

ANNUAL FINANCIAL REPORT

of the

City of Shenandoah, Texas

For the Year Ended
September 30, 2017



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City of Shenandoah, Texas

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Shenandoah, Texas:

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 the City of Shenandoah, Texas (the "City"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's 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 opinion

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note V.E. the City has restated beginning fund balance/net position within governmental type activities due to the change in accrued liabilities and change in fund reporting. Our opinion is not modified with respect to this matter.

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 changes in net pension liability and related ratios, schedule of employee contributions to pension plan, and budgetary comparison information 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information, such as the combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates 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 statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, slightly stylized font.

Brooks Watson & Co.
Certified Public Accountants
Houston, Texas
February 21, 2018

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*MANAGEMENT'S DISCUSSION
AND ANALYSIS*

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City of Shenandoah, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2017

As management of the City of Shenandoah, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017.

Financial Highlights

- The City's total combined net position was \$47,708,576 at September 30, 2017. Of this, \$5,894,134 (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$14,809,019, an increase of \$110,161.
- As of the end of the year, the unassigned fund balance of the general fund was \$6,079,421 or 81% of total general fund expenditures.
- The City had an overall increase in net position of \$2,394,295, which is due to revenues exceeding expenses that occurred in the current year.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The government-wide statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City'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 for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

City of Shenandoah, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2017

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, community development, and public works. The business-type activities of the City include a water and sewer operations.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Shenandoah, Texas maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service fund, the hotel occupancy fund, the Shenandoah Municipal Development District, and the Capital Improvements fund considered to be major funds. Fund data for the remaining nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City of Shenandoah, Texas adopts an annual appropriated budget for its general, debt service, special revenue, and utility funds. A budgetary comparison schedule has been provided to demonstrate compliance with the general fund budget and each major special revenue fund.

Proprietary Funds. The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution, wastewater collection/treatment

City of Shenandoah, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2017

and water construction operations. The proprietary fund financial statements provide separate information for the water distribution, and wastewater collection/treatment fund. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

Notes to Financial Statements. The notes to the financial statements provide additional information that is necessary to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* (RSI) concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pension.

Government-Wide Financial Analysis

As noted previously, net position over time, may serve as a useful indicator of the City's financial position. For the City of Shenandoah, Texas, assets exceed liabilities by \$47,708,576 as of September 30, 2017.

The largest portion of the City's net position, \$33,978,102, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Current and other assets of Business-Type Activities as of September 30, 2017 and September 30, 2016 were \$2,217,028 and \$3,291,798, respectively. The decrease of \$1,074,770 was primarily attributable to transfers out, \$1,574,899 of which transferred to the Capital Improvement fund for capital projects.

Long-term liabilities of Governmental Activities as of September 30, 2017 and September 30, 2016 were \$23,740,049 and \$25,540,880, respectively. The decrease of \$1,800,831 was attributable to principal payment made in the amount of \$1,550,000 during the year, in addition to the amortization of bond premiums.

City of Shenandoah, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2017

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2017			2016		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities		Activities	Activities	
Current and other assets	\$ 15,778,923	\$ 2,217,028	\$ 17,995,951	\$ 15,721,825	\$ 3,291,798	\$ 19,013,623
Capital assets, net	39,978,822	15,024,463	55,003,285	38,137,746	14,885,179	53,022,925
Total Assets	55,757,745	17,241,491	72,999,236	53,859,571	18,176,977	72,036,548
Deferred Outflows	1,745,799	87,299	1,833,098	2,051,039	117,041	2,168,080
Other liabilities	2,664,566	211,815	2,876,381	2,693,041	196,390	2,889,431
Long-term liabilities	23,740,049	447,928	24,187,977	25,540,880	460,036	26,000,916
Total Liabilities	26,404,615	659,743	27,064,358	28,233,921	656,426	28,890,347
Deferred Inflows	52,272	7,128	59,400	-	-	-
Net Position:						
Net investment						
in capital assets	18,953,639	15,024,463	33,978,102	15,639,590	14,885,179	30,524,769
Restricted	7,836,340	-	7,836,340	7,972,018	-	7,972,018
Unrestricted	4,256,678	1,637,456	5,894,134	4,065,081	2,752,413	6,817,494
Total Net Position	\$ 31,046,657	\$ 16,661,919	\$ 47,708,576	\$ 27,676,689	\$ 17,637,592	\$ 45,314,281

City of Shenandoah, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2017

Statement of Activities:

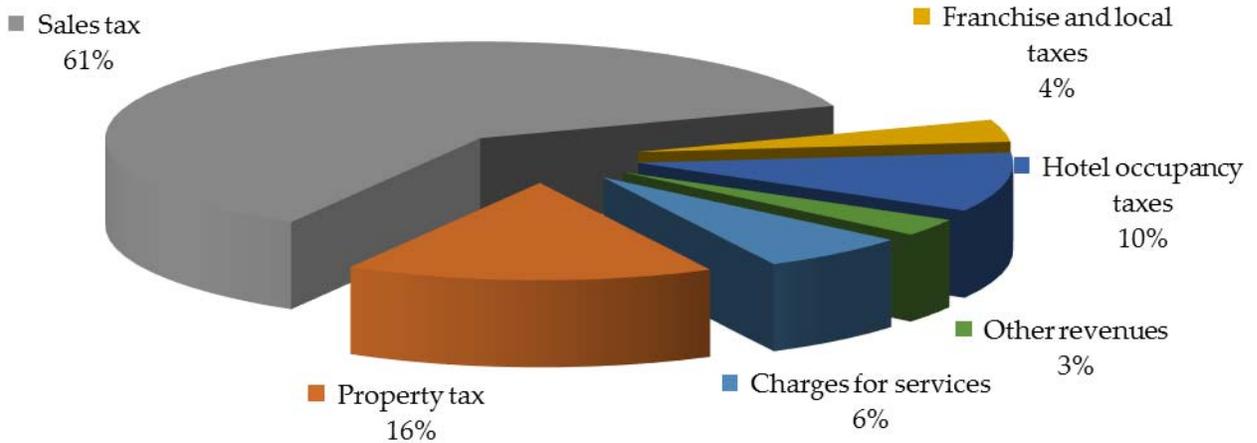
The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2017			For the Year Ended September 30, 2016		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
			Primary Government			Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 783,672	\$ 2,526,510	\$ 3,310,182	\$ 847,651	\$ 2,722,533	\$ 3,570,184
General revenues:						
Property tax	1,943,370	-	1,943,370	1,867,070	-	1,867,070
Sales tax	7,489,554	-	7,489,554	8,091,739	-	8,091,739
Franchise and local taxes	456,189	-	456,189	440,399	-	440,399
Hotel occupancy taxes	1,213,222	-	1,213,222	1,111,966	-	1,111,966
Investment income	23,179	2,556	25,735	20,767	2,704	23,471
Other revenues	331,693	140	331,833	273,059	1,571	274,630
Total Revenues	12,240,879	2,529,206	14,770,085	12,652,651	2,726,808	15,379,459
Expenses						
General government	3,884,119	-	3,884,119	3,321,513	-	3,321,513
Public safety	2,670,667	-	2,670,667	2,685,385	-	2,685,385
Public works	2,199,688	-	2,199,688	2,023,328	-	2,023,328
Community development	107,182	-	107,182	97,048	-	97,048
Economic development	137,258	-	137,258	57,942	-	57,942
Tourism	756,468	-	756,468	453,644	-	453,644
Garbage collection	251,299	-	251,299	228,822	-	228,822
Interest and fiscal charges	757,266	-	757,266	906,763	-	906,763
Water & sewer	-	1,611,843	1,611,843	-	1,552,470	1,552,470
Total Expenses	10,763,947	1,611,843	12,375,790	9,774,445	1,552,470	11,326,915
Change in Net Position						
Before Transfers	1,476,932	917,363	2,394,295	2,878,206	1,174,338	4,052,544
Transfers in (out)	1,893,036	(1,893,036)	-	1,007,849	(1,007,849)	-
Total	1,893,036	(1,893,036)	-	1,007,849	(1,007,849)	-
Change in Net Position	3,369,968	(975,673)	2,394,295	3,886,055	166,489	4,052,544
Beginning Net Position	27,676,689	17,637,592	45,314,281	23,790,634	17,471,103	41,261,737
Ending Net Position	\$ 31,046,657	\$ 16,661,919	\$ 47,708,576	\$ 27,676,689	\$ 17,637,592	\$ 45,314,281

City of Shenandoah, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2017

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

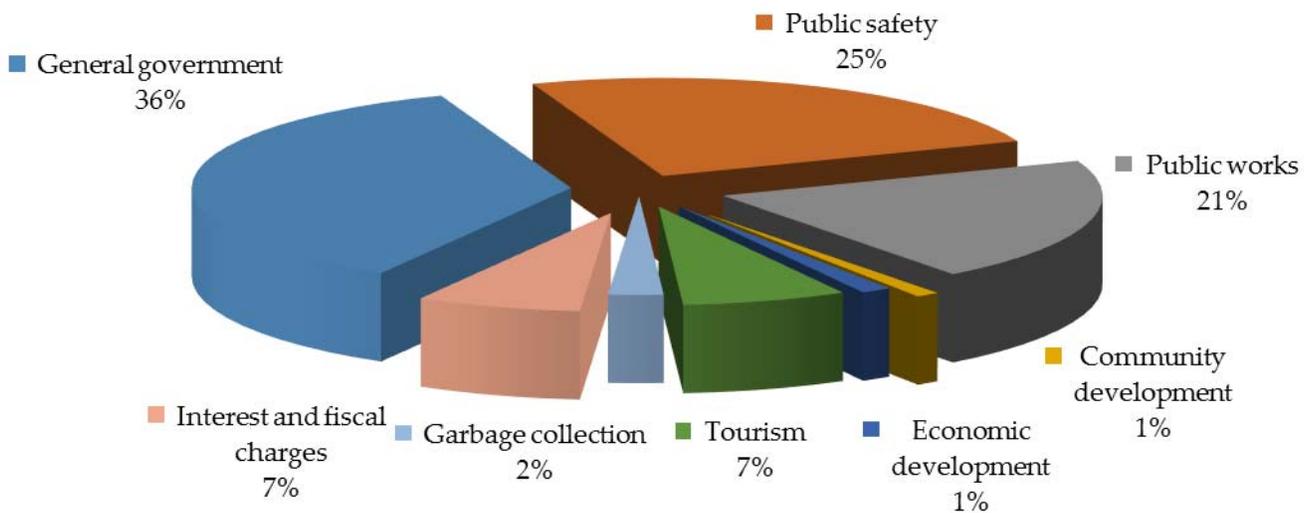
Governmental Activities - Revenues



For the year ended September 30, 2017, revenues from governmental activities totaled \$12,240,879. Overall revenues decreased by \$411,772 or 3%. Sales tax, property tax, and hotel occupancy taxes are the City's largest revenue sources. Sales taxes decreased by \$602,185 or 7% due primarily to the relocation of one large tax paying company to outside the City. In addition, other revenue increased \$58,634 or 21% due to various nonrecurring activities.

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses



For the year ended September 30, 2017, expenses for governmental activities totaled \$10,763,947. This represents an increase of \$989,502 or 9% from the prior year. The City's largest functional expense is

City of Shenandoah, Texas

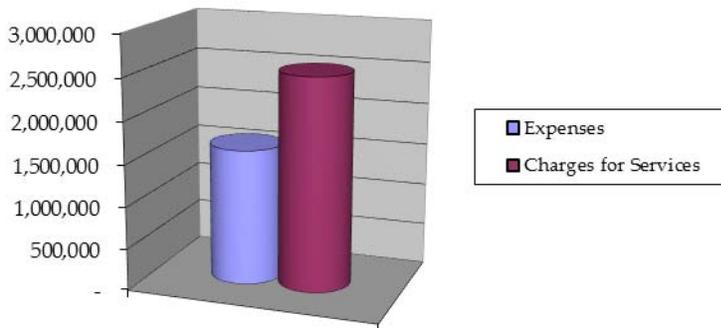
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2017

general government of \$3,884,119. This is an increase of \$562,606 primarily as a result of additional personnel costs and professional fees. Spending on economic development increased \$79,316 or 137%, in addition to an increase in tourism expenses in the amount of \$302,824 or 67%, resulted due to the City hosting an NCCA sports competition in the current year. Public works expenses increased by \$176,360 or 9% due to increased salaries and fire inspection fees.

Business-type activities are shown comparing operating costs to revenues generated by related services.

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2017, charges for services by business-type activities totaled \$2,526,510. This is a decrease of \$196,023, or 7%, from the previous year. This decrease is a result of decreased consumption when compared to the prior year.

Total expenses increased \$59,373 or 4% due to equipment maintenance and utility costs.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

As of the end of the year the general fund reflected a total fund balance of \$6,079,421. The general fund reflected an increase of \$109,217. This is primarily a result of the general fund receiving more revenue than anticipated.

City of Shenandoah, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2017

The debt service fund reflected a fund balance of \$103,946, a decrease of \$2,905, which is considered minimal.

The Shenandoah Municipal Development District (SMDD) reflected a fund balance of \$5,410,589, a decrease of \$442,057 due to a transfer of funds to the general fund.

The capital improvements fund reflected a fund balance of \$411,177, an increase of \$3,022, which is considered minimal.

The hotel occupancy fund reflected a fund balance of \$2,311,625. The fund balance increased by \$304,155 from the prior year due to more hotel occupancy tax revenue received compared to expenses incurred.

There was an overall increase in governmental fund balance of \$110,161. This is primarily due to funds transfers received from the water and sewer fund.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a positive budget variance of \$312,781 before other financing sources and uses, with a total positive budget variance of \$150,695 in the general fund after other sources and uses. Total actual revenue exceeded budgeted revenue by \$571,081. Total actual expenditures were \$258,300 over budget.

Expenditures exceeded appropriations at the legal level of control in the amount of \$511,697 for general government and \$142,411 for transfers out. All other expenditures were less than budgeted.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$39,978,822 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested \$15,024,463 in a variety of capital assets and infrastructure, net of accumulated depreciation.

Major capital asset events during the current year include the following:

- Water line, water plant facility, and park improvements totaling \$3,524,438
- Purchase of new vehicles and equipment totaling \$156,170
- Automatic meters, detention pond, and water lift improvement assets totaling \$610,159 transferred from governmental activities to the water and sewer fund.

City of Shenandoah, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2017

More detailed information about the City's capital assets is presented in note IV. C to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total bonds outstanding of \$20,595,000. During the year, the City had a net reduction in the long-term debt of \$1,550,000, not including premium amortization. More detailed information about the City's long-term liabilities is presented in note IV. F to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Shenandoah, Texas and improving services provided to their public citizens. The City is budgeting for growth in the upcoming year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Shenandoah, Texas's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City Administrator, 29955 I-45 North, Shenandoah, Texas 77381.

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FINANCIAL STATEMENTS

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City of Shenandoah, Texas

STATEMENT OF NET POSITION

September 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 14,110,331	\$ 1,826,166	\$ 15,936,497
Receivables, net	1,668,592	390,862	2,059,454
Total Current Assets	15,778,923	2,217,028	17,995,951
Capital assets:			
Non-depreciable	7,829,600	1,673,568	9,503,168
Net depreciable capital assets	32,149,222	13,350,895	45,500,117
	39,978,822	15,024,463	55,003,285
Total Assets	55,757,745	17,241,491	72,999,236
<u>Deferred Outflows of Resources</u>			
Pension contributions	371,837	50,705	422,542
Pension investment earnings	268,354	36,594	304,948
Deferred charge on refunding	1,105,608	-	1,105,608
Total Deferred Outflows of Resources	1,745,799	87,299	1,833,098
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	417,616	72,794	490,410
Accrued liabilities	387,674	11,977	399,651
Accrued interest payable	92,234	-	92,234
Customer deposits	34,074	106,936	141,010
Due within one year	1,732,968	20,108	1,753,076
	2,664,566	211,815	2,876,381
Noncurrent liabilities:			
Due in more than one year	20,471,629	2,234	20,473,863
Net pension liability	3,268,420	445,694	3,714,114
	23,740,049	447,928	24,187,977
Total Liabilities	26,404,615	659,743	27,064,358
<u>Deferred Inflows of Resources</u>			
Pension losses on investments	52,272	7,128	59,400
<u>Net Position</u>			
Net investment in capital assets	18,953,639	15,024,463	33,978,102
Restricted for:			
Debt service	103,946	-	103,946
Economic development	5,410,589	-	5,410,589
Tourism	2,311,625	-	2,311,625
Municipal court	7,939	-	7,939
Public safety	2,241	-	2,241
Unrestricted	4,256,678	1,637,456	5,894,134
Total Net Position	\$ 31,046,657	\$ 16,661,919	\$ 47,708,576

See Notes to Financial Statements.

City of Shenandoah, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 3,884,119	\$ 508,440	\$ -	\$ -
Public safety	2,670,667	21,095	-	-
Public works	2,199,688	-	-	-
Community development	107,182	-	-	-
Economic development	137,258	-	-	-
Tourism	756,468	-	-	-
Garbage collection	251,299	254,137	-	-
Interest and fiscal charges	757,266	-	-	-
Total Governmental Activities	10,763,947	783,672	-	-
Business-Type Activities				
Water & Sewer	1,611,843	2,526,510	-	-
Total Business-Type Activities	1,611,843	2,526,510	-	-
Total Primary Government	\$ 12,375,790	\$ 3,310,182	\$ -	\$ -

General Revenues:

- Taxes
 - Property tax
 - Sales tax
 - Franchise and local taxes
 - Hotel occupancy taxes
- Investment income
- Other revenues

Transfers:

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (3,375,679)	\$ -	\$ (3,375,679)
(2,649,572)	-	(2,649,572)
(2,199,688)	-	(2,199,688)
(107,182)	-	(107,182)
(137,258)	-	(137,258)
(756,468)	-	(756,468)
2,838	-	2,838
(757,266)	-	(757,266)
<u>(9,980,275)</u>	<u>-</u>	<u>(9,980,275)</u>
-	914,667	914,667
-	914,667	914,667
<u>(9,980,275)</u>	<u>914,667</u>	<u>(9,065,608)</u>
1,943,370	-	1,943,370
7,489,554	-	7,489,554
456,189	-	456,189
1,213,222	-	1,213,222
23,179	2,556	25,735
331,693	140	331,833
1,893,036	(1,893,036)	-
<u>13,350,243</u>	<u>(1,890,340)</u>	<u>11,459,903</u>
3,369,968	(975,673)	2,394,295
27,676,689	17,637,592	45,314,281
<u>\$ 31,046,657</u>	<u>\$ 16,661,919</u>	<u>\$ 47,708,576</u>

City of Shenandoah, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2017

	General Fund	Debt Service Fund	Shenandoah Municipal Development District	Capital Improvements Fund
Assets				
Cash and cash equivalents	\$ 5,801,415	\$ 103,946	\$ 5,143,091	\$ 485,113
Receivables, net				
Property taxes	20,436	22,398	-	-
Sales taxes	881,699	-	293,376	-
Franchise taxes	113,191	-	-	-
Mixed beverage taxes	64,379	-	-	-
Hotel occupancy taxes	-	-	-	-
Accounts receivable	-	-	-	-
Due from other funds	18,187	-	-	-
Total Assets	\$ 6,899,307	\$ 126,344	\$ 5,436,467	\$ 485,113
Liabilities				
Accounts payable	\$ 293,722	\$ -	\$ 25,878	\$ 73,936
Accrued liabilities	383,948	-	-	-
Due to other funds	-	-	-	-
Customer deposits	34,074	-	-	-
Total Liabilities	711,744	-	25,878	73,936
Deferred Inflows of Resources				
Unavailable revenue - property taxes	20,436	22,398	-	-
Unavailable revenue - franchise taxes	87,706	-	-	-
	108,142	22,398	-	-
Fund Balances				
Restricted for:				
Debt service	-	103,946	-	-
Economic development	-	-	5,410,589	-
Tourism	-	-	-	-
Municipal court	-	-	-	-
Public safety	-	-	-	-
Capital projects	-	-	-	411,177
Committed for:				
Garbage	-	-	-	-
Equipment replacement	-	-	-	-
Land	-	-	-	-
Unassigned	6,079,421	-	-	-
Total Fund Balances	6,079,421	103,946	5,410,589	411,177
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,899,307	\$ 126,344	\$ 5,436,467	\$ 485,113

See Notes to Financial Statements.

Hotel Occupancy Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,077,054	\$ 499,712	\$ 14,110,331
-	-	42,834
-	-	1,175,075
-	-	113,191
-	-	64,379
241,367	-	241,367
-	31,746	31,746
-	-	18,187
<u>\$ 2,318,421</u>	<u>\$ 531,458</u>	<u>\$ 15,797,110</u>
\$ 3,070	\$ 21,010	\$ 417,616
3,726	-	387,674
-	18,187	18,187
-	-	34,074
<u>6,796</u>	<u>39,197</u>	<u>857,551</u>
-	-	42,834
-	-	87,706
<u>-</u>	<u>-</u>	<u>130,540</u>
-	-	103,946
-	-	5,410,589
2,311,625	-	2,311,625
-	7,939	7,939
-	2,241	2,241
-	-	411,177
-	5,487	5,487
-	474,253	474,253
-	3,494	3,494
-	(1,153)	6,078,268
<u>2,311,625</u>	<u>492,261</u>	<u>14,809,019</u>
<u>\$ 2,318,421</u>	<u>\$ 531,458</u>	<u>\$ 15,797,110</u>

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City of Shenandoah, Texas
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
September 30, 2017

Fund Balances - Total Governmental Funds	\$ 14,809,019
 Adjustments for the Statement of Net Position:	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	7,829,600
Capital assets - net depreciable	32,149,222
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property tax receivable	42,834
Franchise tax receivable	87,706
 Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/expenditure) until then.	
Pension contributions	371,837
Pension investment earnings	268,354
Pension losses on investments	(52,272)
Deferred charge on refunding	1,105,608
 Some liabilities, including bonds payable and deferred charges are not reported as liabilities in the governmental funds.	
Accrued interest	(92,234)
Premiums on bonds payable	(1,461,855)
Non-current liabilities due in one year	(1,732,968)
Non-current liabilities due in more than one year	(19,009,774)
Net pension liability	(3,268,420)
Net Position of Governmental Activities	\$ 31,046,657

See Notes to Financial Statements.

City of Shenandoah, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2017

	General Fund	Debt Service Fund	Shenandoah Municipal Development District	Capital Improvements Fund
Revenues				
Property tax	\$ 872,467	\$ 1,070,903	\$ -	\$ -
Sales tax	5,699,852	-	1,789,702	-
Franchise and local taxes	456,189	-	-	-
Hotel occupancy taxes	-	-	-	-
License and permits	491,628	-	-	-
Charges for services	16,812	-	-	-
Fines and forfeitures	11,316	-	-	-
Garbage revenue	-	-	-	-
Investment income	7,486	456	11,939	298
Other revenues	291,728	-	-	-
Total Revenues	7,847,478	1,071,359	1,801,641	298
Expenditures				
Current:				
General government	3,580,767	1,650	-	-
Public safety	2,597,747	-	-	-
Public works	1,270,389	-	-	-
Community development	102,713	-	-	-
Economic development	-	-	1,747,167	-
Tourism	-	-	-	-
Garbage collection	-	-	-	-
Debt service:				
Principal	-	1,550,000	-	-
Interest and fiscal charges	-	782,514	-	-
Capital outlay	-	-	-	1,988,695
Total Expenditures	7,551,616	2,334,164	1,747,167	1,988,695
Revenues Over (Under) Expenditures	295,862	(1,262,805)	54,474	(1,988,397)
Other Financing Sources (Uses)				
Transfers in	1,009,673	1,259,900	-	2,006,132
Transfers (out)	(1,234,727)	-	(496,531)	(14,713)
Sale of capital assets	38,409	-	-	-
Total Other Financing Sources (Uses)	(186,645)	1,259,900	(496,531)	1,991,419
Net Change in Fund Balances	109,217	(2,905)	(442,057)	3,022
Beginning fund balances	5,970,204	106,851	5,852,646	408,155
Ending Fund Balances	\$ 6,079,421	\$ 103,946	\$ 5,410,589	\$ 411,177

See Notes to Financial Statements.

Hotel Occupancy Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,943,370
-	-	7,489,554
-	-	456,189
1,213,222	-	1,213,222
-	-	491,628
-	-	16,812
-	9,779	21,095
-	254,137	254,137
3,000	-	23,179
1,556	-	293,284
<u>1,217,778</u>	<u>263,916</u>	<u>12,202,470</u>
-	-	3,582,417
-	4,295	2,602,042
-	13,259	1,283,648
-	-	102,713
-	-	1,747,167
743,418	-	743,418
-	251,299	251,299
-	-	1,550,000
-	-	782,514
-	-	1,988,695
<u>743,418</u>	<u>268,853</u>	<u>14,633,913</u>
474,360	(4,937)	(2,431,443)
-	143,666	4,419,371
(170,205)	-	(1,916,176)
-	-	38,409
<u>(170,205)</u>	<u>143,666</u>	<u>2,541,604</u>
304,155	138,729	110,161
2,007,470	353,532	14,698,858
<u>\$ 2,311,625</u>	<u>\$ 492,261</u>	<u>\$ 14,809,019</u>

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City of Shenandoah, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2017

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

Net changes in fund balances - total governmental funds	\$	110,161
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		3,754,774
Depreciation expense		(1,303,539)
Transfer of assets to business-type activities		(610,159)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		22,033
Accrued interest		5,582
Pension expense		(178,550)
Amortization of deferred charges on refunding		(87,132)
Amortization of debt premium		106,798

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments		1,550,000
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	\$	3,369,968
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See Notes to Financial Statements.

City of Shenandoah, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUND

September 30, 2017

	<u>Water & Sewer</u>
<u>Assets</u>	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 1,826,166
Accounts and other receivables	390,862
Total Current Assets	<u>2,217,028</u>
<u>Noncurrent Assets</u>	
Capital assets:	
Non-depreciable	1,673,568
Net depreciable capital assets	13,350,895
Total Noncurrent Assets	<u>15,024,463</u>
Total Assets	<u>17,241,491</u>
<u>Deferred Outflows of Resources</u>	
Pension contributions	50,705
Pension investment earnings	36,594
Total Deferred Outflows of Resources	<u>87,299</u>
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts payable	72,794
Accrued liabilities	11,977
Customer deposits	106,936
Compensated absences payable, current	20,108
Total Current Liabilities	<u>211,815</u>
<u>Noncurrent Liabilities</u>	
Compensated absences payable, noncurrent	2,234
Net pension liability	445,694
Total Liabilities	<u>659,743</u>
<u>Deferred Inflows of Resources</u>	
Pension gain on investments	7,128
<u>Net Position</u>	
Net investment in capital assets	15,024,463
Unrestricted	1,637,456
Total Net Position	<u>\$ 16,661,919</u>

See Notes to Financial Statements.

City of Shenandoah, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUND

For the Year Ended September 30, 2017

	Water & Sewer
<u>Operating Revenues</u>	
Water sales	\$ 1,391,176
Sewer revenue	974,350
Penalties and reconnect fees	58,167
Groundwater reduction plan fees	102,817
Total Operating Revenues	2,526,510
 <u>Operating Expenses</u>	
Personnel	487,203
Supplies and services	246,869
Maintenance	381,033
Depreciation	496,738
Total Operating Expenses	1,611,843
Operating Income	914,667
 <u>Nonoperating Revenues (Expenses)</u>	
Investment income	2,556
Other revenue	140
Total Nonoperating Revenues (Expenses)	2,696
Income Before Transfers	917,363
Transfers in	625,088
Transfers (out)	(2,518,124)
Change in Net Position	(975,673)
Beginning net position	17,637,592
Ending Net Position	\$ 16,661,919

See Notes to Financial Statements.

City of Shenandoah, Texas

STATEMENT OF CASH FLOWS
PROPRIETARY FUND (Page 1 of 2)
For the Year Ended September 30, 2017

	<u>Water & Sewer</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 2,511,196
Payments to employees	(458,713)
Payments to suppliers and contractors	(615,918)
Net Cash Provided by Operating Activities	<u>1,436,565</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfer from other funds	14,929
Transfer to other funds	(2,518,124)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(2,503,195)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Purchase of capital assets	(25,863)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(25,863)</u>
<u>Cash Flows from Investing Activities</u>	
Interest on investments	2,696
Net Cash Provided by Investing Activities	<u>2,696</u>
Net Increase in Cash and Cash Equivalents	(1,089,797)
Beginning cash and cash equivalents	<u>2,915,963</u>
Ending Cash and Cash Equivalents	<u><u>\$ 1,826,166</u></u>

See Notes to Financial Statements.

City of Shenandoah, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUND (Page 2 of 2) For the Year Ended September 30, 2017

	<u>Water & Sewer</u>
<u>Reconciliation of Operating Income</u>	
<u>to Net Cash Provided by Operating Activities</u>	
Operating Income	\$ 914,667
Adjustments to reconcile operating income to net cash provided:	
Depreciation	496,738
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	(15,027)
Deferred outflows - pension contributions	(2,929)
Deferred outflows - pension investment earnings	12,768
Deferred inflows - pension losses on investments	27,031
Increase (Decrease) in:	
Accounts payable and accrued liabilities	11,984
Customer deposits	(287)
Net pension liability	(12,522)
Compensated absences	4,142
Net Cash Provided by Operating Activities	<u>\$ 1,436,565</u>
 <u>Schedule of Non-Cash Capital and Related Financing Activities:</u>	
Transfer of assets constructed by governmental activities	\$ 610,159

See Notes to Financial Statements.

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City of Shenandoah, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Shenandoah, Texas (the "City") was incorporated in 1974. The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. The City provides a full range of municipal services including public safety, streets, parks and recreation, community development, planning and zoning, and general administrative services. In addition, the City provides water and sewer service as an enterprise function of the City.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Shenandoah Municipal Development District, although legally separate, is considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended Component Units

Shenandoah Municipal Development District

The Shenandoah Municipal Development District (SMDD) is a political subdivision of the City of Shenandoah, authorized under Chapter 377 of the Texas Government Code, which was formed on May 9, 2009 when the citizens of Shenandoah approved its creation and authorized it to impose a one-half percent sales tax to finance development projects

City of Shenandoah, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

beneficial to the District. State law allows the District to collect a sales tax up to one-half of one percent, and tax receipts began in October 2009.

The SMDD is governed by a five member board of directors. Originally, the City Council decided that three councilmembers would sit on the board. The Council then decided that the board will consist of two councilmembers and the remaining directors appointed by the Council and serve at the Council's will. Although it is legally separate from the City, the City has the ability to dissolve the district and appoints members of the Board. As the component unit provides services entirely, or almost entirely, to the primary government, the SMDD is reported as a blended component unit. The District was created for the purpose of planning, acquiring, establishing, developing, consulting, or renovating one or more development projects, as defined by law.

B. Basis of Presentation - Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category; governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services.

City of Shenandoah, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

Expenditures include general government and public safety. The general service fund is considered a major fund for reporting purposes.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of governmental funds. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

Shenandoah Municipal Development District

This fund is a special revenue fund used to account for the revenues collected from sales taxes on transactions within the City's limits. Revenues are authorized to be sent on development within the City. The District is considered a major fund for reporting purposes and is a blended component unit.

Capital Improvements Fund

This fund is a capital projects fund used to account for capital improvements that occur. The fund is considered a major fund for reporting purposes.

Hotel Occupancy Fund

This fund accounts for funds derived from hotel and motel occupancy taxes and is legally restricted to promote tourism within the City. The fund is considered a major fund for reporting purposes.

The City reports the following major enterprise fund:

Water and Sewer Fund

This fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water production and distribution system, water collection and treatment systems. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e.,

City of Shenandoah, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

The 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

City of Shenandoah, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

Property taxes, sales 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

D. Assets, Deferred Outflows, Liabilities, and Fund Equity or Net Position

1. Deposits and Investments

The City'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. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

City of Shenandoah, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

2. Fair Value Measurement

The City has applied Governmental Accounting Standards Board (“GASB”) Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “interfund receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds” in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as “due to/from component unit/primary government.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds are offset by a fund balance nonspendable account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

5. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

City of Shenandoah, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

6. 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 and an estimated useful life in excess of one year. 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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Estimated Useful Life
Vehicles	5 years
Furniture and equipment	3 - 20 years
Infrastructure	30 - 40 years
Water and sewer system	40 years
Buildings and improvements	30 - 40 years

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of

City of Shenandoah, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, fines, and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Net Position Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

9. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through the following spending constraints:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

City of Shenandoah, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

- Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. City council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by City Council or by an official or body to which the Council delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

11. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

City of Shenandoah, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

12. 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 statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

City of Shenandoah, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

13. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

14. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

City of Shenandoah, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, special revenue, and utility funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the function level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year. Several supplemental budget appropriations were made during the year.

A. Expenditures Over Appropriations

For the year ended, expenditures exceeded appropriations at the legal level of control and as follows:

General Fund:	
General government	\$ 511,697
Transfers (out)	\$ 142,411
Hotel Occupancy Fund:	
Transfers (out)	\$ 26,751

B. Deficit Fund Equity

At September 30, 2017, the discretionary court fund had a deficit fund balance of \$1,153. The deficit balance will be eliminated in the future with a transfer from the general fund or other sources.

City of Shenandoah, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2017, the primary government had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
External investment pools	\$ 1,571,969	0.10
Total fair value	\$ 1,571,969	
Portfolio weighted average maturity		0.10

Interest rate risk In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed one year; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2017, the City's investment in TexPool was rated AAAM by Standard & Poor's.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2017, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus

City of Shenandoah, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

B. Receivables

The following comprise receivable balances of the primary government at year end:

	Shenandoah Municipal						Total
	General	Debt Service	Development District	Hotel Occupancy	Garbage	Water & Sewer	
Property tax	\$ 20,436	\$ 22,398	\$ -	\$ -	\$ -	\$ -	\$ 42,834
Sales tax	881,699	-	293,376	-	-	-	1,175,075
Franchise tax	113,191	-	-	-	-	-	113,191
Mixed beverage taxes	64,379	-	-	-	-	-	64,379
Hotel occupancy taxes	-	-	-	241,367	-	-	241,367
Accounts, net	-	-	-	-	31,746	408,242	439,988
Allowance	-	-	-	-	-	(17,380)	(17,380)
Total	\$ 1,079,705	\$ 22,398	\$ 293,376	\$ 241,367	\$ 31,746	\$ 390,862	\$ 2,059,454

City of Shenandoah, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

C. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 3,921,854	\$ 7,449	\$ -	\$ 3,929,303
Construction in progress	4,201,708	3,524,438	(3,825,849)	3,900,297
Total capital assets not being depreciated	<u>8,123,562</u>	<u>3,531,887</u>	<u>(3,825,849)</u>	<u>7,829,600</u>
Capital assets, being depreciated:				
Infrastructure	32,982,267	29,834	384,438	33,396,539
Buildings and improvements	7,952,241	-	2,831,252	10,783,493
Furniture and equipment	2,164,975	193,053	(75,095)	2,282,933
Total capital assets being depreciated	<u>43,099,483</u>	<u>222,887</u>	<u>3,140,595</u>	<u>46,462,965</u>
Less accumulated depreciation				
Infrastructure	(9,684,106)	(838,091)	-	(10,522,197)
Buildings and improvements	(1,749,404)	(237,422)	-	(1,986,826)
Furniture and equipment	(1,651,789)	(228,026)	75,095	(1,804,720)
Total accumulated depreciation	<u>(13,085,299)</u>	<u>(1,303,539)</u>	<u>75,095</u>	<u>(14,313,743)</u>
Net capital assets being depreciated	<u>30,014,184</u>	<u>(1,080,652)</u>	<u>3,215,690</u>	<u>32,149,222</u>
Total Capital Assets	<u>\$ 38,137,746</u>	<u>\$ 2,451,235</u>	<u>\$ (610,159)</u>	<u>\$ 39,978,822</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 274,182
Public safety	113,912
Public works	902,395
Tourism	13,050
Total Governmental Activities Depreciation Expense	<u>\$ 1,303,539</u>

City of Shenandoah, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

A summary of changes in business-type activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 1,673,568	\$ -	\$ -	\$ 1,673,568
Total capital assets not being depreciated	<u>1,673,568</u>	<u>-</u>	<u>-</u>	<u>1,673,568</u>
Capital assets, being depreciated:				
Furniture and equipment	531,787	20,073	166,109	717,969
Water and sewer system	26,838,172	5,790	444,050	27,288,012
Total capital assets being depreciated	<u>27,369,959</u>	<u>25,863</u>	<u>610,159</u>	<u>28,005,981</u>
Less accumulated depreciation				
Furniture and equipment	(387,448)	(35,093)	-	(422,541)
Water and sewer system	(13,770,900)	(461,645)	-	(14,232,545)
Total accumulated depreciation	<u>(14,158,348)</u>	<u>(496,738)</u>	<u>-</u>	<u>(14,655,086)</u>
Net capital assets being depreciated	13,211,611	522,601	610,159	13,350,895
Total capital assets	<u><u>\$ 14,885,179</u></u>	<u><u>\$ 522,601</u></u>	<u><u>\$ 610,159</u></u>	<u><u>\$ 15,024,463</u></u>

D. Deferred Charge on Refunding

A deferred charge resulting from the issuance of the 2013 general obligation refunding bonds has been recorded as a deferred outflow of resources and is being amortized to interest expense over the term of the refunded debt. Current year balances for governmental activities totaled \$480,777. Current year amortization expense for governmental activities totaled \$48,078.

A deferred charge resulting from the issuance of the 2015 general obligation refunding bonds has been recorded as a deferred outflow of resources and is being amortized to interest expense over the term of the refunded debt. Current year balances for governmental activities totaled \$624,831. Current year amortization expense for governmental activities totaled \$39,054.

City of Shenandoah, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

E. Accrued Liabilities

The following comprise accrued liability balances of the primary government at year end:

	<u>General</u>	<u>Hotel Occupancy</u>	<u>Water & Sewer</u>	<u>Total</u>
Accrued wages	\$ 99,127	\$ 3,726	\$ 11,977	\$ 114,830
Accrued taxes	7,583	-	-	7,583
Contingent accrued severance	263,422	-	-	263,422
Metropark Square (PID)	13,816	-	-	13,816
Total	<u>\$ 383,948</u>	<u>\$ 3,726</u>	<u>\$ 11,977</u>	<u>\$ 399,651</u>

F. Long-term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. In general, the City uses the debt service fund to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Certificates of Obligation	\$ 1,305,000	\$ -	\$ (305,000)	\$ 1,000,000	\$ 320,000
General Improvement Bonds	5,615,000	-	(715,000)	4,900,000	735,000
General Obligation Refunding Bonds	15,225,000	-	(530,000)	14,695,000	545,000
Less: Deferred Amounts					
Issuance Premium	1,568,653	-	(106,798)	1,461,855	-
Compensated Absences	169,775	170,085	(192,118)	147,742	132,968
Total Governmental Activities	<u>\$ 23,883,428</u>	<u>\$ 170,085</u>	<u>\$ (1,848,916)</u>	<u>\$ 22,204,597</u>	<u>\$ 1,732,968</u>
Long-term Liabilities Due in More than One Year				<u>\$ 20,471,629</u>	
Business-Type Activities:					
Compensated Absences	\$ 18,200	\$ 22,343	\$ (18,201)	\$ 22,342	\$ 20,108
Total Business-Type Activities	<u>\$ 18,200</u>	<u>\$ 22,343</u>	<u>\$ (18,201)</u>	<u>\$ 22,342</u>	<u>\$ 20,108</u>
Long-term Liabilities Due in More than One Year				<u>\$ 2,234</u>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

City of Shenandoah, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

Long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Original Balance	Current Balance
Governmental Activities:			
2008 Certificates of obligation	3.5%-4.125%	\$ 2,225,000	\$ 495,000
2009 Certificates of obligation	2%-4%	2,405,000	505,000
Total Certificates of Obligation		\$ 4,630,000	\$ 1,000,000
2008 General improvement bonds	4-4.5%	5,660,000	410,000
2009 General improvement bonds	2-4.5%	6,395,000	1,070,000
2011 General improvement bonds	3-4.25%	4,300,000	3,420,000
Total General Obligation Bonds		\$ 16,355,000	\$ 4,900,000
2013 General obligation refunding bonds	2-3.5%	7,345,000	6,125,000
2015 General obligation refunding bonds	2%-4%	8,670,000	8,570,000
Total General Obligation Refunding Bonds		\$ 16,015,000	\$ 14,695,000
Total Governmental Activities		\$ 37,000,000	\$ 20,595,000

City of Shenandoah, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

The annual requirements to amortize governmental activities debt issues outstanding at year ending were as follows:

Governmental Activities

Year ending September 30,	General Improvement Bonds		Certificates of Obligation		General Obligation Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 735,000	\$ 185,825	\$ 320,000	\$ 38,350	\$ 545,000	\$ 513,700
2019	765,000	160,050	335,000	26,350	555,000	500,075
2020	575,000	133,225	345,000	13,800	785,000	486,200
2021	210,000	111,250	-	-	1,540,000	465,500
2022	220,000	103,900	-	-	1,590,000	422,225
2023	225,000	96,200	-	-	1,650,000	364,575
2024	235,000	88,325	-	-	1,505,000	304,725
2025	245,000	78,925	-	-	1,350,000	250,875
2026	255,000	69,125	-	-	1,400,000	200,125
2027	265,000	58,925	-	-	1,455,000	147,500
2028	275,000	48,325	-	-	785,000	92,800
2029	285,000	37,325	-	-	285,000	61,400
2030	300,000	25,925	-	-	295,000	50,000
2031	310,000	13,175	-	-	305,000	38,200
2032	-	-	-	-	320,000	26,000
2033	-	-	-	-	330,000	13,200
Total	\$ 4,900,000	\$ 1,210,500	\$ 1,000,000	\$ 78,500	\$ 14,695,000	\$ 3,937,100

City of Shenandoah, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

G. Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2017, is as follows:

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor governmental funds	\$ 18,187
		\$ 18,187

H. Interfund Transactions

Transfers between the primary government funds during the year were as follows:

Transfers Out	Transfers In	Total
General	Capital Improvements	\$ 417,609
General	Equipment Replacement	107,339
General	Debt Service	709,779
Capital Improvements	Water & Sewer	14,713
Hotel/Motel Occupancy	General	145,338
Hotel/Motel Occupancy	Capital Improvements	13,624
Hotel/Motel Occupancy	Water & Sewer	216
Hotel/Motel Occupancy	Equipment Replacement	11,027
SMDD	General	496,531
Water & Sewer	General	367,804
Water & Sewer	Debt Service	550,121
Water & Sewer	Capital Improvements	1,574,899
Water & Sewer	Equipment Replacement	25,300
	Total Transfers	\$ 4,434,300

Additionally, the City transferred assets that were completed within the City's governmental activity funds to the water and sewer fund upon completion for the amount of \$610,159. These transfers were not at the governmental fund level as they are related to capital assets that are only recorded at the government wide level. Transferred assets can be seen between the governmental activities capital assets and business-type activities capital assets in note IV.C.

City of Shenandoah, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

I. Fund Equity

The City records fund balance restrictions on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

The following is a list of fund balances restricted/committed by the City:

	Restricted	Committed
Debt service	\$ 103,946	\$ -
Economic development	5,410,589	-
Tourism	2,311,625	-
Municipal court	7,939 *	-
Public safety	2,241	-
Capital projects	411,177	-
Garbage	-	5,487
Equipment replacement	-	474,253
Land	-	3,494
Total	\$ 8,247,517	\$ 483,234

*Restricted by enabling legislation

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation,

City of Shenandoah, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

A contingent severance liability was accrued for of \$263,422 as of September 30, 2017. The liability is based on a monthly payment amount owed of \$15,495 over 17 months remaining as of September 30, 2017. In the event the employee gains employment, the monthly payments will be reduced by any amounts paid for that employment. As of September 30, 2017, the full value of the agreement was accrued for as the contract has not been reduced for any employment as of the report date.

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does anticipate that it will have an arbitrage liability and performs annual calculations to estimate this potential liability. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

D. Pension Plans

Texas Municipal Retirement Systems

1. Plan Description

The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

City of Shenandoah, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

2. Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments 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.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2016</u>	<u>Plan Year 2015</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

Employees covered by benefit terms

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	36
Active employees	50
Total	103

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution

City of Shenandoah, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Shenandoah were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Shenandoah were 15.98% and 16.82% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were \$595,399, and were equal to the required contributions.

4. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2016, 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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering

City of Shenandoah, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate:

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

City of Shenandoah, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 5,871,045	\$ 3,714,114	\$ 1,994,922

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/15	\$ 11,062,327	\$ 7,243,861	\$ 3,818,466
Changes for the year:			
Service Cost	670,410	-	670,410
Interest	759,134	-	759,134
Change in benefit terms	-	-	-
Difference between expected and actual experience	(227,957)	-	(227,957)
Changes of assumptions	-	-	-
Contributions – employer	-	571,598	(571,598)
Contributions – employee	-	250,498	(250,498)
Net investment income	-	489,670	(489,670)
Benefit payments, including refunds of emp. contributions	(302,194)	(302,194)	-
Administrative expense	-	(5,529)	5,529
Other changes	-	(298)	298
Net changes	899,393	1,003,745	(104,352)
Balance at 12/31/16	\$ 11,961,720	\$ 8,247,606	\$ 3,714,114

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

City of Shenandoah, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

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

For the year ended September 30, 2017, the City recognized pension expense of \$799,006.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows (Inflows) of Resources
Differences between expected and actual economic experience	\$ (59,400)
Difference between projected and investment earnings	304,948
Contributions subsequent to the measurement date	422,542
Total	\$ 668,090

The City reported \$422,542 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year			
2017	\$	103,701	
2018		103,701	
2019		80,435	
2020		(42,289)	
2021		-	
Thereafter		-	
Total	\$	245,548	

Supplemental Death Benefits Plan

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

City of Shenandoah, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2015, 2016 and 2017 were \$4,395, \$4,803 and \$4,672, respectively, which equaled the required contributions each year.

Three-Year Contribution Information

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2015	0.01%	0.01%	100.0%
2016	0.01%	0.01%	100.0%
2017	0.01%	0.01%	100.0%

E. Restatement

The City has restated beginning fund balance/net position within governmental type activities due to the change in accrued liabilities and change in fund reporting within the nonmajor governmental funds. The restatement of beginning net position/fund balance is as follows:

	Governmental Activities	General	Nonmajor Governmental
Prior year ending net position/fund balance as reported	\$ 27,697,845	\$ 5,994,854	\$ 350,038
Change in fund reporting	3,494	-	3,494
Change in payroll liabilities	(24,650)	(24,650)	-
Restated beginning net position/fund balance	<u>\$ 27,676,689</u>	<u>\$ 5,970,204</u>	<u>\$ 353,532</u>

City of Shenandoah, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

F. Subsequent Events

The City approved the issuance of Shenandoah PID Special Assessment Revenue Bonds, Series 2018, in the amount of \$15,200,000, to fund the development of the PID. The bonds were issued on February 15, 2018. The interest rate of the bonds is 4.5% to 5.7%, and the final maturity date is September 1, 2047.

There were no additional material subsequent events through February 21, 2018, the date the financial statements were issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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City of Shenandoah, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2017

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>			
Property tax	\$ 866,341	\$ 872,467	\$ 6,126
Sales tax	5,473,756	5,699,852	226,096
Franchise and local taxes	442,386	456,189	13,803
License and permits	443,000	491,628	48,628
Charges for services	15,114	16,812	1,698
Fines and forfeitures	30,700	11,316	(19,384)
Investment income	5,100	7,486	2,386
Other revenues	-	291,728	291,728
Total Revenues	<u>7,276,397</u>	<u>7,847,478</u>	<u>571,081</u>
<u>Expenditures</u>			
Current:			
General government	3,069,070	3,580,767	(511,697) *
Public safety	2,801,625	2,597,747	203,878
Public works	1,297,433	1,270,389	27,044
Community development	125,188	102,713	22,475
Total Expenditures	<u>7,293,316</u>	<u>7,551,616</u>	<u>(258,300)</u>
Revenues Over (Under)			
Expenditures	<u>(16,919)</u>	<u>295,862</u>	<u>312,781</u>
<u>Other Financing Sources (Uses)</u>			
Transfers in	1,016,758	1,009,673	(7,085)
Transfers (out)	(1,092,317)	(1,234,727)	(142,410) *
Sale of capital assets	51,000	38,409	(12,591)
Total Other			
Financing Sources (Uses)	<u>(24,559)</u>	<u>(186,645)</u>	<u>(162,086)</u>
Net Change in Fund Balance	<u>\$ (41,478)</u>	<u>109,217</u>	<u>\$ 150,695</u>
Beginning fund balance		<u>5,970,204</u>	
Ending Fund Balance		<u>\$ 6,079,421</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. * Expenditures exceeded appropriations at the legal level of control.

See Notes to Financial Statements.

City of Shenandoah, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
HOTEL OCCUPANCY FUND
For the Year Ended September 30, 2017

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Hotel occupancy taxes	\$ 1,410,700	\$ 1,213,222	\$ (197,478)
Investment income	1,700	3,000	1,300
Other revenue	-	1,556	1,556
Total Revenues	1,412,400	1,217,778	(194,622)
<u>Expenditures</u>			
Current:			
Tourism	851,932	743,418	108,514
Total Expenditures	851,932	743,418	108,514
Revenues Over (Under)			
Expenditures	560,468	474,360	(86,108)
<u>Other Financing Sources (Uses)</u>			
Transfers (out)	(143,454)	(170,205)	(26,751) *
Total Other Financing Sources (Uses)	(143,454)	(170,205)	(26,751)
Net Change in Fund Balance	\$ 417,014	304,155	\$ (112,859)
Beginning fund balance		2,007,470	
Ending Fund Balance		\$ 2,311,625	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. * Expenditures exceeded appropriations at the legal level of control.

See Notes to Financial Statements.

City of Shenandoah, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SHENANDOAH MUNICIPAL DEVELOPMENT DISTRICT FUND
For the Year Ended September 30, 2017

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Sales tax	\$ 1,662,466	\$ 1,789,702	\$ 127,236
Investment income	7,149	11,939	4,790
Total Revenues	1,669,615	1,801,641	132,026
<u>Expenditures</u>			
Current:			
Economic development	3,294,316	1,747,167	1,547,149
Total Expenditures	3,294,316	1,747,167	1,547,149
Revenues Over (Under)			
Expenditures	(1,624,701)	54,474	1,679,175
<u>Other Financing Sources (Uses)</u>			
Transfers (out)	(535,875)	(496,531)	39,344
Total Other Financing Sources (Uses)	(535,875)	(496,531)	39,344
Net Change in Fund Balance	\$ (2,160,576)	(442,057)	\$ 1,718,519
Beginning fund balance		5,852,646	
Ending Fund Balance		\$ 5,410,589	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

See Notes to Financial Statements.

City of Shenandoah, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM

Years Ended December 31,

	2016	2015	2014
Total pension liability			¹
Service cost	\$ 670,410	\$ 633,992	\$ 547,482
Interest	759,134	699,946	624,317
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(227,957)	66,347	61,388
Changes of assumptions	-	93,017	-
Benefit payments, including refunds of participant contributions	(302,194)	(226,402)	(165,656)
Net change in total pension liability	899,393	1,266,900	1,067,531
Total pension liability - beginning	\$ 11,062,327	\$ 9,795,427	\$ 8,727,896
Total pension liability - ending (a)	\$ 11,961,720	\$ 11,062,327	\$ 9,795,427
Plan fiduciary net position			
Contributions - employer	\$ 571,598	\$ 534,546	\$ 500,912
Contributions - members	250,498	239,759	225,479
Net investment income	489,670	9,878	332,101
Benefit payments, including refunds of participant contributions	(302,194)	(226,402)	(165,656)
Administrative expenses	(5,529)	(6,015)	(3,466)
Other	(298)	(297)	(285)
Net change in plan fiduciary net position	1,003,745	551,469	889,085
Plan fiduciary net position - beginning	7,243,861	6,692,392	5,803,307
Plan fiduciary net position - ending (b)	\$ 8,247,606	\$ 7,243,861	\$ 6,692,392
Fund's net pension liability - ending (a) - (b)	\$ 3,714,114	\$ 3,818,466	\$ 3,103,035
 Plan fiduciary net position as a percentage of the total pension liability	 68.95%	 65.48%	 68.32%
Covered employee payroll	\$ 3,573,615	\$ 3,425,132	\$ 3,221,134
Fund's net position as a percentage of covered employee payroll	103.93%	111.48%	96.33%

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

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NONMAJOR GOVERNMENTAL FUNDS

GARBAGE FUND

This fund accounts for funds derived from garbage services provided to City residents.

EQUIPMENT REPLACEMENT FUND

This fund accounts for funds that have been committed to replacing City equipment.

LEOSE FUND

This fund accounts for funds that are used for Law Enforcement Officer Safety Equipment grants to be used for Law Enforcement Officer Safety Equipment.

DISCRETIONARY COURT FUND

This fund accounts for court fees that are legally restricted for court expenses.

MUNICIPAL COURT FUND

This fund accounts for technology fees that are used for improving the City's technology.

LAND TRUST FUND

This fund accounts for funds to be used for the purchase of land.

City of Shenandoah, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2017

	<u>Garbage</u>	<u>Equipment Replacement</u>	<u>LEOSE</u>	<u>Discretionary Court</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 957	\$ 484,726	\$ 2,241	\$ 355
Accounts receivable	31,746	-	-	-
Total Assets	\$ 32,703	\$ 484,726	\$ 2,241	\$ 355
<u>Liabilities</u>				
Accounts payable	\$ 21,010	\$ -	\$ -	\$ -
Due to other funds	6,206	10,473	-	1,508
Total Liabilities	27,216	10,473	-	1,508
<u>Fund Balances</u>				
Restricted for:				
Municipal court	-	-	-	-
Public safety	-	-	2,241	-
Committed for:				
Garbage	5,487	-	-	-
Equipment replacement	-	474,253	-	-
Land	-	-	-	-
Unassigned	-	-	-	(1,153)
Total Fund Balances	5,487	474,253	2,241	(1,153)
Total Liabilities and Fund Balances	\$ 32,703	\$ 484,726	\$ 2,241	\$ 355

<u>Municipal Court</u>	<u>Shenandoah Land Trust</u>	<u>Total Nonmajor Governmental</u>
\$ 7,939	\$ 3,494	\$ 499,712
-	-	31,746
<u>\$ 7,939</u>	<u>\$ 3,494</u>	<u>\$ 531,458</u>
\$ -	\$ -	\$ 21,010
-	-	18,187
<u>-</u>	<u>-</u>	<u>39,197</u>
7,939	-	7,939
-	-	2,241
-	-	5,487
-	-	474,253
-	3,494	3,494
-	-	(1,153)
<u>7,939</u>	<u>3,494</u>	<u>492,261</u>
<u>\$ 7,939</u>	<u>\$ 3,494</u>	<u>\$ 531,458</u>

City of Shenandoah, Texas

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2017

	Garbage	Equipment Replacement	LEOSE	Discretionary Court
Revenues				
Garbage revenue	\$ 254,137	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	2,213	355
Total Revenues	254,137	-	2,213	355
Expenditures				
General government	-	-	3,500	-
Public works	-	13,259	-	-
Garbage collection	251,299	-	-	-
Total Expenditures	251,299	13,259	3,500	-
Revenues Over (Under) Expenditures	2,838	(13,259)	(1,287)	355
Other Financing Sources (Uses)				
Transfers in	-	143,666	-	-
Total Other Financing Sources (Uses)	-	143,666	-	-
Net Change in Fund Balances	2,838	130,407	(1,287)	355
Beginning fund balances	2,649	343,846	3,528	(1,508)
Ending Fund Balances	\$ 5,487	\$ 474,253	\$ 2,241	\$ (1,153)

Municipal Court	Shenandoah Land Trust	Total Nonmajor Governmental
\$ -	\$ -	\$ 254,137
7,211	-	9,779
<u>7,211</u>	<u>-</u>	<u>263,916</u>
795	-	4,295
-	-	13,259
-	-	251,299
<u>795</u>	<u>-</u>	<u>268,853</u>
6,416	-	(4,937)
-	-	143,666
-	-	143,666
6,416	-	138,729
1,523	3,494	353,532
<u>\$ 7,939</u>	<u>\$ 3,494</u>	<u>\$ 492,261</u>

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