

CITY OF NOLANVILLE, TEXAS
BASIC FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

September 30, 2019

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**CITY OF NOLANVILLE, TEXAS
TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
Government - Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet -- Governmental Funds	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	12
Statement of Revenues and Expenditures and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	14
Notes to Financial Statements	15-35
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget to Actual-General Fund	36
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget to Actual-Debt Service Fund	37
Notes to Statement of Revenues, Expenditures and Changes in Fund Balance Budget to Actual - General and Debt Service Funds	38
Schedule of Changes in Net Pension Liability and Related Ratios-Employees' Pension Plan	39
Schedule of Contributions-Employees' Pension Plan	40
Schedule of Changes in Total OPEB Liability and Related Ratios- Supplemental Death Benefit Fund	41
Schedule of Employer Contributions-OPEB-Supplemental Death Benefit Fund	42
Compliance Section:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	43-44

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Council
City of Nolanville, Texas

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit and each major fund, of the City of Nolanville, Texas, 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

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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit and each major fund of the City of Nolanville, Texas, 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.

Other Matters

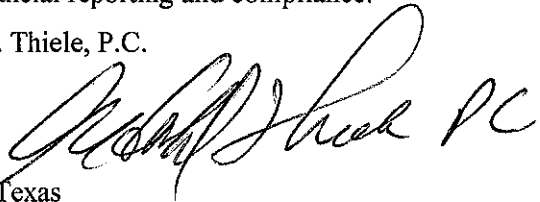
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 3-8, budgetary comparison information, on pages 36-38, the Schedule of Changes in Net position and Related Ratios and Schedule of Contributions for the employees' pension plan on pages 39-40 and the Schedule of Changes in Total OPEB Liability and Related Ratios and the Schedule of Employer Contributions-OPEB-Supplemental Death Benefit Fund on pages 41-42 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2020, on our consideration of the City of Nolanville, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Alton D. Thiele, P.C.



Belton, Texas
March 12, 2020

CITY OF NOLANVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Nolanville's (the City) financial performance provides an overview and analysis of the City's financial activities for the year ended September 30, 2019. Please read it in conjunction with the Independent Auditors' Report on pages 1-2, and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the year by \$5,358,898 (net position).
- During the year, the City had total expenses of \$1,913,870 compared to revenues of \$2,940,445, resulting in an increase in its net position by \$1,026,575.
- The City's investment in capital assets totaled \$5,915,003 net of accumulated depreciation of \$3,485,113.
- Total debt of \$1,870,000 was decreased by \$245,000 due to principal payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide the 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 information on all the City's assets, and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether its financial health is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the year. All changes in net position are reported as soon as the underlying events giving rise to the changes occur, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods. This may include uncollected taxes and other revenue or expenses that are appropriate for the current year even though cash is not received or expended until the following year.

CITY OF NOLANVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities include general government, judicial, law enforcement, and public works. The City currently only has governmental type activities.

The government-wide financial statements can be found on pages 9-10 of this report.

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 two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported 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 spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government'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 the comparison between government funds and governmental activities.

The City maintains two governmental funds, the General Fund and Debt Service Fund. The basic governmental fund financial statements can be found on pages 11-14 of this report.

Proprietary Funds. This type of fund is used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The City does not have any proprietary funds.

CITY OF NOLANVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Notes to the Financial Statements. The notes provide narrative explanations or additional data needed for full disclosure in the government-wide statements and the fund financial statements. These can be found starting on page 15.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position. The City's assets exceed liabilities by \$5,358,898 as of September 30, 2019. A large portion of the City's net position reflects its investment in net capital assets less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its 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 and accumulated depreciation, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. (See Table I).

**Table I
NET POSITION**

	Governmental Activities			
	2019	2018	Change	% Change
Current and other assets	\$ 1,452,605	\$ 1,465,794	\$ (13,189)	-0.9%
Capital assets, net	5,915,003	5,158,384	756,619	14.7%
Total assets	<u>7,367,608</u>	<u>6,624,178</u>	<u>743,430</u>	<u>11.2%</u>
Deferred outflows of resources	57,000	56,161	839	1.5%
Total deferred outflows of resources	<u>57,000</u>	<u>56,161</u>	<u>839</u>	<u>1.5%</u>
Current liabilities	129,530	175,645	(46,115)	-26.3%
Noncurrent liabilities	1,936,180	2,172,379	(236,199)	-10.9%
Total liabilities	<u>2,065,710</u>	<u>2,348,024</u>	<u>(282,314)</u>	<u>-12.0%</u>
Net position:				
Net investment in capital assets	4,090,884	3,095,819	995,065	32.1%
Restricted for:				
Debt service	24,875	37,820	(12,945)	-34.2%
Unrestricted	1,243,139	1,198,684	44,455	3.7%
Total net position	<u>\$ 5,358,898</u>	<u>\$ 4,332,323</u>	<u>\$ 1,026,575</u>	<u>23.7%</u>

CITY OF NOLANVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

A portion of the City's net position represents resources that are subject to external and internal restrictions and on how they may be used. The remaining balance of the unrestricted net position may be used to meet the City's ongoing obligations to its citizens.

Changes in Net Position. Revenues totaled \$2,940,445 for the year, a decrease of \$51,861 over the prior year. A decrease in grant and other revenues offset by increases in taxes, interest income and charges for services is the primary cause of the net decrease. Expenses totaled \$1,913,870 for the year, an increase of \$267,973. This increase was primarily the result of higher expenses in public safety, general government and public works. (See Table II).

**Table II
CHANGES IN NET POSITION**

	Governmental Activities		Change	% Change
	2019	2018		
Revenues				
Program Revenues:				
Charges for services	\$ 259,480	\$ 213,437	\$ 46,043	21.6%
Intergovernmental	495,116	830,735	(335,619)	100.00%
General Revenues:				
Property tax	1,187,807	1,103,442	84,365	7.6%
Sales tax	685,667	536,776	148,891	27.7%
Franchise and other taxes	244,086	227,426	16,660	7.3%
Interest income	41,070	29,136	11,934	41.0%
Other income	27,219	51,354	(24,135)	-47.0%
Total revenues	<u>2,940,445</u>	<u>2,992,306</u>	<u>(51,861)</u>	<u>-1.7%</u>
Expenses:				
General government	501,233	467,622	33,611	7.2%
Judicial	68,697	71,619	(2,922)	-4.1%
Public safety	650,014	526,986	123,028	23.3%
Public works	650,400	531,716	118,684	22.3%
Interest and bond issuance costs	43,526	47,954	(4,428)	-9.2%
Total Expenses	<u>1,913,870</u>	<u>1,645,897</u>	<u>267,973</u>	<u>16.3%</u>
Change in position	1,026,575	1,346,409	(319,834)	-18.0%
Net position - beginning	4,332,323	2,998,125	1,334,198	44.5%
Prior period adjustment	-	(12,211)	12,211	-100.0%
Net position - ending	<u>\$ 5,358,898</u>	<u>\$ 4,332,323</u>	<u>\$ 1,026,575</u>	<u>26.5%</u>

CITY OF NOLANVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

The Governmental Accounting Standards Board (GASB) Statement 54 requires fund balances to be classified as follows:

Nonspendable – Amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.

Restricted – Amounts with restrictions that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for specific purposes and imposed by formal action of the government's highest level of decision-making authority. In the case of the City it is the City Council and the formal action would be an ordinance to modify or rescind the commitment.

Assigned – Amounts constrained by City management's intent to be used for specific purposes but are not formally restricted by external resources or committed by City Council.

Unassigned – Amount of the remaining fund balance not in any of the other classifications.

As the City completed the year, its general fund (as presented in the balance sheet on page 11) reported a total fund balance of \$1,296,997 (an increase over the prior year of \$35,805). This increase was largely due to reduced capital outlays.

General Fund Budget Highlights. Actual revenues were \$2,684,260, which were \$75,499 higher than budgeted revenues of \$2,608,761 due to the net result of property taxes and grants being under budget and all other categories of revenue being over budget. Actual expenditures were \$2,635,510 which were lower than the budgeted expenditures of \$2,783,327. The majority of which is capital outlays related to grant projects. The budget is presented in the required supplemental information section on pages 36-38.

CITY OF NOLANVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2019, the City had invested \$5,915,003 in capital assets (net of accumulated depreciation of \$3,485,113), including equipment and land. Major additions were ongoing grant projects, police vehicles and related equipment and street improvements.

More detailed information about the City's capital assets is presented in the Notes to the Financial Statements starting on page 24.

Debt

At year-end, the City had \$1,870,000 in total debt. This is a decrease of \$245,000 as a result of principal payments. More detailed information about the City's long-term debt is presented in the Notes to the Financial Statements starting on page 25.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's officials considered many factors when setting the fiscal year 2018-2019 budget and tax rates. Some of those factors include the economy and the anticipated needs of the City for operations and capital outlay in the next year.

The City adopted a \$2,524,006 budget for all funds and departments for fiscal year 2019-2020, reflecting an \$8,000 surplus. It will be funded primarily through property taxes, grant revenue, sales and franchise taxes, and court fines.

If the City does not incur any unforeseen expenditures or reductions in revenue, the City's management is confident they will accomplish the task of providing improved services within its available resources.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances for all those with an interest therein. Questions concerning any of the information provided in this report or requests for additional information should be addressed to City Hall: City of Nolanville, 101 N. 5th Street, Nolanville, Texas 76559.

CITY OF NOLANVILLE, TEXAS
STATEMENT OF NET POSITION
September 30, 2019

	<u>Primary Government</u>		<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Total</u>	<u>Nolanville Economic Development Corporation</u>
ASSETS			
Cash	\$ 46,497	\$ 46,497	\$ 3,861
Investments	1,335,825	1,335,825	194,383
Accounts receivable - property taxes	30,433	30,433	-
Grants receivable	31,325	31,325	-
Other assets	140	140	-
Due from Nolanville Economic Development Corporation	7,383	7,383	-
Capital assets not being depreciated:			
Land	59,500	59,500	44,701
Grant projects in progress	233,494	233,494	-
Capital assets being depreciated:			
Buildings and improvements	1,229,626	1,229,626	25,404
Parks and improvements	259,930	259,930	-
Infrastructure	6,153,818	6,153,818	-
Machinery and equipment	1,463,748	1,463,748	13,925
Accumulated depreciation	(3,485,113)	(3,485,113)	(5,726)
Restricted assets:			
Cash and investments	1,002	1,002	-
Total assets	<u>7,367,608</u>	<u>7,367,608</u>	<u>276,548</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts on refunding	45,881	45,881	-
Deferred amounts related to pension	10,326	10,326	-
Deferred amounts related to other post employment benefits	793	793	-
Total deferred outflows of resources	<u>57,000</u>	<u>57,000</u>	<u>-</u>
LIABILITIES			
Accounts payable	64,171	64,171	6,214
Payroll liabilities	929	929	-
Due to General Fund	-	-	7,383
Accrued liabilities	47,812	47,812	-
Unearned revenue	16,618	16,618	-
Noncurrent liabilities			
Due within one year	250,000	250,000	-
Due in more than one year	1,620,000	1,620,000	-
Net pension liability	48,779	48,779	-
Other post employment benefits liability	17,401	17,401	-
Total liabilities	<u>2,065,710</u>	<u>2,065,710</u>	<u>13,597</u>
NET POSITION			
Net investment in capital assets	4,090,884	4,090,884	78,304
Restricted for:			
Debt service	24,875	24,875	-
Unrestricted	1,243,139	1,243,139	184,647
Total net position	<u>\$ 5,358,898</u>	<u>\$ 5,358,898</u>	<u>\$ 262,951</u>

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

CITY OF NOLANVILLE, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2019

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Component Unit</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>	<u>Total</u>	
Primary Government:						
Governmental activities:						
General government	\$ 501,233	\$ 88,615	\$ -	\$ (412,618)	\$ (412,618)	\$ -
Judicial	68,697	-	-	(68,697)	(68,697)	-
Public safety	650,014	170,865	-	(479,149)	(479,149)	-
Public works	650,400	-	495,116	(155,284)	(155,284)	-
Interest expense	43,526	-	-	(43,526)	(43,526)	-
Total governmental activities	<u>1,913,870</u>	<u>259,480</u>	<u>495,116</u>	<u>(1,159,274)</u>	<u>(1,159,274)</u>	<u>-</u>
 Total primary government	 <u>\$1,913,870</u>	 <u>\$ 259,480</u>	 <u>\$ 495,116</u>	 <u>(1,159,274)</u>	 <u>(1,159,274)</u>	 <u>-</u>
Component units:						
Nolanville Economic Development Corporation	\$ 56,362	\$ -	\$ -	-	-	(56,362)
Total component units	<u>\$ 56,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>(56,362)</u>
 General revenues:						
Property taxes				1,187,807	1,187,807	-
Sales tax				685,667	685,667	137,133
Franchise taxes				244,086	244,086	-
Rental				17,210	17,210	-
Interest earned				41,070	41,070	3,605
Other income				10,009	10,009	125
Total general revenues				<u>2,185,849</u>	<u>2,185,849</u>	<u>140,863</u>
Changes in position				<u>1,026,575</u>	<u>1,026,575</u>	<u>84,501</u>
Net position - beginning of year				<u>4,332,323</u>	<u>4,332,323</u>	<u>178,450</u>
Net position - end of year				<u>\$ 5,358,898</u>	<u>\$ 5,358,898</u>	<u>\$ 262,951</u>

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

**CITY OF NOLANVILLE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2019**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 47,147	\$ -	\$ 47,147
Investments	1,335,825	-	1,335,825
Accounts receivable	22,995	7,437	30,432
Grants receivable	31,325	-	31,325
Due from other funds and entities	7,383	27,243	34,626
Other assets	140	-	140
Restricted assets:			
Cash and investments	1,002	-	1,002
Total assets	<u>\$ 1,445,817</u>	<u>\$ 34,680</u>	<u>\$ 1,480,497</u>
LIABILITIES			
Accounts payable	\$ 64,171	\$ 651	\$ 64,822
Payroll liabilities	929	-	929
Accrued liabilities	45,073	2,739	47,812
Unearned revenue	16,618	-	16,618
Due to other funds	27,243	-	27,243
Total liabilities	<u>154,034</u>	<u>3,390</u>	<u>157,424</u>
DEFERRED INFLOW OF RESOURCES			
Unavailable revenue:			
Property taxes	19,661	6,415	26,076
Total deferred inflow of resources	<u>19,661</u>	<u>6,415</u>	<u>26,076</u>
FUND BALANCE			
Restricted	1,002	24,875	25,877
Unassigned	1,271,120	-	1,271,120
Total fund balance	<u>1,272,122</u>	<u>24,875</u>	<u>1,296,997</u>
Total liabilities, deferred inflow of resources and fund balance	<u>\$ 1,445,817</u>	<u>\$ 34,680</u>	<u>\$ 1,480,497</u>

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

CITY OF NOLANVILLE, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2019

Total fund balance – governmental funds (page 11) \$ 1,296,997

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund. These assets consist of:

Land	59,500	
Buildings and street improvements	7,383,446	
Parks and improvements	259,930	
Grant projects	233,494	
Machinery and equipment	1,463,748	
Accumulated depreciation	<u>(3,485,113)</u>	
Net Capital Assets		5,915,005

Some revenues in the governmental fund are recorded as deferred inflow of resources because they are not collected within the prescribed time period (60 days) after yearend, and are therefore unavailable resources. On the accrual basis, however, those revenues would be recognized, regardless of when they are collected. 26,076

Deferred outflows of resources represent the consumption of net position that applies to future periods and will not be recognized as an expense until then:

Deferred amounts on refunding	45,881	
Deferred amounts on other post employment benefits	793	
Deferred amount related to pension	<u>10,326</u>	
		57,000

Some assets and liabilities are not considered resources available or due in the current period and therefore are not reported in the governmental fund. These consist of:

Long-term debt	(1,870,000)	
Net pension liability	(48,779)	
Other post employment benefits liability	<u>(17,401)</u>	
Total		<u>(1,936,180)</u>

Net position of governmental activities (page 9) \$ 5,358,898

The accompanying notes are an integral part of the financial statements

CITY OF NOLANVILLE, TEXAS
STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended
September 30, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUE			
Property tax	\$ 918,620	\$ 272,070	\$ 1,190,690
Sales taxes	685,667	-	685,667
Franchise and other taxes	244,086	-	244,086
Fines	170,865	-	170,865
Charges for services	88,615	-	88,615
Rental	17,210	-	17,210
Intergovernmental	495,116	-	495,116
Interest	41,070	-	41,070
Other income	23,011	-	23,011
Total revenue	<u>2,684,260</u>	<u>272,070</u>	<u>2,956,330</u>
EXPENDITURES			
General government	459,143	3,044	462,187
Judicial	68,635	-	68,635
Public safety	600,909	-	600,909
Public works	399,011	-	399,011
Debt service:			
Principal	-	245,000	245,000
Interest	-	36,971	36,971
Capital outlay	1,107,812	-	1,107,812
Total expenditures	<u>2,635,510</u>	<u>285,015</u>	<u>2,920,525</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>48,750</u>	<u>(12,945)</u>	<u>35,805</u>
OTHER FINANCING SOURCES (USES)			
Contributions and grants	-	-	-
Issuance of bonds	-	-	-
Refunding bonds issued	-	-	-
Payment to refunded bond escrow agent	-	-	-
Bond issuance costs	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	48,750	(12,945)	35,805
FUND BALANCE, BEGINNING OF YEAR	<u>1,223,373</u>	<u>37,820</u>	<u>1,261,193</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,272,123</u>	<u>\$ 24,875</u>	<u>\$ 1,296,998</u>

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

CITY OF NOLANVILLE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2019

Net change in fund balances – total governmental funds (page 13) \$ 35,805

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

The issuance of long-term debt provides current financial resources in the governmental fund, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments	245,000	
Amortization of bond refunding amounts	<u>(6,553)</u>	
Net adjustment		238,447

Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflow of resources in the governmental fund. This is the net change from the previous period. (2,883)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales and disposals) is to increase (decrease) change in net position. (16,949)

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. This is the amount by which capital outlays exceeded depreciation in the current period. 773,564

Pension-related and other post employment benefit expenses do not require the use of current resources, and therefore are not reported in the fund statements. This is the amount by which current year pension and other post employment benefits exceeded current year contributions. (1,409)

Change in net position of governmental activities (page 10) \$ 1,026,575

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

CITY OF NOLANVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Nolanville (the City) conform to generally accepted accounting principles (GAAP) in the United States of America, applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for established governmental accounting and financial reporting principles. The more significant of the City's policies are described below.

A. REPORTING ENTITY

The City is a home rule city in Bell County, Texas which operates under a council-manager form of government and provides such services as public safety (police and fire), highways and streets, public improvements, planning and zoning, judicial, general administrative and other services as are authorized by its code of ordinances and its citizens.

In evaluating the City's financial reporting entity, management has considered all potential component units. The decision to include potential component units was made as set forth in GASB Statement No. 61. The component units discussed below have been included based on this criterion.

Nolanville Economic Development Corporation (NEDC) is included as a component unit because of its operational and financial relationship with the City. The Corporation receives its primary funding from a sales tax assessed by the City, and the City appoints the members of the governing board. The Corporation was created by the City to enhance the economic development of the Nolanville community. The Nolanville Economic Development Corporation is presented as a discretely presented component unit. Financial statements for the NEDC may be obtained from the finance department of the City.

B. BASIS OF PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) report information on all of the non-fiduciary activities of the City. As a general rule, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

CITY OF NOLANVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds.

The City reports the following major governmental funds:

General Fund-The general fund is the City's primary operating fund. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

Debt Service Fund-The debt service fund is used to manage debt payments and serve as the reserve fund for payments due within the following year.

The City does not have any proprietary funds to report.

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

Proprietary funds distinguish *operating revenues* and expenses from *non-operating* items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF NOLANVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING (Continued)

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 City 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 claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, fines, 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. All other governmental fund revenues are considered to be measurable and available only when cash is received by the City. Property taxes receivable not determined to be available to finance current period obligations are recorded and deferred in the fund statements.

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

a. Cash and Cash Equivalents

The City's cash and cash equivalents for the purpose of the statement of net position consist of cash on hand and saving accounts which are available for immediate withdrawal.

b. Accounts Receivable

In the governmental funds, receivables include primarily property tax, sales tax, franchise fees and fines. All receivables are current and therefore due within one year. Activities between funds and component units that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

c. Capital Assets

Capital assets, which include land, buildings and improvements, machinery and equipment and infrastructure are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$2,500 and an estimated useful life in excess of one year. Capital 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.

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

CITY OF NOLANVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (Continued)

Capital assets of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	15-50
Machinery and equipment	7-10
Furniture and fixtures	7-10
Infrastructure	10-50

d. Restricted Assets

Certain resources of the City are set aside primarily for the repayment of its notes and capital lease obligations or for specified uses or projects and accordingly are classified as restricted assets on the statement of net position because their use is limited by applicable covenants.

e. Long-Term Debt

In the government-wide financial statements and in the fund financial statements for proprietary fund types, long-term debt is reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts received on debt issuances are also reported as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt services expenditures.

f. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 City has the following items that qualify for reporting in this category.

- Deferred charges on refunding – 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.
- Pension and other post-employment benefits (OPEB) contributions after measurement date – These contributions are deferred and recognized in the following year.
- Difference in projected and actual earnings on pension and OPEB investments – The difference is deferred and amortized over a closed five-year period.

CITY OF NOLANVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (Continued)

In addition to liabilities, the statement of net 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 City has only one item that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue-property taxes*, is reported in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the periods the amounts become available.

g. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 expenses during the reporting period. Actual results could differ from those estimates.

h. Pensions and OPEB

For the purposes of measuring the net pension liability/asset, OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB 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 to 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.

i. Property Taxes

The City's property taxes are levied each October 1 on the assessed value listed as of the previous January 1 for all real and personal property located in the City. The assessed value for the tax roll of January 1, 2018, upon which the 2019 fiscal year levy was based was \$215,867,267. The tax levy of October 2018 set a tax rate of \$.526500 per \$100 of assessed valuation at 100 percent of assumed market value.

j. Equity Classifications

In the government-wide financial statements, equity is shown as net position and classified into three components:

Net investment in capital assets – Capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted – Consists of assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; 2) law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources, as they are needed.

CITY OF NOLANVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (Continued)

Unrestricted – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

The City reports governmental fund balances by the five following classifications:

Nonspendable – Amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.

Restricted – Amounts with restrictions that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for specific purposes and imposed by formal action of the government’s highest level of decision-making authority. In the case of the City it is the City Council and the formal action would be an ordinance to modify or rescind the commitment.

Assigned – Amounts constrained by City management’s intent to be used for specific purposes but are not formally restricted by external resources or committed by City Council.

Unassigned – Amount of the remaining fund balance not in any of the other classifications.

For the classification of fund balances, the City considers restricted amounts to have been spent first when an expenditure is incurred for the purpose for which restricted and unrestricted fund balance is available. Expenditures are to be spent from restricted fund balance first, followed by committed, assigned, and lastly unassigned fund balance.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City Council follows these procedures in establishing the budgetary data reflected in the required supplemental information:

Prior to the end of each fiscal year, the City Secretary submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data from the preceding year.

Public hearings are conducted to obtain taxpayer comments. Prior to September 30, the budget is legally enacted through passage by majority vote of the City Council. The Council may authorize supplemental appropriations during the year.

The final amended budget is used in this report. Unused appropriations lapse at the end of the year unless carried forward to the next year by Council action. No encumbrances are recognized or recorded. The operating budget includes proposed expenditures for the General Fund. The City adopted the current year budget on a line item basis.

CITY OF NOLANVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

3. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2019, the carrying amount of the City's and NEDC's cash deposits were \$47,499 and \$3,861 respectively, the bank balances were \$88,623 and \$6,080, respectively.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) banker's acceptances, (7) mutual funds (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

As of September 30, 2019, the City's investments were invested with National United Bank and Texpool. The City categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are other observable inputs; and Level 3 inputs are unobservable inputs. As of September 30, 2019, the City had the following investments:

CITY OF NOLANVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

3. DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

	Carrying Amount	Fair Value	Input Level
<u>Primary Government</u>			
National United Bank	\$ 32,820	\$ 32,820	1
Investment pools:			
Texpool	8,572	8,572	2
Texpool Prime	1,294,433	1,294,433	2
Total investment pools	<u>1,303,005</u>	<u>1,303,005</u>	
Total investments	<u>1,335,825</u>	<u>1,335,825</u>	
<u>Nolanville Economic Development Corporation</u>			
National United Bank	8,194	8,194	1
Investment pools:			
Texpool	5,891	5,891	2
Texpool Prime	180,298	180,298	2
Total investment pools	<u>186,189</u>	<u>186,189</u>	
Total investments	<u>194,383</u>	<u>194,383</u>	
<u>Reporting Entity</u>			
Total investments	<u>\$ 1,530,208</u>	<u>\$ 1,530,208</u>	

Policies Governing Deposits and Investments

In compliance with the Public Funds Investments Act, the City has adopted a deposit and investment policy. That policy addresses the following risks:

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the City’s deposits may not be returned to it. The City’s deposits for the year were collateralized with pledged securities from the City’s depository bank.

Custodial Credit Risk – Investments: 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 policy requires investments, other than investment pools, to be held by a third-party custodian bank. All of the City’s investments, other than investment pools, were held by the City’s third-party custodian bank in the City’s name.

Interest Rate Risk: In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to less than 90 days for investment pools and maturity no more than two years from purchase date for certificates of deposits and money market funds. As of September 30, 2019, the weighted average maturity of TexPool and TexPool Prime were 34 days and 33 days respectively.

CITY OF NOLANVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

3. DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Other Credit Risk: In compliance with the City's Investment Policy, as of September 30, 2019, the City minimized credit risk losses due to a default of a security issuer or backer, by limiting investments to the safest types of securities; limiting to money market accounts that are insured by the Federal Deposit Insurance Corporation (FDIC); limiting the City's investments to obligations issued, guaranteed, insured by or backed by the full faith and credit of the United States or its agencies and instrumentalities; pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business; and diversifying the investment portfolio so that potential losses on individual securities were minimized.

TexPool has been established for governmental entities in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. 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. Finally, an investment in the Pool is not insured or protected by any government or government agency, but TexPool is rated AAAM by Standard & Poor's. The City's fair value position is stated at the value of the position upon withdrawal.

Following is a reconciliation of cash and investments, as shown in the Statement of Net Position for the City:

	Primary Government	Discretely Presented Component Unit	Total Reporting Entity
Cash and investments (from previous pages)			
Carrying amount of deposits including restricted cash	\$ 47,499	\$ 3,861	\$ 51,360
Carrying amount of investments	1,335,825	194,383	1,530,208
Total	\$ 1,383,324	\$ 198,244	\$ 1,581,568
Statement of Net Position:			
Cash	\$ 46,497	\$ 3,861	\$ 50,358
Investments	1,335,825	194,383	1,530,208
Restricted cash and investments	1,002	-	1,002
Total	\$ 1,383,324	\$ 198,244	\$ 1,581,568

CITY OF NOLANVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

3. DETAILED NOTES ON ALL FUNDS (Continued)

B. RESTRICTED ASSETS

Restricted assets consist of cash balances that are dedicated to the following:

	Governmental	Total
Capital improvements	\$ 1,002	\$ 1,002
Total	<u>\$ 1,002</u>	<u>\$ 1,002</u>

C. CAPITAL ASSETS

Changes in capital assets during the year ended September 30, 2019, were as follows:

	Balance October 1, 2018	Additions	Transfers/ Retirements	Balance September 30, 2019
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 59,500	\$ -	\$ -	\$ 59,500
Capital assets being depreciated:				
Buildings and improvements	821,996	407,630	-	1,229,626
Parks and improvements	256,430	3,500	-	259,930
Street improvements	5,075,125	1,078,693	-	6,153,818
Grant projects	767,098	144,767	(678,371)	233,494
Equipment and furniture	1,348,468	151,594	(36,314)	1,463,748
Total capital assets being depreciated	8,269,117	1,786,184	(714,685)	9,340,616
Less accumulated depreciation	(3,170,232)	(334,248)	19,367	(3,485,113)
Total capital assets being depreciated, net	5,098,885	1,451,936	(695,318)	5,855,503
Total capital assets, net	<u>\$ 5,158,385</u>	<u>\$ 1,451,936</u>	<u>\$ (695,318)</u>	<u>\$ 5,915,003</u>
Discretely Presented Component Unit:				
Nolanville Economic Development Corp.				
Capital assets not being depreciated:				
Land	\$ 44,701	\$ -	\$ -	\$ 44,701
Total assets not being depreciated	44,701	-	-	44,701
Capital assets being depreciated:				
Machinery and equipment	13,925	-	-	13,925
Land improvements	-	11,504	-	11,504
Buildings	-	13,900	-	13,900
Total capital assets being depreciated	13,925	25,404	-	39,329
Less accumulated depreciation	(2,321)	(3,405)	-	(5,726)
Total capital assets being depreciated, net	11,604	21,999	-	33,603
Total capital assets, net	<u>\$ 56,305</u>	<u>\$ 21,999</u>	<u>\$ -</u>	<u>\$ 78,304</u>

CITY OF NOLANVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

3. DETAILED NOTES ON ALL FUNDS (Continued)

C. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 38,719
Public safety	44,370
Public works	251,159
Total depreciation expense - governmental activities	<u>\$ 334,248</u>
Discretely presented component unit:	
Nolanville Economic Development Corporation	<u>\$ 3,405</u>

D. LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended September 30, 2019:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities:					
General Obligation Bonds					
Series - 2016	1,680,000	-	(175,000)	1,505,000	180,000
Tax Notes					
Series - 2017	435,000	-	(70,000)	365,000	70,000
Net pension liability	41,317	7,462	-	48,779	-
OPEB liability	16,062	1,339	-	17,401	-
Governmental activity long - term liabilities	<u>\$ 2,172,379</u>	<u>\$ 8,801</u>	<u>\$ (245,000)</u>	<u>\$ 1,936,180</u>	<u>\$ 250,000</u>

Long-term debt at September 30, 2019 is comprised of the following:

	Governmental Type Activities
Tax Note:	
\$500,000 Tax Note Series 2017 due in annual installments of \$65,000 to \$75,000 through 2024, interest at 2.07%	\$ 365,000
General Obligation Bonds:	
\$1,945,000 Series 2016 refunding bonds due in annual installments of \$175,000 to \$200,000 through 2027, interest at 1.73%	1,505,000
	<u>\$ 1,870,000</u>

CITY OF NOLANVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

3. DETAILED NOTES ON ALL FUNDS (Continued)

D. LONG-TERM DEBT (Continued)

The annual debt service requirements to maturity for the governmental activities are as follows:

Year Ended September 30,	Principal	Interest	Total
2020	250,000	32,868	282,868
2021	250,000	28,305	278,305
2022	260,000	23,690	283,690
2023	260,000	18,937	278,937
2024	260,000	14,184	274,184
2025 - 2027	590,000	20,587	610,587
Total	<u>\$ 1,870,000</u>	<u>\$ 138,571</u>	<u>\$ 2,008,571</u>

The bond indentures require the establishment and maintenance of interest and sinking funds in varying amounts. The City considers the Debt Service Fund for this purpose and has a remaining fund balance on the accompanying balance sheet at September 30, 2019 of \$24,875 for service of long-term debt.

4. 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; injuries to employees; and natural disasters. The City has joined together with other governments in the State of Texas to form the Texas Municipal League Intergovernmental Risk Pool (the Pool), a public entity risk pool currently operating as a common risk management and insurance program for liability, property, and workmen's compensation coverage. The City pays a quarterly contribution to the Pool for its insurance coverage. The agreement for formation of the Pool provides that the Pool will be self-sustaining through member contributions and will reinsure through commercial companies for claims in excess of specific limits. The City has experienced no significant reductions in coverage through the Pool over the past year. There have been no insurance settlements exceeding Pool coverage for any of the last three years.

B. COMMITMENTS AND CONTINGENCIES

a. Fire Protection Services

On August 6, 2015, the City entered a contract with Central Bell County Fire and Rescue, Inc. for fire protection and emergency services. The effective date of the agreement is October 1, 2015 with an initial term of one year beginning on the effective date. The agreement shall renew automatically annually unless notice of cancellation is given by either party. Fees are billed monthly to the City in the amount of \$2,917. In December of 2017, the fee was raised to \$3,750 where it currently remains. During the year ended September 30, 2019 payments by the City under the contract totaled \$45,000.

CITY OF NOLANVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

4. OTHER INFORMATION (CONTINUED)

B. COMMITMENTS AND CONTINGENCIES (Continued)

b. Ambulance Service Agreement

On July 18, 2016, the City entered a new contract with Acadian Ambulance Service of Texas, LLC for ambulance services. The effective date of the agreement is July 18, 2016 with an initial term of three years beginning on the effective date. The agreement shall renew automatically for two successive one-year terms unless notice of cancellation is given by either party. The agreement is for a maximum of five years. Fees are billed monthly to the City in the amount of \$4,167. During the year ended September 30, 2019 payments by the City under the contract totaled \$50,000.

c. Grants

The City participates in grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant program are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

d. Litigation and Violations

The City can become a party to legal proceedings, many of which occur in the normal course of operations. In the opinion of management, the ultimate outcome of these claims will not have a material adverse effect on the City's financial position.

C. PENSION PLAN

Plan Description

The City of Nolanville participates as one of the 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency defined pension plan 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 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.tmr.com.

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

CITY OF NOLANVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

4. OTHER INFORMATION (CONTINUED)

Benefits Provided

TMRS provides retirement, disability and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Plan provisions for the City were as follows:

	Plan Year 2018	Plan Year 2017
Employee deposit rate	5.0%	5.0%
Matching ratio (City to Employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 20/any	60/5, 25/any
Updated Service Credit	0.0%	0.0%
Annuity Increase (to retirees)	0% of CPI	0% 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	2
Inactive employees entitled to but not yet receiving benefits	21
Active employees	<u>16</u>
Total	39

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 the benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Nolanville were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Nolanville were 2.32% and 2.29% in calendar years 2019 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were \$15,275 and were equal to the required contributions.

CITY OF NOLANVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

4. OTHER INFORMATION (Continued)

C. PENSION PLAN (Continued)

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 Table with Blue Collar Adjustment, male rates multiplied by 109% and female rates multiplied by 103%. For cities with fewer than twenty employees, more conservative methods and assumptions are used. First, lower termination rates are used for smaller cities, with maximum multipliers of 75% for employers with less than 6 members, 85% for employers with 6 to 10 members and 100% for employers with 11 to 15 members, and 115% for employers with less than 100 members. There is also a load on the life expectancy for employers with less than 15 active members. The life expectancy will be loaded by decreasing the mortality rates by 1% for every active member less than 15. For example, an employer with 5 active members will have the baseline mortality tables multiplied by 90% (10 active members times 1%). For underfunded plans, the maximum amortization period for amortizing gains and losses is decreased from current levels by 1 year for each active member less than the 20 member threshold. For example, an employer with 8 active members and a current maximum amortization period of 25 will use $(25 - (20 - 8)) = 13$ year amortization period for the gain or loss in that year's valuation. Under this policy, the lowest amortization period will be $25 - (20 - 1) = 6$ years. Once the plan is overfunded, the amortization period will revert back to the standard 25 years. 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 male 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 subject 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 Rates (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.

CITY OF NOLANVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

4. OTHER INFORMATION (Continued)

C. PENSION PLAN (Continued)

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 need of TMRS.

After the Asset Allocation Study analysis and experience investigation study, the Board amended the long term expected rate of return on pension plan investments from 7% to 6.75%. 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 the TMRS.

The long-term expected rate of return on pension plan investments was determined using a building – block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under 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 estimate 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.

CITY OF NOLANVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

4. OTHER INFORMATION (Continued)

C. PENSION PLAN (Continued)

<i>Changes in Net Pension Liability</i>	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2017	197,316	155,999	41,317
Changes for the year:			
Service cost	41,572	-	41,572
Interest	14,405	-	14,405
Change of benefit terms	-	-	-
Difference between expected and actual experience	(8,211)	-	(8,211)
Changes of assumptions	-	-	-
Contributions - employer	-	14,166	(14,166)
Contributions - employee	-	30,931	(30,931)
Net investment income	-	(4,699)	4,699
Benefit payments, including refunds of employee contributions	(9,381)	(9,381)	-
Administrative expense	-	(90)	90
Other changes	-	(4)	4
Net changes	38,385	30,923	7,462
Balance at 12/31/2018	235,701	186,922	48,779

Sensitivity of the net pension liability 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 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 in	Discount Rate (6.75%)	1% Increase in
	Discount Rate (5.75%)	Discount Rate (6.75%)	Discount Rate (7.75%)
City's net pension liability	90,402	48,779	15,437

Pension Plan Fiduciary Net Position

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

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 \$14,209.

CITY OF NOLANVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

4. OTHER INFORMATION (Continued)

C. PENSION PLAN (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	-	10,979
Changes in actuarial assumptions	1,585	-
Differences between projected and actual investment earnings	8,014	-
Contributions subsequent to the measurement date	11,706	-
Total	21,305	10,979
Total deferred outflows of resources, net	10,326	

\$11,706 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date 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:

	Net Deferred Outflows (Inflows) of Resources
2019	\$ (481)
2020	(1,311)
2021	(1,125)
2022	1,538
2023	-
Thereafter	-
Total	\$ (1,379)

D. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Benefit Plan Description

Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). 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. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including retirees. 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). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

CITY OF NOLANVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

4. OTHER INFORMATION (Continued)

D. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Contributions

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 currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	4
Active employees	16
Total	22

Total OPEB Liability

The City's total OPEB liability of \$17,401 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Summary of Actuarial Assumptions

Inflation	2.50%
Salary Increases	3.5% to 10.5% including inflation
Discount Rate*	3.71%
Retiree's share of benefit-related costs	\$ -
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates-Service Retirees	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.
Mortality Rates-Disabled Retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

Note: The actuarial Assumptions used in the December 3, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to Decemeber 31, 2014.

**CITY OF NOLANVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019**

4. OTHER INFORMATION (Continued)

D. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Changes in the Total OPEB Liability

Total OPEB Liability-December 31, 2017	\$ 16,062
Changes for the year	
Service Cost	2,227
Interest on Total OPEB Liability	567
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	444
Changes in Assumptions or Other Inputs	(1,837)
Benefit Payments	<u>(62)</u>
Net Changes	<u>1,339</u>
Total OPEB Liability-December 31, 2018	<u>\$ 17,401</u>

Sensitivity of the Total OPEB Liability to Change in the Discount Rate

The following presents the Total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current discount rate:

	1% Decrease in Discount Rate (2.71%)	Current Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
Total OPEB Liability	22,408	17,401	13,709

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2019, the City recognized OPEB expense of \$2,827.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 395	\$ -
Changes in assumptions and other inputs	-	308
Contributions made subsequent to measurement date	706	-
Total	<u>1,101</u>	<u>308</u>

CITY OF NOLANVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

4. OTHER INFORMATION (Continued)

D. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Deferred Outflows and Deferred Inflows of Resources, by year, to be Recognized in Future OPEB Expense (Excluding Contributions Made Subsequent to the Measurement Date of December 31, 2018) are as follows:

	Net Deferred Outflows (Inflows) of Resources
2019	\$ 33
2020	33
2021	33
2022	33
2023	33
Thereafter	<u>(78)</u>
Total	\$ 87

F. SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through March 12, 2020, the date the financial statements were available to be issued. It was determined that no changes were needed to these financial statements as a result of the evaluation.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NOLANVILLE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -
GENERAL FUND
For the Year Ended September 30, 2019

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUE				
Property taxes	\$ 944,228	\$ 944,228	\$ 918,620	\$ (25,608)
Sales taxes	462,500	492,967	685,667	192,700
Franchise and other taxes	188,900	188,900	244,086	55,186
Fines	80,533	80,533	170,865	90,332
Rental	12,000	12,000	17,210	5,210
Charges for services	75,950	75,950	88,615	12,665
Intergovernmental	791,783	791,783	495,116	(296,667)
Interest	12,000	12,000	41,070	29,070
Other	10,400	10,400	23,011	12,611
Total Revenue	<u>2,578,294</u>	<u>2,608,761</u>	<u>2,684,260</u>	<u>75,499</u>
EXPENDITURES				
General government	468,002	468,002	459,143	8,859
Judicial	57,969	57,969	68,635	(10,666)
Public safety	620,898	626,087	600,909	25,178
Public works	398,642	398,642	399,011	(369)
Capital outlays	1,032,783	1,232,627	1,107,812	124,815
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>2,578,294</u>	<u>2,783,327</u>	<u>2,635,510</u>	<u>147,817</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	-	(174,566)	48,750	223,316
OTHER FINANCING SOURCES (USES)				
Transfers in	-	180,033	-	(180,033)
Issuance of bonds	-	-	-	-
Payment to refunded bonds escrow	-	-	-	-
Bond issuance costs	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>180,033</u>	<u>-</u>	<u>(180,033)</u>
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	5,467	48,750	43,283
FUND BALANCE, BEGINNING OF YEAR	<u>1,223,373</u>	<u>1,223,373</u>	<u>1,223,373</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,223,373</u>	<u>\$ 1,228,840</u>	<u>\$ 1,272,123</u>	<u>\$ 43,283</u>

The accompanying note is an integral part of the Required Supplementary Information.

CITY OF NOLANVILLE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -
DEBT SERVICE FUND
For the Year Ended September 30, 2019

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUE				
Property taxes	\$ 262,343	\$ 262,343	\$ 272,070	\$ 9,727
Total Revenue	<u>262,343</u>	<u>262,343</u>	<u>272,070</u>	<u>9,727</u>
EXPENDITURES				
Dues and fees	-	-	3,044	(3,044)
Equipment	-	-	-	-
Debt service:				
Principal	245,000	245,000	245,000	-
Interest	37,344	37,344	36,971	373
Total Expenditures	<u>282,344</u>	<u>282,344</u>	<u>285,015</u>	<u>(2,671)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(20,001)	(20,001)	(12,945)	7,056
OTHER FINANCING SOURCES (USES)				
Transfers	20,001	20,001	-	(20,001)
Refunding bonds issued	-	-	-	-
Payment to refunded bond escrow	-	-	-	-
Bond issuance costs	-	-	-	-
Total other financing sources (uses)	<u>20,001</u>	<u>20,001</u>	<u>-</u>	<u>(20,001)</u>
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	-	(12,945)	(12,945)
FUND BALANCE, BEGINNING OF YEAR- AS ADJUSTED	<u>37,820</u>	<u>37,820</u>	<u>37,820</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 37,820</u>	<u>\$ 37,820</u>	<u>\$ 24,875</u>	<u>\$ (12,945)</u>

The accompanying note is an integral part of the Required Supplementary Information.

CITY OF NOLANVILLE, TEXAS
NOTE TO STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET TO ACTUAL – GENERAL AND DEBT SERVICE
FUNDS

For the Year Ended September 30, 2019

1. Basis of Presentation:

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 City 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 capital outlays are recorded when payment is made. The budget is adopted on the departmental level.

2. Budget Highlights:

General Fund:

Actual results reflect an excess of revenues over expenditures of \$223,316, with an overall favorable variance of \$43,283. This favorable variance is due to both revenues and expenditures exceeding budget. Revenues exceeded budget in all areas except for property taxes and grant revenue and all departmental expenditures were below budget except for judicial. Various other components of revenue and expenses had an off-setting effect.

Debt Service Fund:

Actual results reflect an excess of expenditures over revenues of \$12,945, with an overall unfavorable variance of \$12,495. Interest expense was \$373 lower than budget and there was \$3,044 in unbudgeted expense.

CITY OF NOLANVILLE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - EMPLOYEES' PENSION PLAN
Measurement Dates

	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018
Total pension liability					
Service cost	\$ 25,471	\$ 29,816	\$ 32,551	\$ 34,407	\$ 41,572
Interest (on the Total Pension Liability)	5,770	7,456	9,592	12,107	14,405
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(3,823)	(3,724)	2,346	(5,941)	(8,211)
Change of assumptions	-	5,929	-	-	-
Benefit payments, including refunds of employee contributions	(5,985)	(5,030)	(5,477)	(10,838)	(9,381)
Net Change in Pension Liability	21,433	34,447	39,012	29,735	38,385
Total Pension Liability - Beginning	72,689	94,122	128,569	167,581	197,316
Total Pension Liability - Ending (a)	\$ 94,122	\$ 128,569	\$ 167,581	\$ 197,316	\$ 235,701
Plan Fiduciary Net Position					
Contributions - Employer	\$ 4,398	\$ 7,326	\$ 9,340	\$ 11,296	\$ 14,166
Contributions - Employee	21,349	23,330	24,735	25,909	30,931
Net investment income	1,875	80	5,427	15,853	(4,699)
Benefit payments, including refunds of employee contributions	(5,985)	(5,030)	(5,477)	(10,838)	(9,381)
Administrative expense	(19)	(49)	(61)	(82)	(90)
Other	(2)	(2)	(3)	(4)	(5)
Net Change in Plan Fiduciary Net Position	21,616	25,655	33,961	42,134	30,922
Plan Fiduciary Net Position - Beginning	32,633	54,249	79,904	113,865	156,000
Plan Fiduciary Net Position - Ending (b)	\$ 54,249	\$ 79,904	\$ 113,865	\$ 155,999	\$ 186,922
Net Pension Liability - Ending (a) - (b)	\$ 39,873	\$ 48,665	\$ 53,716	\$ 41,317	\$ 48,779
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	57.64%	62.15%	67.95%	79.06%	79.30%
Covered Employee Payroll	\$ 426,976	\$ 466,601	\$ 494,696	\$ 518,178	\$ 618,629
Net Pension Liability as a Percentage of Covered Employee Payroll	9.34%	10.43%	10.86%	7.97%	7.89%

See accompanying Independent Auditors' Report.

CITY OF NOLANVILLE, TEXAS
SCHEDULE OF CONTRIBUTIONS - EMPLOYEES' PENSION PLAN
Fiscal Years Ended

	September 30, 2015	September 30, 2016	September 30, 2017	September 30, 2018	September 30, 2019
Actuarially determined contribution	\$ 6,403	\$ 9,049	\$ 8,374	\$ 13,519	\$ 15,275
Contributions in relation to the actuarially determined contribution	\$ 6,403	\$ 9,049	\$ 8,374	\$ 13,519	\$ 15,275
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 445,319	\$ 500,850	\$ 508,296	\$ 596,794	\$ 660,442
Contributions as a percentage of covered employee payroll	1.44%	1.81%	1.65%	2.27%	2.31%

NOTES TO SCHEDULE OF CONTRIBUTIONS

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	26 years
Asset valuation method	10 year smoothed market; 15% soft corridor
Inflation	2.5%
Salary increases	3.5% 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 NOLANVILLE, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS-
SUPPLEMENTAL DEATH BENEFIT FUND
Measurement Dates

	December 31, 2017	December 31, 2018
Total OPEB liability		
Service cost	\$ 1,710	\$ 2,227
Interest (on the Total OPEB Liability)	493	567
Changes of benefit terms	-	-
Difference between expected and actual experience	-	444
Change in assumptions or other inputs	1,700	(1,837)
Benefit payments**	(52)	(62)
Net Change in OPEB Liability	3,851	1,339
Total OPEB Liability - Beginning	12,211	16,062
Total OPEB Liability - Ending (a)	\$ 16,062	\$ 17,401
Covered Employee Payroll	\$ 518,178	\$ 618,629
Net Pension Liability as a Percentage of Covered Employee Payroll	3.10%	2.81%

Notes to Schedule:

Inflation	2.50%
Salary Increases	3.5% to 10.5% including inflation
Discount Rate*	3.71%
Retiree's share of benefit-related costs	\$ -
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates-Service Retirees	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.
Mortality Rates-Disabled Retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

Note: The actuarial Assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to Decemeber 31, 2014.

** Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

See accompanying Independent Auditors' Report.

CITY OF NOLANVILLE, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS-OPEB-SUPPLEMENTAL DEATH
BENEFIT FUND
Fiscal Years Ended

	<u>September 30, 2018</u>	<u>September 30, 2019</u>
Actuarially determined contribution	\$ 524	\$ 847
Contributions in relation to the actuarially determined contribution	<u>\$ 524</u>	<u>\$ 847</u>
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 596,794	\$ 660,442
Contributions as a percentage of covered employee payroll	0.09%	0.13%

See accompanying Independent Auditors' Report.

ALTON D. THIELE, P.C.

CERTIFIED PUBLIC ACCOUNTANT

300 E. AVE. C

P.O. BOX 808

BELTON, TX 76513-0808

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

The Honorable Mayor and
Members of the City Council
City of Nolanville, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nolanville, 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 and have issued our report thereon dated March 12, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Nolanville, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Nolanville's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Nolanville's internal control.

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

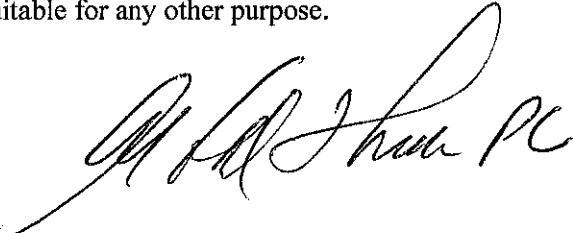
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read 'Alton D. Thiele PC', written in a cursive style.

Alton D. Thiele, PC

Belton, Texas
March 12, 2020