

*ANNUAL FINANCIAL REPORT*

of the

**City of Shenandoah, Texas**

For the Year Ended  
September 30, 2019



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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, the discretely presented component unit, and the aggregate remaining fund information of the City of Shenandoah, Texas (the "City"), as of and for the year ended September 30, 2019, 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 opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City as of September 30, 2019, 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 within the general fund and nonmajor governmental funds due to a change in fund reporting within the nonmajor governmental funds. 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 employer contributions to pension plan, schedule of changes in postemployment benefits other than pensions and related ratios, and budgetary comparison information as listed in the table on contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*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, flowing script.

BrooksWatson & Co., PLLC  
Certified Public Accountants  
Houston, Texas  
December 27, 2019

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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, 2019

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, 2019.

#### **Financial Highlights**

- The City's total combined net position was \$49,943,676 at September 30, 2019. Of this, \$6,815,517 (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 \$23,776,883, an increase of \$250,942.
- As of the end of the year, the unassigned fund balance of the general fund was \$7,549,368 or 99% of total general fund expenditures.
- The City had an overall increase in net position of \$5,370,504, 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, 2019

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 twelve 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 Metrosquare Park Public Improvement District ("PID"), 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, 2019

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.

### **Component Unit**

The City maintains the accounting and financial statements for one component unit. The Shenandoah Municipal Development District ("SMDD") is a discretely presented component unit displayed on the government-wide financial statements.

**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 \$49,943,676 as of September 30, 2019.

The largest portion of the City's net position, \$29,120,162, 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, 2019 and September 30, 2018 were \$834,029 and \$717,405, respectively. The increase of \$116,624 was primarily a result of increased receivables at yearend, which is a direct result of the City's customer base expanding.

Capital assets of Governmental Activities as of September 30, 2019 and September 30, 2018 were \$43,567,350 and \$40,690,629, respectively. The increase of \$2,876,721 was a primarily attributable to the continued investment in Metro Park PID and new purchases of public safety vehicles and equipment.

**City of Shenandoah, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2019**

Long-term liabilities of Governmental Activities as of September 30, 2019 and September 30, 2018 were \$35,574,908 and \$36,402,921, respectively. The decrease of \$828,013 was primarily attributable to a debt refunding and principal payments made in the current year.

Long-term liabilities of Business-Type Activities as of September 30, 2019 and September 30, 2018 were \$581,055 and \$369,639, respectively. The increase of \$211,416 is primarily due to the increase in the City's net pension liability over the course of the year.

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

	2019			2018		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 24,397,591	\$ 834,029	\$ 25,231,620	\$ 24,080,679	\$ 717,405	\$ 24,798,084
Capital assets, net	43,567,350	18,137,871	61,705,221	40,690,629	17,848,280	58,538,909
<b>Total Assets</b>	<b>67,964,941</b>	<b>18,971,900</b>	<b>86,936,841</b>	<b>64,771,308</b>	<b>18,565,685</b>	<b>83,336,993</b>
<b>Deferred Outflows</b>	<b>1,951,836</b>	<b>146,858</b>	<b>2,098,694</b>	<b>1,389,958</b>	<b>50,642</b>	<b>1,440,600</b>
Other liabilities	2,719,338	201,724	2,921,062	2,652,320	218,563	2,870,883
Long-term liabilities	35,574,908	581,055	36,155,963	36,402,921	369,639	36,772,560
<b>Total Liabilities</b>	<b>38,294,246</b>	<b>782,779</b>	<b>39,077,025</b>	<b>39,055,241</b>	<b>588,202</b>	<b>39,643,443</b>
<b>Deferred Inflows</b>	<b>14,220</b>	<b>614</b>	<b>14,834</b>	<b>493,661</b>	<b>67,317</b>	<b>560,978</b>
Net Position:						
Net investment in capital assets	10,982,291	18,137,871	29,120,162	6,130,852	17,848,280	23,979,132
Restricted	14,007,997	-	14,007,997	14,635,351	-	14,635,351
Unrestricted	6,618,023	197,494	6,815,517	5,846,161	112,528	5,958,689
<b>Total Net Position</b>	<b>\$ 31,608,311</b>	<b>\$ 18,335,365</b>	<b>\$ 49,943,676</b>	<b>\$ 26,612,364</b>	<b>\$ 17,960,808</b>	<b>\$ 44,573,172</b>

**City of Shenandoah, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2019**

**Statement of Activities:**

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

	For the Year Ended September 30, 2019			For the Year Ended September 30, 2018		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
			Primary Government			Primary Government
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,057,253	\$ 2,595,661	\$ 3,652,914	\$ 552,609	\$ 2,625,172	\$ 3,177,781
Capital contributions	3,279,815	168,078	3,447,893	1,077,669	-	1,077,669
General revenues:						
Property tax	3,118,283	-	3,118,283	1,995,541	-	1,995,541
Sales tax	6,286,609	-	6,286,609	6,732,269	-	6,732,269
Franchise and local taxes	484,435	-	484,435	466,347	-	466,347
Hotel occupancy taxes	1,481,768	-	1,481,768	1,514,681	-	1,514,681
Investment income	223,182	2,884	226,066	85,832	1,180	87,012
Other revenues	182,578	18,205	200,783	289,917	18,802	308,719
<b>Total Revenues</b>	<b>16,113,923</b>	<b>2,784,828</b>	<b>18,898,751</b>	<b>12,714,865</b>	<b>2,645,154</b>	<b>15,360,019</b>
<b>Expenses</b>						
General government	2,914,005	-	2,914,005	3,101,786	-	3,101,786
Public safety	2,920,956	-	2,920,956	2,714,173	-	2,714,173
Public works	2,596,579	-	2,596,579	2,228,437	-	2,228,437
Community development	243,682	-	243,682	112,738	-	112,738
Technology	355,636	-	355,636	-	-	-
Tourism	865,484	-	865,484	487,422	-	487,422
Garbage collection	281,171	-	281,171	264,895	-	264,895
Interest and fiscal charges	1,544,983	-	1,544,983	2,349,329	-	2,349,329
Water & sewer	-	1,805,751	1,805,751	-	1,639,726	1,639,726
<b>Total Expenses</b>	<b>11,722,496</b>	<b>1,805,751</b>	<b>13,528,247</b>	<b>11,258,780</b>	<b>1,639,726</b>	<b>12,898,506</b>
<b>Change in Net Position</b>						
<b>Before Transfers</b>	4,391,427	979,077	5,370,504	1,456,085	1,005,428	2,461,513
Transfers in (out)	604,520	(604,520)	-	(305,159)	305,159	-
<b>Total</b>	<b>604,520</b>	<b>(604,520)</b>	<b>-</b>	<b>(305,159)</b>	<b>305,159</b>	<b>-</b>
<b>Change in Net Position</b>	<b>4,995,947</b>	<b>374,557</b>	<b>5,370,504</b>	<b>1,150,926</b>	<b>1,310,587</b>	<b>2,461,513</b>
Beginning Net Position	26,612,364	17,960,808	44,573,172	25,461,438	16,650,221	42,111,659
<b>Ending Net Position</b>	<b>\$ 31,608,311</b>	<b>\$ 18,335,365</b>	<b>\$ 49,943,676</b>	<b>\$ 26,612,364</b>	<b>\$ 17,960,808</b>	<b>\$ 44,573,172</b>

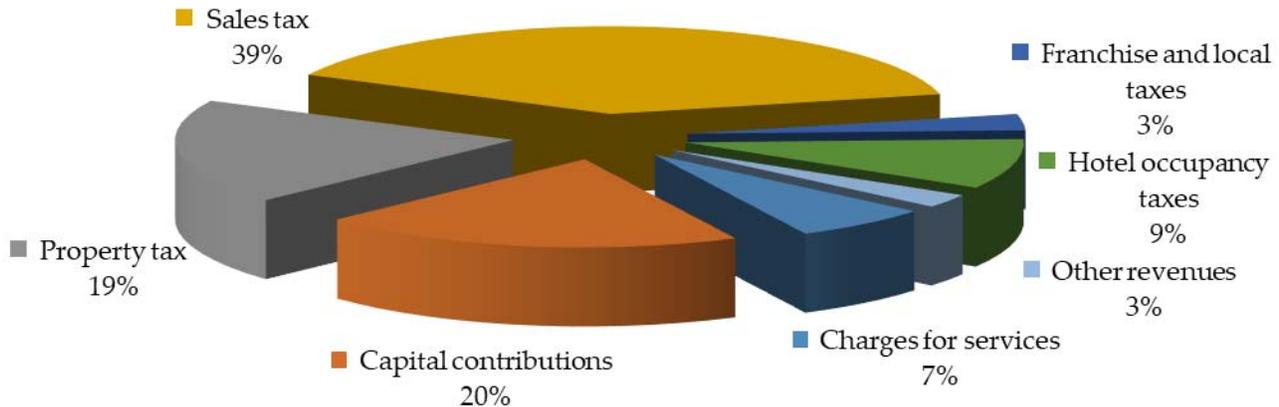
# City of Shenandoah, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

### September 30, 2019

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

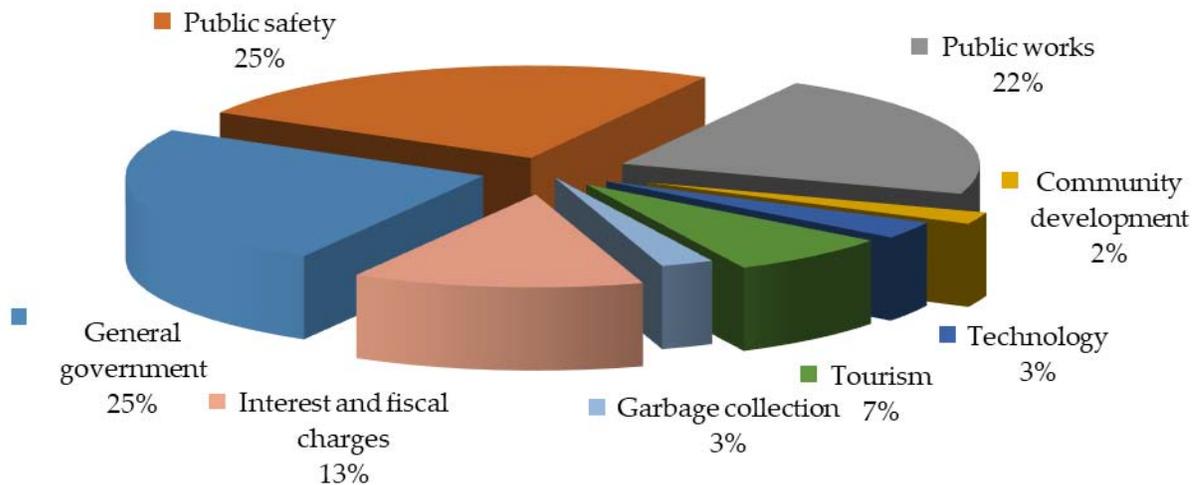
### Governmental Activities - Revenues



For the year ended September 30, 2019, revenues from governmental activities totaled \$16,113,923. Overall revenues increased by \$3,399,058. Sales tax, property tax, hotel occupancy taxes, and capital contributions are the City's largest revenue sources. Sales taxes decreased by \$445,660 or 7% primarily as a result of a sales tax audit in the previous year resulting in the recovery of \$417,000 in previously received sales tax revenues. Property taxes increased by \$1,122,742 primarily due to the receipt of new property taxes in the Metro Park PID. Capital contributions increased by \$2,202,146 as a result of greater contributions from SMDD in the current year. Investment income increased by \$137,350 as a result of PID funds being held in an interest-bearing account. Other revenues decreased by \$107,339 primarily as a result of nonrecurring proceeds received from sale of capital assets in the prior year.

This graph shows the governmental function expenses of the City:

### Governmental Activities - Expenses

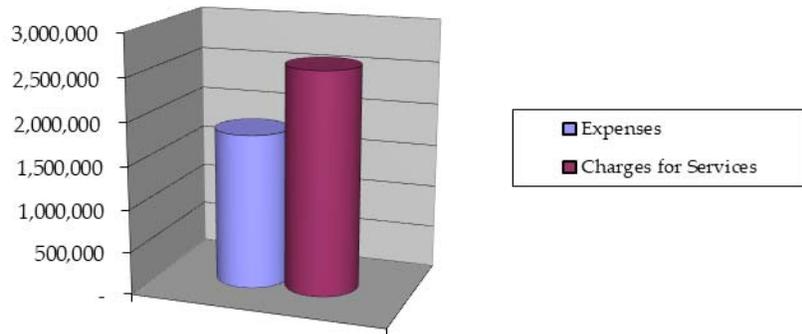


**City of Shenandoah, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2019**

For the year ended September 30, 2019, expenses for governmental activities totaled \$11,722,496. This represents an increase of \$463,716 or 4% from the prior year. The City's largest functional expense is public safety of \$2,920,956. Public safety expenses increased by \$206,783 or 8%, which is primarily due to increases in police department personnel expenses. General government expenses declined by \$187,781 or 6% due to the reclassification of certain expenses previously accounted for as part general government into a newly formed technology department. Public works expenses increased by \$368,142 or 17% primarily as a result of the City filling new positions within the department. In addition, the City incurred more plan review and inspection related expenses. Community development expenses increased by \$130,944 primarily due to the City's use of funds for new tree planting and vegetation improvements. Technology expenses increased by \$355,636 or 100% as a result of the City creating this new department in the current year. Technology related expenses previously accounted for within general government are now accounted for separately in its own department. Tourism expenses increased \$378,062 or 78% due to nonrecurring expenses incurred from the City hosting the 2018 Stagg bowl in December 2018. In addition, a new director was hired who chose to be more active with the City's advertising campaigns. Interest and fiscal charges decreased by \$804,346 primarily as a result the bond refunding occurring in the current year.

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, 2019, charges for services by business-type activities totaled \$2,595,661. This is a decrease of \$29,511, or 1%, from the previous year, which is considered minimal.

Total expenses increased by \$166,025 or 10%, which is primarily attributed to personnel and equipment maintenance expenses.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

# City of Shenandoah, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2019

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 \$7,549,368. The general fund reflected an increase of \$135,429. This is primarily a result of the general fund receiving more revenue than anticipated and expenditures falling below that which was budgeted.

The debt service fund reflected a fund balance of \$35,325, a decrease of \$69,117, which is primarily due to debt service expenditures exceeding revenues and other financing sources.

The capital improvements fund reflected a fund balance of \$1,631,665, an increase of \$868,211, which is primarily due to intergovernmental revenues and transfers in exceeding capital outlay expenditures.

The hotel occupancy fund reflected a fund balance of \$3,729,438. The fund balance increased by \$496,991 from the prior year primarily due to lower than anticipated expenditures.

The Metro Park PID fund reflected a fund balance of \$10,182,772. The fund balance decreased by \$1,098,163 primarily as a result of capital outlay and debt services expenditures exceeding property tax revenues.

There was an overall increase in governmental fund balance of \$250,942. This is primarily due to \$111,344 of net bond proceeds received as a result of the debt refunding and proceeds received from sale of capital assets in the current year.

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 \$1,055,609 before other financing sources and uses, with a total positive budget variance of \$1,130,977 in the general fund after other sources and uses. Total actual revenue exceeded budgeted revenue by \$642,379. Total actual expenditures were \$413,230 under budget.

Expenditures exceeded appropriations at the legal level of control in the amount of \$477,373 for general government and \$19,182 for public works. All other expenditures were less than budgeted.

**City of Shenandoah, Texas**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*  
September 30, 2019

**CAPITAL ASSETS**

As of the end of the year, the City's governmental activities funds had invested \$43,567,350 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 \$18,137,871 in a variety of capital assets and infrastructure, net of accumulated depreciation.

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

- Investment in Metro Park PID of \$1,203,883.
- Purchase of new police vehicles and equipment totaling \$221,989.
- New investments in roadways, pathways, and detention pond in the municipal development district totaling \$2,718,929.
- Transfer of waterline and wastewater treatment plant improvements from governmental activities to business type activities totaling \$870,246.

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 \$32,030,000. During the year, the City issued \$2,940,000 of general obligation refunding bonds. As part of this new bond issuance, \$3,030,000 of general improvement bonds were refunded in the current year. The City made \$2,075,000 in principal payments on outstanding debt. 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***

**City of Shenandoah, Texas**  
**STATEMENT OF NET POSITION (Page 1 of 2)**  
**September 30, 2019**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Current assets:			
Cash and cash equivalents	\$ 23,156,934	\$ 397,218	\$ 23,554,152
Receivables, net	1,240,657	436,811	1,677,468
<b>Total Current Assets</b>	<b>24,397,591</b>	<b>834,029</b>	<b>25,231,620</b>
Capital assets:			
Non-depreciable	11,001,113	2,413,040	13,414,153
Net depreciable capital assets	32,566,237	15,724,831	48,291,068
	<b>43,567,350</b>	<b>18,137,871</b>	<b>61,705,221</b>
<b>Total Assets</b>	<b>67,964,941</b>	<b>18,971,900</b>	<b>86,936,841</b>
<b><u>Deferred Outflows of Resources</u></b>			
Pension contributions	392,910	56,543	449,453
OPEB contributions	464	67	531
Pension difference in experience	162,325	23,360	185,685
Pension changes in assumptions	16,778	2,415	19,193
Pension investment earnings	448,015	64,473	512,488
Deferred charge on refunding	931,344	-	931,344
<b>Total Deferred Outflows of Resources</b>	<b>1,951,836</b>	<b>146,858</b>	<b>2,098,694</b>

**Component Unit**

**Shenandoah  
Municipal  
Development  
District**

\$	5,031,631
	315,933
	<hr/>
	5,347,564
	<hr/>

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5,347,564

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**City of Shenandoah, Texas**  
**STATEMENT OF NET POSITION (Page 2 of 2)**  
**September 30, 2019**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable	390,849	68,689	459,538
Accrued liabilities	174,191	29,696	203,887
Accrued interest payable	64,350	-	64,350
Customer deposits	5,803	78,257	84,060
Compensated absences payable, current	159,145	25,082	184,227
Long-term debt due within one year	1,925,000	-	1,925,000
	<u>2,719,338</u>	<u>201,724</u>	<u>2,921,062</u>
Noncurrent liabilities:			
Long-term debt due in more than one year	31,538,926	-	31,538,926
Compensated absences payable, noncurrent	17,683	2,787	20,470
Net pension liability	3,916,064	563,556	4,479,620
OPEB liability	102,235	14,712	116,947
	<u>35,574,908</u>	<u>581,055</u>	<u>36,155,963</u>
<b>Total Liabilities</b>	<u>38,294,246</u>	<u>782,779</u>	<u>39,077,025</u>
<b><u>Deferred Inflows of Resources</u></b>			
Deferred gain on refunding	9,955	-	9,955
OPEB assumption changes	724	104	828
OPEB difference in experience	3,541	510	4,051
<b>Total Deferred Inflows of Resources</b>	<u>14,220</u>	<u>614</u>	<u>14,834</u>
<b><u>Net Position</u></b>			
Net investment in capital assets	10,982,291	18,137,871	29,120,162
Restricted for:			
Debt service	35,325	-	35,325
Economic development	-	-	-
Tourism	3,729,438	-	3,729,438
Municipal court	22,195	-	22,195
Tree maintenance	29,492	-	29,492
Park improvements	2,232	-	2,232
Public improvement	10,182,772	-	10,182,772
Public safety	6,543	-	6,543
Unrestricted	6,618,023	197,494	6,815,517
<b>Total Net Position</b>	<u>\$ 31,608,311</u>	<u>\$ 18,335,365</u>	<u>\$ 49,943,676</u>

See Notes to Financial Statements.

Component Unit

Shenandoah

Municipal

Development

District

5,367

-

-

-

-

-

5,367

-

-

-

-

5,367

-

-

-

-

5,342,197

-

-

-

-

-

-

-

\$ 5,342,197

# City of Shenandoah, Texas

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities</b>			
General government	\$ 2,914,005	\$ 1,030,278	\$ 1,566,313
Public safety	2,920,956	22,540	-
Public works	2,596,579	-	1,713,502
Community development	243,682	-	-
Technology	355,636	-	-
Tourism	865,484	-	-
Garbage collection	281,171	4,435	-
Interest and fiscal charges	1,544,983	-	-
<b>Total Governmental Activities</b>	<u>11,722,496</u>	<u>1,057,253</u>	<u>3,279,815</u>
<b>Business-Type Activities</b>			
Water & Sewer	1,805,751	2,595,661	168,078
<b>Total Business-Type Activities</b>	<u>1,805,751</u>	<u>2,595,661</u>	<u>168,078</u>
<b>Total Primary Government</b>	<u>\$ 13,528,247</u>	<u>\$ 3,652,914</u>	<u>\$ 3,447,893</u>
<b>Component Unit</b>			
Shenandoah Municipal Development District	\$ 3,344,894	\$ -	\$ 286,408
<b>Total Component Unit Activities</b>	<u>\$ 3,344,894</u>	<u>\$ -</u>	<u>\$ 286,408</u>

### 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.

<b>Net (Expense) Revenue and Changes in Net Position</b>			<b>Component Unit</b>
<b>Primary Government</b>			<b>Shenandoah</b>
<b>Governmental</b>	<b>Business-Type</b>		<b>Municipal</b>
<b>Activities</b>	<b>Activities</b>	<b>Total</b>	<b>Development</b>
			<b>District</b>
\$ (317,414)	\$ -	\$ (317,414)	\$ -
(2,898,416)	-	(2,898,416)	-
(883,077)	-	(883,077)	-
(243,682)	-	(243,682)	-
(355,636)	-	(355,636)	-
(865,484)	-	(865,484)	-
(276,736)	-	(276,736)	-
(1,544,983)	-	(1,544,983)	-
<u>(7,385,428)</u>	<u>-</u>	<u>(7,385,428)</u>	<u>-</u>
-	957,988	957,988	-
-	957,988	957,988	-
<u>(7,385,428)</u>	<u>957,988</u>	<u>(6,427,440)</u>	<u>-</u>
			<u>(3,058,486)</u>
			<u>(3,058,486)</u>
3,118,283	-	3,118,283	-
6,286,609	-	6,286,609	2,008,758
484,435	-	484,435	-
1,481,768	-	1,481,768	-
223,182	2,884	226,066	34,132
182,578	18,205	200,783	161
604,520	(604,520)	-	-
<u>12,381,375</u>	<u>(583,431)</u>	<u>11,797,944</u>	<u>2,043,051</u>
4,995,947	374,557	5,370,504	(1,015,435)
26,612,364	17,960,808	44,573,172	6,357,632
<u>\$ 31,608,311</u>	<u>\$ 18,335,365</u>	<u>\$ 49,943,676</u>	<u>\$ 5,342,197</u>

# City of Shenandoah, Texas

## BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2019

	General Fund	Debt Service Fund	Metro Park PID	Capital Improvements Fund
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 6,858,046	\$ 35,325	\$ 10,182,772	\$ 1,802,023
Receivables, net				
Property taxes	23,190	26,675	-	-
Sales taxes	948,407	-	-	-
Franchise taxes	40,555	-	-	-
Mixed beverage taxes	79,585	-	-	-
Hotel occupancy taxes	-	-	-	-
Accounts receivable	9,231	-	-	-
<b>Total Assets</b>	<b>\$ 7,959,014</b>	<b>\$ 62,000</b>	<b>\$ 10,182,772</b>	<b>\$ 1,802,023</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 211,883	\$ -	\$ -	\$ 170,358
Accrued liabilities	168,770	-	-	-
Customer deposits	5,803	-	-	-
<b>Total Liabilities</b>	<b>386,456</b>	<b>-</b>	<b>-</b>	<b>170,358</b>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue - property taxes	23,190	26,675	-	-
<b>Total Deferred Inflows of Resources</b>	<b>23,190</b>	<b>26,675</b>	<b>-</b>	<b>-</b>
<b><u>Fund Balances</u></b>				
Restricted for:				
Debt service	-	35,325	-	-
Tourism	-	-	-	-
Municipal court	-	-	-	-
Public safety	-	-	-	-
Tree maintenance	-	-	-	-
Park improvements	-	-	-	-
Public improvement	-	-	10,182,772	-
Capital projects	-	-	-	1,631,665
Committed for:				
Equipment replacement	-	-	-	-
Land	-	-	-	-
Unassigned	7,549,368	-	-	-
<b>Total Fund Balances</b>	<b>7,549,368</b>	<b>35,325</b>	<b>10,182,772</b>	<b>1,631,665</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 7,959,014</b>	<b>\$ 62,000</b>	<b>\$ 10,182,772</b>	<b>\$ 1,802,023</b>

See Notes to Financial Statements.

<u>Hotel Occupancy Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,629,553	\$ 649,215	\$ 23,156,934
-	-	49,865
-	-	948,407
-	-	40,555
-	-	79,585
113,014	-	113,014
-	-	9,231
<u>\$ 3,742,567</u>	<u>\$ 649,215</u>	<u>\$ 24,397,591</u>
\$ 7,708	\$ 900	\$ 390,849
5,421	-	174,191
-	-	5,803
<u>13,129</u>	<u>900</u>	<u>570,843</u>
-	-	49,865
-	-	49,865
-	-	35,325
3,729,438	-	3,729,438
-	22,195	22,195
-	6,543	6,543
-	29,492	29,492
-	2,232	2,232
-	-	10,182,772
-	-	1,631,665
-	584,359	584,359
-	3,494	3,494
-	-	7,549,368
<u>3,729,438</u>	<u>648,315</u>	<u>23,776,883</u>
<u>\$ 3,742,567</u>	<u>\$ 649,215</u>	<u>\$ 24,397,591</u>

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**City of Shenandoah, Texas**  
**RECONCILIATION OF THE BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**GOVERNMENTAL FUNDS**  
**September 30, 2019**

<b>Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>23,776,883</b>
 <b>Adjustments for the Statement of Net Position:</b>		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets - non-depreciable		11,001,113
Capital assets - net depreciable		32,566,237
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		
Property tax receivable		49,865
 Deferred outflows (inflows) of resources represent a consumption (acquisition) of net position that applies to a future period(s) and is not recognized as an outflow (inflow) of resources (expense/expenditure) (revenues) until then.		
Pension contributions		392,910
OPEB contributions		464
Pension investment earnings		448,015
Pension difference in experience		162,325
Pension changes in assumptions		16,778
OPEB difference in experience		(3,541)
OPEB changes in assumptions		(724)
Deferred charge on refunding		931,344
Deferred loss on refunding		(9,955)
 Some liabilities, including bonds payable and deferred charges are not reported as liabilities in the governmental funds.		
Accrued interest		(64,350)
Premiums on bonds payable		(1,433,926)
Compensated absences payable		(176,828)
Non-current liabilities due in one year		(1,925,000)
Non-current liabilities due in more than one year		(30,105,000)
Net pension liability		(3,916,064)
OPEB liability		(102,235)
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>31,608,311</u></b>

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, 2019

	General Fund	Debt Service Fund	Metro Park PID	Capital Improvements Fund
<b><u>Revenues</u></b>				
Property tax	\$ 882,166	\$ 1,080,859	\$ 1,148,227	\$ -
Sales tax	6,286,609	-	-	-
Franchise and local taxes	484,435	-	-	-
Hotel occupancy taxes	-	-	-	-
Intergovernmental revenue	518,641	-	-	1,047,672
License and permits	949,745	-	-	-
Charges for services	80,533	-	-	-
Fines and forfeitures	11,846	-	-	-
Investment income	20,239	1,051	191,791	-
Other revenues	106,890	-	-	-
<b>Total Revenues</b>	<b>9,341,104</b>	<b>1,081,910</b>	<b>1,340,018</b>	<b>1,047,672</b>
<b><u>Expenditures</u></b>				
Current:				
General government	2,597,966	7,633	-	-
Public safety	2,880,678	-	-	-
Public works	1,451,958	-	-	-
Community development	105,375	-	-	-
Technology	335,004	-	-	-
Tourism	-	-	-	-
Garbage collection	281,171	-	-	-
Debt service:				
Principal	-	1,695,000	380,000	-
Interest and fiscal charges	-	643,787	836,298	-
Bond issuance costs	-	111,344	-	-
Capital outlay	-	-	1,221,883	2,102,071
<b>Total Expenditures</b>	<b>7,652,152</b>	<b>2,457,764</b>	<b>2,438,181</b>	<b>2,102,071</b>
<b>Revenues Over (Under) Expenditures</b>	<b>1,688,952</b>	<b>(1,375,854)</b>	<b>(1,098,163)</b>	<b>(1,054,399)</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	437,913	1,195,393	-	1,922,610
Transfers (out)	(2,053,596)	-	-	-
Bond proceeds	-	2,940,000	-	-
Bond premium	-	253,781	-	-
Payment to refunding bond escrow agent	-	(3,082,437)	-	-
Sale of capital assets	62,160	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(1,553,523)</b>	<b>1,306,737</b>	<b>-</b>	<b>1,922,610</b>
<b>Net Change in Fund Balances</b>	<b>135,429</b>	<b>(69,117)</b>	<b>(1,098,163)</b>	<b>868,211</b>
Beginning fund balances	7,413,939	104,442	11,280,935	763,454
<b>Ending Fund Balances</b>	<b>\$ 7,549,368</b>	<b>\$ 35,325</b>	<b>\$ 10,182,772</b>	<b>\$ 1,631,665</b>

See Notes to Financial Statements.

Hotel Occupancy Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 3,111,252
-	-	6,286,609
-	-	484,435
1,481,768	-	1,481,768
-	-	1,566,313
-	-	949,745
-	-	80,533
-	10,694	22,540
10,101	-	223,182
20,111	-	127,001
1,511,980	15,129	14,337,813
-	-	2,605,599
-	-	2,880,678
-	73,398	1,525,356
-	127,513	232,888
-	25,546	360,550
858,516	-	858,516
-	-	281,171
-	-	2,075,000
-	-	1,480,085
-	-	111,344
-	-	3,323,954
858,516	226,457	15,735,141
653,464	(211,328)	(1,397,328)
-	128,919	3,684,835
(156,473)	-	(2,210,069)
-	-	2,940,000
-	-	253,781
-	-	(3,082,437)
-	-	62,160
(156,473)	128,919	1,648,270
496,991	(82,409)	250,942
3,232,447	730,724	23,525,941
\$ 3,729,438	\$ 648,315	\$ 23,776,883

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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, 2019**

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

Net changes in fund balances - total governmental funds	\$	250,942
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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		3,477,702
Capital contributions		1,713,502
Depreciation expense		(1,437,654)
Transfer of assets to business-type activities		(870,246)
Adjustment for sale of capital assets		(6,583)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		7,031
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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		39,402
Accrued interest		21,459
Pension expense		(179,895)
OPEB liability		(8,356)
Amortization of deferred charges on refunding		(87,132)
Amortization of deferred loss on refunding		255
Amortization of debt premium		111,864

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.

Issuance of debt		(2,940,000)
Bond premium		(253,781)
Debt refunding		3,030,000
Bond premium refunding		62,647
Deferred loss on refunding		(10,210)
Principal payments		2,075,000

<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>4,995,947</b>
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See Notes to Financial Statements.

# City of Shenandoah, Texas

## STATEMENT OF NET POSITION

### PROPRIETARY FUND

September 30, 2019

	Water & Sewer
<b><u>Assets</u></b>	
<b><u>Current Assets</u></b>	
Cash and cash equivalents	\$ 397,218
Accounts and other receivables, net	436,811
<b>Total Current Assets</b>	834,029
<b><u>Noncurrent Assets</u></b>	
Capital assets:	
Non-depreciable	2,413,040
Net depreciable capital assets	15,724,831
<b>Total Noncurrent Assets</b>	18,137,871
<b>Total Assets</b>	18,971,900
<b><u>Deferred Outflows of Resources</u></b>	
Pension contributions	56,543
OPEB contributions	67
Pension changes in assumptions	2,415
Pension investment earnings	64,473
Pension difference in experience	23,360
<b>Total Deferred Outflows of Resources</b>	146,858
<b><u>Liabilities</u></b>	
<b><u>Current Liabilities</u></b>	
Accounts payable	68,689
Accrued liabilities	29,696
Customer deposits	78,257
Compensated absences payable, current	25,082
<b>Total Current Liabilities</b>	201,724
<b><u>Noncurrent Liabilities</u></b>	
Compensated absences payable, noncurrent	2,787
Net pension liability	563,556
OPEB liability	14,712
<b>Total Liabilities</b>	782,779
<b><u>Deferred Inflows of Resources</u></b>	
OPEB difference in experience	510
OPEB assumption changes	104
<b>Total Deferred Inflows of Resources</b>	614
<b><u>Net Position</u></b>	
Net investment in capital assets	18,137,871
Unrestricted	197,494
<b>Total Net Position</b>	\$ 18,335,365

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, 2019

	Water & Sewer
<b><u>Operating Revenues</u></b>	
Water sales	\$ 1,341,720
Sewer revenue	1,000,773
Penalties and reconnect fees	134,995
Groundwater reduction plan fees	118,173
<b>Total Operating Revenues</b>	<b>2,595,661</b>
 <b><u>Operating Expenses</u></b>	
Personnel	563,876
Supplies and services	247,369
Maintenance	397,281
Depreciation	597,225
<b>Total Operating Expenses</b>	<b>1,805,751</b>
<b>Operating Income</b>	<b>789,910</b>
 <b><u>Nonoperating Revenues (Expenses)</u></b>	
Investment income	2,884
Other revenue	18,205
<b>Total Nonoperating Revenues (Expenses)</b>	<b>21,089</b>
<b>Income Before Transfers and Contributions</b>	<b>810,999</b>
 <b><u>Transfers and Contributions</u></b>	
Developer fees	168,078
Transfers in	870,462
Transfers (out)	(1,474,982)
<b>Total Transfers and Contributions</b>	<b>(436,442)</b>
<b>Change in Net Position</b>	<b>374,557</b>
Beginning net position	17,960,808
<b>Ending Net Position</b>	<b>\$ 18,335,365</b>

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, 2019

	<u>Water &amp; Sewer</u>
<b><u>Cash Flows from Operating Activities</u></b>	
Receipts from customers	\$ 2,504,973
Payments to employees	(515,379)
Payments to suppliers and contractors	(648,840)
<b>Net Cash Provided by Operating Activities</b>	<u>1,340,754</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>	
Transfer from other funds	216
Transfer to other funds	(1,474,982)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>(1,474,766)</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Purchase of capital assets	(16,570)
Developer fees	168,078
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>151,508</u>
<b><u>Cash Flows from Investing Activities</u></b>	
Interest on investments	21,089
<b>Net Cash Provided by Investing Activities</b>	<u>21,089</u>
<b>Net Increase in Cash and Cash Equivalents</b>	38,585
Beginning cash and cash equivalents	<u>358,633</u>
<b>Ending Cash and Cash Equivalents</b>	<u><u>\$ 397,218</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, 2019

	<b>Water &amp; Sewer</b>
<b><u>Reconciliation of Operating Income</u></b>	
<b><u>to Net Cash Provided by Operating Activities</u></b>	
Operating Income	\$ 789,910
Adjustments to reconcile operating income to net cash provided:	
Depreciation	597,225
<b>Changes in Operating Assets and Liabilities:</b>	
<b>(Increase) Decrease in:</b>	
Accounts receivable	(78,039)
Deferred outflows - pension and OPEB contributions	(7,094)
Deferred outflows - pension investment earnings	(55,804)
Deferred outflows - pension investment returns	(64,473)
Deferred inflows - pension and OPEB losses on investments	(36,778)
Deferred inflows - OPEB assumption changes	1,230
<b>Increase (Decrease) in:</b>	
Accounts payable and accrued liabilities	(4,190)
Customer deposits	(12,649)
Net pension liability	211,003
OPEB liability	413
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 1,340,754</b>
 <b><u>Schedule of Non-Cash Capital and Related Financing Activities:</u></b>	
Transfer of capital assets from governmental activities	\$ 870,246

See Notes to Financial Statements.

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# City of Shenandoah, Texas

## NOTES TO FINANCIAL STATEMENTS

September 30, 2019

### 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 ("SMDD") is legally separate and presented as a discretely presented component unit. The Metro Park Public Improvement 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**

##### Metro Park Public Improvement District ("PID")

The Metro Park Public Improvement District (the "PID") was created pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the "PID Act") and a resolution of the City Council. The

**City of Shenandoah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

purpose of the PID is to finance the Costs of Authorized Improvements that confer a special benefit on the assessed property within the PID, all of which is located within the corporate limits of the City. The PID is governed by the City Council, and accordingly has been reported as a blended component unit.

**Discretely Presented 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 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 council members would sit on the board. The Council then decided that the board will consist of two council members and the remaining directors appointed by the Council and serve at the Council’s will. The SMDD is legally separate from the City and is not fiscally dependent on the City. Given these facts, the SMDD is reported as a discretely presented 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

**City of Shenandoah, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2019

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. Expenditures include general government, public safety, public works, community development, and garbage collection. 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.

**Metro Park Public Improvement District ("PID")**

The purpose of the PID is to finance the costs of authorized improvements that confer a special benefit on the assessed property within the PID, all of which is located within the corporate limits of the City.

**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.

**City of Shenandoah, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2019

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., 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.

**City of Shenandoah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

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.

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/Inflows, 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

**City of Shenandoah, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2019

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

**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

**City of Shenandoah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

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.

**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.

<b>Asset Description</b>	<b>Estimated Useful Life</b>
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

**City of Shenandoah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

**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 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.

**City of Shenandoah, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2019

**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.
- 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.

**City of Shenandoah, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2019

**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.

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, 2019

**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.

**15. Other Postemployment Benefits ("OPEB")**

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. 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 on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

**City of Shenandoah, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2019

**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.”

**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, discretely presented component units, 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 September 30, 2019, expenditures exceeded appropriations at the legal level of control as follows:

General Fund:	
General government	\$ 477,373
Public works	\$ 19,182

**City of Shenandoah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As of September 30, 2019, the primary government had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
External investment pools	\$ 488,097	0.09
Total fair value	<u>\$ 488,097</u>	
Portfolio weighted average maturity		0.09

As of September 30, 2019, the discretely presented component unit had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
External investment pools	\$ 1,145,913	0.09
Total fair value	<u>\$ 1,145,913</u>	
Portfolio weighted average maturity		0.09

*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, 2019, 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

**City of Shenandoah, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
**September 30, 2019**

instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2019, 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 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. At September 30, 2019, the fair value of the portion in TexPool approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

**City of Shenandoah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

**B. Receivables**

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

	<u>General</u>	<u>Debt Service</u>	<u>Hotel Occupancy</u>	<u>Water &amp; Sewer</u>	<u>Total</u>
Property tax	\$ 23,190	\$ 26,675	\$ -	\$ -	\$ 49,865
Sales tax	948,407	-	-	-	948,407
Franchise tax	40,555	-	-	-	40,555
Mixed beverage taxes	79,585	-	-	-	79,585
Hotel occupancy taxes	-	-	113,014	-	113,014
Accounts, net	9,231	-	-	437,612	446,843
Allowance	-	-	-	(801)	(801)
<b>Total</b>	<u>\$ 1,100,968</u>	<u>\$ 26,675</u>	<u>\$ 113,014</u>	<u>\$ 436,811</u>	<u>\$ 1,677,468</u>

The following comprise receivable balances of the discretely presented component unit at year end:

	<u>Shenandoah Municipal Development District</u>
Sales tax	\$ 315,933
<b>Total</b>	<u>\$ 315,933</u>

**City of Shenandoah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

**C. Capital Assets**

A summary of changes in governmental 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	\$ 3,929,303	\$ -	\$ -	\$ 3,929,303
Construction in progress	3,125,877	4,816,179	(870,246) *	7,071,810
Total capital assets not being depreciated	<u>7,055,180</u>	<u>4,816,179</u>	<u>(870,246)</u>	<u>11,001,113</u>
Capital assets, being depreciated:				
Infrastructure	35,883,590	33,472	-	35,917,062
Buildings and improvements	10,793,493	42,104	-	10,835,597
Furniture and equipment	2,542,965	299,449	(118,868)	2,723,546
Total capital assets being depreciated	<u>49,220,048</u>	<u>375,025</u>	<u>(118,868)</u>	<u>49,476,205</u>
Less accumulated depreciation				
Infrastructure	(11,362,478)	(902,939)	-	(12,265,417)
Buildings and improvements	(2,288,080)	(301,916)	-	(2,589,996)
Furniture and equipment	(1,934,041)	(232,799)	112,285	(2,054,555)
Total accumulated depreciation	<u>(15,584,599)</u>	<u>(1,437,654)</u>	<u>112,285</u>	<u>(16,909,968)</u>
Net capital assets being depreciated	<u>33,635,449</u>	<u>(1,062,629)</u>	<u>(6,583)</u>	<u>32,566,237</u>
<b>Total Capital Assets</b>	<u>\$ 40,690,629</u>	<u>\$ 3,753,550</u>	<u>\$ (876,829)</u>	<u>\$ 43,567,350</u>

\*Represents capital assets transferred to the City's proprietary fund.

Depreciation was charged to governmental functions as follows:

General government	\$ 338,819
Public safety	159,795
Public works	932,573
Tourism	6,467
<b>Total Governmental Activities Depreciation Expense</b>	<u>\$ 1,437,654</u>

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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
Construction in progress	-	-	739,472	739,472
Total capital assets not being depreciated	<u>1,673,568</u>	<u>-</u>	<u>739,472</u>	<u>2,413,040</u>
Capital assets, being depreciated:				
Furniture and equipment	754,593	16,570	-	771,163
Water and sewer system	30,587,262	-	130,774	30,718,036
Total capital assets being depreciated	<u>31,341,855</u>	<u>16,570</u>	<u>130,774</u>	<u>31,489,199</u>
Less accumulated depreciation				
Furniture and equipment	(461,707)	(40,762)	-	(502,469)
Water and sewer system	(14,705,436)	(556,463)	-	(15,261,899)
Total accumulated depreciation	<u>(15,167,143)</u>	<u>(597,225)</u>	<u>-</u>	<u>(15,764,368)</u>
Net capital assets being depreciated	<u>16,174,712</u>	<u>613,795</u>	<u>130,774</u>	<u>15,724,831</u>
<b>Total Capital Assets</b>	<u>\$ 17,848,280</u>	<u>\$ 613,795</u>	<u>\$ 870,246 *</u>	<u>\$ 18,137,871</u>

\*Represents capital assets transferred from the City's governmental activities.

Depreciation was charged to business-type activities functions as follows:

Water department	\$ 403,705
Sewer department	193,520
<b>Total Business-Type Activities Depreciation Expense</b>	<u>\$ 597,225</u>

**D. Deferred Charge/Gain 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 \$384,622. 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

**City of Shenandoah, Texas**  
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governmental activities totaled \$546,722. Current year amortization expense for governmental activities totaled \$39,054.

A deferred gain resulting from the issuance of the 2019 general obligation refunding bonds has been recorded as a deferred inflow of resources and is being amortized to interest expense over the term of the refunded debt. Current year balances for governmental activities totaled \$9,955. Current year amortization for governmental activities totaled \$255.

**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 &amp; Sewer</u>	<u>Total</u>
Accrued wages	\$ 128,503	\$ 5,421	\$ 17,201	\$ 151,125
Accrued taxes	8,270	-	-	8,270
Contingent accrued severance	27,460	-	-	27,460
Other	4,537	-	12,495	17,032
<b>Total</b>	<u>\$ 168,770</u>	<u>\$ 5,421</u>	<u>\$ 29,696</u>	<u>\$ 203,887</u>

**F. Compensated Absences**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Compensated Absences	\$ 216,230	\$ -	\$ (39,402)	\$ 176,828
<b>Total Governmental Activities</b>	<u>\$ 216,230</u>	<u>\$ -</u>	<u>\$ (39,402)</u>	<u>\$ 176,828</u>
<b>Business-Type Activities:</b>				
Compensated Absences	\$ 27,869	\$ -	\$ -	\$ 27,869
<b>Total Business-Type Activities</b>	<u>\$ 27,869</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,869</u>

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**G. 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>Refunding</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>						
Certificates of Obligation	\$ 680,000	\$ -	\$ -	\$ (335,000)	\$ 345,000	\$ 345,000
General Improvement Bonds	4,165,000	-	(3,030,000)	(765,000)	370,000	370,000
General Obligation Refunding Bonds	14,150,000	2,940,000	-	(595,000)	16,495,000	990,000
Special Revenue Assessment Bonds - PID	15,200,000	-	-	(380,000)	14,820,000	220,000
Less: Deferred Amounts						
Issuance Premium	1,354,656	253,781	(62,647)	(111,864)	1,433,926	-
<b>Total Governmental Activities</b>	<u>\$ 35,549,656</u>	<u>\$ 3,193,781</u>	<u>\$ (3,092,647)</u>	<u>\$ (2,186,864)</u>	<u>\$ 33,463,926</u>	<u>\$ 1,925,000</u>
<b>Long-term Liabilities Due in More than One Year</b>					<u>\$ 31,538,926</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.

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

Description	Interest Rates	Maturity Date	Original Balance	Current Balance
<b>Governmental Activities:</b>				
2008 Certificates of obligation	3.5%-4.125%	8/15/2020	\$ 2,225,000	\$ 170,000
2009 Certificates of obligation	2%-4%	8/15/2020	2,405,000	175,000
	<b>Total Certificates of Obligation</b>		<b>\$ 4,630,000</b>	<b>\$ 345,000</b>
2009 General improvement bonds	2-4.5%	8/15/2020	6,395,000	370,000
	<b>Total General Improvement Bonds</b>		<b>\$ 16,355,000</b>	<b>\$ 370,000</b>
2013 General obligation refunding bonds	2-3.5%	8/15/2027	7,345,000	5,025,000
2015 General obligation refunding bonds	2%-4%	8/15/2033	8,670,000	8,570,000
2019 General obligation refunding bonds	3.00%	8/15/2031	2,940,000	2,900,000
	<b>Total General Obligation Refunding Bonds</b>		<b>\$ 18,955,000</b>	<b>\$ 16,495,000</b>
2018 Special Revenue Assessment Bonds - PID	4.5-5.7%	9/1/2047	15,200,000	14,820,000
	<b>Total General Obligation Refunding Bonds</b>		<b>\$ 15,200,000</b>	<b>\$ 14,820,000</b>
	<b>Total Governmental Activities</b>		<b>\$ 55,140,000</b>	<b>\$ 32,030,000</b>

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

Year ending September 30,	<b>Governmental Activities</b>					
	<b>General Improvement Bonds</b>		<b>Certificates of Obligation</b>		<b>General Obligation Refunding Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2020	\$ 370,000	\$ 14,800	\$ 345,000	\$ 13,800	\$ 990,000	\$ 584,150
2021	-	-	-	-	1,745,000	557,300
2022	-	-	-	-	1,805,000	507,875
2023	-	-	-	-	1,870,000	443,775
2024	-	-	-	-	1,735,000	377,325
2025	-	-	-	-	1,585,000	316,575
2026	-	-	-	-	1,645,000	258,775
2027	-	-	-	-	1,705,000	198,800
2028	-	-	-	-	1,045,000	136,600
2029	-	-	-	-	550,000	94,800
2030	-	-	-	-	575,000	72,800
2031	-	-	-	-	595,000	49,800
2032	-	-	-	-	320,000	26,000
2033	-	-	-	-	330,000	13,200
<b>Total</b>	<b>\$ 370,000</b>	<b>\$ 14,800</b>	<b>\$ 345,000</b>	<b>\$ 13,800</b>	<b>\$ 16,495,000</b>	<b>\$ 3,637,775</b>

Year ending September 30,	<b>Governmental Activities</b>	
	<b>Special Revenue Bonds - PID</b>	
	<b>Principal</b>	<b>Interest</b>
2020	\$ 220,000	\$ 817,430
2021	235,000	807,530
2022	245,000	796,955
2023	260,000	785,930
2024	275,000	774,230
2025	295,000	760,480
2026	310,000	745,730
2027	330,000	730,230
2028	350,000	713,730
2029	370,000	696,230
2030	390,000	675,510
2031	415,000	653,670
2032	440,000	630,430
2033-2047	10,685,000	5,491,400
<b>Total</b>	<b>\$ 14,820,000</b>	<b>\$ 15,079,485</b>

**City of Shenandoah, Texas**  
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**H. Advance Refunding**

On June 20, 2019, the Town issued \$2,940,000 in general obligation refunding bonds with an interest rate of 3%. The proceeds were used to advance refund \$3,030,000 of outstanding 2011 general improvement bonds which had an interest rate of 3%-4.25%. The net proceeds of \$3,082,437 (after payment of \$112,721 in accrued interest and other issuance costs) were deposited with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the obligations are considered defeased and the liability for those bonds have been removed from the statement of net position.

The net carrying amount of the old debt exceeded the reacquisition price by \$10,210. This amount is being amortized over the remaining life of the refunding debt. This advance refunding reduced its total debt service payments by \$268,063 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$240,371.

**I. Interfund Transactions**

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

<b>Transfer In:</b>	<b>Transfer Out</b>			<b>Total</b>
	<b>General</b>	<b>Hotel Occupancy</b>	<b>Water &amp; Sewer</b>	
Debt service	\$ 687,857	\$ -	\$ 507,536	\$ 1,195,393
General	-	137,730	300,183	437,913
Capital improvements	1,273,677	7,500	641,433	1,922,610
Water and sewer	-	216	-	216
Nonmajor	92,062	11,027	25,830	128,919
<b>Total</b>	<b>\$ 2,053,596</b>	<b>\$ 156,473</b>	<b>\$ 1,474,982</b>	<b>\$ 3,685,051</b>

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 \$870,246. 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**  
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**J. 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:

	<u>Restricted</u>	<u>Committed</u>
Debt service	\$ 35,325	\$ -
Tourism	3,729,438	-
Municipal court	22,195 *	-
Public safety	6,543	-
Public improvement	10,182,772	-
Capital projects	1,631,665	-
Tree maintenance	29,492	-
Equipment replacement	-	584,359
Land	-	3,494
Park improvements	2,232	-
<b>Total</b>	<b>\$ <u>15,639,662</u></b>	<b>\$ <u>587,853</u></b>

\*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 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

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incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

**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 887 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](http://www.tmrs.com).

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

**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.

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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 2018</u>	<u>Plan Year 2017</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, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	22
Inactive employees entitled to but not yet receiving benefits	44
Active employees	49
Total	115

**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 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

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17.61% and 16.93% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were \$617,571, and were equal to the required contributions.

**4. Net Pension Liability**

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

**Actuarial assumptions:**

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

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.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy.

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.

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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 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
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.

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**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%
\$ 6,996,961	\$ 4,479,620	\$ 2,473,341

**Changes in the Net Pension Liability:**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
<b>Balance at 12/31/17</b>	\$ 12,843,305	\$ 9,905,363	\$ 2,937,942
Changes for the year:			
Service Cost	608,566	-	608,566
Interest	872,488	-	872,488
Change in benefit terms	-	-	-
Difference between expected and actual experience	569,256	-	569,256
Changes of assumptions	-	-	-
Contributions – employer	-	580,544	(580,544)
Contributions – employee	-	230,767	(230,767)
Net investment income	-	(296,645)	296,645
Benefit payments, including refunds of emp. contributions	(443,687)	(443,687)	-
Administrative expense	-	(5,734)	5,734
Other changes	-	(300)	300
Net changes	1,606,623	64,945	1,541,678
<b>Balance at 12/31/18</b>	\$ 14,449,928	\$ 9,970,308	\$ 4,479,620

**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.tMrs.com](http://www.tMrs.com).

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

For the year ended September 30, 2019, the City recognized pension expense of \$843,878.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred (Inflows) of Resources</b>
Differences between expected and actual economic experience	\$ 185,685	\$ -
Changes in actuarial assumptions	19,193	-
Difference between projected and investment earnings	512,488	-
Contributions subsequent to the measurement date	449,453	-
<b>Total</b>	<b>\$ 1,166,819</b>	<b>\$ -</b>

The City reported \$449,453 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	
2019	\$ 232,903
2020	109,470
2021	154,833
2022	220,160
2023	-
Thereafter	-
	<b>\$ 717,366</b>

**6. Supplemental Death Benefits Fund**

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, 2019**

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.

**Employees covered by benefit terms**

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	12
Active employees	49
Total	79

The City’s contributions to the TMRS SDBF for the years ended 2017, 2018, and 2019 were \$359, \$343 and \$626, 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
2017	0.01%	0.01%	100.0%
2018	0.01%	0.01%	100.0%
2019	0.02%	0.02%	100.0%

**Total OPEB Liability**

The City’s Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2018, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

**City of Shenandoah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

**Actuarial assumptions:**

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

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5%, including inflation per year
Discount rate	3.71%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

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.

**Discount Rate:**

The discount rate used to measure the Total OPEB Liability was 3.71%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

**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 3.31%, 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 (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

<b>1% Decrease (2.71%)</b>	<b>Current Single Rate Assumption 3.71%</b>	<b>1% Increase (4.71%)</b>
<u>\$ 144,768</u>	<u>\$ 116,947</u>	<u>\$ 96,126</u>

**City of Shenandoah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

**Changes in the Total OPEB Liability:**

	<b>Total OPEB Liability</b>
<b>Balance at 12/31/17</b>	\$ 120,552
Changes for the year:	
Service Cost	7,582
Interest	4,110
Difference between expected and actual experience	(4,861)
Changes of assumptions	(10,106)
Benefit payments	(330)
Net changes	(3,605)
<b>Balance at 12/31/18</b>	\$ 116,947

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

For the year ended September 30, 2018, the City recognized OPEB expense of \$11,097.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in actuarial assumptions	\$ -	(828)
Difference between expected and actual experience	-	(4,051)
Contributions subsequent to measurement date	531	-
<b>Total</b>	\$ 531	\$ (4,879)

The City reported \$531 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, 2020.

**City of Shenandoah, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	
2019	\$ (595)
2020	(595)
2021	(595)
2022	(598)
2023	(2,496)
Thereafter	-
	\$ (4,879)

**E. Restatement**

The City restated beginning fund balance/net position within governmental activities due to a change in fund reporting within the nonmajor governmental funds. In prior years, a few special revenue funds were consolidated within the general fund. Beginning in the current year, the funds are now presented separately from the general fund. The restatement of beginning net position/fund balance is as follows:

	<b>Governmental Activities</b>	<b>General</b>	<b>Nonmajor Governmental</b>
Prior year ending net position/ fund balance as reported	\$ 26,612,364	\$ 7,573,609	\$ 571,054
Reclassification in fund reporting	-	(159,670)	159,670
Restated beginning net position/fund balance	\$ 26,612,364	\$ 7,413,939	\$ 730,724

**F. Subsequent Events**

There were no material subsequent events through December 27, 2019, 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, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b><u>Revenues</u></b>				
Property tax	\$ 903,692	\$ 903,692	\$ 882,166	\$ (21,526)
Sales tax	6,054,030	6,054,030	6,286,609	232,579
Franchise and local taxes	462,100	462,100	484,435	22,335
License and permits	465,000	465,000	949,745	484,745
Charges for services	81,944	81,944	80,533	(1,411)
Intergovernmental revenue	626,959	626,959	518,641	(108,318)
Fines and forfeitures	15,000	15,000	11,846	(3,154)
Investment income	5,000	5,000	20,239	15,239
Other revenues	85,000	85,000	106,890	21,890
<b>Total Revenues</b>	<u>8,698,725</u>	<u>8,698,725</u>	<u>9,341,104</u>	<u>642,379</u>
<b><u>Expenditures</u></b>				
Current:				
General government	2,105,539	2,120,593	2,597,966	(477,373) *
Public safety	3,736,782	3,736,782	2,880,678	856,104
Technology	355,386	364,881	335,004	29,877
Public works	1,394,915	1,432,776	1,451,958	(19,182) *
Garbage services	291,250	291,250	281,171	10,079
Community development	119,100	119,100	105,375	13,725
<b>Total Expenditures</b>	<u>8,002,972</u>	<u>8,065,382</u>	<u>7,652,152</u>	<u>413,230</u>
<b>Revenues Over (Under)</b>				
<b>Expenditures</b>	<u>695,753</u>	<u>633,343</u>	<u>1,688,952</u>	<u>1,055,609</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	449,040	449,040	437,913	(11,127)
Transfers (out)	(2,122,931)	(2,122,931)	(2,053,596)	69,335
Sale of capital assets	45,000	45,000	62,160	17,160
<b>Total Other</b>				
<b>Financing Sources (Uses)</b>	<u>(1,628,891)</u>	<u>(1,628,891)</u>	<u>(1,553,523)</u>	<u>75,368</u>
<b>Net Change in Fund Balance</b>	<u>\$ (933,138)</u>	<u>\$ (995,548)</u>	<u>135,429</u>	<u>\$ 1,130,977</u>
Beginning fund balance			7,413,939	
<b>Ending Fund Balance</b>			<u>\$ 7,549,368</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.

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**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, 2019**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b><u>Revenues</u></b>				
Hotel occupancy taxes	\$ 1,530,850	\$ 1,530,850	\$ 1,481,768	\$ (49,082)
Investment income	2,600	2,600	10,101	7,501
Other revenue	-	-	20,111	20,111
<b>Total Revenues</b>	<b>1,533,450</b>	<b>1,533,450</b>	<b>1,511,980</b>	<b>(21,470)</b>
<b><u>Expenditures</u></b>				
Current:				
Tourism	1,120,699	1,138,839	858,516	280,323
<b>Total Expenditures</b>	<b>1,120,699</b>	<b>1,138,839</b>	<b>858,516</b>	<b>280,323</b>
<b>Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>412,751</b>	<b>394,611</b>	<b>653,464</b>	<b>258,853</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers (out)	(169,618)	(169,618)	(156,473)	13,145
<b>Total Other Financing Sources (Uses)</b>	<b>(169,618)</b>	<b>(169,618)</b>	<b>(156,473)</b>	<b>13,145</b>
<b>Net Change in Fund Balance</b>	<b>\$ 243,133</b>	<b>\$ 224,993</b>	<b>496,991</b>	<b>\$ 271,998</b>
Beginning fund balance			3,232,447	
<b>Ending Fund Balance</b>			<b>\$ 3,729,438</b>	

Notes to Required Supplementary Information

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

# City of Shenandoah, Texas

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

Years Ended December 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability				
Service cost	\$ 608,566	\$ 641,310	\$ 670,410	\$ 633,992
Interest	872,488	819,403	759,134	699,946
Differences between expected and actual experience	569,256	(292,981)	(227,957)	66,347
Changes of assumptions	-	-	-	93,017
Benefit payments, including refunds of participant contributions	(443,687)	(286,147)	(302,194)	(226,402)
<b>Net change in total pension liability</b>	<u>1,606,623</u>	<u>881,585</u>	<u>899,393</u>	<u>1,266,900</u>
<b>Total pension liability - beginning</b>	<u>\$ 12,843,305</u>	<u>\$ 11,961,720</u>	<u>\$ 11,062,327</u>	<u>\$ 9,795,427</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 14,449,928</u>	<u>\$ 12,843,305</u>	<u>\$ 11,961,720</u>	<u>\$ 11,062,327</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 580,544	\$ 570,241	\$ 571,598	\$ 534,546
Contributions - members	230,767	237,920	250,498	239,759
Net investment income	(296,645)	1,141,967	489,670	9,878
Benefit payments, including refunds of participant contributions	(443,687)	(286,147)	(302,194)	(226,402)
Administrative expenses	(5,734)	(5,924)	(5,529)	(6,015)
Other	(300)	(300)	(298)	(297)
<b>Net change in plan fiduciary net position</b>	<u>64,945</u>	<u>1,657,757</u>	<u>1,003,745</u>	<u>551,469</u>
<b>Plan fiduciary net position - beginning</b>	<u>9,905,363</u>	<u>8,247,606</u>	<u>7,243,861</u>	<u>6,692,392</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 9,970,308</u>	<u>\$ 9,905,363</u>	<u>\$ 8,247,606</u>	<u>\$ 7,243,861</u>
<b>Fund's net pension liability - ending (a) - (b)</b>	<u>\$ 4,479,620</u>	<u>\$ 2,937,942</u>	<u>\$ 3,714,114</u>	<u>\$ 3,818,466</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	69.00%	77.12%	68.95%	65.48%
<b>Covered payroll</b>	\$ 3,296,672	\$ 3,384,219	\$ 3,573,615	\$ 3,425,132
<b>Fund's net position as a percentage of covered payroll</b>	135.88%	86.81%	103.93%	111.48%

**Notes to schedule:**

<sup>1</sup> 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.

	<u>2014</u> <sup>1</sup>
\$	547,482
	624,317
	61,388
	-
	<u>(165,656)</u>
	1,067,531
\$	<u>8,727,896</u>
\$	<u>9,795,427</u>
\$	500,912
	225,479
	332,101
	(165,656)
	(3,466)
	<u>(285)</u>
	889,085
	<u>5,803,307</u>
\$	<u>6,692,392</u>
\$	<u>3,103,035</u>
	68.32%
\$	3,221,134
	96.33%

**City of Shenandoah, Texas**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**

**Years Ended:**

	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u> <sup>1</sup>
Actuarially determined employer contributions	\$ 617,571	\$ 559,052	\$ 595,399	\$ 544,668	\$ 519,256
Contributions in relation to the actuarially determined contribution	<u>\$ 617,571</u>	<u>\$ 559,052</u>	<u>\$ 595,399</u>	<u>\$ 544,668</u>	<u>\$ 519,256</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Annual covered payroll	<u>\$ 3,609,444</u>	<u>\$ 3,213,745</u>	<u>\$ 3,593,850</u>	<u>\$ 3,430,770</u>	<u>\$ 3,329,643</u>
Employer contributions as a percentage of covered payroll	17%	17%	17%	16%	16%

<sup>1</sup> 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.

**NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN**

**Valuation Date:**

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method Entry Age Normal  
 Amortization Method Level Percentage of Payroll, Closed  
 Remaining Amortization Period 27 years  
 Asset Valuation Method 10 Year smoothed market; 15% soft corridor  
 Inflation 2.5%  
 Salary Increases 3.50% to 10.5% including inflation  
 Investment Rate of Return 6.75%  
 Retirement Age Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014

Mortality

RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

**Other Information:**

Notes There were no benefit changes during the year.

# City of Shenandoah, Texas

## SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS

### TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS PLAN

Years Ended December 31,

	2018	2017	<sup>1</sup>
Total pension liability			
Service cost	\$ 7,582	\$ 6,768	
Interest	4,110	3,859	
Differences between expected and actual experience	(4,861)	-	
Changes of assumptions	(10,106)	11,391	
Benefit payments, including refunds of participant contributions	(330)	(339)	
<b>Net change in total pension liability</b>	<b>(3,605)</b>	<b>21,679</b>	
<b>Total pension liability - beginning</b>	<b>\$ 120,552</b>	<b>\$ 98,873</b>	
<b>Total pension liability - ending</b>	<b>\$ 116,947</b>	<b>\$ 120,552</b>	<sup>2</sup>
 <b>Covered payroll</b>	 <b>\$ 3,296,672</b>	 <b>\$ 3,384,219</b>	
<b>Fund's net position as a percentage of covered employee payroll</b>	<b>3.55%</b>	<b>3.56%</b>	

**Notes to schedule:**

<sup>1</sup> 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.

<sup>2</sup> No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

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***OTHER SUPPLEMENTARY INFORMATION***

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# ***NONMAJOR GOVERNMENTAL FUNDS***

## ***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.

## ***TREE FUND***

This fund accounts for developer fees used for planting trees and vegetation.

## ***PARK BEAUTIFICATION FUND***

This fund accounts for park reservation fees used for park upkeep.

**City of Shenandoah, Texas**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2019**

	<u>Tree Fund</u>	<u>Equipment Replacement</u>	<u>LEOSE</u>	<u>Discretionary Court</u>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 30,392	\$ 584,359	\$ 6,543	\$ 886
<b>Total Assets</b>	<b>\$ 30,392</b>	<b>\$ 584,359</b>	<b>\$ 6,543</b>	<b>\$ 886</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 900	\$ -	\$ -	\$ -
<b>Total Liabilities</b>	<b>900</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Fund Balances</u></b>				
Restricted for:				
Municipal court	-	-	-	886
Public safety	-	-	6,543	-
Tree maintenance	29,492	-	-	-
Park improvements	-	-	-	-
Committed for:				
Equipment replacement	-	584,359	-	-
Land	-	-	-	-
<b>Total Fund Balances</b>	<b>29,492</b>	<b>584,359</b>	<b>6,543</b>	<b>886</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 30,392</b>	<b>\$ 584,359</b>	<b>\$ 6,543</b>	<b>\$ 886</b>

<u>Municipal Court</u>	<u>Shenandoah Land Trust</u>	<u>Park Beautification Fund</u>	<u>Total Nonmajor Governmental</u>
\$ 21,309	\$ 3,494	\$ 2,232	\$ 649,215
<u>\$ 21,309</u>	<u>\$ 3,494</u>	<u>\$ 2,232</u>	<u>\$ 649,215</u>
\$ -	\$ -	\$ -	\$ 900
<u>-</u>	<u>-</u>	<u>-</u>	<u>900</u>
21,309	-	-	22,195
-	-	-	6,543
-	-	-	29,492
-	-	2,232	2,232
-	-	-	584,359
-	3,494	-	3,494
<u>21,309</u>	<u>3,494</u>	<u>2,232</u>	<u>648,315</u>
<u>\$ 21,309</u>	<u>\$ 3,494</u>	<u>\$ 2,232</u>	<u>\$ 649,215</u>

# City of Shenandoah, Texas

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended September 30, 2019

	Tree Fund	Equipment Replacement	LEOSE	Discretionary Court
<b>Revenues</b>				
Other revenue	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	2,110	369
<b>Total Revenues</b>	-	-	2,110	369
<b>Expenditures</b>				
Community development	127,513	-	-	-
Public works	-	68,530	-	-
Technology	-	25,546	-	-
<b>Total Expenditures</b>	127,513	94,076	-	-
<b>Revenues Over (Under) Expenditures</b>	(127,513)	(94,076)	2,110	369
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	127,411	-	1,508
<b>Total Other Financing Sources (Uses)</b>	-	127,411	-	1,508
<b>Net Change in Fund Balances</b>	(127,513)	33,335	2,110	1,877
Beginning fund balances	157,005	551,024	4,433	(991)
<b>Ending Fund Balances</b>	\$ 29,492	\$ 584,359	\$ 6,543	\$ 886

<u>Municipal Court</u>	<u>Shenandoah Land Trust</u>	<u>Park Beautification Fund</u>	<u>Total Nonmajor Governmental</u>
\$ -	\$ -	\$ 4,435	\$ 4,435
8,215	-	-	10,694
<u>8,215</u>	<u>-</u>	<u>4,435</u>	<u>15,129</u>
-	-	-	127,513
-	-	4,868	73,398
-	-	-	25,546
<u>-</u>	<u>-</u>	<u>4,868</u>	<u>226,457</u>
<u>8,215</u>	<u>-</u>	<u>(433)</u>	<u>(211,328)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>128,919</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>128,919</u>
8,215	-	(433)	(82,409)
13,094	3,494	2,665	730,724
<u>\$ 21,309</u>	<u>\$ 3,494</u>	<u>\$ 2,232</u>	<u>\$ 648,315</u>