	-
Payroll fringes	39,854	42,309	37,956	4,353
Fuel	32,000	32,000	16,422	15,578
Repairs and supplies	15,000	15,000	8,771	6,229
Road and bridge material	100	100	-	100
Telephone and utilities	1,500	1,500	2,764	(1,264)
Other expense	1,500	1,500	50	1,450
Debt service				
Principal	-	-	298,869	(298,869)
Interest	-	-	4,060	(4,060)
Total Precinct #1	<u>190,744</u>	<u>190,672</u>	<u>468,067</u>	<u>(277,395)</u>
Precinct #2:				
Salary	87,210	87,810	89,160	(1,350)
Travel allowance	6,000	6,000	6,000	-
Payroll fringes	38,858	41,762	37,496	4,266
Fuel	32,000	24,000	16,370	7,630
Repairs and supplies	13,649	21,649	19,016	2,633
Telephone and utilities	1,000	1,000	2,522	(1,522)
Other expenses	1,000	1,000	150	850
Debt service				
Principal	-	-	270,677	(270,677)
Total Precinct #2	<u>179,717</u>	<u>183,221</u>	<u>441,391</u>	<u>(258,170)</u>
Precinct #3:				
Salary	99,317	97,517	95,974	1,543
Travel allowance	6,000	6,000	6,000	-
Payroll fringes	40,450	42,800	38,358	4,442
Fuel	25,000	18,000	9,450	8,550
Repairs and supplies	15,000	22,000	22,146	(146)
Telephone and utilities	1,000	1,000	1,354	(354)
Other expenses	1,000	1,000	156	844
Debt service				
Principal	-	-	279,804	(279,804)
Total Precinct #3	<u>187,767</u>	<u>188,317</u>	<u>453,242</u>	<u>14,879</u>
Precinct #4:				
Salary	88,556	87,956	88,421	(465)
Travel allowance	6,000	6,000	6,000	-
Payroll fringes	39,034	41,181	37,510	3,671
Fuel	31,500	24,500	10,648	13,852
Repairs and supplies	15,000	37,000	25,740	11,260
Road and bridge material	100	100	-	100
Telephone and utilities	2,700	2,700	2,407	293
Other expenses	1,500	1,500	-	1,500
Debt service				
Principal	-	-	249,405	(249,405)
Interest	-	-	1,246	(1,246)
Total Precinct #4	<u>184,390</u>	<u>200,937</u>	<u>421,377</u>	<u>(220,440)</u>
Less debt service and capital all precincts				
Capital outlay and interest	-	-	1,104,061	(1,104,061)
Total road and bridge maintenance expenditures	<u>\$ 742,618</u>	<u>\$ 763,147</u>	<u>\$ 680,016</u>	<u>\$ 83,131</u>

## CHILDRESS COUNTY, TEXAS

### COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENT FUNDS - SUMMARY FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Sheriff Seizure Accounts</u>	<u>County Attorney Check Collection and Processing Trust Account</u>	<u>County Attorney Pre-Trail Account</u>	<u>Total</u>
<b>REVENUES</b>				
Fines and forfeitures	\$ -	\$ 1,090	\$ 3,725	\$ 4,815
Other income	690	-	-	690
Interest income	14	33	-	47
Total revenues	<u>704</u>	<u>1,123</u>	<u>3,725</u>	<u>5,552</u>
<b>EXPENDITURES</b>				
Current				
Justice system	-	511	7,185	7,696
Corrections and rehabilitation	3,278	-	-	3,278
Total expenditures	<u>3,278</u>	<u>511</u>	<u>7,185</u>	<u>10,974</u>
Net change in fund balances	(2,574)	612	(3,460)	(5,422)
Fund balances - beginning	<u>2,959</u>	<u>3,591</u>	<u>8,274</u>	<u>14,824</u>
Fund balances - ending	<u>\$ 385</u>	<u>\$ 4,203</u>	<u>\$ 4,814</u>	<u>\$ 9,402</u>



## CHILDRESS COUNTY, TEXAS

### COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS SEPTEMBER 30, 2020

	Sheriff Special Account	Sheriff Commissary Account	Sheriff Inmate Account	County Attorney Hot Check Collection Trust Account	Tax Assessor/ Collector Highway Department	Tax Assessor/ Collector Certificate of Title
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 86,330	\$ 18,927	\$ 29,163	\$ 9,503	\$ 19,854	\$ 670
<b>Total Assets</b>	<b>\$ 86,330</b>	<b>\$ 18,927</b>	<b>\$ 29,163</b>	<b>\$ 9,503</b>	<b>\$ 19,854</b>	<b>\$ 670</b>
<b>LIABILITIES:</b>						
Due to others	\$ 86,330	\$ 18,927	\$ 29,163	\$ 9,503	\$ 19,854	\$ 670

## CHILDRESS COUNTY, TEXAS

### COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS SEPTEMBER 30, 2020

	Tax Assessor/ Collector Sales Tax	Tax Assessor/ Collector General Fund	Tax Assessor/ Collector Apportioned	District Clerk Account	County Clerk Account	District Clerk Trust Accounts	Total
ASSETS:							
Cash and cash equivalents	\$ 41,621	\$ 201	\$ 4,299	\$ 86,001	\$ 29,581	\$ 108,043	\$ 434,193
Total Assets	<u>\$ 41,621</u>	<u>\$ 201</u>	<u>\$ 4,299</u>	<u>\$ 86,001</u>	<u>\$ 29,581</u>	<u>\$ 108,043</u>	<u>\$ 434,193</u>
LIABILITIES:							
Due to others	<u>\$ 41,621</u>	<u>\$ 201</u>	<u>\$ 4,299</u>	<u>\$ 86,001</u>	<u>\$ 29,581</u>	<u>\$ 108,043</u>	<u>\$ 434,193</u>

**OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION**

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable County Judge  
Members of the Commissioner's Court  
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, each major fund, and the aggregate remaining fund information of Childress County, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Childress County, Texas' basic financial statements, and have issued our report thereon dated August 9, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Childress County, 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 Childress County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Childress County, Texas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as items 2020-1 that we consider to be significant deficiencies.

**Compliance and Other Matters**

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

**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.

*Foster & Lambert LLC*

Foster & Lambert L.L.C.  
August 9, 2021

# CHILDRESS COUNTY, TEXAS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2020

### I. Summary of the Auditor's Results:

#### Financial Statements:

- Type of auditor's report issued: **Unmodified.**
- Internal control over financial reporting:
  - Material weakness(es) identified: **None reported.**
  - Significant deficiencies(s) identified that are not considered to be material weaknesses: **Finding 2020-1**
- Noncompliance material to financial statements noted: **None.**

#### Federal Awards:

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

### II. Financial Statement Findings:

#### Finding 2020-1 - Significant deficiencies in Internal Control over Financial Reporting

##### Criteria

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

##### Condition

During the audit, it was noted the County financial statements required material adjusting entries to correct posting errors, which led to reports provided to the County Court being inaccurate.

Cause

The County financial statements contained material posting errors.

Effect

Reports provided to the County Court were inaccurate as several transactions were not correctly recorded.

**III. Federal Award Findings and Questioned Costs:**

**Not applicable.**

# CHILDRESS COUNTY, TEXAS

## CORRECTIVE ACTION PLAN FOR THE YEAR ENDED SEPTEMBER 30, 2020

### Finding 2020-1

The County will seek training for the staff so they are more apt to record all transactions in a timely and accurate manner. With all transactions properly recorded accurate reports can be provided to the County Court.

The contact person for this corrective action plan is Brenda Overstreet.



**CHILDRESS COUNTY, TEXAS**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

None