

CHILDRESS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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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, 2019, 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, 2019, 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 March 9, 2020, 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.
March 9, 2020

CHILDRESS COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2019

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, 2019. 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, 2019

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, 2019

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 \$6,111,379 at the close of the fiscal year.

Condensed Statement of Net Position

	Total Primary Government	
	2018	2019
Current and other assets	\$ 1,938,075	\$ 1,797,936
Capital assets	<u>9,024,327</u>	<u>8,759,866</u>
Total assets	<u>10,962,402</u>	<u>10,557,802</u>
Deferred outflow of resources	<u>135,718</u>	<u>345,748</u>
Other liabilities	217,129	189,796
Long-term liabilities	<u>5,093,546</u>	<u>4,552,242</u>
Total liabilities	<u>5,310,675</u>	<u>4,742,038</u>
Deferred inflow of Resources	<u>103,888</u>	<u>50,133</u>
Net Position:		
Investment in capital assets	3,969,233	4,255,077
Restricted	1,634,250	1,729,665
Unrestricted	<u>80,074</u>	<u>126,637</u>
Total net position	<u>\$ 5,683,557</u>	<u>\$ 6,111,379</u>

CHILDRESS COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2019

Analysis of the County's Operations – Governmental and Business-type activities increased the County's net position by \$427,822. The key elements of this increase are as follows:

Changes in Net Position

	Total Primary Government	
	<u>2018</u>	<u>2019</u>
Revenues:		
Program revenues:		
Charges for services	\$1,360,454	\$1,238,730
Operating grants	49,710	37,074
General revenues:		
Property taxes	2,822,887	2,842,418
Sales taxes	684,594	779,116
Investment income	31,763	48,350
Other income	<u>90,927</u>	<u>134,887</u>
Total revenues	<u>5,040,335</u>	<u>5,080,575</u>
Expenses:		
General government	939,510	904,409
Public safety	1,871,204	1,857,235
Justice system	725,612	747,501
Health and human services	12,852	14,880
Environmental services	88,352	96,317
Road and bridge maintenance	809,773	830,868
Corrections and rehabilitation	5,924	4,485
Interest on long-term debt	<u>211,959</u>	<u>197,058</u>
Total expenses	<u>4,665,186</u>	<u>4,652,753</u>
Change in net position	375,149	427,822
Net position – beginning	5,173,142	5,683,557
Prior period adjustment	<u>135,266</u>	-
Net position - ending	<u>\$5,683,557</u>	<u>\$6,111,379</u>

Financial Highlights

The assets of Childress County exceeded its liabilities at the close of the most recent fiscal year by \$6,111,379. Of this amount, \$1,729,665 is restricted to be used to meet the government's debt service obligations.

The government's total net position increased by \$427,822.

As of the close of the current fiscal year, Childress County's governmental funds reported combined ending fund balances of \$1,517,704.

At the end of current fiscal year, the fund balance for the general fund was \$165,457, deficit.

CHILDRESS COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2019

Governmental fund revenues were more than expenditures by \$100,076 for Childress County for the 2018-2019 fiscal year.

General Fund Budgetary Highlights

The General Fund budget expenditures for fiscal year 2019 were \$3,616,680 and actual expenses were \$3,461,822.

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, 2019, amounts to \$8,759,866 (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	
	<u>2018</u>	<u>2019</u>
Land	\$ 38,210	\$ 38,210
Property	7,706,098	7,574,917
Equipment	1,154,591	1,024,248
Infrastructure	<u>125,428</u>	<u>122,491</u>
Totals	<u>\$9,024,327</u>	<u>\$8,759,866</u>

Current year property additions:

3 Shredders	\$ 43,650
HVAC units	25,697
2014 Chev pickup	19,453
Washing machine	14,935
Security cameras	10,547
Scanner & systems	10,090

CHILDRESS COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2019

Debt

At year-end, the County had \$4,504,789 of bonds and notes payable, as shown below:

Outstanding Debt, at Year-End

	Governmental Activities	
	<u>2018</u>	<u>2019</u>
Lease payable	\$ 1,393,430	\$ 1,315,840
Notes payable	216,664	108,949
Bonds payable	<u>3,445,000</u>	<u>3,080,000</u>
Total	<u>\$ 5,055,094</u>	<u>\$ 4,504,789</u>

Economic Factors for Next Year

The County's elected officials considered many factors when preparing the fiscal year 2019-2020 budget. The total tax rate was set at \$.5900 per \$100 valuation. The maintenance and operating tax rate is \$.5593 per \$100 valuation, with \$.1609 designated for interest and sinking. The County has authorized publication of notice of intent to issue certificates of obligation in a principal amount not to exceed \$2,700,000 for renovations to the County Courthouse in the 2019-20 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, 2019

	Primary Government Governmental Activities
Assets	
Cash and cash equivalents	\$ 966,812
Receivables (net of allowances for uncollectibles)	190,283
Restricted assets:	
Cash and cash equivalents	613,706
Prepaid expense	22,868
Net pension asset	4,267
Capital assets (net of accumulated depreciation)	
Land	38,210
Property	7,574,917
Equipment	1,024,248
Infrastructure	122,491
Total assets	<u>10,557,802</u>
Deferred Outflow of Resources	
Deferred outflows - pension	<u>345,748</u>
Liabilities	
Current liabilities:	
Accounts payable and other current liabilities	156,026
Accrued interest payable	33,770
Compensated absences - current	4,272
Lease payable- current	1,180,145
Notes payable - current	108,949
Bond payable - current	380,000
Noncurrent liabilities:	
Compensated absences	43,181
Lease payable	135,695
Bond payable	2,700,000
Total liabilities	<u>4,742,038</u>
Deferred Inflow of Resources	
Intergovernmental revenues	23,333
Pension expense	26,800
Total deferred inflow of resources	<u>50,133</u>
Net Position	
Net investment in capital assets	4,255,077
Restricted	1,729,665
Unrestricted	<u>126,637</u>
Total net position	<u>\$ 6,111,379</u>

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

CHILDRESS COUNTY, TEXAS

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2019

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Govt. Governmental Activities
Primary government:				
Governmental activities:				
General government	\$ 904,409	\$ 13,633	\$ -	\$ (890,776)
Public safety	1,857,235	583,578	37,074	(1,236,583)
Justice system	747,501	641,519	-	(105,982)
Health and human services	14,880	-	-	(14,880)
Environmental services	96,317	-	-	(96,317)
Road and bridge maintenance	830,868	-	-	(830,868)
Corrections and rehabilitation	4,485	-	-	(4,485)
Interest on long-term debt	197,058	-	-	(197,058)
Total primary government	4,652,753	1,238,730	37,074	(3,376,949)
General revenues:				
				2,842,418
				779,116
				48,350
				134,887
				3,804,771
				427,822
				5,683,557
				\$ 6,111,379

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

CHILDRESS COUNTY, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS SEPTEMBER 30, 2019

	2019				Total Government Funds
	General Fund	Road and Bridge Fund	Debt Service Fund	Nonmajor Government Funds	
Assets					
Cash and cash equivalents	\$ 986,367	\$ -	\$ -	\$ 14,824	\$ 1,001,191
Receivables (net of allowance for uncollectible)	150,543	-	39,740	-	190,283
Due from other funds	-	-	1,321,852	-	1,321,852
Restricted assets:					
Cash and cash equivalents	224,388	-	368,073	21,245	613,706
Prepaid expense	22,868	-	-	-	22,868
Total assets	<u>1,384,166</u>	<u>-</u>	<u>1,729,665</u>	<u>36,069</u>	<u>3,149,900</u>
Liabilities					
Accounts payable	140,603	15,423	-	-	156,026
Bank overdraft	-	34,379	-	-	34,379
Due to other funds	1,321,852	-	-	-	1,321,852
Total liabilities	<u>1,462,455</u>	<u>49,802</u>	<u>-</u>	<u>-</u>	<u>1,512,257</u>
Deferred Inflows of Resources					
Unavailable Revenue:					
Property taxes	63,490	-	32,771	-	96,261
Fine revenue	345	-	-	-	345
Intergovernmental revenue	23,333	-	-	-	23,333
Total liabilities	<u>87,168</u>	<u>-</u>	<u>32,771</u>	<u>-</u>	<u>119,939</u>
Fund balances:					
Restricted for:					
Debt service	-	-	1,696,894	-	1,696,894
Unrestricted					
Assigned					
Special revenue funds	-	-	-	14,824	14,824
Capital projects fund	-	-	-	21,245	21,245
Unassigned	(165,457)	(49,802)	-	-	(215,259)
Total fund balances	<u>(165,457)</u>	<u>(49,802)</u>	<u>1,696,894</u>	<u>36,069</u>	<u>1,517,704</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,384,166</u>	<u>\$ -</u>	<u>\$ 1,729,665</u>	<u>\$ 36,069</u>	<u>\$ 3,149,900</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, 2019

Total Fund Balances - Governmental Funds	\$ 1,517,704
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,759,866
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 \$226,696, a deferred resource related to RMRS in the amount of \$135,718, and deferred inflow of \$80,555. The net effect of this is to increase net position.	323,215
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but is recognized as an expenditure when due.	(4,586,011)
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.	96,605
Net Position of Governmental Activities	<u><u>\$ 6,111,379</u></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, 2019

	2019				
	General Fund	Road and Bridge Fund	Debt Service Fund	Nonmajor Government Funds	Total Government Funds
Revenues					
Property taxes	1,651,451	\$ 355,680	\$ 833,554	\$ -	\$ 2,840,685
Sales and miscellaneous taxes	492,476	286,640	-	-	779,116
Fines and forfeitures	6,340	-	-	1,266	7,606
Charges for services	1,232,263	-	-	-	1,232,263
Intergovernmental	37,074	-	-	-	37,074
Other income	107,341	26,211	-	1,335	134,887
Interest income	34,192	-	13,519	639	48,350
Total revenues	<u>3,561,137</u>	<u>668,531</u>	<u>847,073</u>	<u>3,240</u>	<u>5,079,981</u>
Expenditures					
Current:					
General government	838,731	-	-	-	838,731
Public safety	1,733,676	-	-	-	1,733,676
Justice system	716,484	-	-	8,856	725,340
Health and human services	15,131	-	-	-	15,131
Environmental services	96,530	-	-	-	96,530
Road and bridge maintenance	-	689,595	-	-	689,595
Corrections and rehabilitation	-	-	-	4,484	4,484
Debt service:					
Principal	-	-	550,304	-	550,304
Interest	-	-	201,741	-	201,741
Capital outlay	61,270	63,103	-	-	124,373
Total expenditures	<u>3,461,822</u>	<u>752,698</u>	<u>752,045</u>	<u>13,340</u>	<u>4,979,905</u>
Excess (deficiency) of revenue over (under) expenditures	99,315	(84,167)	95,028	(10,100)	100,076
Other Financing Sources (Uses)					
Transfers (net)	(48,353)	48,353	-	-	-
Total other financing sources (uses)	<u>(48,353)</u>	<u>48,353</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	50,962	(35,814)	95,028	(10,100)	100,076
Fund balances - beginning	(216,419)	(13,988)	1,601,866	46,169	1,417,628
Fund balances - ending	<u>\$ (165,457)</u>	<u>\$ (49,802)</u>	<u>\$ 1,696,894</u>	<u>\$ 36,069</u>	<u>\$ 1,517,704</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, 2019

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

Net change in fund balances - total government funds	\$ 100,076
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 depreciation exceeded capital outlay in the current period.	(264,461)
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.	41,356
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.	550,259
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 increased by this amount in the current year.	<u>592</u>
Changes in net assets of governmental activities	<u><u>\$ 427,822</u></u>

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

CHILDRESS COUNTY, TEXAS

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS SEPTEMBER 30, 2019

	<u>:2019</u>
Assets	
Restricted assets:	
Cash and cash equivalents	\$ 432,272
Total assets	<u>432,272</u>
Net Position	
Restricted for:	
Trust accounts	432,272
Total net position	<u><u>\$ 432,272</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, 2019

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, 2019

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, 2019

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 37.91 percent of outstanding property taxes at September 30, 2019.

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, 2019

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, 2019

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 (\$96,261), fines and fees (\$345) and intergovernmental revenues from the State for a future period (\$23,333), 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 TCERS (\$26,800), and intergovernmental revenues from the State for a future period (\$23,333).

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 TCERS 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, 2019

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, 2019, the County did not own any investments other than those permitted by statute.

At September 30, 2019, the total amount of the County's demand and time deposits per the general ledgers was \$2,012,789 and the total amount per the County's September 30, 2019, bank statements was \$1,854,618. The entire amount of the year-end bank statement balances was covered by federal depository insurance or by U.S. Government Securities 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, 2019

- 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>2019</u>	<u>2018</u>
Property taxes	\$ 171,245	\$ 158,479
Sales tax	69,162	73,739
Fines	1,378	5,936
Due from other funds	<u>15,784</u>	<u>11,634</u>
Gross receivables	257,569	249,788
Less allowance for uncollectible accounts	<u>(67,286)</u>	<u>(66,306)</u>
Net total receivables	<u>\$ 190,283</u>	<u>\$ 183,482</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, 2019, was \$.59 per \$100 valuation, \$.4123 for maintenance and operations and \$.1777 for interest and sinking.

CHILDRESS COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2019

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	\$ 31,248
For Courthouse security	38,021
For Pre-trial diversion	21,590
For payroll	<u>133,529</u>
Total general fund	<u>224,388</u>
Debt Service Fund:	
For debt service	368,073
Capital Projects Fund:	
For construction	<u>21,245</u>
Total restricted cash and cash equivalents	<u>\$ 613,706</u>

5. Capital Assets

Capital asset activity for the year ended September 30, 2019, 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	9,183,257	40,633	-	9,223,890
Equipment	2,789,791	83,739	21,400	2,852,130
Infrastructure	<u>1,017,198</u>	<u>-</u>	<u>-</u>	<u>1,017,198</u>
Total capital assets being depreciated	<u>12,990,246</u>	<u>124,372</u>	<u>21,400</u>	<u>13,093,218</u>
Less accumulated depreciation for:				
Property	(1,477,159)	(171,814)	-	(1,648,973)
Equipment	(1,635,200)	(214,082)	21,400	(1,827,882)
Infrastructure	<u>(891,770)</u>	<u>(2,937)</u>	<u>-</u>	<u>(894,707)</u>
Total accumulated depreciation	<u>(4,004,129)</u>	<u>(388,833)</u>	<u>21,400</u>	<u>(4,371,562)</u>
Total capital assets, being depreciated, net	<u>8,986,117</u>	<u>(264,461)</u>	<u>-</u>	<u>8,721,656</u>
Total governmental capital assets	<u>\$ 9,024,327</u>	<u>\$ (264,461)</u>	<u>\$ -</u>	<u>\$ 8,759,866</u>

CHILDRESS COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2019

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

	2019	2018
Governmental activities:		
General government	\$ 71,191	\$ 70,400
Public safety	143,667	144,064
Justice system	27,172	25,322
Road and bridge maintenance	<u>146,802</u>	<u>146,528</u>
Total – governmental activities	<u>\$ 388,832</u>	<u>\$ 386,314</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, 2019:

	Beginning Balance	Increase	Decrease	Balance at End of Year	Due Within One Year
Governmental activities:					
Compensated Absences	\$ 42,724	\$ 4,729	\$ -	\$ 47,453	\$ 4,272
Lease payable	1,393,430	-	77,590	1,315,840	1,180,145
Notes payable	216,664	-	107,715	108,949	108,949
Bonds payable	<u>3,445,000</u>	<u>-</u>	<u>365,000</u>	<u>3,080,000</u>	<u>380,000</u>
Governmental activities long-term debt	<u>\$5,097,818</u>	<u>\$ 4,729</u>	<u>\$ 550,305</u>	<u>\$4,552,242</u>	<u>\$1,673,366</u>

Bonds Payable

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. The interest rate on the Series 2006 Bonds is 4.65%. Bond payments are as follows:

Year Ending September 30	Principal	Interest	Total
2020	\$ 380,000	\$ 143,220	\$ 523,220
2021	400,000	125,550	525,550
2022	420,000	106,950	526,950
2023	440,000	87,420	527,420
2024	460,000	66,960	526,960
2025-2026	<u>980,000</u>	<u>68,820</u>	<u>1,048,820</u>
Total	<u>\$3,080,000</u>	<u>\$ 598,920</u>	<u>\$3,678,920</u>

Notes payable at September 30, 2019, consisted of the following:

	Maturity Date	Interest Rate	Balance 09/30/19
<u>Governmental activities</u>			
Courthouse	1/15/20	3.00%	\$ 108,949

CHILDRESS COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2019

The annual requirement to pay principal and interest on long-term notes payable as of September 30, 2019, are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	<u>\$ 108,949</u>	<u>\$ 3,266</u>	<u>\$ 112,143</u>

On October 30, 2012, the County received loan proceeds of \$707,500 for renovation of the Courthouse. The loan is payable in seven annual payments of \$114,287 including interest beginning October 30, 2012, with the balance due on January 15, 2020. Interest accrues at a fixed rate of 3%. The loan is secured by tax revenues. The loan balance at September 30, 2019 was \$108,949.

Capital lease payable:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 09/30/19</u>
<u>Governmental activities</u>			
4 2016 Ford Explorers	4/22/16	2.25%	\$ 33,942
2017 Ford Explorer	6/12/17	3.8%	15,891
8 John Deere Motor Graders	4/29/20	2.25%	1,108,517
2017 Mack Truck	2/1/22	2.25%	88,523
3 2017 CPS Belly Dump Trucks	2/1/22	2.25%	68,967

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future rental payments as of September 30, 2019, as follows:

<u>Year Ending September 30:</u>	
<u>Governmental-type activities</u>	
2020	\$1,214,058
2021	25,994
2022	<u>116,336</u>
Total minimum lease payment	1,356,388
Amount representing interest	<u>40,548</u>
Present value of minimum lease Payments	<u>\$1,315,840</u>

Leased equipment under capital leases in capital assets at September 30, 2019, had a net book value of \$831,458. Amortization of leased equipment under capital assets is included with depreciation expense.

CHILDRESS COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2019

7. Health care coverage

During the year ended September 30, 2019, 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 780 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.

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

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, 2018 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	33
Active employees	<u>71</u>
Total	<u>130</u>

CHILDRESS COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2019

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 5.24% AND 5.50% in calendar years 2018 and 2019. The County's contributions to TCDRS for the year ended September 30, 2019, were \$140,904, and were equal to the required contributions.

Net Pension Liability

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

Actuarial Assumptions

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

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 2019 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, 2019

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	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index(3)	18.00%	8.40%
Global Equities	MSCI World (net) Index	2.50%	5.70%
International Equities- Developed	MCSI World Ex USA (net)	10.00%	5.40%
International Equities- Emerging	MCSI Emerging Markets (net) Index	7.00%	5.90%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	1.60%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	4.39%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.95%
Distressed Debt	Cambridge Associates Distressed Securities Index(4)	2.00%	7.20%
REIT Equities	67% FTSE NAREIT Equity REIT Index + 33% S&P Global REI (net) Index	2.00%	4.15%
Master Limited Partnerships	Alerian MLP Index	3.00%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index(5)	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	<u>13.00%</u>	3.90%
Total		<u>100.00%</u>	

(1) Target asset allocation adopted at the April 2019 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation of 1.70%, per Cliffwater's 2019 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, 2019

	Total Pension <u>Liability</u>	Plan Fiduciary <u>Net</u> <u>Position</u>	Net Pension <u>Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) – (b)</u>
Balance at 12/31/2017	<u>\$3,295,950</u>	<u>\$3,522,646</u>	<u>\$(226,696)</u>
Changes for the year:			
Service cost	171,148	-	171,148
Interest on total pension liability(1)	273,236	-	273,236
Effect of plan changes(2)	-	-	-
Effect of economic/demographic gains or losses	(18,193)	-	(18,193)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(76,941)	(76,941)	-
Benefit payments	(114,419)	(114,419)	-
Administrative expense	-	(2,839)	2,839
Member contributions	-	127,955	(127,955)
Net investment income	-	(64,762)	64,762
Employer contributions	-	140,750	(140,750)
Other(3)	-	<u>2,658</u>	<u>(2,658)</u>
Balance at 12/31/2018	<u>\$3,530,781</u>	<u>\$3,535,048</u>	<u>\$(4,267)</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	\$ 3,979,777	\$ 3,530,781	\$ 3,151,237
Fiduciary net position	<u>3,535,048</u>	<u>3,535,048</u>	<u>3,535,048</u>
Net pension liability/ (asset)	<u>\$ 444,729</u>	<u>\$ (4,267)</u>	<u>\$ (383,811)</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.

CHILDRESS COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2019

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

For the year ended September 30, 2019, the County recognized pension expense of \$44,213.

At December 31, 2018, 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	\$ 26,800	\$ 12,365
Changes in actuarial assumptions	-	10,710
Net difference between projected and actual earnings	-	221,184
Contributions subsequent to the measurement date	-	<u>101,489</u>
Total	<u>\$ 26,800</u>	<u>\$ 345,748</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:	
2019	\$ 77,107
2020	39,035
2021	34,324
2022	<u>66,996</u>
Total	<u>\$ 217,462</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 2019, 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, 2019

12. Interfund receivables, payables, and transfers

Due to/from other funds:

	Receivable	Payable
General Fund	\$ -	\$ 1,321,852
Debt Service Fund	1,321,852	-
	\$ 1,321,852	\$ 1,321,852

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

	Transfer In	Transfer Out
General Fund	\$ -	\$ 48,353
Road and Bridge Fund	48,353	-
	\$ 48,353	\$ 48,353

13. Expenditures in excess of budgeted amounts

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

General Fund	
Environmental services	\$ 3,288
Capital outlay	61,270
Road and Bridge Fund	
Capital outlay	63,103

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, 2019

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.

15. Subsequent Event

In February 2020, the Commissioners Court passed a resolution authorizing publication of notice of intent to issue certificates of obligation in a principal amount not to exceed \$2,700,00. The Court plans to authorize the issuance of the certificates of obligation on April 13, 2020. The funds are to be incurred for renovations to the County Courthouse.

CHILDRESS COUNTY, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2019			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 2,160,234	\$ 2,160,234	\$ 1,651,451	\$ (508,783)
Sales and miscellaneous taxes	355,500	355,500	492,476	136,976
Fines and forfeitures	-	-	6,340	6,340
Charges for services	1,070,000	1,070,000	1,232,263	162,263
Intergovernmental	38,750	38,750	37,074	(1,676)
Other income	746,538	746,538	107,341	(639,197)
Interest Income	-	-	34,192	34,192
Total revenues	4,371,022	4,371,022	3,561,137	(809,885)
Expenditures				
Current:				
General government	962,397	962,397	838,731	123,666
Public safety	1,772,500	1,772,500	1,733,676	38,824
Justice system	764,045	764,045	716,484	47,561
Health and human services	24,496	24,496	15,131	9,365
Environmental services	93,242	93,242	96,530	(3,288)
Capital outlay	-	-	61,270	(61,270)
Total expenditures	3,616,680	3,616,680	3,461,822	154,858
Excess (deficiency) of revenue over (under) expenditures	754,342	754,342	99,315	(655,027)
Other Financing Sources (Uses)				
Transfers in (out)	-	-	(48,353)	(48,353)
Loan proceeds	-	-	-	-
Total other financing sources (uses)	-	-	(48,353)	(48,353)
Net change in fund balance	\$ 754,342	\$ 754,342	50,962	\$ (703,380)
Fund balances - beginning			(216,419)	
Fund balances - ending			\$ (165,457)	

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, 2019

	2019			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 422,068	\$ 422,068	\$ 355,680	\$ (66,388)
Sales and miscellaneous taxes	332,000	332,000	286,640	(45,360)
Other	-	-	26,211	26,211
Total revenues	754,068	754,068	668,531	(85,537)
Expenditures				
Current:				
Road and bridge maintenance	733,567	732,817	689,595	43,222
Capital outlay	-	-	63,103	(63,103)
Total expenditures	733,567	732,817	752,698	(19,881)
Excess (deficiency) of revenue over (under) expenditures	20,501	21,251	(84,167)	(105,418)
Other Financing Sources (Uses)				
Loan proceeds	-	-	-	-
Transfers in	-	-	48,353	48,353
Total other financing sources (uses)	-	-	48,353	48,353
Net change in fund balances	\$ 20,501	\$ 21,251	(35,814)	\$ (57,065)
Fund balance - beginning			(13,988)	
Fund balance - ending			\$ (49,802)	

CHILDRESS COUNTY, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2019

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

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

CHILDRESS COUNTY, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2019 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
2008	\$ 56,045	\$ 64,753	\$ (8,708)	\$ 1,404,630	4.6%
2009	68,233	77,285	(9,052)	1,676,475	4.6%
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%

(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:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	0.0 years (based on contribution rate calculated in 12/31/17 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of investment expenses, including inflation
Retirement Age	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.
Mortality	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.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	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.

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

CHILDRESS COUNTY, TEXAS

SCHEDULE OF REVENUES DETAIL BUDGET AND ACTUAL GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2019		Actual Amounts, Budgetary Basis	Variance With Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final		
Revenues				
Property taxes				
Ad Valorem - Current	\$ 2,090,234	\$ 2,090,234	\$ 1,616,708	\$ (473,526)
Ad Valorem - Delinquent	40,000	40,000	14,887	(25,113)
Penalty and interest	30,000	30,000	19,856	(10,144)
Total property taxes	<u>2,160,234</u>	<u>2,160,234</u>	<u>1,651,451</u>	<u>(508,783)</u>
Sales and miscellaneous taxes				
General sales tax	350,000	350,000	484,368	134,368
Mixed drink tax	5,500	5,500	8,108	2,608
Total sales and miscellaneous taxes	<u>355,500</u>	<u>355,500</u>	<u>492,476</u>	<u>136,976</u>
Fines and forfeitures				
J.P. TFC	-	-	6,340	6,340
Charges for services				
Sheriff's office	5,000	5,000	15,244	10,244
Courthouse security	-	-	12,904	12,904
Library fees	2,000	2,000	1,064	(936)
Fees of office	663,000	663,000	634,717	(28,283)
Jail fees	400,000	400,000	568,334	168,334
Total charges for services	<u>1,070,000</u>	<u>1,070,000</u>	<u>1,232,263</u>	<u>162,263</u>
Intergovernmental				
Indigent defense grant	8,750	8,750	16,561	7,811
EMC grant	22,500	22,500	20,513	(1,987)
EMC City and School share	7,500	7,500	-	(7,500)
Total intergovernmental	<u>38,750</u>	<u>38,750</u>	<u>37,074</u>	<u>(1,676)</u>
Other income				
Sale of assets	-	-	-	-
Miscellaneous	746,538	746,538	107,341	(639,197)
Total other income	<u>746,538</u>	<u>746,538</u>	<u>107,341</u>	<u>(639,197)</u>
Interest income	-	-	34,192	34,192
Total revenues	<u>\$ 4,371,022</u>	<u>\$ 4,371,022</u>	<u>\$ 3,561,137</u>	<u>\$ (809,885)</u>

CHILDRESS COUNTY, TEXAS

SCHEDULE OF REVENUES DETAIL BUDGET AND ACTUAL ROAD AND BRIDGE FUND FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2019			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes				
Ad Valorem - Current				
Precinct #1	\$ 105,517	\$ 105,517	\$ 88,920	\$ (16,597)
Precinct #2	105,517	105,517	88,920	(16,597)
Precinct #3	105,517	105,517	88,920	(16,597)
Precinct #4	105,517	105,517	88,920	(16,597)
Total property taxes	<u>422,068</u>	<u>422,068</u>	<u>355,680</u>	<u>(66,388)</u>
Sales and miscellaneous taxes				
Lateral road fund and other taxes				
Precinct #1	83,000	83,000	71,660	(11,340)
Precinct #2	83,000	83,000	71,660	(11,340)
Precinct #3	83,000	83,000	71,660	(11,340)
Precinct #4	83,000	83,000	71,660	(11,340)
Total sales and miscellaneous taxes	<u>332,000</u>	<u>332,000</u>	<u>286,640</u>	<u>(45,360)</u>
Other income				
Precinct #1	-	-	200	200
Precinct #2	-	24,000	25,000	1,000
Precinct #3	-	-	1,011	1,011
Precinct #4	-	-	-	-
Total other income	<u>-</u>	<u>-</u>	<u>26,211</u>	<u>2,211</u>
Total revenues	<u>\$ 754,068</u>	<u>\$ 754,068</u>	<u>\$ 668,531</u>	<u>\$ (85,537)</u>

CHILDRESS COUNTY, TEXAS

SCHEDULE OF EXPENDITURES DETAIL BUDGET AND ACTUAL GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2019			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
GENERAL GOVERNMENT:				
General Operations:				
Election expense	\$ 15,000	\$ 15,000	\$ 13,538	\$ 1,462
Auditor fees	13,000	13,000	15,800	(2,800)
Workers compensation and unemployment	25,000	25,000	21,926	3,074
Insurance and bond premium	70,000	70,000	70,500	(500)
Courthouse miscellaneous	125,000	125,000	62,889	62,111
Other expense	720	720	897	(177)
Public need	25,175	25,175	36,383	(11,208)
Appraisal district fees	92,000	92,000	83,368	8,632
Delinquent tax attorney fees	-	-	3,504	(3,504)
Total general operations	<u>365,895</u>	<u>365,895</u>	<u>308,805</u>	<u>57,090</u>
County Judge's Office:				
Salary	110,753	110,753	85,993	24,760
Payroll fringes	32,508	32,508	32,404	104
Office supplies and repairs	2,500	2,500	631	1,869
Telephone	3,000	3,000	3,288	(288)
Legal notice	2,500	2,500	2,407	93
Other expenses	5,500	5,500	8,825	(3,325)
Total County Judge's office	<u>156,761</u>	<u>156,761</u>	<u>133,548</u>	<u>23,213</u>
County Treasurer's Office:				
Salary	68,385	68,385	68,785	(400)
Payroll fringes	26,806	26,806	27,301	(495)
Office supplies and repairs	2,400	2,400	3,521	(1,121)
Service and maintenance contracts	4,400	4,400	4,389	11
Telephone	3,000	3,000	2,435	565
Other expenses	2,275	2,275	3,508	(1,233)
Total County Treasurer's office	<u>107,266</u>	<u>107,266</u>	<u>109,939</u>	<u>(2,673)</u>
Tax Assessor-Collector's Office:				
Salary	104,971	104,971	102,517	2,454
Payroll fringes	41,193	41,193	40,745	448
Office supplies and repairs	600	600	276	324
Telephone	3,000	3,000	1,858	1,142
Other expenses	1,585	1,585	1,457	128
Total Tax Assessor-Collector's office	<u>151,349</u>	<u>151,349</u>	<u>146,853</u>	<u>4,496</u>
Library:				
Salary	42,252	42,252	42,486	(234)
Payroll fringes	14,686	14,686	14,690	(4)
Office supplies and repairs	1,900	1,900	2,384	(484)
Utilities	9,000	9,000	6,428	2,572
Other expenses	9,400	9,400	9,057	343
Total Library	<u>77,238</u>	<u>77,238</u>	<u>75,045</u>	<u>2,193</u>

CHILDRESS COUNTY, TEXAS

SCHEDULE OF EXPENDITURES DETAIL BUDGET AND ACTUAL GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2019			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
GENERAL GOVERNMENT (CONT'D.):				
Maintenance:				
Salary	51,461	51,461	26,347	25,114
Payroll fringes	25,027	25,027	12,567	12,460
Courthouse supplies and repairs	7,000	7,000	9,092	(2,092)
Utilities	20,000	20,000	16,418	3,582
Other expense	400	400	117	283
Total maintenance	<u>103,888</u>	<u>103,888</u>	<u>64,541</u>	<u>39,347</u>
Total current general government expenditures	<u>\$ 962,397</u>	<u>\$ 962,397</u>	<u>\$ 838,731</u>	<u>\$ 123,666</u>
PUBLIC SAFETY:				
Sheriff:				
Salary - sheriff and deputies	\$ 231,429	\$ 231,429	230,943	\$ 486
Salary - jailers and dispatchers	645,204	645,204	637,057	8,147
Payroll fringes	325,264	325,264	310,841	14,423
Office supplies and repairs	14,500	14,500	16,799	(2,299)
Gas, oil and lubricants	35,000	35,000	20,179	14,821
Vehicle and equipment repairs	5,000	5,000	22,770	(17,770)
Jail expense	240,000	240,000	213,909	26,091
Telephone and utilities	67,000	67,000	56,174	10,826
Other expense	63,625	63,625	90,684	(27,059)
Total Sheriff	<u>1,627,022</u>	<u>1,627,022</u>	<u>1,599,356</u>	<u>27,666</u>
Constable:				
Salary	39,750	39,750	39,750	-
Payroll fringes	14,357	14,357	14,067	290
Gas, oil and lubricants	3,000	3,000	(4,739)	7,739
Other expense	2,860	2,860	1,952	908
Total Constable	<u>59,967</u>	<u>59,967</u>	<u>51,030</u>	<u>8,937</u>
Department of Public Safety:				
Salary	24,600	24,600	24,600	-
Payroll fringes	12,142	12,142	12,319	(177)
Telephone and utilities	3,700	3,700	3,869	(169)
Total Department of Public Safety	<u>40,442</u>	<u>40,442</u>	<u>40,788</u>	<u>(346)</u>
Emergency Management Coordinator:				
Salary	32,579	32,579	34,028	(1,449)
Payroll fringes	4,290	4,290	4,475	(185)
Office supplies and repairs	2,300	2,300	1,518	782
Fuel and vehicle repair	3,900	3,900	1,565	2,335
Telephone	1,500	1,500	772	728
Other expense	500	500	144	356
Total Emergency Management Coordinator	<u>45,069</u>	<u>45,069</u>	<u>42,502</u>	<u>2,567</u>
Total current public safety expenditures	<u>\$ 1,772,500</u>	<u>\$ 1,772,500</u>	<u>\$ 1,733,676</u>	<u>\$ 38,824</u>

CHILDRESS COUNTY, TEXAS

SCHEDULE OF EXPENDITURES DETAIL BUDGET AND ACTUAL GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2019			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
JUSTICE SYSTEM:				
District Court:				
Salary	\$ 49,290	\$ 49,290	34,773	\$ 14,517
Payroll fringes	33,872	33,872	8,165	25,707
Office supplies	1,200	1,200	608	592
Court costs	123,000	123,000	134,953	(11,953)
Telephone	3,000	3,000	1,786	1,214
Total District Court	<u>210,362</u>	<u>210,362</u>	<u>180,285</u>	<u>30,077</u>
Justice of the Peace:				
Salary	98,878	98,878	90,877	8,001
Payroll fringes	26,423	26,423	30,123	(3,700)
Travel	3,000	3,000	3,357	(357)
Office supplies and repairs	6,000	6,000	13,609	(7,609)
Telephone	4,000	4,000	2,273	1,727
Other expense	1,300	1,300	130	1,170
Total Justice of the Peace	<u>139,601</u>	<u>139,601</u>	<u>140,369</u>	<u>(768)</u>
County Attorney:				
Salary	105,545	105,545	70,892	34,653
Payroll fringes	32,139	32,139	32,607	(468)
Office supplies and repairs	3,000	3,000	2,652	348
Telephone	3,500	3,500	2,167	1,333
Other expense	2,450	2,450	3,177	(727)
Total County Attorney	<u>146,634</u>	<u>146,634</u>	<u>111,495</u>	<u>35,139</u>
County and District Clerk:				
Salary	112,776	112,776	113,976	(1,200)
Payroll fringes	51,349	51,349	51,340	9
Travel	3,500	3,500	2,416	1,084
Contract services	11,900	11,900	24,008	(12,108)
Office supplies and repairs	14,500	14,500	13,873	627
Telephone	4,700	4,700	2,060	2,640
Other expense	245	245	245	-
Total County and District Clerk	<u>198,970</u>	<u>198,970</u>	<u>207,918</u>	<u>(8,948)</u>
Jury Fund:				
Salary	7,095	7,095	6,972	123
County share - juvenile probation	10,200	10,200	9,800	400
Payroll fringes	933	933	1,137	(204)
Law library expense	500	500	-	500
Court expenses	49,750	49,750	58,508	(8,758)
Total Jury Fund	<u>68,478</u>	<u>68,478</u>	<u>76,417</u>	<u>(7,939)</u>
Total current justice system expenditures	<u>\$ 764,045</u>	<u>\$ 764,045</u>	<u>\$ 716,484</u>	<u>\$ 47,561</u>

CHILDRESS COUNTY, TEXAS

SCHEDULE OF EXPENDITURES DETAIL BUDGET AND ACTUAL GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2019			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
HEALTH AND HUMAN SERVICES:				
Veteran's Service Office:				
Salary	\$ 12,214	\$ 12,214	\$ 12,214	\$ -
Payroll fringes	10,732	10,732	1,685	9,047
Office supplies	200	200	176	24
Telephone	600	600	600	-
Other expense	750	750	456	294
Total Veteran's Service office	<u>\$ 24,496</u>	<u>\$ 24,496</u>	<u>\$ 15,131</u>	<u>\$ 9,365</u>
ENVIRONMENTAL SERVICES:				
Extension Agent:				
Salary	\$ 59,302	\$ 59,302	\$ 61,668	\$ (2,366)
Payroll fringes	15,240	15,240	15,739	(499)
Mileage allowance	8,000	8,000	8,713	(713)
Office supplies and repairs	3,200	3,200	4,047	(847)
Telephone	3,000	3,000	1,577	1,423
Other expense	4,500	4,500	4,786	(286)
Total Extension Agent	<u>\$ 93,242</u>	<u>\$ 93,242</u>	<u>\$ 96,530</u>	<u>\$ (3,288)</u>
Debt service and capital all precincts				
Debt service	-	-	\$ -	-
Interest expense	-	-	-	-
Capital outlay	-	-	61,270	(61,270)
Total General Fund Expenditures	<u><u>\$ 3,616,680</u></u>	<u><u>\$ 3,616,680</u></u>	<u><u>\$ 3,461,822</u></u>	<u><u>\$ 154,858</u></u>

CHILDRESS COUNTY, TEXAS

SCHEDULE OF EXPENDITURES DETAIL BUDGET AND ACTUAL ROAD AND BRIDGE FUND FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2019			
	Budgeted Amounts		Actual Amounts, Budgetary	Variance With Final Budget Positive (Negative)
	Original	Final	Basis	
ROAD AND BRIDGE MAINTENANCE:				
Precinct #1:				
Salary	\$ 90,593	\$ 90,593	\$ 92,021	\$ (1,428)
Travel allowance	6,000	6,000	6,000	-
Payroll fringes	39,303	39,303	40,021	(718)
Fuel	32,000	32,000	20,887	11,113
Repairs and supplies	15,000	15,000	19,974	(4,974)
Road and bridge material	100	100	-	100
Telephone and utilities	1,500	1,500	2,061	(561)
Other expense	1,500	1,500	663	837
Capital outlay	-	-	19,453	(19,453)
Total Precinct #1	<u>185,996</u>	<u>185,996</u>	<u>201,080</u>	<u>(15,084)</u>
Precinct #2:				
Salary	86,460	86,460	88,896	(2,436)
Travel allowance	6,000	6,000	6,000	-
Payroll fringes	38,759	38,759	39,681	(922)
Fuel	32,000	22,000	23,467	(1,467)
Repairs and supplies	13,649	13,649	15,263	(1,614)
Telephone and utilities	1,000	1,000	1,911	(911)
Other expenses	1,000	1,000	2,075	(1,075)
Capital outlay	-	-	14,750	(14,750)
Total Precinct #2	<u>178,868</u>	<u>168,868</u>	<u>192,043</u>	<u>(23,175)</u>
Precinct #3:				
Salary	99,765	99,765	88,078	11,687
Travel allowance	6,000	6,000	6,000	-
Payroll fringes	40,509	40,509	37,356	3,153
Fuel	30,000	30,000	11,951	18,049
Repairs and supplies	10,000	19,250	6,564	12,686
Telephone and utilities	1,000	1,000	703	297
Other expenses	1,000	1,000	1,062	(62)
Capital outlay	-	14,750	14,450	300
Total Precinct #3	<u>188,274</u>	<u>197,524</u>	<u>166,164</u>	<u>45,810</u>
Precinct #4:				
Salary	87,356	87,356	84,674	2,682
Travel allowance	6,000	6,000	6,000	-
Payroll fringes	36,273	36,273	38,492	(2,219)
Fuel	31,500	31,500	17,801	13,699
Repairs and supplies	15,000	15,000	28,157	(13,157)
Road and bridge material	100	100	-	100
Telephone and utilities	2,700	2,700	2,616	84
Other expenses	1,500	1,500	1,221	279
Capital outlay	-	-	14,450	(14,450)
Total Precinct #4	<u>180,429</u>	<u>180,429</u>	<u>193,411</u>	<u>1,468</u>
Less debt service and capital all precincts				
Capital outlay	-	-	63,103	(63,103)
Total road and bridge maintenance expenditures				
	<u>\$ 733,567</u>	<u>\$ 732,817</u>	<u>\$ 689,595</u>	<u>\$ 43,222</u>

CHILDRESS COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENT FUNDS - SUMMARY FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Sheriff Seizure Accounts	County Attorney Check Collection and Processing Trust Account	County Attorney Pre-Trail Account	Capital Projects Fund	Total
REVENUES					
Fines and forfeitures	\$ -	\$ 1,266	\$ -	\$ -	\$ 1,266
Other income	1,335	-	-	-	1,335
Interest income	77	74	-	488	639
Total revenues	<u>1,412</u>	<u>1,340</u>	<u>-</u>	<u>488</u>	<u>3,240</u>
EXPENDITURES					
Current					
Justice system	-	1,434	7,422	-	8,856
Corrections and rehabilitation	4,484	-	-	-	4,484
Total expenditures	<u>4,484</u>	<u>1,434</u>	<u>7,422</u>	<u>-</u>	<u>13,340</u>
Net change in fund balances	(3,072)	(94)	(7,422)	488	(10,100)
Fund balances - beginning	<u>6,031</u>	<u>3,686</u>	<u>15,695</u>	<u>20,757</u>	<u>46,169</u>
Fund balances - ending	<u>\$ 2,959</u>	<u>\$ 3,592</u>	<u>\$ 8,273</u>	<u>\$ 21,245</u>	<u>\$ 36,069</u>

CHILDRESS COUNTY, TEXAS

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS SEPTEMBER 30, 2019

	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
ASSETS:						
Cash and cash equivalents	\$ 162,660	\$ 10,164	\$ 20,490	\$ 8,932	\$ 14,969	\$ 612
Total Assets	\$ 162,660	\$ 10,164	\$ 20,490	\$ 8,932	\$ 14,969	\$ 612
LIABILITIES:						
Due to others	\$ 162,660	\$ 10,164	\$ 20,490	\$ 8,932	\$ 14,969	\$ 612

CHILDRESS COUNTY, TEXAS

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS SEPTEMBER 30, 2019

	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	\$ 23,490	\$ 959	\$ 171	\$ 84,338	\$ 28,649	\$ 76,838	\$ 432,272
Total Assets	<u>\$ 23,490</u>	<u>\$ 959</u>	<u>\$ 171</u>	<u>\$ 84,338</u>	<u>\$ 28,649</u>	<u>\$ 76,838</u>	<u>\$ 432,272</u>
LIABILITIES:							
Due to others	<u>\$ 23,490</u>	<u>\$ 959</u>	<u>\$ 171</u>	<u>\$ 84,338</u>	<u>\$ 28,649</u>	<u>\$ 76,838</u>	<u>\$ 432,272</u>

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, 2019, and the related notes to the financial statements, which collectively comprise Childress County, Texas' basic financial statements, and have issued our report thereon dated March 9, 2020.

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. However, material weaknesses may exist that have not been identified.

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.

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

Foster & Lambert L.L.C.
March 9, 2020

CHILDRESS COUNTY, TEXAS

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

I. Summary of the Auditor's Results:

Financial Statements:

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

Federal Awards:

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

II. Financial Statement Findings:

None.

III. Federal Award Findings and Questioned Costs:

Not applicable.

CHILDRESS COUNTY, TEXAS

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2019

None