

ANNUAL FINANCIAL REPORT

City of Nolanville, Texas

Fiscal year ended September 30, 2024



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CITY OF NOLAVILLE, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2024





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City of Nolanville, Texas

For the year ended September 30, 2024

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Financial Section

For the fiscal year ended
September 30, 2024



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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Nolanville, Texas

Opinions

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, (the "City") as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, as of September 30, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

A restatement was necessary to correct the beginning balance of the Governmental activities for an ARPA grant revenue in prior year which resulted in a decrease to governmental unrestricted net position of approximately \$204,505. See Note .B. "Prior Period Adjustment" footnote.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed on the table of contents, on pages 3-7 and 43-46. information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Vail + Park, P.C.

Frisco, Texas
September 17, 2025

City of Nolanville, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2024

As management of the City of Nolanville, Texas (the "City"), we offer readers of the City of Nolanville's financial statements this narrative overview and analysis of the financial activities of the City of Nolanville, Texas for the fiscal year ("FY") ended September 30, 2024. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- Total net position for the City of Nolanville at the close of FY24 is \$16,450,502. The unrestricted net position at the close of FY24 is \$2,363,652 and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,290,878 (9%) during fiscal year 2024.
- The General Fund's unassigned fund balance of \$2,647,775 is equivalent to 75% of the total 2024 General Fund expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and Statement of Activities. These provide information about the activities of the City as a whole and present a long-term view of the City's financial condition. They reflect the flow of total economic resources in a manner similar to the financial reports of a private-sector business.

Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. Governmental fund statements tell how services were financed in the short term, as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for funding requests and appropriations from the State.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosures for the government-wide statements and the fund financial statements.

Reporting the City as a Whole – Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities

Government-wide financial statements provide an analysis of the City's overall financial condition and operation. The primary objective of these statements is to show whether the City's financial condition has improved or deteriorated because of the year's activities.

The Statement of Net Position includes all the City's assets, deferred inflows of resources, deferred outflows of resources, and liabilities while the Statement of Activities includes all the revenue and expenses generated by the City's operations during the year. Government-wide statements utilize the accrual basis of accounting, which is the same method used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

City of Nolanville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2024

The City's revenue is divided into the following categories: 1) charges for services, 2) operating grants and contributions, and 3) general revenues not associated with any specific program function. All of the City's assets are reported whether they serve the current or future years. Liabilities are also reported regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and change in them. The City's net position provides one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City however, non-financial factors should also be considered, such as changes in the City's request for services from citizens and the condition of the City's facilities.

The Statement of Net Position and the Statement of Activities report two kinds of activities, as well as two component units.

Governmental Type Activities – City services such as police, fire protection, municipal court, parks, street maintenance, economic development and city administration are reported here. City property taxes and charges for services finance most of these activities.

Discretely Presented Component Units—The Nolanville Economic Development Corporation are reported in separate columns since it meet the requirements for discrete presentation in the financial statements.

Reporting the City's Most Significant Funds

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 one category: governmental funds.

Governmental Funds – The City reports most of its basic services in governmental funds. Governmental funds use the modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and other financial assets that can be readily converted to cash) and they report balances that are available for future spending. Governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the accounting differences between governmental activities, which are reported in the Statement of Net Position and the Statement of Activities and governmental funds in the reconciliation schedules.

City of Nolanville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2024

The table below provides a summary of the City's net position on September 30, 2024 and 2023.

TABLE I
NET POSITION

	Governmental Activities	
	2024	2023
		restated
Current and other assets	\$ 3,997,558	\$ 4,152,124
Capital assets, net of accumulated depreciation	15,836,776	15,032,360
Total assets	19,834,334	19,184,484
Deferred outflows of resources	74,878	92,917
Current payables & other liabilities	965,792	1,040,907
Long-term bonds and leases payable	2,435,660	2,822,644
Total liabilities	3,401,452	3,863,551
Deferred inflows of resources	57,357	254,326
Net assets		
Net investment in capital asset	13,164,236	12,867,678
Restricted	922,514	115,236
Unrestricted	2,363,652	2,176,610
Total net position	\$ 16,450,402	\$ 15,159,524

The table below provides a summary of the changes in the City's net position for the years ended September 30, 2024 and 2023.

	Governmental Activities	
	2024	2023
		restated
Revenues:		
Program revenues		
Charges for services	\$ 600,881	\$ 252,835
Operating grants and contributions	558,587	1,404,030
General revenues		
Property taxes	2,424,992	1,718,949
Franchise taxes	1,669,449	1,402,672
Sales taxes	274,252	268,612
Interest	207,508	162,597
Miscellaneous	220,255	71,933
Total revenues	5,955,924	5,281,628
Expenses:		
General government	1,356,182	430,677
Public safety	1,131,467	1,373,543
Public works	1,813,550	1,481,560
Development services	304,523	256,698
Interest on long term debt	59,323	52,000
Total expenses	4,665,045	3,594,478
Increase (decrease) in net assets before transfers	1,290,879	1,687,150
Net transfers	-	-
Increase (decrease) in net position	1,290,879	1,687,150
Prior period adjustment		
Net position - beginning, as restated	15,159,524	13,676,879
Prior period adjustment	-	(204,505)
Net position - ending	\$ 16,450,402	\$ 15,159,524

City of Nolanville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position serves as one useful indicator of a government's financial position. In the case of the City, net position totaled \$16,450,402 at the close of FY24. Net assets increased from the prior year's balance by \$1,290,879 (23%) during fiscal year 2024. This increase is primarily a result of greater than expected property tax and franchise tax.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by \$187,042 (9%) during 2024.

Eighty percent (80%) of the City's net position is invested in capital assets; land, buildings, streets, vehicles, electronic equipment, and infrastructure, less any outstanding debt used to acquire these assets. The City uses capital assets to provide services to the citizens they serve; consequently, these assets are not available for future spending.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

The focus of the City's governmental funds 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 fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

As the City completed the year 2024, its governmental funds, as presented in the balance sheet, reported a combined fund balance of \$3,418,493. Approximately 73% of this total amount is the unassigned fund balance, which is available for spending at the City's discretion. The remaining fund balances are restricted, assigned, or committed as further explained in the notes to the financial statements.

The General Fund is the chief operating fund of the City. At the end of the current period, the unassigned fund balance of the General Fund totaled \$2,647,775, while the total fund balance was also \$2,647,775. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total General Fund expenditures. The unassigned fund balance represents 63% of total FY24 General Fund expenditures.

The City's General Fund's revenues and other financing sources were \$4,471,350, while total expenditures and other financing uses were \$4,219,151. The General Fund had a net increase in fund balance of \$252,199.

City of Nolanville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2024

Other Analysis of the City's Funds

Budget versus Actual for the General Fund:

For the required supplemental information of budget versus actual report shown on, the statement reflects a positive budget variance of \$604,230. The largest contributing factor was that the City budgeted for considerably less revenue than was actually incurred.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment (net of depreciation) in capital assets for all activities as of September 30, 2024, is \$15,836,776 compared to \$15,032,360 at September 30, 2023. This is a net increase in capital assets of \$804,416 and is mostly attributable to additions in fiscal year 2024.

Long-term Debt

At September 30, 2024, the City had total bonded debt and contractual obligations outstanding of \$2,725,000. This is a decrease of \$350,000 from the prior year, due to timely principal payments on bonds and contractual obligations.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund reported a total unfavorable budget variance of \$699,697 before transfers. While revenues exceeded expectations by \$951,896, expenditures surpassed budgeted amounts by \$699,697. The variance in expenditures is primarily attributable to police department costs incurred during fiscal year 2024 but not expensed until the beginning of fiscal year 2025.

ECONOMIC FACTORS

The budget reflects the positive financial condition of the City, and the ongoing mission of the Nolanville City Council to provide cost-effect programs and responsive services to enhance the quality of life in Nolanville. The City accomplishes this through the utilization of sound fiscal policy directives and a conservative approach in revenue and expenditure forecasting.

The Mayor and City Council are committed to maintaining and improving the overall well-being of the City of Nolanville and improving services provided to their public citizens.

REQUESTS FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact City Hall at 101 N. 5th Street, Nolanville, Texas 76559.



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Basic Financial Statements

For the fiscal year ended
September 30, 2024



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City of Nolanville, Texas
Statement of Net Position
September 30, 2024

	Primary Government	Component Unit
	Governmental Activities	Nolanville EDC
ASSETS		
Cash and cash equivalents	\$ 3,584,583	246,807
Receivables (net of allowance for uncollectibles)	409,138	65,880
Due from Component Unit	3,837	-
Capital assets (accumulated depreciation/amortization):		
Non-depreciable	3,186,442	90,593
Capital assets, of accumulated depreciation/amortization	12,650,334	-
Total capital assets	15,836,776	90,593
Total assets	19,834,334	403,280
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow - pension related	56,894	-
Deferred outflow - OPEB related	4,731	-
Deferred charge on refunding	13,253	-
Total deferred outflows of resources	74,878	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 19,909,212	403,280
LIABILITIES		
Current liabilities:		
Accounts payable	253,797	56,296
Accrued liabilities	42,908	-
Other liabilities	243,368	-
Interest payable	26,643	-
Due to primary government	-	3,837
Non-current liabilities:		
Due within one year	348,244	-
Due in more than one year (net of unamortized bond premium)	2,435,660	-
Net Pension liability	18,949	-
Total OPEB liability	31,883	-
Total liabilities	3,401,452	60,133
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow - pension related	51,118	-
Deferred inflows - OPEB	6,239	-
Total deferred inflow of resources	57,357	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	3,458,809	60,133
NET POSITION		
Net investment in capital assets	13,164,236	90,593
Restricted	922,514	252,554
Unrestricted	2,363,652	-
TOTAL NET POSITION	\$ 16,450,402	\$ 343,147

The accompanying notes to financial statements are an integral part of this statement.

City of Nolanville, Texas
Statement of Activities
For the Year Ended September 30, 2024

Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
Primary government:						
Governmental activities:						
General government	\$ 1,356,182	\$ 331,004	\$ -	\$ -	\$ (1,025,178)	\$ -
Municipal court	831,970	158,602	-	-	(673,368)	-
Public safety	1,131,467	-	-	-	(1,131,467)	-
Public works	981,580	111,275	-	-	(870,305)	-
Parks and Recreation	304,524	-	-	558,587	254,063	-
Interest expense	59,323	-	-	-	(59,323)	-
Total governmental activities	4,665,045	600,881	-	558,587	(3,505,578)	-
Total Primary Government	\$ 4,665,045	\$ 600,881	\$ -	\$ 558,587	\$ (3,505,578)	\$ -
Component units:						
Nolanville EDC	340,134	-	-	-	-	(340,134)
Total Component Units	\$ 340,134	\$ -	\$ -	\$ -	\$ -	\$ (340,134)
Change in net position						
General revenues:						
Property taxes					\$ 2,424,992	\$ -
Sales taxes					1,669,449	333,839
Franchise fees					274,252	-
Interest					207,508	12,723
Miscellaneous					220,255	9,914
Total general revenues and transfers					4,796,456	356,476
Change in net position					1,290,878	16,342
Net position - beginning					15,364,029	326,805
Prior period adjustments (footnote B)					(204,505)	-
Net position - ending					\$ 16,450,402	\$ 343,147

The accompanying notes to financial statements are an integral part of this statement.

City of Nolanville, Texas
Balance Sheet
Governmental Funds
September 30, 2024

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,507,243	\$ 1,025,181	\$ 52,159	\$ 3,584,583
Receivables (net of allowance for uncollectibles)				
Property taxes	32,750	-	6,241	38,991
Sales and beverage taxes	263,522	-	82,417	345,939
Franchise fees	24,208	-	-	24,208
Due from other funds	3,837	-	-	3,837
Total assets	<u>2,831,560</u>	<u>1,025,181</u>	<u>140,817</u>	<u>3,997,558</u>
LIABILITIES				
Accounts payable	108,127	141,063.00	4,608	253,798
Accrued liabilities	42,908	-	-	42,908
Other liabilities	-	-	243,368	243,368
Total liabilities	<u>151,035</u>	<u>141,063</u>	<u>247,976</u>	<u>540,074</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-Property Taxes	32,750	-	6,241	38,991
Total deferred inflows of resources	<u>32,750</u>	<u>-</u>	<u>6,241</u>	<u>38,991</u>
FUND BALANCES				
Restricted for:				
Debt service	-	-	26,031	26,031
Capital improvements	-	884,118	-	884,118
Court security and technology	-	-	12,365	12,365
Committed to:				
Community projects	-	-	14,208	14,208
Unrestricted	2,647,775	-	(166,004)	2,481,771
Total fund balances	<u>2,647,775</u>	<u>884,118</u>	<u>(113,400)</u>	<u>3,418,493</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 2,831,560</u>	<u>\$ 1,025,181</u>	<u>\$ 140,817</u>	<u>\$ 3,997,558</u>

The accompanying notes to financial statements are an integral part of this statement.

City of Nolanville, Texas
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
Governmental Funds
September 30, 2024

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

Fund balance - total governmental funds		\$	3,418,493
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets - non-depreciable			3,186,442
Capital assets - net depreciable			12,650,334
Long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore, are not reported in the funds.			
Non-current liabilities due in one year	(339,370)		
Non-current liabilities due in more than one year	(2,359,124)		
Compensated absences	(56,067)		
Subscription liability	(29,343)		
Net Pension liability	(18,949)		
OPEB liability	(31,883)		
Accrued interest	(26,643)		(2,861,379)
Other long-term liabilities are not recognized as current period revenues and, therefore, are deferred in the funds.			
Deferred outflows and inflows Pension	5,776		
Deferred outflows and inflows-OPEB	(1,507)		
Deferred charge on refunding	13,253		
Property tax	38,991		56,513
Net position of governmental activities		\$	<u>16,450,403</u>

City of Nolanville , Texas
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2024

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 2,013,225	\$ -	\$ 410,100	\$ 2,423,325
Sales and beverage	1,335,610	-	333,839	1,669,449
Franchise fees	274,252	-	-	274,252
Municipal court fines	141,708	-	-	141,708
Building permits and fees	331,004	-	-	331,004
Court technology and security fees	-	-	16,894	16,894
Park development fees	1,523	-	109,752	111,275
Grant	-	321,200	237,387	558,587
Interest	153,773	53,735	-	207,508
Miscellaneous	220,255	-	-	220,255
Total revenues	<u>4,471,350</u>	<u>374,935</u>	<u>1,107,971</u>	<u>5,954,256</u>
EXPENDITURES				
Current:				
General government	1,033,127	-	289,001	1,322,128
Municipal court	831,970	-	-	831,970
Public safety	932,808	-	22,012	954,820
Public works	479,964	-	-	479,964
Parks and Recreation	213,359	-	-	213,359
Capital outlay:				
Public safety	58,000	-	8,369	66,369
General government	480,572	496,952	228,748	1,206,272
Culture and recreation	189,351	-	117,018	306,369
Debt service:				
Principal retirement	-	-	356,416	356,416
Interest and fiscal charges	-	-	54,945	54,945
Total expenditures	<u>4,219,151</u>	<u>496,952</u>	<u>1,076,508</u>	<u>5,792,611</u>
Excess (deficiency) of revenues over (under) expenditures	<u>252,199</u>	<u>(122,017)</u>	<u>31,463</u>	<u>161,645</u>
OTHER FINANCING SOURCES (USES)				
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>252,199</u>	<u>(122,017)</u>	<u>31,463</u>	<u>161,645</u>
Fund balances - beginning	2,395,576	1,006,135	59,641	3,461,352
Prior period adjustments (footnote B)	-	-	(204,505)	(204,505)
Fund balances - ending	<u>\$ 2,647,775</u>	<u>\$ 884,118</u>	<u>\$ (113,400)</u>	<u>\$ 3,418,493</u>

The accompanying notes to financial statements are an integral part of this statement.

City of Nolanville, Texas
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
to the Statement of Activities
September 30, 2024

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

Net change in fund balances - total governmental funds	\$ 161,645
Capital outlays are not reported as expenses in the Statement of Activities.	1,615,689
The depreciation of capital assets used in governmental activities is not reported in the funds.	(811,274)
Certain property tax and court revenues are unavailable in the funds. This is the change in the amounts.	1,667
Repayment of bond principal is an expenditure in the funds but is not an expense in the Statement of Activities.	356,416
(Increase) decrease in accrued interest from beginning of period to end of period and amortization of bond premium and discount.	(4,377)
Some liabilities, including compensated absences, lease liability, and subscription liability are not reported as liabilities in the governmental funds.	(53,337)
Pension and other postemployment benefits net expense are not reported in governmental funds	24,449
Change in net position of governmental activities	<u><u>\$ 1,290,878</u></u>

City of Nolanville, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

I. SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Government-wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

B. Reporting Entity

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

The accounting policies of the City conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board which is the recognized financial accounting standard-setting body for governmental entities. The notes to the financial statements are an integral part of the City's financial statements.

The City's (primary government) financial statements include its component units. The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, "The Financial Reporting Entity," in that financial statements include all organizations, activities, functions, and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City. Additionally, the primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. Accordingly, the City has included the following:

Discretely Presented Component Units

Nolanville Economic Development Corporation

The Nolanville Economic Development Corporation ("EDC") is a separate organization that is considered a component unit of the primary government. It has a separate board of directors and does not meet any of the criteria for blending and therefore is discretely presented. The EDC's financial statements are presented on the full accrual basis of accounting. Copies of the EDC's financial statements may be obtained by contacting the finance department of the City. The EDC was created by the City to enhance the economic development of the Nolanville community.

City of Nolanville, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

Basis of Presentation – Government-wide

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and proprietary fund.

Theone discretely presented component unit, Nolanville Economic Development Corporation, are shown in separate columns in the government-wide financial statements.

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

C. Basis of Presentation – Fund Financial Statements

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

The City reports the following major governmental funds:

The General Fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenue include local property taxes, sales and franchise taxes, licenses and permits, and fines and forfeitures. Expenditures include general government, public safety, public works, and culture and recreation.

The Capital Project Fund is used to account accounts for the acquisition and construction of the government's major capital facilities..

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

Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

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

City of Nolanville, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

D. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide statements of net position and statements of activities are accounted for on a flow of economic resources measurement focus, accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and component units are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The City utilizes the modified accrual basis of accounting in the governmental fund type and component units. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include charges for services and interest on temporary investments.

Property taxes, sales taxes, franchise taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

The statements of net position and statements of activities are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized in the accounting period in which they are earned, and expenses in the accounting period in which they are incurred.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

E. Budgetary Policy and Control

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and are used as a management control device. For management purposes, the City adopts budgets for all funds. An annual budget is legally adopted by the General Fund and Capital Project Fund. The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the operating budget is within a fund. Budgeted amounts presented are the original adopted budget and the budget as further amended by the City Council (if amended).

City of Nolanville, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

Continuing Appropriations

The unexpended and unencumbered appropriations, which are available and recommended for continuation to the following fiscal year, are approved by the City Council for carryover. These commitments are reported as a designation of fund balance. Encumbered appropriations lapse at year-end but are recommended to the City Council for carryover. There were no unexpended and unencumbered appropriations at year-end.

F. Use of Estimates

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

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

Nonnegotiable certificates of deposit are carried at amortized cost. The government investment pools, TexPool operate in accordance with state laws and regulations. Investments in external pools are carried at either net asset value or amortized cost, as determined by each pool's individual investment valuation method and whether there is a readily determinable fair value of the pool as of the City's fiscal year-end. In instances where pools transact at amortized cost, such as TexPool, no readily determinable fair value is deemed available.

2. Receivables and interfund transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectible accounts.

City of Nolanville, Texas
NOTES TO THE FINANCIAL STATEMENTS
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3. Property taxes

The appraisal of property within the City is the responsibility of the Bell County Appraisal Districts as required by legislation passed by the Texas Legislature. Each Appraisal District is required under such legislation to assess all property within the Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action.

The City's property tax is levied and recorded as a receivable each October 1, on the assessed value listed as of the prior January 1, for all real and business property located in the City. Taxes are delinquent on February 1 following the October 1 levy date. A statutory lien becomes effective on all property with unpaid taxes as of January 1 of the year following the assessment.

4. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Subscription assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

6. Capital assets

Capital assets, which include land, buildings and improvements, machinery and equipment and infrastructure assets (e.g., city hall building, community center, park infrastructure, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation and amortization of capital assets are estimated using the straight-line method over estimated useful lives and are charged as an expense against operations. Accumulated depreciation and amortization are reported for governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

City of Nolanville, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated lives:

Buildings	15 – 50 years
Machinery and equipment	7 – 10 years
Furniture and fixtures	7 – 10 years
Infrastructure	10 – 50 years

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. A deferred outflow of resources is reported for deferred pension and OPEB balances which are amortized over future periods.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds' balance sheet. The governmental funds report unavailable revenues from several sources, including, property taxes, court fines, and special assessments. A deferred inflow of resources is also reported for deferred pension and OPEB balances which are amortized over future periods.

The government reports deferred charges on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred as an outflow or inflow and amortized over the shorter of the life of the refunded or refunding debt.

8. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits. No liability is reported for unpaid accumulated sick leave. All vacation pay is accrued when incurred in the government-wide financial statements.

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

9. Subscription liabilities

The City contracts for noncancellable subscriptions of information technology software. The City recognizes a subscription liability and an intangible subscription asset (subscription asset) in the government-wide financial statements. The City recognizes subscription liabilities with an initial, individual value of \$5,000 or more. At the commencement of a subscription, the City measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

City of Nolanville, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

10. Unearned revenue

Funds received in advance for which all eligibility requirements have not been met are considered unearned revenue.

11. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable.

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

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

12. Leases

Lessor

The City is a lessor for noncancellable leases of property. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements related to leases include how the City determines (1.) the discount rate it uses to discount the expected lease receipts to present value, (2.) the lease term, and (3.) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases, unless there is a stated interest rate in the lease.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease receivable are composed of fixed payments from the lessee, variable payments from the lessee that are fixed in substance or that depend on an index or a rate, residual value guarantee payments from the lessee that are fixed in substance, and any lease incentives that are payable to the lessee.

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NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Lessee

The City recognizes a lease liability and intangible right-to-use lease assets in the government-wide financial statements.

The City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease right-to-use assets were initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease right-to use assets are amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a re-measurement of its leases and will remeasure the lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

13. Net position flow assumption

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net position is classified in the following categories:

- Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
- Restricted Net Position – This amount is restricted by creditors, grantors, contributors or law and regulations of other governments.
- Unrestricted Net Position – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

City of Nolanville, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

14. Fund balance flow assumptions

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

15. Fund balance policies

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable fund balances category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted fund balances are reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts in the General Fund represent intended uses established by the City Council.

Unassigned fund balances are the residual classification for the General Fund and include all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classifications are used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

City of Nolanville, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

H. Pension and Other Post-Employment Benefits (OPEB)

The City has a retirement (pension) post-employment benefits plan with Texas Municipal Retirement System (TMRS) covering substantially all employees. It is the City's policy to record the cost for such plan on the accrual basis (see Note IV).

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

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan.

For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary, calculated based on the employee's actual earnings on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

I. GASB Pronouncements Implemented by the City

The GASB has issued the following new statements:

GASB Statement No. 99, Omnibus 2022, enhances the comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Certain provisions of Statement No 99 are effective upon issuance, while other provisions are effective for fiscal years beginning after June 15, 2022, or 2023. The City has determined that the provisions applicable to the City have no impact on the City's financial statements.

GASB issued Statement No. 100, "Accounting Changes and Error Corrections-Amendment of GASB Statement No. 62," which prescribes the accounting and financial reporting for each type of accounting change and error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating the prior period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this statement are effective for reporting periods beginning after June 15, 2023. The impact of the implementation of GASB 100 is noted at Footnote V.

City of Nolanville, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

J. GASB Pronouncements Implemented by the City (continued)

GASB issued Implementation Guide No. 2023-1, "Implementation Guidance Update—2023" to provide guidance that clarifies, explains, or elaborates on GASB Statements. The requirements of this Implementation Guide apply to the financial statements of all state and local governments unless narrower applicability is specifically provided for in the pronouncement addressed by a question and answer. This Implementation Guide amends Implementation Guide No. 2019-3, Leases, Question 4.16, and Implementation Guide No. 2021-1, Implementation Guidance Update—2021, Question 4.13. The requirements of this Implementation Guide are effective for fiscal years beginning after June 15, 2023, and reporting periods thereafter. The City has seen no impact from implementing this statement.

GASB issued Statement No. 101, "Compensated Absences," that clarifies the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for financial statements for reporting periods beginning after December 15, 2023. The City is evaluating the impact that adoption of this Statement on its financial statements.

GASB issued Statement No. 102, "Certain Risk Disclosures," that clarifies the definitions & disclosure guidance for risks due to concentration or constraint. The Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow or outflow of resources and a constraint as a limitation imposed by an external party or formal action of the government's highest level of decision-making authority. The Statement requires the government to assess whether a concentration or constraint makes the primary reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of substantial impact, and whether an event associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin within the 12 months after the date the financial statements are issued. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2024. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

GASB issued Statement No. 103, "Financial Reporting Model Improvements," that attempts to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement expands requirements for the management discussion & analysis, presentation of proprietary fund statement of revenues, expenses & changes in fund net position, and information related to major component units & budgetary comparisons. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2025. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

GASB issued Statement No. 104, "Disclosure of Certain Capital Assets," to clarify the disclosure requirements related to capital assets. This Statement requires separate disclosure of capital assets arising from leases, public-private & public-public partnerships & availability payment arrangements, and subscription-based information technology arrangements, and additional disclosures for capital assets held for sale. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2025. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

City of Nolanville, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

II. RECONCILIATIONS OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” A reconciliation has been presented in the basic financial statements.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

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

Credit risk The City’s investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than “A” or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The City’s investment policy requires funds on bank deposits at the depository bank to be collateralized by securities with a collective market value (market value of the principal and accrued interest) of at least 102%. As of September 30, 2024, the market values of pledged securities and FDIC exceeded bank balances.

City of Nolanville, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

A. Deposits and Investments (continued)

TexPool is an external investment pool operated by the Texas Comptroller of Public Accounts and is not SEC registered. The Texas Interlocal Cooperation Act and the Texas Public Funds Investments Act provide for the creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments. The State Comptroller has established an advisory board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

A. Receivables

Receivables as of year-end for the City's individual major funds, and nonmajor funds in the aggregate, including the applicable allowance for uncollectible accounts, are as follows:

	Governmental Funds			
	General Fund	Nonmajor Governmental Funds	Total Governmental Funds	Economic Development Corporation
Receivables:				
Property taxes	32,750	\$ 6,241	\$ 38,991	\$ -
Sales taxes	263,522	65,880	329,402	65,880
Franchise fees	24,208	-	24,208	-
Other	-	16,537	16,537	-
Net total receivables	<u>\$ 320,480</u>	<u>\$ 88,658</u>	<u>\$ 409,138</u>	<u>\$ 65,880</u>

City of Nolanville, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

C. Capital Assets

Capital asset activity for the primary government for the year ended September 30, 2024 are as follows:

Governmental activities:	<u>September 30, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2024</u>
Capital assets not being depreciated:				
Land	\$ 59,500	\$ 5,000	\$ -	\$ 64,500
Construction in progress	2,393,680	728,262	-	3,121,942
Total capital assets not being depreciated	<u>2,453,180</u>	<u>733,262</u>	<u>-</u>	<u>3,186,442</u>
Capital assets being depreciated/amortized:				
Buildings	1,721,056	475,572	-	2,196,628
Equipment	1,040,623	57,317	-	1,097,940
Furniture & Fixtures	57,663	-	-	57,663
Street Improvements	10,628,761	-	-	10,628,761
Vehicles	1,373,403	58,000	-	1,431,403
Parks & Improvements	3,630,771	254,859	-	3,885,630
Subscription Assets	-	36,679	-	36,679
Total capital assets being depreciated/amortized	<u>18,452,277</u>	<u>882,427</u>	<u>-</u>	<u>19,334,704</u>
Less: accumulated depreciation/amortization				
Buildings	(575,463)	(55,838)	-	(631,301)
Equipment	(859,601)	(77,105)	-	(936,706)
Furniture & Fixtures	(36,406)	(2,628)	-	(39,034)
Street Improvements	(3,180,765)	(272,295)	-	(3,453,060)
Vehicles	(861,202)	(149,920)	-	(1,011,122)
Parks & Improvements	(359,660)	(246,151)	-	(605,811)
Subscription Assets	-	(7,336)	-	(7,336)
Total accumulated depreciation/amortization	<u>(5,873,097)</u>	<u>(811,273)</u>	<u>-</u>	<u>(6,684,370)</u>
Total capital assets being depreciated/amortized, net	<u>12,579,180</u>	<u>71,154</u>	<u>-</u>	<u>12,650,334</u>
Total governmental activities, net	<u>\$ 15,032,360</u>	<u>\$ 804,416</u>	<u>\$ -</u>	<u>\$ 15,836,776</u>

Capital asset activity for the discretely presented component units for the year ended September 30, 2024 are as follows:

EDC activities:	<u>September 30, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2024</u>
Capital assets not being depreciated:				
Land	\$ -	\$ 89,313	\$ -	\$ 89,313
Construction in progress	-	1,280	-	1,280
Total capital assets not being depreciated	<u>-</u>	<u>90,593</u>	<u>-</u>	<u>90,593</u>

City of Nolanville, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

D. Capital Assets (continued)

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

Governmental activities:	
General government	\$ 37,578
Public safety	179,442
Public works	503,088
Culture ad recreation	91,165
Total governmental depreciation/amortization expense	<u>\$ 811,273</u>

E. Long-term Debt

The following is a summary of outstanding debt for the year ended September 30, 2024. In general, the City uses the debt service fund to liquidate certain governmental long-term liabilities.

Description	Interest Rate	Original Balance	Yearend Balance
General Obligation Bonds:			
2016 General Obligation Refunding Bonds	1.73%	\$ 1,945,000	\$ 590,000
Certificates of Obligation:			
2020 Certificates of Obligation	1.68%	\$ 1,500,000	\$ 1,135,000
Note Payables:			
2023 State Infrastructure Bank Loan	3.56%	\$ 1,000,000	\$ 1,000,000

During the year ended September 30, 2024, the following changes occurred in liabilities reported as governmental:

	Balance September 30, 2023,	Increases	Decreases	Balance September 30, 2024	Due Within One Year
Governmental activities:					
2020 Certificates of Obligation	\$ 1,225,000	\$ -	\$ (90,000)	\$ 1,135,000	\$ 95,000
2016 General Obligation Refunding Bonds	775,000	-	(185,000)	590,000	190,000
2017 Tax Note	75,000	-	(75,000)	-	-
2023 State Infrastructure Bank Loan	1,000,000	-	-	1,000,000	54,370
Unamortized premium	(19,669)	-	6,416	(13,253)	-
Total bonded indebtedness	3,055,331	-	(343,584)	2,711,747	339,370
Compensated absences	32,073	23,994	-	56,067	-
Subscription liability	-	36,679	(7,336)	29,343	8,874
Total Governmental Obligations	<u>\$ 3,087,404</u>	<u>\$ 60,673</u>	<u>\$ (350,920)</u>	<u>\$ 2,797,157</u>	<u>\$ 348,244</u>

The City of Nolanville issues general obligation bond and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bond have been issued for both governmental and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City.

City of Nolanville, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

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

	Principal	Interest	Total
2025	\$ 339,370	\$ 69,299	\$ 408,669
2026	351,588	62,196	413,784
2027	358,897	54,787	413,684
2028	161,300	47,242	208,542
2029	163,800	43,059	206,859
2030 - 2033	1,350,045	184,406	1,534,451
	<u>\$ 2,725,000</u>	<u>\$ 460,989</u>	<u>\$ 3,185,989</u>

F. Subscription Based Information Technology Arrangement (SBITA)

The City has subscription based IT arrangements to conduct its operations, the terms of which expire 2024 through 2029. The measurement of the subscription liabilities is based on the present value of subscription payments expected to be paid during the subscription term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any subscription incentives payable.

GOVERNMENTAL ACTIVITIES:	Balance as of		Balance as of		Interest Paid	Current	Long Term
	October 1, 2023	Additions	Reductions	September 30, 2024			
Subscription Liability							
Software							
Motorola Solutions	- 36,679	7,336		29,343	2,458	8,874	20,469
Total Software Subscription Liability	- 36,679	7,336		29,343	2,458	8,874	20,469
Total Subscription Liability	- 36,679	7,336		29,343	2,458	8,874	20,469

GOVERNMENTAL ACTIVITIES:	Balance as of		Balance as of		Additions	Reductions	September 30, 2024
	October 1, 2023		October 1, 2023				
Subscription Assets							
Software							
Motorola Solutions	\$ -	\$ 36,679.00	\$ 7,336	\$ -			29,343.00
Total Software Subscription Assets	\$ -	\$ 36,679.00	\$ -	\$ -			29,343.00
Total Subscription Assets	\$ -	\$ 36,679.00	\$ -	\$ -			29,343.00
Subscription Accumulated Amortization							
Software							
Motorola Solutions	\$ -	\$ 7,336.00	\$ -	\$ -			7,336.00
Total Software Subscription Accumulated Amortization	\$ -	\$ 7,336.00	\$ -	\$ -			7,336.00
Total Subscription Accumulated Amortization	\$ -	\$ 7,336.00	\$ -	\$ -			7,336.00
Total General Fund Subscription Assets, Net	\$ -	\$ 29,343.00	\$ -	\$ -			22,007.00

City of Nolanville, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

IV. RETIREMENT COMMITMENTS

Texas Municipal Retirement Systems

A. Plan Description

The City participates as one of 934 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 annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com. All eligible employees of the City are required to participate in TMRS.

B. Benefits

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 of 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 benefits 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.

At the December 31, 2023, valuation and measurement date, the following employees were covered by the benefit terms:

	<u>2023</u>
Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	28
Active employees	<u>23</u>
Total	<u>54</u>

C. 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 (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.

City of Nolanville, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

Employees for the City were required to contribute 5% of their annual gross earnings during the calendar year. The contribution rates for the City were 5.02% and 5.08% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$67,066.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 2023, 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, 2023 actuarial valuation was determined using the following actuarial assumptions:

- 2.50% per year
- 3.60% to 11.85% per year, adjusted down for population declines, if any
- 6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. The retirement age is based on the experience-based table of rates that are specific to the City's plan of benefits. It was last updated for the 2023 valuation pursuant to an experience study of the period ending 2022. Mortality rates for post-retirement are based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

The pre-retirement members is based on the PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013.

Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long term funding needs of TMRS.

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

City of Nolanville, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	6.70%
Core Fixed Income	6.0%	4.70%
Non-Core Fixed Income	20.0%	8.00%
Other Public and Private Markets	12.0%	8.00%
Real Estate	12.0%	7.60%
Hedge Funds	5.0%	6.40%
Private Equity	10.0%	11.60%
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.

Changes in the Net Pension Liability:

	Changes in the Net Pension Liability		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2022	\$ 546,901	\$ 478,809	\$ 68,092
Changes for the year:			
Service cost	111,912	-	111,912
Interest	39,601	-	39,601
Difference between expected and actual experience	(27,785)	-	(27,785)
Changes in assumptions	(717)	-	(717)
Contributions - employer	-	57,897	(57,897)
Contributions - employee	-	58,839	(58,839)
Net investment income	-	55,774	(55,774)
Benefit payments, including refunds of employee contributions	(32,364)	(32,364)	-
Administrative expense	-	(354)	354
Other changes	-	(2)	2
Net changes	90,647	139,790	(49,143)
Balance at 12/31/2023	\$ 637,548	\$ 618,599	\$ 18,949

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 using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	Sensitivity of the Net Pension Liability to Changes in the Discount Rate		
	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 124,211	\$ 18,949	\$ (66,035)

City of Nolanville, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

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.

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

For the year ended September 30, 2024, the City recognized pension expense of \$ 42,588. At September 30, 2024, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Schedule of Deferred Outflows and Inflows of Resources	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 7,012	\$ -
Changes in actuarial assumptions	-	552
Difference between projected and actual investment earnings	-	50,566
Contributions subsequent to the measurement date	49,882	-
Total	<u>\$ 56,894</u>	<u>\$ 51,118</u>

\$49,882 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, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31</u>	<u>Amount</u>
2024	\$ (15,787)
2025	(14,793)
2026	(5,525)
2027	(8,001)
2028	-
Thereafter	-
Total	<u>\$ (44,106)</u>

Other Post-Employment Benefits (OPEB) Plan

A. Plan Description

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). 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 or not including retirees. Employers 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 City has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting.

City of Nolanville, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

B. Benefits Provided

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 another post-employment benefit ("OPEB") and is a fixed amount of \$7,500. At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

	2023
Inactive Employees or Beneficiaries Currently Receiving Benefits	3
Inactive Employees Entitled to but Not Yet Receiving Benefits	8
Active Employees	23
	<u>34</u>

C. Contributions

The member 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.

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

Contribution rates to the SDBF for the City were 0.03% and 0.03% for calendar years 2023 and 2024 respectively. The City's contributions to the SDBF for the year ended September 30, 2024, were \$314 .

D. Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2023, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

City of Nolanville, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

Inflation	2.50%
Overall payroll growth	3.60% to 11.85% including inflation
Discount rate	3.77%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.

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

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 3.77%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

Changes in Total OPEB Liability:

	Increase/(Decrease) Total OPEB Liability
Balance at 12/31/2022	\$ 26,345
Changes for the Year:	
Service Cost	2,118
Interest on Total OPEB Liability 1,103	1,103
Differences between expected and actual experience	193
Changes in assumptions or other inputs	2,477
Benefit Payments	(353)
Balance at 12/31/2023	<u>\$ 31,883</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.77%, 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 (2.77%) or 1 percentage-point higher (4.77%) than the current rate:

	1% Decrease 2.77%	Discount Rate 3.77%	1% Increase 4.77%
City's total OPEB liability	\$41,181	\$31,883	\$25,161

City of Nolanville, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

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

For the year ended September 30, 2024, the City recognized OPEB expense of \$3,721. At September 30, 2024, 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 & Actual Economic Experience (net of current year amortization)	\$ -	\$ 1,991
Changes in Actuarial Assumptions	-	(6,239)
Differences Between Projected & Actual Investment Earnings (net of current year amortization)	-	-
Contributions Subsequent to the Measurement Date	2,740	-
Total	<u>\$ 2,740</u>	<u>\$ (4,248)</u>

The \$2,740 reported as deferred outflows of resources related to OPEB resulting from changes in assumptions and other inputs will reduce the Total OPEB liability during the year ending September 30, 2025.

The other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	Amount
2024	\$ (343)
2025	(343)
2026	(513)
2027	(383)
2028	(1,254)
Thereafter	(1,412)
Total	<u>\$ (4,248)</u>

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, business interruption, errors and omissions, injuries to employees, employee health benefits, and other claims of various natures. The City participates in the Texas Municipal League Intergovernmental Risk Pool (Pool) which provides protection against risks of loss. Premiums are paid to the Pool which retains the risk of loss beyond the City's policy deductibles. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the City's general purpose financial statements.

City of Nolanville, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

B. Prior Period Adjustments

During the fiscal year ended September 30, 2024, the Town Management corrected the beginning balance of ARPA grant revenue causing a prior period adjustment, as follows:

Description	Amount
Grant Fund Balance, as Originally Reported	\$ 85,894
Decrease in ARPA grant revenue	(204,505)
Grant Fund Balance, as Restated	<u>\$ (118,611)</u>

Description	Amount
Net Position of Governmental Activities, as Originally Reported	\$ 15,364,029
Decrease in ARPA grant revenue	(204,505)
Net Position of Governmental Activities, as Restated	<u>\$ 15,159,524</u>

C. Excess of Expenditures Over Appropriations

For the year ended September 30, 2024, the General Fund exceeded appropriations at the legal level of control in the amount of \$699,697. Management has implemented procedures to ensure future compliance

D. Subsequent Events

Subsequent to September 30, 2024, a lawsuit was filed against the City on November 7, 2024, related to a Police Department incident, and was dismissed with prejudice on March 31, 2025. There is no financial impact prior to September 30, 2024.

Additionally, the City council approved large construction project in 2025 in combination with TxDot.

There were no other material subsequent events through September 17, 2025, the date the financial statements were available to be issued.



Required Supplementary Information

For the fiscal year ended
September 30, 2024



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City of Nolanville, Texas
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budgetary and Actual
For the Year Ended September 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 1,889,320	\$ 1,889,320	\$ 2,013,225	\$ 123,905
Sales and beverage	1,082,054	1,082,054	1,335,610	253,556
Franchise	222,500	222,500	274,252	51,752
Municipal court fines	173,000	173,000	141,708	(31,292)
Building permits and fees	106,630	106,630	331,004	224,374
Park development fees	-	-	1,523	1,523
Intergovernmental	1,250	1,250	-	(1,250)
Interest	24,000	24,000	153,773	129,773
Miscellaneous	20,700	20,700	220,255	199,555
Total revenues	<u>3,519,454</u>	<u>3,519,454</u>	<u>4,471,350</u>	<u>951,896</u>
EXPENDITURES				
Current:				
General government	770,061	770,061	1,033,127	(263,066)
Municipal court	84,696	84,696	831,970	(747,274)
Public safety	1,696,377	1,696,377	932,808	763,569
Public works	666,102	666,102	479,964	186,138
Parks and Recreation	302,218	302,218	213,359	88,859
Capital outlay:				
Public safety	-	-	58,000	(58,000)
Public works	-	-	480,572	(480,572)
Culture and recreation	-	-	189,351	(189,351)
Total expenditures	<u>3,519,454</u>	<u>3,519,454</u>	<u>4,219,151</u>	<u>(699,697) *</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>252,199</u>	<u>252,199</u>
OTHER FINANCING SOURCES (USES)				
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>252,199</u>	<u>252,199</u>
Fund balances - beginning	<u>2,395,576</u>	<u>2,395,576</u>	<u>2,395,576</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,395,576</u>	<u>\$ 2,395,576</u>	<u>\$ 2,647,775</u>	<u>\$ 252,199</u>

Notes to Required Supplementary Information

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

*2. Expenditures exceeded appropriations at the legal level of control.

City of Nolanville, Texas
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Texas Municipal Retirement System
Last Ten Measured Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
A. Total pension liability										
Service cost	\$ 25,471	\$ 29,816	\$ 32,551	\$ 34,407	\$ 41,572	\$ 46,265	\$ 56,265	\$ 86,704	\$ 96,138	\$ 111,912
Interest	5,770	7,456	9,592	12,107	14,405	17,036	21,312	28,366	33,204	39,601
Change of benefit terms	-	-	-	-	-	-	-	31,716	-	-
Difference between expected and actual experience	(3,823)	(3,724)	2,346	(5,941)	(8,211)	3,237	(4,168)	(32,077)	(24,386)	(27,785)
Changes of assumptions	-	5,929	-	-	-	(54)	-	-	-	(717)
Benefit payments, including refunds of employee contributions	(5,985)	(5,030)	(5,477)	(10,838)	(9,381)	(12,888)	(3,397)	(28,276)	(3,797)	(32,364)
Net Change in Total Pension Liability	21,433	34,447	39,012	29,735	38,385	53,596	70,012	86,433	101,159	90,647
Total Pension Liability - Beginning	72,689	94,122	128,569	167,581	197,316	235,701	289,297	359,309	445,742	546,901
Total Pension Liability - Ending (a)	\$ 94,122	\$ 128,569	\$ 167,581	\$ 197,316	\$ 235,701	\$ 289,297	\$ 359,309	\$ 445,742	\$ 546,901	\$ 637,548
B. Plan Fiduciary Net Position										
Contributions - employer	\$ 4,398	\$ 7,326	\$ 9,340	\$ 11,296	\$ 14,166	\$ 16,035	\$ 18,322	\$ 17,913	\$ 51,402	\$ 57,897
Contributions - employee	21,349	23,330	24,735	25,909	30,931	34,578	43,215	46,168	51,301	58,839
Net investment income	1,875	80	5,427	15,853	(4,699)	29,097	19,377	43,302	(30,021)	55,774
Benefit payments, including refunds of employee contributions	(5,985)	(5,030)	(5,477)	(10,838)	(9,381)	(12,888)	(3,397)	(28,276)	(3,797)	(32,364)
Administrative expense	(19)	(49)	(61)	(82)	(90)	(162)	(125)	(200)	(259)	(353)
Other changes	(2)	(2)	(3)	(4)	(5)	(4)	(5)	3	309	(2)
Net Change in Plan Fiduciary Net Position	21,616	25,655	33,961	42,134	30,924	66,658	77,389	78,912	68,936	139,792
Plan Fiduciary Net Position - Beginning	32,633	54,249	79,904	113,865	155,998	186,922	253,580	330,965	409,873	478,810
Plan Fiduciary Net Position - Ending (b)	54,249	79,904	113,865	155,999	186,922	253,580	330,965	409,873	478,810	618,602
C. Net Pension Liability - Ending (a) - (b)	\$ 39,873	\$ 48,665	\$ 53,716	\$ 41,317	\$ 48,779	\$ 35,717	\$ 28,344	\$ 35,869	\$ 68,091	\$ 18,946
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	57.64%	62.15%	67.95%	79.06%	79.30%	87.65%	92.11%	91.95%	87.55%	97.03%
E. Covered Employee Payroll	\$ 426,976	\$ 466,601	\$ 494,696	\$ 518,178	\$ 618,629	\$ 691,557	\$ 864,293	\$ 923,368	\$ 1,026,014	\$ 1,176,780
F. Net Pension Liability as a Percentage of Covered Employee Payroll	9.34%	10.43%	10.86%	7.97%	7.89%	5.16%	3.28%	3.88%	6.64%	1.61%

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

City of Nolanville, Texas
Required Supplementary Information
Schedule of Contributions
Texas Municipal Retirement System
Last Ten Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2023	2024
Actuarially Determined Contribution	6,403	9,049	8,374	13,519	15,275	17,329	17,847	18,954	55,269	70,741
Contributions in relation to the actuarially determined contribution	(6,403)	(9,049)	(8,374)	(13,519)	(15,275)	(17,329)	(17,847)	(18,954)	(55,269)	(70,741)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered employee payroll	445,319	500,850	508,296	596,794	660,442	800,011	896,842	1,003,267	1,117,907	1,404,921
Contributions as a percentage of covered employee payroll	1.44%	1.81%	1.65%	2.27%	2.31%	2.17%	1.99%	1.89%	4.94%	5.04%

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

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	17 Years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes

There were no benefit changes during the year.

City of Nolanville, Texas
Required Supplementary Information
Schedule of Changes in Total OPEB Liability and Related Ratios
Texas Municipal Retirement System
Last Ten Measured Years

	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability							
Service Cost	\$ 2,118	\$ 3,283	\$ 2,678	\$ 2,074	\$ 2,074	\$ 2,227	\$ 1,710
Interest (on the Total OPEB Liability)	1,103	852	768	733	683	567	493
Differences between expected and actual experience	193	(828)	2,392	1,861	(453)	444	-
Changes in assumptions or other inputs	2,477	(21,545)	2,017	6,954	6,037	(1,837)	1,700
Benefit payments	(353)	(205)	(277)	(86)	(69)	(62)	(52)
Net Change in Total OPEB Liability	5,538	(18,443)	7,578	11,536	8,272	1,339	3,851
Total OPEB Liability - Beginning	26,344	44,787	37,209	25,673	17,401	16,062	12,211
Total OPEB Liability - Ending (a)	\$ 31,882	\$ 26,344	\$ 44,787	\$ 37,209	\$ 25,673	\$ 17,401	\$ 16,062
Covered Payroll	\$ 1,176,780	\$ 1,026,014	\$ 923,368	\$ 864,293	\$ 691,557	\$ 618,629	\$ 518,178
Total OPEB Liability as a Percentage of Covered Payroll	2.71%	2.57%	4.85%	4.31%	3.71%	2.81%	3.10%

NOTES TO SCHEDULE OF TOTAL OPEB LIABILITY

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



Combining Nonmajor Fund Financial Statements

For the fiscal year ended
September 30, 2024



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City of Nolanville, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2024

	Special Revenue Funds							Total
	Crossing Guard Fund	Court Technology Fund	Court Security Fund	Public Safety Fund	Maintenance Fund	Grants Fund	Debt Service Fund	Nonmajor Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 14,566	\$ 2,162	\$ 10,203	\$ (803)	\$ -	\$ -	\$ 26,031	\$ 52,159
Sales and beverage taxes receivable	-	-	-	-	65,880	16,537	6,241	88,658
Total assets	14,566	2,162	10,203	(803)	65,880	16,537	32,272	140,817
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	358	-	-	-	4,250	-	-	4,608
Other liabilities	-	-	-	-	70,339	173,029	-	243,368
Total liabilities	358	-	-	-	74,589	173,029	-	247,976
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	-	-	-	-	-	-	6,241	6,241
Total deferred inflows of resources	-	-	-	-	-	-	6,241	6,241
Fund balances:								
Restricted for:								
Court security and technology	-	2,162	10,203	-	-	-	-	12,365
Debt service	-	-	-	-	-	-	26,031	26,031
Committed for:								
Special revenue	14,208	-	-	-	-	-	-	14,208
Unassigned	-	-	-	(803)	(8,709)	(156,492)	-	(166,004)
Total fund balances	14,208	2,162	10,203	(803)	(8,709)	(156,492)	26,031	(113,400)
Total liabilities and fund balances	\$ 14,566	\$ 2,162	\$ 10,203	\$ (803)	\$ 65,880	\$ 16,537	\$ 32,272	\$ 140,816

City of Nolanville, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended September 30, 2024

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Crossing Guard Fund	Court Technology Fund	Court Security Fund	Public Safety Fund	Street Maintenance Fund	Grants Fund	Debt Service Fund
REVENUES							
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 410,100
Sales and beverage	-	-	-	-	333,839	-	333,839
Court technology and security fees	-	4,631	5,466	-	-	-	10,097
Park development fees	-	-	-	-	-	109,752	109,752
Municipal court fines	6,797	-	-	-	-	-	6,797
Grant	-	-	-	-	-	237,387	237,387
	<u>6,797</u>	<u>4,631</u>	<u>5,466</u>	<u>-</u>	<u>333,839</u>	<u>347,139</u>	<u>410,100</u>
							<u>1,107,971</u>
EXPENDITURES							
Current:							
General government	5,505	3,757	106	-	274,843	-	4,790
Public safety	-	-	-	-	-	22,012	-
Capital outlay:							
General government	-	-	-	-	-	228,748	-
Public safety	-	-	-	-	-	8,369	-
Culture and recreation	-	-	-	-	-	117,018	-
Debt service:							
Principal retirement	-	-	-	-	-	6,416	350,000
Interest	-	-	-	-	-	2,458	52,487
Total expenditures	<u>5,505</u>	<u>3,757</u>	<u>106</u>	<u>-</u>	<u>274,843</u>	<u>385,020</u>	<u>407,277</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,292</u>	<u>874</u>	<u>5,360</u>	<u>-</u>	<u>58,996</u>	<u>(37,882)</u>	<u>2,823</u>
							<u>31,463</u>
OTHER FINANCING SOURCES (USES)							
Total other financing sources and uses	-	-	-	-	-	-	-
Net change in fund balances	<u>1,292</u>	<u>874</u>	<u>5,360</u>	<u>-</u>	<u>58,996</u>	<u>(37,882)</u>	<u>2,823</u>
Fund balances - beginning	<u>12,916</u>	<u>1,288</u>	<u>4,843</u>	<u>(803)</u>	<u>(67,705)</u>	<u>85,894</u>	<u>23,208</u>
Prior period adjustments	-	-	-	-	-	(204,505)	-
Fund balances - ending	<u>\$ 14,208</u>	<u>\$ 2,162</u>	<u>\$ 10,203</u>	<u>\$ (803)</u>	<u>\$ (8,709)</u>	<u>\$ (156,492)</u>	<u>\$ 26,031</u>
							<u>\$ (113,399)</u>



Budgetary Comparison Information

For the fiscal year ended
September 30, 2024



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City of Nolanville, Texas
Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budgetary and Actual
For the Year Ended September 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 53,735	\$ 53,735 *
Grant revenue	-	-	321,200	321,200 *
Total revenues	-	-	374,935	374,935
EXPENDITURES				
Capital outlay:				
General government	-	-	\$ 496,952	(496,952) *
Total expenditures	-	-	496,952	(496,952)
Excess (deficiency) of revenues over (under) expenditures	-	-	(122,017)	(122,017)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	-	-	(122,017)	(122,017)
Fund balances - beginning	1,006,135	1,006,135	1,006,135	-
Fund balances - ending	<u>\$ 1,006,135</u>	<u>\$ 1,006,135</u>	<u>\$ 884,118</u>	<u>\$ (122,017)</u>

Notes to Required Supplementary Information

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

*2. Expenditures exceeded appropriations at the legal level of control.



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Compliance and Internal Control Section

For the fiscal year ended
September 30, 2024



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INDEPENDENT AUDITOR'S 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 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Nolanville, Texas (the "City"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 30, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items, 2024-001 and 2024-002. that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's 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 financial statements. 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*.

City of Nolanville, Texas Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Nolanville, Texas' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City of Nolanville, Texas' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 that reads "Vail + Park, P.C." The signature is written in a cursive, flowing style.

Frisco, Texas

September 17, 2025

City of Nolanville
Management Recommendations and Responses
For the Year Ended September 30, 2024

Finding No. 2024-01: Subscription-based Information Technology Arrangements (SBITA)

Type of Finding: Significant Deficiency

Criteria: The City did not properly implement the requirements of GASB 96.

Recommendations: We recommend that the City review its software subscription contracts to assess whether they fall within the scope of GASB 96. This process should include a detailed evaluation of each contract's components to determine whether capitalization of the contract costs is appropriate under the standard.

Management's responses: Management acknowledges the finding and recognizes the importance of implementing GASB 96. The City will begin evaluating its software subscription contracts to determine applicability under the standard. This will include a thorough review of contract elements and components to assess capitalization requirements. Management also plans to provide relevant training to staff and establish ongoing review procedures to ensure continued compliance.

Finding No. 2024-02: Lack of Procedures to Reconcile Deferred Revenue

Type of Finding: Significant Deficiency

Criteria: The City currently lacks formal procedures to reconcile deferred revenue accounts with current-year governmental revenues.

Recommendations: We recommend that management establish and perform regular reconciliations of deferred revenue balances against supporting schedules and contractual documentation. This will help ensure accurate financial reporting and alignment with applicable accounting standards.

Management's responses: Management agrees with the recommendation and will develop clear policies and procedures to ensure deferred revenue is properly recorded and reconciled with current-year governmental revenues. These procedures will be designed to strengthen internal controls and improve the accuracy of financial reporting.

City of Nolanville
Summary Schedule of Prior Year Findings and Responses
For the Year Ended September 30, 2024

Finding 2023-001:

Issue: The City lacked proper controls within their closing process to ensure information was recorded consistently with GAAP.

Corrective action planned: Management of the City will continue to work with the auditor to reduce the number of adjusting journal entries. In addition, they will take steps to further their understanding of GAAP financials and footnote disclosures.