

CHILDRESS COUNTY APPRAISAL DISTRICT

FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021

CHILDRESS COUNTY APPRAISAL DISTRICT

FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021

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Independent Auditor's Report

To the Board of Directors
Childress County Appraisal District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Childress County Appraisal District** as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District'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. 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 Appraisal District**, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information in the table of contents 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.

Foster, Lambert & Foard LLC

Foster, Lambert & Foard, LLC
July 15, 2022

CHILDRESS COUNTY APPRAISAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2021

As management of Childress County Appraisal District, this narrative overview and analysis is provided of the District's financial activities for the year ending December 31, 2021. We recommend readers consider information in conjunction with the financial statements taken as a whole.

Financial Highlights

Revenues exceeded expenditures by \$48,613 for Childress County Appraisal District for the year ended December 31, 2021.

Required Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. They are prepared using the full accrual basis of accounting.

The Statement of Net Position presents information on all the District'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 District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year.

Fund financial statements tell how appraisal services were paid for as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's general fund.

Notes to the financial statements provide additional information that is essential for a full understanding of the information provided in the basic financial statements. Required Supplementary Information consists of more detailed data on the retirement fund schedule of funding progress.

Financial Analysis

Net position may serve, over time, as a useful indicator of a government's financial position. In the case of Childress County Appraisal District, assets exceeded liabilities by \$252,118 at December 31, 2021.

CHILDRESS COUNTY APPRAISAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2021

Condensed Statement of Net Position

| | <u>2020</u> | <u>2021</u> |
|--------------------------------|-------------------|-------------------|
| Current and other assets | \$ 192,815 | \$ 230,568 |
| Capital assets | <u>34,977</u> | <u>30,902</u> |
| Total assets | <u>227,792</u> | <u>261,470</u> |
| Deferred outflows | | |
| Pension expenditures | <u>13,042</u> | <u>25,549</u> |
| Current liabilities | <u>4,143</u> | <u>3,526</u> |
| Total liabilities | <u>4,143</u> | <u>3,526</u> |
| Deferred inflows | | |
| Pension expenditures | <u>33,186</u> | <u>31,375</u> |
| Net Position: | | |
| Invested in capital assets | 34,977 | 30,902 |
| Designated for emergency funds | <u>168,528</u> | <u>221,216</u> |
| Total net position | <u>\$ 203,505</u> | <u>\$ 252,118</u> |

For the year ended December 31, 2021, the District's net position increased by \$48,613. The key elements of this increase are as follows:

Changes in Net Position

| | <u>2020</u> | <u>2021</u> |
|-------------------------------------|-------------------|-------------------|
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 339,704 | \$ 349,485 |
| General revenues: | | |
| Investment income | 229 | 282 |
| Miscellaneous income | <u>3,988</u> | <u>1,548</u> |
| Total revenues | <u>343,921</u> | <u>351,315</u> |
| Expenses: | | |
| General government | <u>295,721</u> | <u>302,702</u> |
| Total expenses | <u>295,721</u> | <u>302,702</u> |
| Increase (decrease) in net position | 48,200 | 48,613 |
| Net position – beginning | <u>155,305</u> | <u>203,505</u> |
| Net position - ending | <u>\$ 203,505</u> | <u>\$ 252,118</u> |

CHILDRESS COUNTY APPRAISAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2021

The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$252,118. This amount may be used to meet the government's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$225,769.

At the end of current fiscal year, unassigned fund balance for the general fund was \$0.

Budgetary Highlight

The District's General Fund expenditures were \$302,856, which was \$45,044 less than the budgeted amount of \$347,900.

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets for its government-wide activities as of December 31, 2021, amounts to \$30,902 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements.

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

| | <u>2020</u> | <u>2021</u> |
|------------------------|------------------|------------------|
| Leasehold improvements | <u>\$ 34,977</u> | <u>\$ 30,902</u> |

Debt

As of December 31, 2021, the District is debt-free.

Description of Current or Expected Conditions

Budgeted expenses for fiscal year 2022 are \$374,323.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Chief Appraiser, Childress County Appraisal District, 1710 Ave F NW, Childress, Texas 79201.

CHILDRESS COUNTY APPRAISAL DISTRICT

STATEMENT OF NET POSITION DECEMBER 31, 2021

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Current assets: | |
| Cash and cash equivalents | \$ 226,332 |
| Prepaid expenses | 2,963 |
| Total current assets | <u>229,295</u> |
| Capital assets: | |
| Leasehold improvements, net | <u>30,902</u> |
| Other assets: | |
| Net pension asset | <u>1,273</u> |
| Total assets | <u>261,470</u> |
| Deferred outflows: | |
| Pension expenditures | <u>25,549</u> |
| Liabilities: | |
| Accounts payable | 1,048 |
| Payroll taxes payable | 1,931 |
| Retirement payable | 547 |
| Total liabilities | <u>3,526</u> |
| Deferred inflows: | |
| Pension expenditures | <u>31,375</u> |
| Net position: | |
| Invested in capital assets, net of related debt | 30,902 |
| Restricted - emergency fund | <u>221,216</u> |
| Total net position | <u>\$ 252,118</u> |

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

CHILDRESS COUNTY APPRAISAL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2021

| | Expenses | Program Revenues Charges for Services | Net (Expense) Revenue and Changes in Net Assets Governmental Activities |
|----------------------------|------------|--|--|
| Functions/Programs | | | |
| Primary government: | | | |
| Governmental activities: | | | |
| General government | \$ 302,702 | \$ 349,485 | \$ 46,783 |
| General Revenues: | | | |
| Interest | | | 282 |
| Other | | | 1,548 |
| Total general revenues | | | 1,830 |
| Change in net assets | | | 48,613 |
| Net position - beginning | | | 203,505 |
| Net position - ending | | | \$ 252,118 |

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

CHILDRESS COUNTY APPRAISAL DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2021

| | <u>2021</u> |
|-------------------------------------|-------------------|
| | <u>General</u> |
| Assets: | |
| Cash and cash equivalents | \$ 226,332 |
| Prepaid insurance | 2,963 |
| Total Assets | <u>\$ 229,295</u> |
| Liabilities and fund balance: | |
| Liabilities: | |
| Accounts payable | \$ 1,048 |
| Payroll taxes payable | 1,931 |
| Retirement payable | 547 |
| Total liabilities | <u>3,526</u> |
| Fund balances: | |
| Assigned for emergency funds | <u>225,769</u> |
| Total fund balances | <u>225,769</u> |
| Total liabilities and fund balances | <u>\$ 229,295</u> |

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

CHILDRESS COUNTY APPRAISAL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2021

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

| | |
|--|--------------------------|
| Total fund balance - governmental funds | \$ 225,769 |
| The 2021 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets. | (4,075) |
| Included in the items related to assets is the recognition of the District's proportionate share of the net pension asset required by GASB 68 in the amount of \$1,273, a deferred resource outflow related to TMRS in the amount of \$25,549, and a deferred resource inflow related to TMRS in the amount of \$31,375. The net effect of this is to decrease net assets. | (4,553) |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$87,796 and the accumulated depreciation was \$52,819. The net effect of including the beginning balances for capital assets (net of depreciation) is to increase net assets. | <u>34,977</u> |
| Net position of governmental activities | <u><u>\$ 252,118</u></u> |

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

CHILDRESS COUNTY APPRAISAL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2021

| | <u>2021</u> |
|--|-------------------|
| | <u>General</u> |
| REVENUES | |
| Appraisal and collection fees | \$ 349,485 |
| Interest | 282 |
| Other | <u>1,548</u> |
| Total revenues | <u>351,315</u> |
| EXPENDITURES | |
| Current: | |
| General government | 302,856 |
| Total expenditures | <u>302,856</u> |
| Excess (deficiency) of revenues over expenditures | 48,459 |
| OTHER FINANCING SOURCES (USES) | |
| Net Change in fund balances | 48,459 |
| Fund balances - beginning | <u>177,310</u> |
| Fund balances - ending | <u>\$ 225,769</u> |

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

CHILDRESS COUNTY APPRAISAL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2021

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

| | |
|---|------------------|
| Net change in fund balances - total government funds | \$ 48,459 |
| The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. The District's share of the unrecognized deferred outflows for TMRS as of the measurement date had to be amortized. The net effect is to decrease net position. | 4,229 |
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets. | <u>(4,075)</u> |
| Changes in net position of governmental activities | <u>\$ 48,613</u> |

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

CHILDRESS COUNTY APPRAISAL DISTRICT

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2021

| | 2021 | | | Variance with Final Budget - Positive (Negative) |
|--|------------------|------------|-------------------|--|
| | Budgeted Amounts | | Actual Amounts | |
| | Original | Final | | |
| REVENUES | | | | |
| Appraisal and collection fees | \$ 347,900 | \$ 347,900 | \$ 349,485 | \$ 1,585 |
| Interest | - | - | 282 | 282 |
| Other | - | - | 1,548 | 1,548 |
| Total revenues | 347,900 | 347,900 | 351,315 | 3,415 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 347,900 | 347,900 | 302,856 | 45,044 |
| Total expenditures | 347,900 | 347,900 | 302,856 | 45,044 |
| Excess (deficiency) of revenues over expenditures | - | - | 48,459 | 48,459 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer | - | - | - | - |
| Net Change in fund balances | - | - | 48,459 | 48,459 ✓ |
| Fund balances - beginning | 177,310 | 177,310 | 177,310 | - |
| Fund balances - ending | \$ 177,310 | \$ 177,310 | \$ 225,769 | \$ 48,459 |

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

CHILDRESS COUNTY APPRAISAL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS DECEMBER 31, 2021

| | <u>Custodial Funds</u> |
|---------------------------|----------------------------|
| Assets: | |
| Cash and cash equivalents | <u>\$ 149,522</u> |
| | |
| Net Position: | |
| Held in trust | <u>\$ 149,522</u> |

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

CHILDRESS COUNTY APPRAISAL DISTRICT

STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2021

| | <u>Custodial Funds</u> |
|---|----------------------------|
| Additions | |
| Property tax collections | \$ 10,837,254 |
| Interest | 391 |
| Total additions | <u>10,837,645</u> |
| Deductions | |
| Distributions to government agencies | <u>11,315,396</u> |
| Net increase (decrease) in Fiduciary Net Position | (477,751) |
| Net position, January 1, 2021 | - |
| Prior period adjustment | 627,273 |
| Net position, December 31, 2021 | <u>\$ 149,522</u> |

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

CHILDRESS COUNTY APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

Note 1 - Summary of significant accounting policies

A. Reporting entity

Childress County Appraisal District (the "District") is an independent agency created by Texas state law for the purpose of serving as a central property appraisal unit for four taxing jurisdictions located within Childress County, Texas. The taxing jurisdictions consist of the County of Childress, the City of Childress, the Childress Independent School District, and the Childress County Hospital District. In addition to its appraisal function, the District performs tax collection services for the taxing jurisdictions. Operating revenue for the District is derived from appraisal charges to the taxing jurisdictions, collection service fees and tax certificate charges. Though members of the District's Board are appointed by the taxing jurisdictions, the District has the authority to make decisions, significantly influence operations, and has the primary accountability for fiscal matters. Consequently, the District 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."

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

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

CHILDRESS COUNTY APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

Note 1 - Summary of significant accounting policies (cont'd)

C. 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For 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 District reports the following major governmental funds:

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

Additionally, the District reports the following fund types:

The agency fund accounts for assets held by the District as an agent for other governments. The Agency Fund is custodial in nature and, therefore, does not have revenue, expenditures, and equity. Consequently, it is not a budgeted fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

CHILDRESS COUNTY APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

Note 1 - Summary of significant accounting policies (cont'd)

C. Measurement focus, basis of accounting, and financial statement presentation (cont'd)

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 District's policy to use restricted resources first, then unrestricted resources as needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The District's 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.

2. Capital assets

Capital assets, which include property, plant and equipment, 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) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. 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 are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|--|--------------|
| Buildings | 50 |
| Building improvements | 30 |
| Vehicles | 5 |
| Leasehold improvements | 10 |
| Machinery, Equipment and Other Assets | 10 |

CHILDRESS COUNTY APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

Note 1 - Summary of significant accounting policies (cont'd)

D. Assets, liabilities, and net assets or equity (cont'd)

3. Fund balances

As of December 31, 2021, fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Directors. Committed amounts cannot be used for any other purpose unless the Board of Directors removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Directors. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Directors or by an official or body to which the Board of Directors delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spend for any purpose. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

CHILDRESS COUNTY APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

Note 2 - Stewardship, compliance, and accountability

A. Budgetary information

The official budget was prepared and adopted prior to the expenditure of funds. The budget is adopted on the same basis that the District maintains its accounts.

B. Excess of appropriations over expenditures

For the year ended December 31, 2021, appropriations exceeded expenditures for the general government by \$45,044.

Note 3 - Deposits, securities, and investment

Cash includes demand deposits. The District 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. For the year ended December 31, 2021, the District did not own any investments other than those permitted by statute.

The District's bank deposits at December 31, 2021, were fully collateralized by federal deposit insurance coverage.

Deposits of the District 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 District 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 District will do business, and diversifying the investment portfolio so that the impact of potential losses from any one type of security from any one individual issuer will be minimized. At year-end, the District 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 District's name. At year-end, the District 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 District funds shall be diversified by maturity, issuer, and class of security. At year-end, the District was not significantly exposed to concentration of credit risk related to deposits and investments.

CHILDRESS COUNTY APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

Note 3 - Deposits, securities, and investment (cont'd.)

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

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

Note 4 – Defined Contribution pension plan

Plan Description

Childress County Appraisal District participates as one of 800 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 District 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 Appraisal District were as follows:

| | |
|--------------------------------|-------------|
| Deposit rate: | 4% |
| Matching ratio (to employee) | 1 to 1 |
| A member is vested after: | 10 years |
| Service retirement eligibility | 60/10, 0/30 |

CHILDRESS COUNTY APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

Note 4 – Defined Contribution pension plan (cont'd.)

Employees covered by benefit terms:

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|-----------------|
| Inactive employees or beneficiaries currently receiving benefits | 0 |
| Inactive employees entitled to but not yet receiving benefits | 1 |
| Active employees | <u>2</u> |
| Total | <u><u>3</u></u> |

Contributions

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

Employees for the Childress County Appraisal District were required to contribute 4% of their annual gross earnings during the fiscal year. The contribution rates for the District was 5.85% in calendar years 2021. The District's contributions to TCDRS for the year ended December 31, 2021, were \$3,859, and were equal to the required contributions.

Net Pension Liability

The District's Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020, actuarial valuation was determined using the following actuarial assumptions:

| | |
|-----------------------------|----------------|
| Real rate of return | 5.00% per year |
| Inflation | 2.75% per year |
| Long-term investment return | 7.50% 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.

CHILDRESS COUNTY APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

Note 4 – Defined Contribution pension plan (cont'd.)

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 2017 information for a 7-10 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 2013, See Milliman's TCDRS Investigation of Experience report for the period January 1, 2009 – December 31, 2012 for more details.

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 | Target Allocation | Geometric Real Rate of Return (Expected minus inflation) |
|--------------------------------------|-------------------|---|
| US Equities | 11.50% | 4.25% |
| Global Equities | 2.50% | 4.55% |
| International Equities- Developed | 5.00% | 4.25% |
| International Equities- Emerging | 6.00% | 4.75% |
| Investment-Grade Bonds | 3.00% | -0.85% |
| Strategic Credit | 9.00% | 2.11% |
| Direct Lending | 16.00% | 6.70% |
| Distressed Debt | 4.00% | 5.70% |
| REIT Equities | 2.00% | 3.45% |
| Master Limited Partnerships | 2.00% | 5.10% |
| Private Real Estate Partnerships | 6.00% | 4.90% |
| Private Equity | 25.00% | 7.25% |
| Hedge Funds | 6.00% | 1.85% |
| Cash Equivalents | <u>2.00%</u> | -0.70% |
| Total | <u>100.00%</u> | |

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 APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

Note 4 – Defined Contribution pension plan (cont'd.)

| | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension Liability</u> |
|---|--|--|--------------------------------------|
| Balance at 12/31/19 | \$ 203,031 | \$ 214,393 | \$ (11,362) |
| Changes for the year: | | | |
| Service cost | 3,734 | - | 3,734 |
| Interest | 16,330 | - | 16,330 |
| Effect of plan changes | - | - | - |
| Effect of economic/demographic gains or losses | 5,909 | - | 5,909 |
| Effect of assumptions changes or inputs | 13,185 | - | 13,185 |
| Refund of contributions | - | - | - |
| Benefit payments | (10,514) | (10,514) | - |
| Administrative expense | - | (170) | 170 |
| Member contributions | - | 2,588 | (2,588) |
| Net investment income | - | 22,141 | (22,141) |
| Employer contributions | - | 4,587 | (4,587) |
| Other changes | - | (78) | 78 |
| Balance at 12/31/20 | <u>\$ 231,675</u> | <u>\$ 232,948</u> | <u>\$ (1,273)</u> |

Sensitivity Analysis

The following presents the net pension liability of the county/district, calculated using the discount rate of 7.60%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

| | <u>1% Decrease in Discount Rate (6.60%)</u> | <u>Discount Rate (7.60%)</u> | <u>1% Increase in Discount Rate (8.60%)</u> |
|--------------------------------|---|----------------------------------|---|
| Total pension liability | \$ 261,876 | \$ 231,675 | \$ 206,272 |
| Fiduciary net position | <u>232,948</u> | <u>232,948</u> | <u>232,948</u> |
| Net pension liability/ (asset) | <u>\$ 28,928</u> | <u>\$ (1,273)</u> | <u>\$ (26,676)</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 APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

Note 4 – Defined Contribution pension plan (cont'd.)

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

For the year ended December 31, 2021, the District recognized pension expense of \$(329). At December 31, 2020, the District 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 | \$ 23,362 | \$ 9,668 |
| Changes in actuarial assumptions | - | 11,982 |
| Difference between projected and actual investment earnings | 8,013 | - |
| Contributions subsequent to the measurement date | - | 3,899 |
| Total | <u>\$ 31,375</u> | <u>\$ 25,549</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 December 30: | |
|-------------------------|-------------------|
| 2021 | \$ (3,042) |
| 2022 | 244 |
| 2023 | (3,735) |
| 2024 | (547) |
| 2025 | 1,392 |
| Thereafter | <u>(4,037)</u> |
| Total | <u>\$ (9,725)</u> |

Note 5 - Capital assets

Activity for the year ended December 31, 2021, is as follows:

| | <u>Beginning Balance</u> | <u>Additions/ Transfers</u> | <u>Retirements/ Transfers</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------------------|-----------------------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Leasehold improvements | \$ 87,796 | \$ - | \$ - | \$ 87,796 |
| Less accumulated depreciation for: | | | | |
| Leasehold improvements | <u>52,819</u> | <u>4,075</u> | - | <u>56,894</u> |
| Total capital assets, being depreciated, net | <u>\$ 34,977</u> | <u>\$ 4,075</u> | <u>\$ -</u> | <u>\$ 30,902</u> |

CHILDRESS COUNTY APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

Note 6 - Health insurance

The Appraisal District pays all the health insurance for full-time employees. For the year ended December 31, 2021, the District paid \$18,847.

Note 7 - Subsequent events

There are no subsequent events after the fiscal year that would have a material impact on these financial statements.

Note 8 - Prior period adjustment

During the fiscal year 2021, the District adopted GASB Statement No. 84, Fiduciary Activities. Prior to the implementation of GASB 84, the District's funds held on behalf of the taxing entities were reported only in a statement of fiduciary assets and liabilities. After the implementation of GASB 84, the District's funds held on behalf of the entities are reported as custodial funds in a statement of fiduciary net position and in a statement of changes in fiduciary net position. The effect of reporting the funds held on behalf of the taxing entities as custodial funds is an increase to beginning net position of \$627,273 for custodial funds.

CHILDRESS COUNTY APPRAISAL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

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

| | <u>12/31/2020</u> | <u>12/31/2019</u> | <u>12/31/2018</u> | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2015</u> | <u>12/31/2014</u> |
|--|-------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total pension liability | | | | | | | |
| Service Cost | \$ 3,734 | \$ 3,748 | \$ 3,643 | \$ 3,384 | \$ 4,971 | \$ 5,018 | \$ 5,046 |
| Interest (on the Total Pension Liability) | 16,330 | 17,340 | 16,240 | 16,575 | 17,151 | 16,712 | 15,740 |
| Effect of plan changes | - | - | - | - | - | (472) | - |
| Effect of assumption changes or inputs | - | - | - | - | - | 4,496 | - |
| Effect of economic/demographic (gains) or losses | 5,909 | (22,548) | 7,366 | (9,023) | (4,877) | 7,969 | 10,424 |
| Change of assumptions | 13,185 | - | - | 1,364 | - | - | - |
| Refund of contributions | - | - | - | - | (13,068) | - | - |
| Benefit payments, including refunds of employee contributions | (10,514) | (11,435) | (16,040) | (17,328) | (19,903) | (19,902) | (22,371) |
| Net change in Total Pension Liability | 28,644 | (12,895) | 11,209 | (5,028) | (15,726) | 13,821 | 8,839 |
| Total Pension Liability - Beginning | 203,031 | 215,926 | 204,717 | 209,745 | 225,471 | 211,650 | 202,811 |
| Total Pension Liability - Ending | <u>\$ 231,675</u> | <u>\$ 203,031</u> | <u>\$ 215,926</u> | <u>\$ 204,717</u> | <u>\$ 209,745</u> | <u>\$ 225,471</u> | <u>\$ 211,650</u> |
| Plan Fiduciary Net Position | | | | | | | |
| Contributions - Employer | \$ 4,587 | \$ 3,675 | \$ 4,264 | \$ 4,500 | \$ 4,536 | \$ 5,671 | \$ 5,505 |
| Contributions - Employee | 2,588 | 2,513 | 2,440 | 2,369 | 2,347 | 3,058 | 3,058 |
| Net Investment Income | 22,141 | 31,030 | (3,878) | 27,020 | 14,015 | 3,231 | 12,838 |
| Refund of contributions | - | - | - | - | (13,068) | - | - |
| Benefit payments, including refunds of employee contributions | (10,514) | (11,435) | (16,040) | (17,328) | (19,903) | (19,902) | (22,371) |
| Administrative expense | (170) | (163) | (152) | (135) | (152) | (138) | (145) |
| Other | (78) | (150) | (258) | (142) | 8,510 | 6,633 | 5,391 |
| Net Change in Plan Fiduciary Net Position | 18,554 | 25,470 | (13,624) | 16,284 | (3,715) | (1,447) | 4,276 |
| Plan Fiduciary Net Position - Beginning | 214,393 | 188,923 | 202,547 | 186,263 | 189,978 | 191,425 | 187,149 |
| Plan Fiduciary Net Position - Ending | <u>\$ 232,948</u> | <u>\$ 214,393</u> | <u>\$ 188,923</u> | <u>\$ 202,547</u> | <u>\$ 186,263</u> | <u>\$ 189,978</u> | <u>\$ 191,425</u> |
| Net Pension Liability Ending (a)-(b) | <u>\$ (1,273)</u> | <u>\$ (11,362)</u> | <u>\$ 27,003</u> | <u>\$ 2,170</u> | <u>\$ 23,482</u> | <u>\$ 35,493</u> | <u>\$ 20,225</u> |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 100.55% | 105.60% | 87.49% | 98.94% | 88.80% | 84.26% | 90.44% |
| Covered Employee Payroll | \$ 64,704 | \$ 62,820 | \$ 60,990 | \$ 59,214 | \$ 58,677 | \$ 76,440 | \$ 76,440 |
| Net Pension Liability as a Percentage of Covered Employee Payroll | -1.97% | -18.09% | 44.28% | 3.66% | 40.02% | 46.43% | 26.46% |

CHILDRESS COUNTY APPRAISAL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

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

| | 12/31/2020 | 12/31/2019 | 12/31/2018 | 12/31/2017 | 12/31/2016 | 12/31/2015 | 12/31/2014 | 12/31/2013 | 12/31/2012 | 12/31/2011 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Actuarially Determined Contribution | \$ 4,587 | \$ 3,443 | \$ 4,263 | \$ 4,500 | \$ 4,536 | \$ 5,671 | \$ 5,488 | \$ 5,167 | \$ 4,793 | \$ 4,343 |
| Contributions in relation to the actuarially determined contribution | 4,587 | 3,675 | 4,263 | 4,500 | 4,536 | 5,671 | 5,505 | 5,167 | 4,793 | 4,343 |
| Contribution deficiency (excess) | \$ - | \$ (232) | \$ - | \$ - | \$ - | \$ - | \$ (17) | \$ - | \$ - | \$ - |
| Covered employee payroll | \$ 64,704 | \$ 62,820 | \$ 60,990 | \$ 59,214 | \$ 58,677 | \$ 76,440 | \$ 76,440 | \$ 76,440 | \$ 76,440 | \$ 74,235 |
| Contributions as a percentage of covered employee payroll | 7.10% | 5.90% | 7.00% | 7.60% | 7.70% | 7.40% | 7.20% | 6.80% | 6.30% | 5.80% |