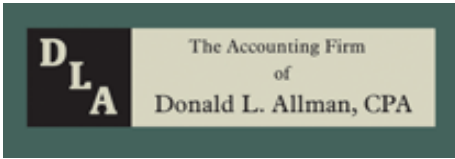


CITY OF NOLANVILLE, TEXAS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

CITY OF NOLANVILLE

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Donald Allman, CPA, PC
205 East University Ave., Ste. 165
Georgetown, Texas 78626

CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

To the Honorable Mayor
And Members of the City Council
City of Nolanville, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Nolanville, Texas, as of and for the year ended September 30, 2015, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Nolanville, Texas, as of September 30, 2015, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015 the City adopted new accounting guidance, Governmental Accounting Standards (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Governmental Accounting Standards (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 32-34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nolanville, Texas' basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2016, on our consideration of the City of Nolanville, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Nolanville, Texas' internal control over financial reporting and compliance.

Donald L. Allman, CPA, PC

Georgetown, TX
March 28, 2016

CITY OF NOLANVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Within this section of the City of Nolanville's annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended September 30, 2015. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. The discussion focuses on the City's primary government, unless otherwise noted.

FINANCIAL HIGHLIGHTS

The City's assets exceeded its liabilities by \$2,270,973 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$2,024,075. The city's net assets increased by \$246,898 during the fiscal year ended 9/30/2015.

Total net assets are comprised of the following:

- (1) Capital assets, net of related debt, of \$1,036,223 include property and equipment, net of accumulated depreciation, and reduced for outstanding equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
- (2) Net assets of \$220,802 are restricted for debt service. Net assets may be restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
- (3) Unrestricted net assets of \$1,013,948 represent the portion available to maintain the City's continuing obligations to citizens and creditors.

Total liabilities of the City decreased by \$659,443 to \$2,278,903 during the fiscal year, due to construction accrued payables.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Assets*. This is the City-wide statement of financial position presenting information that includes all of the city's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the city as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as diversification of the taxpayer base of the condition of the City infrastructure in addition to the financial information provided in this report.

**CITY OF NOLANVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Government-wide Financial Statements (Continued)

The second government-wide statement is the *Statement of Activities*, which reports how the city's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the city's activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the City that are principally supported by taxes, and business-type activities that are intended to cover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public services, and recreation. Service activities include solid waste management emergency medical services, and police & fire department services.

The City's financial reporting entity includes the funds of the City (primary government) and organizations for which the City is accountable (component units). Presently, all of these organizations operate as City organizations are blended into the primary government for financial reporting purposes. Examples of blended organizations reported as City funds include the City of Nolanville Police Department, and City of Nolanville Public Works. A schedule at the close of Management's Discussion and Analysis lists the City's component units. More comprehensive information about the City's component units can be found in the notes to the financial statements.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrated compliance with finance-related laws and regulations. The City has one kind of fund.

Governmental Funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of expendable resources during the year and balances of expendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of expendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provides a reconciliation to the government-wide financial statements to assist in understanding the differences between these two perspectives.

**CITY OF NOLANVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Fund Financial Statements (Continued)

Budgetary comparison statements are included in the basic financial statements for the general fund. These statements demonstrate compliance with the City's adopted and final revised budget.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Financial Analysis of the City as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole.

The City's net assets at fiscal year-end are \$2,270,973. This is an increase of \$246,898 over last year's net assets of \$2,024,075. The following table provides a summary of the City's net assets as September 30:

**Table 1
Summary of Net Assets**

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Cash and Current Assets	\$ 1,435,235	\$ 2,148,146	\$ (712,911)	-33.2%
Deferred Outflows of Resources	18,418	25,747	\$ (7,329)	-28.5%
Capital Assets	<u>3,096,223</u>	<u>2,788,528</u>	<u>307,695</u>	<u>11.0%</u>
Total Assets	\$ 4,549,876	\$ 4,962,421	\$ (412,545)	-8.3%
Current Liabilities	\$ 314,030	\$ 838,290	\$ (524,260)	-62.5%
Net Pension Liability	39,873	40,056	\$ (183)	-0.5%
Long-term Liabilities	<u>1,925,000</u>	<u>2,060,000</u>	<u>(135,000)</u>	<u>-6.6%</u>
Total Liabilities	\$ 2,278,903	\$ 2,938,346	\$ (659,443)	(22.4)
Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$ 1,036,223	\$ 593,528	\$ 442,695	74.6%
Restricted Debt Service	220,802	670,484	(449,682)	-67.1%
Unrestricted	<u>1,013,948</u>	<u>760,063</u>	<u>253,885</u>	<u>33.4%</u>
Total Net Assets	<u>\$ 2,270,973</u>	<u>\$ 2,024,075</u>	<u>\$ 246,898</u>	<u>12.2%</u>

The City reported positive balances in net assets for governmental activities. Net assets increased \$246,898. The City's overall financial position improved significantly during fiscal year 2015.

**CITY OF NOLANVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Table 2 compares the 2015 change in net assets to the 2014 change in net assets.

**Table 2
Summary of Changes in Net Assets**

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Program Revenues:				
Charges for Services	\$ 70,438	\$ 90,786	\$ (20,348)	-22.4%
General Revenues:				
Property Taxes	844,990	812,741	32,249	4.0%
Franchise Fees	196,856	198,495	(1,639)	-0.8%
Local Sales Taxes	282,693	270,150	12,543	4.6%
Court Fines, Fees, Tech & Sec	76,688	126,684	(49,996)	-39.5%
Grant Income	16,730	34,474	(17,744)	-51.5%
Donations	1,000	650	350	53.8%
Other	16,000	15,480	520	3.4%
Interest Income	8,343	9,440	(1,097)	-11.6%
Total Revenues	<u>\$ 1,513,738</u>	<u>\$ 1,558,900</u>	<u>\$ (45,162)</u>	<u>-2.9%</u>
 Program Expenses				
General Government	\$ 408,746	\$ 434,782	\$ (26,036)	-6.0%
Public Safety	382,590	385,074	(2,484)	-0.6%
Public Works	293,333	306,729	(13,396)	-4.4%
Court Expenses	66,939	75,398	(8,459)	-11.2%
Total Pension Expense	7,146	-	0.0%	0.0%
Grant Expenditures	16,730	-	16,730	0.0%
Interest on L/T Debt	91,356	96,080	(4,724)	-4.9%
Total Expenses	<u>\$ 1,266,840</u>	<u>\$ 1,298,063</u>	<u>\$ (38,369)</u>	<u>-2.4%</u>
 Change in Net Assets	\$ 246,898	\$ 260,837	\$ (6,793)	-5.3%
Prior Period Adjustment		(14,309)		
Beginning Net Assets	\$ 2,024,075	\$ 1,777,547		
Ending Net Assets	<u>\$ 2,270,973</u>	<u>\$ 2,024,075</u>		

Financial Analysis of the City's Funds

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of expendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$1,256,205. Of this total, \$1,035,403 is unreserved indicating its availability for continuing City service requirements. Restricted fund balances include \$220,802 for debt service.

**CITY OF NOLANVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

General Fund Budgetary Highlights

The adopted General Fund budget for fiscal year 2015 was \$1,556,813 for General Fund expenses. Actual operating expenditures for fiscal year 2015 were \$1,041,880, resulting in expenses being under budget of \$514,933. However, building expenses of \$365,000 are included in the budget but capitalized for operating expenses.

The General Fund Budget complied with financial policies approved by the City Council and maintained core City services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for governmental activities as of September 30, 2015, was \$3,096,223. The total increase in this net investment was 11% for governmental activities. Major capital asset additions in the current fiscal year consisted of a new office building of \$364,922.

**Capital Assets
Net of Accumulated Depreciation**

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Non-depreciable Assets				
Land	\$ 59,500	\$ 59,500	\$ -	0.0%
Depreciable Assets:				
Buildings	725,230	360,308	364,922	101.3%
Equipment	399,619	368,437	31,182	8.5%
Furniture & Fixtures	21,386	21,386	-	0.0%
Vehicles	520,329	520,329	-	0.0%
System Improvements	383,514	383,514	-	0.0%
Office Equipment	174,038	174,038	-	0.0%
Building Improvements	17,190	17,190	-	0.0%
Housing Development	5,950	5,950	-	0.0%
Parks Equipment	7,830	7,830	-	0.0%
10th Street Improvements	2,708,539	2,708,539	-	0.0%
Backhoe	67,358	67,358	-	0.0%
Construction in Progress	476,108	360,143	115,965	32.2%
Accumulated Depreciation	<u>(2,470,368)</u>	<u>(2,265,994)</u>	<u>(204,374)</u>	<u>9.0%</u>
Totals:	<u>\$ 3,096,223</u>	<u>\$ 2,788,528</u>	<u>\$ 307,695</u>	<u>11.0%</u>

**CITY OF NOLANVILLE
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Long-term debt

At the end of the fiscal year 09/30/2015, the City had long-term outstanding debt of \$2,060,000.

Combination Tax and Surplus Revenue Certificates of Obligation, Series 2012,
with \$ 860,000
a loan amount of \$1,030,000, annual payments between \$55,000-\$85,000, loan
interest rate of 3.07%, with a maturity term of 180 months

General Obligation Bonds, Series 2007, bonds payable of \$1,700,000, principal
payments vary between \$55,000 to \$130,000, Interest rate of 4.95%, 10 year call,
20 year payment term maturing 09/01/2027. Proceeds used for street
improvements. 1,200,000

Total: \$ 2,060,000

Economic Environment and Next Year’s Budgets and Rates

The City Council’s goal is to maintain a positive balance in the General Fund. The unrestricted fund balance is currently a positive \$1,013,948. Management has been proactively addressing this issue and has enacted several steps to improve the city’s financial position. The City of Nolanville has increased profitability, increased cash reserves, and increased net fund balance tremendously over the past six fiscal years.

This financial report is designed to provide a general overview of the City’s finances, comply with finance-related laws and regulations, and demonstrate the city’s commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the City Treasurer at the City of Nolanville, 100 North Main, Nolanville, Texas 76559.

CITY OF NOLANVILLE
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2015

	Primary Government		Component Unit
	Governmental		Nolanville EDC
	<u>Activities</u>	<u>Total</u>	<u>Total</u>
<u>ASSETS:</u>			
Current assets:			
Cash and Cash Equivalents	\$ 39,642	\$ 39,642	\$ -
CD's & Investments	1,080,778	1,080,778	-
Restricted Cash for Debt Service	220,802	220,802	-
Receivables (net) & Prepays	94,013	94,013	185,858
Total Current Assets	\$ 1,435,235	\$ 1,435,235	\$ 185,858
Deferred Outflows of Resources	18,418	18,418	
Capital Assets:			
Buildings & Improvements	\$ 432,000	\$ 432,000	
Net of Accumulated Depreciation			
Equipment, Net of Accumulated Depreciation	106,372	106,372	
Office Furniture & Equipment, net of Acc. Depr.	11,128	11,128	
10th Street Project Improvements, Net of Acc. Depr.	2,346,648	2,346,648	
Vehicles, Net of Accumulated Depreciation	52,022	52,022	
Parks Equipment, Net of Accumulated Depreciation	88,553	88,553	
Land	59,500	59,500	
Total Capital Assets	\$ 3,096,223	\$ 3,096,223	\$ -
Total Assets:	\$ 4,549,876	\$ 4,549,876	\$ 185,858
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 111,973	\$ 111,973	\$ 7,830
Court Costs Payable	43,269	43,269	
Prepaid Revenue	23,788	23,788	
Notes Payable, Current	135,000	135,000	-
Total Current Liabilities	\$ 314,030	\$ 314,030	\$ 7,830
Non-current Liabilities:			
Net Pension Liability	39,873	39,873	
Notes Payable, non-current	1,925,000	1,925,000	
Total non-current Liabilities	1,964,873	1,964,873	-
Total Liabilities:	\$ 2,278,903	\$ 2,278,903	\$ -
<u>NET ASSETS:</u>			
Invested in Capital Assets, net of Related Debt	\$ 1,036,223	\$ 1,036,223	\$ -
Restricted for: Construction and Certificates of Obligation	220,802	220,802	-
Unrestricted (deficit)	1,013,948	1,013,948	178,028
Total Net Assets	\$ 2,270,973	\$ 2,270,973	\$ 185,858
Total Net Assets	\$ 2,270,973	\$ 2,270,973	\$ 185,858

See accompanying notes to the financial statements.

**CITY OF NOLANVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue</u>	<u>Component Unit</u>
Primary Government				
Governmental Activities:				
General Government	\$ 408,746	\$ 70,438	\$ (338,308)	
Public Safety	382,590	-	(382,590)	
Public Works	293,333	-	(293,333)	
Court Expenses	66,939		(66,939)	
Grant Expenditures	16,730			
Total Pension Expense	7,146			
Interest on Long-term Debt	91,356	-	(91,356)	
Total Governmental Activities	<u>\$ 1,266,840</u>	<u>\$ 70,438</u>	<u>\$ (1,196,402)</u>	
 Total Primary Government	 <u>\$ 1,266,840</u>	 <u>\$ 70,438</u>	 <u>\$ (1,196,402)</u>	
Component Unit:				
Nolanville EDC	17,076			(17,076)
General Revenues:				
Taxes:				
Property Taxes		\$ 844,990	\$ -	
Franchise Fees		196,856	-	
Local Sales and Use Taxes		282,693	43,887	
Court Fines, Fees, Tech & Sec		76,688	-	
Donations		1,000	1,000	
Grant Income		16,730	-	
Interest Income		8,343	-	
Miscellaneous		16,000	-	
Total General Revenues:		<u>\$ 1,443,300</u>	<u>\$ 44,887</u>	
 Change in Net Assets		 \$ 246,898	 \$ 27,811	
 Net Assets - Beginning		 \$ 2,024,075	 \$ 158,047	
Net Assets - Ending		<u>\$ 2,270,973</u>	<u>\$ 185,858</u>	

See accompanying notes to the financial statements.

CITY OF NOLANVILLE
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and Cash Equivalents	\$ 39,642	\$ -	\$ -	\$ 39,642
CD & Investments	1,080,778	-	-	1,080,778
Restricted Cash	-	-	220,802	220,802
Receivables (net)	94,013	-	-	94,013
Total Assets:	<u>\$ 1,214,433</u>	<u>\$ -</u>	<u>\$ 220,802</u>	<u>\$ 1,435,235</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 111,973	\$ -	\$ -	\$ 111,973
Court Costs Payable	43,269	-	-	43,269
Deferred Revenue	23,788	-	-	23,788
Total Liabilities	<u>\$ 179,030</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 179,030</u>
Liabilities and Fund Balances				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	220,802	220,802
Unassigned	1,035,403	-	-	1,035,403
Total Fund Balances	<u>\$ 1,035,403</u>	<u>\$ -</u>	<u>\$ 220,802</u>	<u>\$ 1,256,205</u>
Total Liabilities & Fund Balances	<u>\$ 1,214,433</u>	<u>\$ -</u>	<u>\$ 220,802</u>	<u>\$ 1,435,235</u>

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS**

Total Fund Balance - Total governmental Funds	\$ 1,256,205
reported for governmental funds	18,418
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of \$3,096,223 net of accumulated depreciation, are not financial resources, and therefore, are not reported in the funds. See Note 3.A.3. for additional detail.	3,096,223
Net Pension liability is not reported in governmental funds	(39,873)
Long-term liabilities of \$2,060,000 are not due and payable in the current period and are not reported in the funds. See Note 3.B.1. for detail.	(2,060,000)
Net Assets of Governmental Activities	<u>\$ 2,270,973</u>

See accompanying notes to financial statements.

CITY OF NOLANVILLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>				
Property Taxes	\$ 613,757	\$ -	\$ 231,233	\$ 844,990
Franchise Taxes	196,856	-	-	196,856
Local Sales and Use Tax	282,693	-	-	282,693
General Government	70,438	-	-	70,438
Interest Income	8,343	-	-	8,343
Court Fines, Fees, Tech & Sec	76,688	-	-	76,688
Grant income	16,730	-	-	16,730
Donations	1,000	-	-	1,000
Miscellaneous	16,000	-	-	16,000
Total General Revenues	<u>\$ 1,282,505</u>	<u>\$ -</u>	<u>\$ 231,233</u>	<u>\$ 1,513,738</u>
<u>Expenditures</u>				
General Government	\$ 362,177	\$ -	\$ -	\$ 362,177
Public Safety	365,605	-	-	365,605
Public Works	230,430	-	-	230,430
Court Expenses	66,939	-	-	66,939
Grant Expenditures	16,730	-	-	16,730
Debt Service:				
Principal Payments	-	-	135,000	135,000
Interest on Long-term Debt	-	-	91,356	91,356
Capital Outlay	512,069	-	-	512,069
Total Expenditures	<u>\$ 1,553,950</u>	<u>\$ -</u>	<u>\$ 226,356</u>	<u>\$ 1,780,306</u>
Excess (deficiency) of				
Revenues & Expenditures	\$ (271,445)	\$ -	\$ 4,877	\$ (266,568)
Loan Proceeds/Accounts payable/capital outlay	-	-	-	-
Restricted Cash for C&O loan obligation	202,686	-	-	202,686
Transfers In	-	-	215,925	215,925
Transfers Out	(215,925)	-	-	(215,925)
Net Changes in Fund Balances	<u>\$ (284,684)</u>	<u>\$ -</u>	<u>\$ 220,802</u>	<u>\$ (63,882)</u>
Fund Balances - Beginning	\$ 1,320,087	\$ -	\$ -	\$ 1,320,087
Fund Balances - Ending	<u>\$ 1,035,403</u>	<u>\$ -</u>	<u>\$ 220,802</u>	<u>\$ 1,256,205</u>

See accompanying notes to the financial statements.

CITY OF NOLANVILLE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Net Change in Fund Balance - Total Governmental Funds \$ (63,882)

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

Change in Restricted cash for construction & debt service (202,686)

Governmental funds report capital outlays as expenditures, and capital asset retirements as inflows. 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 which capital outlays exceeded capital asset retirements in the current period. \$ 512,069

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds. \$ (204,374)

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

Property Taxes Not Collected	\$ 38,139
Less Prior Year	<u>(33,303)</u>
	\$ 4,836

Total Pension Expense not included in governmental funds 7,146

The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the amount of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal Payments	\$ 135,000
Change in Net Pension Liability	<u>(183)</u>
	\$ 134,817

Miscellaneous adjustments between GAAP And Modified Accrual for Governmental Changes in Net Assets of Governmental Activities \$ 246,898

See accompanying notes to the financial statements.

CITY OF NOLANVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5. INTRODUCTION

The City of Nolanville (The “City”) was established in the State of Texas in March of 1961. The City provides services to citizens, including public safety, and general oversight of the maintenance of the City. The City of Nolanville became under home rule in November 2011 and now operates under a Council/Manager form of government. The accounting and reporting framework and the more significant accounting principles and practices of the City are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, for the City’s financial activities for the fiscal year ended September 30, 2015.

B. FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION

B. 1. Component Units

Discretely presented component units – The Nolanville Economic Development corporation (the Economic Development Corporation) is an economic development corporation authorized to act on behalf of the City to promote and develop commercial, industrial and manufacturing enterprises. The members of the governing board of the Economic Development Corporation are appointed by the City Council and the Economic Development Corporation’s operational budget is reviewed and approved by the City Council. The Economic Development Corporation is fiscally dependent on the revenues provided from a portion of the sales tax levied by the City.

B. 2. Related Organizations

The City does not report any related organizations or include any other organizations in its financial reporting entity.

B. 3. Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City’s services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

CITY OF NOLANVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Financial Statements

Fund financial statements are provided for governmental funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

B. 4. Measurement Focus, Basis of Accounting, and financial Statement Presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The city considers property tax revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes, franchise taxes, and investment income. In general, other revenues are recognized when cash is received.

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 needs. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements.

CITY OF NOLANVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. 5. Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental funds:

General Fund – reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Special Revenue Fund – is used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The three special revenue funds maintained by the City are the Municipal Court Technology Fund, the Municipal Court Security Fund, the Street maintenance Fund.

C. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

C. 1. Cash and Investments

The City recognizes cash and cash equivalents as highly-liquid cash or cash equivalents with a maturity of one year or less. The City currently only has demand deposit checking accounts and one certificate of deposit for their cash and cash equivalents & investments.

C. 2. Capital Assets and Depreciation

The City's property, plant, equipment and infrastructure with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from their respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives for depreciable assets are as follows:

Buildings	-20-30 years
Building Improvements	-15 years
Machinery and Equipment	-7-10 years
Furniture and Fixtures	-7-10 years
Emergency System Improvements	-5 years
Vehicles	-5 years

CITY OF NOLANVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. 3. Long-Term Debt

In the government-wide financial statements, outstanding debt is reported as liabilities.

C. 4. Fund Equity

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation legally restricted for specified purposes. The General Fund reserve for restricted purposes includes fund balance/net assets resulting from revenues exclusively restricted for the Special Revenue Fund.

D. 1. Property Taxes

The City's property tax is levied each October 1st on the assessed value, listed as the previous January for all real and personal property located in the City. The assessment ration of the City has historically been a percent of market value. Beginning with the tax levy of October 1, 1981, the assessment ration has been 100 percent of market value. The assessed value for the roll of January 1, 2013, upon which the October 1, 2014 "2014 fiscal year" levy was based, was approximately \$167,192,323. The tax assessment of September 16, 2015, sets a tax levy at \$.5054 per \$100 of assessed valuation at 100 percent of assumed market value. Taxes were due in January following the October 1 statement date. If taxes remain unpaid, they are subject to a levy by October 31 the following year and lien if needed.

At September 30, 2015, an allowance for uncollectible taxes was provided in the amount of \$0.

Property taxes receivable as of September 30, 2015 are as follows: Property Taxes receivable \$38,139. Current taxes receivable \$17,330, Delinquent taxes receivable \$20,809.

D. 2. Special Revenue Fund

No special revenue funds have been included in the Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual because no separate budget was adopted for any of the special revenue funds.

D. 3. Compensated Absences

The City's policy allows employees to accumulate sick leave at a rate of one day per month up to a maximum of sixty days. Vacation leave is accumulated based upon years of service. At the end of each year, employees may carry over no more than 5 days of vacation from the previous year. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it.

CITY OF NOLANVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. REVENUES, EXPENDITURES, AND EXPENSES (Continued)

D. 3. Compensated Absences (Continued)

Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. In accordance with provisions of statement of Financial Accounting Standards No. 43, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

City of Nolanville, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Pension contributions after measurement date – these contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.
- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows or 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 type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and municipal court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position

Net position represents the difference between assets, deferred inflows/outflows of resources and liabilities. Net position investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTE 2 – BUDGETARY INFORMATION

B. 1. Budget Policy and Practice

The City uses the following procedures in establishing the budgetary data reflected in the financial statements. The general fund budget is adopted by the City Council on the modified accrual basis of accounting. Amendments are made during the year on approval by the City Council. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results, except for the effect of encumbrances and unrealized investment gains and losses, which are adjusted to the actual for this comparison.

City of Nolanville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
 September 30, 2015

B. 2. Basis of Budgeting

The budgets for the operating funds are prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable expenses are incurred. The budget and actual financial statements are reported on these bases. Unencumbered appropriations for annually budgeted funds lapse at fiscal year end.

NOTE 3 – DETAILED NOTES ON FUNDS

3. A. ASSETS

3. A.1. Deposits and Investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City’s deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party.

NOTE 3 – DETAILED NOTES ON FUNDS (Continued)

3. A.1. Deposits and Investments (Continued)

The City’s policy requires deposits to be 100% secured by collateral valued at market or par, or covered by FDIC insurance. Deposits of the City’s reporting entity are insured or collateralized with securities held by the City, its agent, or by the pledging financial institution’s trust department or agent in the name of the City or applicable public trust. The City’s demand deposit accounts and certificate of deposit balance at September 30, 2014 were entirely covered by Federal Depository Insurance and Collateralization as shown in the following schedule:

	<u>Balance</u>	<u>Insured</u>	<u>Collateralized</u>	<u>Balance</u>
	<u>September 30, 2015</u>			<u>Uncollateralized</u>
General Fund	\$ 1,341,222	\$ 1,037,516	\$ 1,341,222	\$ -
Special Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,341,222</u>	<u>\$ 1,037,516</u>	<u>\$ 1,341,222</u>	<u>\$ -</u>

NON-POOLED INVESTMENTS

Texpool - GF	\$ -	\$ 8,168	
The National Banks of Central Texas, GF	39,314	39,314	FDIC
Petty Cash	328	328	
The National Banks of Central Texas, CC	250,000	545,537	FDIC
Union State Bank, Money Market	249,874	249,874	FDIC
First State Bank of Central Texas, MM	250,000	250,001	FDIC
Texas Star Bank, Certificate of Deposit	<u>248,000</u>	<u>248,000</u>	FDIC

Grand Total Deposits and Investments	<u>1,037,516</u>	<u>1,341,222</u>	
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CITY OF NOLANVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Investment Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investing is performed in accordance with investment policies adopted by the Council complying with State Statutes and the City charter. City funds may be invested in (1) direct obligations of the United States Government, its agencies or instrumentalities to the payment of which the full faith and credit of the government of the United States is pledged, or obligations to the payment of which the full faith and credit of the State of Texas is pledged; (2) collateralized or insured certificates of deposit and other evidences of deposits at banks, savings banks, and credit unions located in the State when secured by appropriate collateral; (3) money market funds regulated by the Securities and Exchange Commission and which investments consist of the authorized investments (domestic securities) with restrictions as specified in state law.

NOTE 3 – DETAILED NOTES ON FUNDS (Continued)

3. A.2. Receivables

Receivables consist of revenues earned within the accounting period and not received. Revenues attributable to the year ended September 30, 2015 consisted of \$94,013, including \$38,139 of property taxes receivable, \$27,770 in general, \$8,737 in franchise fees, \$21,187 in grant proceeds, and \$19,368 in sales tax.

3. A.3. Capital Assets

Changes in Capital Assets

	Balance			Balance
Primary Government	<u>Sept. 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Sept. 30, 2015</u>
Land	\$ 59,500	\$ -	\$ -	\$ 59,500
Buildings	360,308	364,922	-	725,230
Equipment	368,437	31,182	-	399,619
Furniture & Fixtures	21,386	-	-	21,386
Vehicles	520,329	-	-	520,329
System Improvements	383,514	-	-	383,514
Office Equipment	174,038	-	-	174,038
Building Improvements	17,190	-	-	17,190
Construction in Progress	360,143	115,965	-	476,108
Housing Development	5,950	-	-	5,950
Parks Equipment	7,830	-	-	7,830
10th Street Improvements	2,708,539	-	-	2,708,539
Backhoe	67,358	-	-	67,358
Accumulated Depreciation	<u>(2,265,994)</u>	<u>-</u>	<u>(204,374)</u>	<u>(2,470,368)</u>
Total	<u>\$ 2,788,528</u>	<u>\$ 512,069</u>	<u>\$ (204,374)</u>	<u>\$ 3,096,223</u>

CITY OF NOLANVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 3 – DETAILED NOTES ON FUNDS (Continued)

3 B. LIABILITIES

3 B. 1 Notes Payable

Notes Payable

Combination Tax and Surplus Revenue Certificates of Obligation, Series 2012, with a loan amount of \$1,030,000, annual payment between \$55,000-85,000 plus interest, loan interest rate of 3.07%, and a maturity term of 180 months. \$ 860,000

General Obligation Bonds, Series 2007, bonds payable of \$1,700,000, principal payments vary between \$55,000 to \$130,000, Interest rate of 4.95%, 10 year call, 20 year payment term maturing 09/01/2027. Proceeds used for street improvements. 1,200,000

Total: \$ 2,060,000

The debt service requirements on the above long-term debt are as follows:

<u>Due Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>September 30, 2015</u>			
2016	135,000	85,802	220,802
2017	140,000	80,248	220,248
2018	150,000	74,446	224,446
2019	155,000	68,242	223,242
2020	160,000	61,792	221,792
Thereafter	<u>1,320,000</u>	<u>229,960</u>	<u>1,549,960</u>
Total	<u>\$ 2,060,000</u>	<u>\$ 600,490</u>	<u>\$ 2,660,490</u>

CITY OF NOLANVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 3 – DETAILED NOTES ON FUNDS (Continued)

3. B. LIABILITIES (Continued)
3. B. 1 Notes Payable (Continued)
3. B.2 Risk Management – Claims and Judgments

The City is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from the Texas Municipal League (TML) Intergovernmental Risk Pool, a public entity risk pool for the benefit of governmental units within the state. TML Intergovernmental Risk Pool is considered a self-sustaining risk pool that will provide coverage for its members. Settled claims have not exceeded insurance coverage limits for the past four years.

Prior Period Adjustments

The GASB has issued Statement No. 68, “*Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27,*” which became effective for fiscal year 2015. This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer’s financial statements for any actuarially unfunded portion of pension benefits earned to date. The implementation of Statement No. 68 resulted in restatement of beginning net position for the elimination of the previously reported net pension obligation, the recording of the beginning net pension liability and the beginning deferred outflow for contributions made after the measurement date. The City of Nolanville has actually overfunded their pension obligation thus far, and no prior pension amounts were recorded in previous financial statements. The Net Pension Liability, and Deferred Outflows of Resources, which is an asset, have been recorded for 2014 and 2015 which record a prior period adjustment of \$(14,309) in the general fund for 2014 for fund balance.

Note 4. EMPLOYEE BENEFIT PLAN

5. **Texas Municipal Retirement Systems**
Plan Description

The City of Nolanville participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual 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
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

B. 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.

Employees covered by benefit terms.

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	12
Active employees	<u>13</u>
Total	26

C. Contributions

The contribution rate for the employees in TMRS is 5%, 6% and 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 annually determined by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Nolanville were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Nolanville were 5% and 5% in calendar years 2014 and 2015 respectively. The city's contributions to TMRS for the year ended September 30, 2015 were \$6,966 in the General Fund, and were in excess of the required contributions.

NOTE 4 – PENSION PLANS (continued)

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2014, 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, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation 3.0% per year

Overall payroll growth 3.0% per year

Investment Rate of Return 7.0% 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 male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

NOTE 4 – PENSION PLANS (continued)

Asset class	Target allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. 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
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

City of Nolanville
Schedule of Changes in Net Pension Liability and Related Ratios Current Period
September 30, 2015

A. Total pension liability	
1. Service Cost	\$ 25,471
2. Interest (on the Total Pension Liability)	5,770
3. Changes of benefit terms	-
4. Difference between expected and actual experience	(3,823)
5. Changes of assumptions	-
6. Benefit payments, including refunds of employee contributions	(5,985)
7. Net change in total pension liability	\$ 21,433
8. Total pension liability - beginning	72,689
9. Total pension liability - ending	<u>\$ 94,122</u>
B. Plan fiduciary net position	
1. Contributions - employer	\$ 4,398
2. Contributions - employee	21,349
3. Net investment income	1,875
4. Benefit payments, including refunds of employee contributions	(5,985)
5. Administrative Expense	(19)
6. Other	(2)
7. Net change in plan fiduciary net position	\$ 21,616
8. Plan fiduciary net position - beginning	32,633
9. Plan fiduciary net position - ending	<u>\$ 54,249</u>
C. Net pension liability [A.9-B.9]	<u>\$ 39,873</u>
D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	57.64%
E. Covered-employee payroll	\$ 426,976
F. Net pension liability as a percentage of covered employee payroll [C / E]	9.34%

CITY OF NOLANVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

CITY OF NOLANVILLE
SCHEDULE OF PENSION EXPENSE
SEPTEMBER 30, 2015

1.	Total Service Cost	\$ 25,471
2.	Interest on the Total Pension Liability	5,770
3.	Current Period Benefit Changes	-
4.	Employee Contributions (Reduction of Expense)	(21,349)
5.	Projected Earnings on Plan Investments (Reduction of Expense)	(2,284)
6.	Administrative Expense	19
7.	Other Changes in Fiduciary Net Position	2
8.	Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	(565)
9.	Recognition of Current Year Outflow (Inflow) of Resources - Assets	82
10.	Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	-
11.	Amortization of Prior Year Outflows (Inflows) of Resources - Assets	-
12.	Total Pension Expense	\$ 7,146

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 7.0%, 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 (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's net pension liability	\$56,958	\$39,873	\$26,432

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

CITY OF NOLANVILLE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

CITY OF NOLANVILLE
SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE
SEPTEMBER 30, 2015

	Recognition Period (or amortization <u> yrs</u>)	Total (Inflow or Outflow of <u>Resources</u>	2014 Recognized in current <u>pension expense</u>	Deferred (Inflow) Outflow <u>in future expense</u>
<u>Due to Liabilities:</u>				
Difference in expected and actual experience [actuarial (gains) or losses]	6.7620	\$ (3,823)	\$ (565)	\$ (3,258)
Difference in assumption changes [actuarial (gains) or losses]	6.7620	\$ -	\$ -	\$ -
			<u>\$ (565)</u>	<u>\$ (3,258)</u>
<u>Due to Assets:</u>				
Difference in projected and actual earnings	5.0000	\$ 409	\$ 82	\$ 327
on pension plan investments [actuarial (gains) or losses]			<u>\$ 82</u>	<u>\$ 327</u>
<u>Total:</u>				<u>\$ (2,931)</u>

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:

	Net deferred outflows (inflows) of <u>resources</u>
July 7, 1905	\$ (483)
July 8, 1905	(483)
July 9, 1905	(483)
July 10, 1905	(484)
July 11, 1905	(565)
Thereafter	<u>(433)</u>
Total	\$ (2,931)

CITY OF NOLANVILLE
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

NOTE 5 – SUPPLEMENTAL DEATH BENEFITS PLAN

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

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

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

The City’s contributions to the TMRS SDBF for the years ended 2015, 2014, and 2013 were \$7,500, \$7,500, and \$0 respectively, which equaled the required contributions each year.

TMRS records indicate the following percentages contributed by the City (as employer contributions) for the following fiscal years ending:

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2012	N/A	N/A	100%
2013	N/A	N/A	100%
2014	0.00%	0.00%	100%
2015	0.00%	0.00%	100%
2016	0.00%	(city to provide)	(city to provide)

NOTE 4 – RELATED PARTY TRANSACTIONS

In the fiscal year ended September 30, 2015, no related party transactions were considered to be material with regard to the financial statements taken as a whole.

NOTE 5 – CONTINGENCIES

5. A.1. Litigation

The attorney representing the City has indicated that there is no pending litigation that will have a material effect with regard to the financial statements taken as a whole.

REQUIRED
SUPPLEMENTARY
INFORMATION

CITY OF NOLANVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET
AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND FOR THE YEAR ENDED
SEPTEMBER 30, 2015

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Property Taxes	\$ 822,167	\$ 822,167	\$ 844,990	\$ 22,823
Franchise Taxes	186,500	186,500	196,856	10,356
Sales Taxes	203,500	203,500	282,693	79,193
General Government	59,800	59,800	70,438	10,638
Court Fines, Fees, Tech & Sec	134,000	134,000	76,688	(57,312)
Grant Income	-	-	16,730	16,730
Donations	-	-	1,000	1,000
Interest Earnings	6,500	6,500	8,343	1,843
Transfers	-	-	-	-
Miscellaneous	14,750	14,750	16,000	1,250
Total Revenues	<u>\$ 1,427,217</u>	<u>\$ 1,427,217</u>	<u>\$ 1,513,738</u>	<u>\$ 86,521</u>
Expenditures:				
Administration	\$ 364,197	\$ 729,197	\$ 362,177	\$ (367,020)
Courts	82,643	82,643	66,939	(15,704)
Police Department	357,255	357,255	297,777	(59,478)
Fire & EMS Services	72,000	72,000	67,827	(4,173)
Public Works	290,718	290,718	230,430	(60,288)
Community Center	3,600	3,600	-	(3,600)
Parks	40,400	40,400	-	(40,400)
Grant Expenditures (see capitalized)	-	-	16,730	16,730
Depreciation	-	-	204,374	204,374
Interest on Long-term Debt	99,236	99,236	91,356	(7,880)
Principal Payments & Other	120,000	120,000	135,000	15,000
Total Pension Expense	-	-	7,146	7,146
Capital Asset Additions	-	-	512,069	512,069
Total Expenditures	<u>\$ 1,430,049</u>	<u>\$ 1,795,049</u>	<u>\$ 1,991,825</u>	<u>\$ 196,776</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>\$ (2,832)</u>	<u>\$ (367,832)</u>	<u>\$ (478,087)</u>	<u>\$ (110,255)</u>
Net Changes in Fund Balances	\$ (2,832)	\$ (367,832)	\$ (478,087)	
Fund Balances - Beginning	<u>\$ 2,024,075</u>	<u>\$ 2,024,075</u>	<u>\$ 2,024,075</u>	
(GAAP Basis)				
Fund Balances - Ending	<u>\$ 2,021,243</u>	<u>\$ 1,656,243</u>	<u>\$ 1,545,988</u>	
ADJUSTMENTS TO GENERALLY ACCEPTED				
ACCOUNTING PRINCIPLES				
Current Year Encumbrances Included in Expenditures				
Deferred Outflows/Net Pension Liability			77,916	
Capital Assets			\$ 512,069	
Principal Payments on Debt			\$ 135,000	
Fund Balance, Ending (GAAP Basis)			<u>\$ 2,270,973</u>	

See accompanying notes to the financial statements.

City of Nolanville
Schedule of Changes in Net Pension Liability and Related Ratios
Last ten years (will ultimately be displayed)

Total pension liability	2014	2015	2016	2017
1. Service Cost	\$ 25,471	xxxx	xxxx	xxxx
2. Interest (on the Total Pension Liability)	5,770	xxxx	xxxx	xxxx
3. Changes of benefit terms	-			
4. Difference between expected and actual experience	(3,823)	xxxx	xxxx	xxxx
5. Changes of assumptions	-			
6. Benefit payments, including refunds of employee contributions	<u>(5,985)</u>	<u>xxxx</u>	<u>xxxx</u>	<u>xxxx</u>
7. Net change in total pension liability	\$ 21,433	xxxx	xxxx	xxxx
8. Total pension liability - beginning	<u>72,689</u>	<u>xxxx</u>	<u>xxxx</u>	<u>xxxx</u>
9. Total pension liability - ending	<u>\$ 94,122</u>	<u>xxxx</u>	<u>xxxx</u>	<u>xxxx</u>
Plan fiduciary net position				
1. Contributions - employer	\$ 4,398	xxxx	xxxx	xxxx
2. Contributions - employee	21,349	xxxx	xxxx	xxxx
3. Net investment income	1,875	xxxx	xxxx	xxxx
4. Benefit payments, including refunds of employee contributions	(5,985)	xxxx	xxxx	xxxx
5. Administrative Expense	(19)	xxxx	xxxx	xxxx
6. Other	<u>(2)</u>	<u>xxxx</u>	<u>xxxx</u>	<u>xxxx</u>
7. Net change in plan fiduciary net position	\$ 21,616	xxxx	xxxx	xxxx
8. Plan fiduciary net position - beginning	<u>32,633</u>	<u>xxxx</u>	<u>xxxx</u>	<u>xxxx</u>
9. Plan fiduciary net position - ending	<u>\$ 54,249</u>	<u>xxxx</u>	<u>xxxx</u>	<u>xxxx</u>
Net pension liability [A.9-B.9]	<u>\$ 39,873</u>	<u>xxxx</u>	<u>xxxx</u>	<u>xxxx</u>
Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	57.64%	xxxx	xxx	xxx
Covered-employee payroll	\$ 426,976	xxxx	xxx	xxx
Net pension liability as a percentage of covered employee payroll [C / E]	9.34%	xxxx	xxxx	xxx

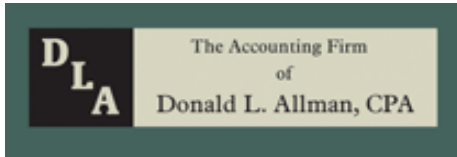
City of Nolanville
Schedule of Contributions
Last 10 Fiscal Years (will ultimately be displayed)
September 30, 2015

	2014	2015	2016	2017
Actually Determined Contribution	\$ 94,122	xxx,xxx	\$xxx,xxx	\$xxx,xxx
Contributions in relation to the actuarially determined contribution	<u>54,249</u>	<u>xxx,xxx</u>	<u>xxx,xxx</u>	<u>xxx,xxx</u>
	-		xxx,xxx	xxx,xxx
Contribution deficiency (excess)	39,873	xxx,xxx	xxx,xxx	xxx,xxx
Covered employee payroll	\$ 426,976	xxx,xxx	\$xxx,xxx	\$xxx,xxx
Contributions as a percentage of covered employee payroll	9.34%	xx.xx%	xx.xx%	xx.xx%

Noes to Schedule of Contributions

Valuation Date determined 12/31/2014
Notes

Valuation Date:	
Notes	Actuarially determined contribution rates are calculated as of December 31 and become
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 Years
Asset Valuation Method	10 Year Smoothed Market 15% Soft Corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% Including Inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009
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.



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**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**

To 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Nolanville, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise City of Nolanville, Texas' basic financial statements, and have issued our report thereon dated March 28, 2016.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Donald L. Allman, CPA, PC

Georgetown, TX

March 28, 2016

