

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

**September 30, 2016**

***ALTON D. THIELE, P. C.***

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**CITY OF NOLANVILLE, TEXAS**  
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# **ALTON D. THIELE, P. C.**

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## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely component unit, each major fund, and the aggregate remaining fund information of the City of Nolanville, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. The financial statements of the City of Nolanville, Texas as of September 30, 2015, were audited by other auditors whose report, dated March 28, 2016, expressed an unmodified opinion on those statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nolanville, Texas, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

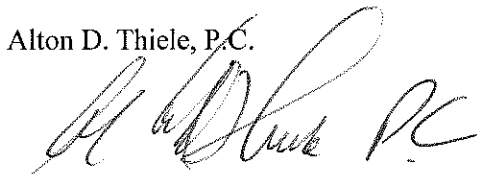
*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, on pages 3–8, budgetary comparison information, on page 34, and employee retirement and post-employment benefit information, on pages 36-37, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2017, on our consideration of the City of Nolanville, Texas’ internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

Alton D. Thiele, P.C.



Belton, Texas  
March 17, 2017

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

CITY OF NOLANVILLE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Nolanville's (the City) financial performance provides an overview and analysis of the City's financial activities for the year ended September 30, 2016. Please read it in conjunction with the Independent Auditors' Report on pages 1-2, and the accompanying basic financial statements.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the year by \$2,202,008 (net position).
- During the year, the City had total expenses of \$1,364,540 compared to revenues of \$1,504,442, resulting in an increase in its net position by \$139,902.
- The City's investment in capital assets totaled \$3,160,345 net of accumulated depreciation of \$2,676,342.
- Total debt of \$1,925,000 was reduced by \$135,000 during the year.

### Overview of the Financial Statements

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

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

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

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

CITY OF NOLANVILLE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

CITY OF NOLANVILLE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position.** The City's assets exceed liabilities by \$2,202,008 as of September 30, 2016. A large portion of the City's net position reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. (See Table I).

**Table I  
NET POSITION**

	Governmental Activities			
	2016	2015	Change	% Change
Current and other assets	\$ 1,165,468	\$ 1,435,235	\$ (269,767)	-18.8%
Capital assets, net	3,160,345	3,096,223	64,122	2.1%
Total assets	4,325,813	4,531,458	(205,645)	-16.7%
Deferred outflows of resources	9,329	18,418	(9,089)	-49.3%
Total deferred outflows of resources	9,329	18,418	(9,089)	-49.3%
Current liabilities	159,469	179,030	(19,561)	-10.9%
Noncurrent liabilities	1,973,665	2,099,873	(126,208)	-6.0%
Total liabilities	2,133,134	2,278,903	(145,769)	-16.9%
Net position:				
Net investment in capital assets	1,235,345	1,036,223	199,122	19.2%
Restricted for:				
Debt service	220,248	220,802	(554)	-0.3%
Unrestricted	746,415	1,013,948	(267,533)	-26.4%
Total net position	\$ 2,202,008	\$ 2,270,973	\$ (68,965)	-7.4%



CITY OF NOLANVILLE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

**Changes in Net Position.** Revenues totaled \$1,504,442 for the year, a decrease of \$9,296 from the prior year. A decrease in sales and franchise taxes is the primary cause of the reduction. Expenses totaled \$1,364,540 for the year, an increase of \$97,700. This increase was primarily the result of higher expenses in public safety and public works. (See Table II).

**Table II  
CHANGES IN NET POSITION**

	Governmental		Change	% Change
	Activities			
	2016	2015		
Revenues				
Program Revenues:				
Charges for services	\$ 63,360	\$ 70,438	\$ (7,078)	-10.0%
Grant income	-	16,730	(16,730)	-100.0%
General Revenues:				
Property tax	902,837	844,990	57,847	6.8%
Sales tax	227,161	282,693	(55,532)	-19.6%
Franchise and other taxes	170,116	196,856	(26,740)	-13.6%
Fines and court fees	102,203	76,688	25,515	33.3%
Interest income	7,536	8,343	(807)	-9.7%
Other income	31,229	17,000	14,229	83.7%
Total revenues	1,504,442	1,513,738	(9,296)	-29.1%
Expenses:				
General government	399,035	415,892	(16,857)	-4.1%
Judicial	74,469	66,939	7,530	11.2%
Public safety	425,366	382,590	42,776	11.2%
Public works	379,868	310,063	69,805	22.5%
Interest	85,802	91,356	(5,554)	-6.1%
Total Expenses	1,364,540	1,266,840	97,700	34.8%
Change in position	139,902	246,898	(106,996)	-63.9%
Net position - beginning	2,270,973	2,024,075	246,898	12.2%
Prior period adjustment	(208,867)	-	(208,867)	100.0%
Net position - ending	\$ 2,202,008	\$ 2,270,973	\$ (68,965)	-51.7%

CITY OF NOLANVILLE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

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

As the City completed the year, its general fund (as presented in the balance sheet on page 11) reported a total fund balance of \$1,211,018 (a decrease from prior year of \$60,041). This decrease was largely due to capital outlays.

**General Fund Budget Highlights.** Actual revenues were \$1,498,247, which were lower than budgeted revenues of \$2,213,736 due to budgeted grant funds not being received by fiscal year end. Actual expenditures were \$1,558,288 which were lower than the budgeted expenditures of \$2,231,251. Majority of budgeted grant expenses had not occurred before fiscal year end. The budget is presented in the required supplemental information section on page 34.

CITY OF NOLANVILLE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At September 30, 2016, the City had invested \$3,160,345 in capital assets (net of accumulated depreciation of \$2,676,342), including equipment and land. Major additions were ongoing grant projects, a police vehicle and street improvements.

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

**Debt**

At year-end, the City had \$1,925,000 in total debt. This decrease of \$135,000 was the result of principal payments. More detailed information about the City's long-term debt is presented in the Notes to the Financial Statements starting on page 25.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City's officials considered many factors when setting the fiscal year 2016 budget and tax rates. Some of those factors include the economy and the anticipated needs of the City for operations and capital outlay in the next year.

The City adopted a \$2,907,710 budget for all funds and departments for fiscal year 2016-2017, reflecting a deficit balance of \$216,247. It will be funded primarily through property taxes, sales and franchise taxes, and court fines.

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

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

**BASIC FINANCIAL STATEMENTS**  
**(Government-Wide)**

**CITY OF NOLANVILLE, TEXAS**  
**STATEMENT OF NET POSITION**  
**September 30, 2016**

	<u>Primary Government</u>		<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Total</u>	<u>Nolanville Economic Development Corporation</u>
<b>ASSETS</b>			
Cash	\$ 46,085	\$ 46,085	\$ 15,399
Investments	866,440	866,440	180,212
Accounts receivable, net	25,371	25,371	-
Due from Nolanville Economic Development Corporation, net	7,324	7,324	-
Capital assets, net	3,160,345	3,160,345	-
Restricted assets:			
Cash and investments	220,248	220,248	-
Total assets	<u>4,325,813</u>	<u>4,325,813</u>	<u>195,611</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	9,329	9,329	-
Total deferred outflows of resources	<u>9,329</u>	<u>9,329</u>	<u>-</u>
<b>LIABILITIES</b>			
Accounts payable	131,196	131,196	72
Payroll liabilities	3,946	3,946	-
Due from General Fund	-	-	6,798
Accrued liabilities	24,327	24,327	1,696
Noncurrent liabilities			
Due within one year	140,000	140,000	-
Due in more than one year	1,785,000	1,785,000	-
Net pension liability	48,665	48,665	-
Total liabilities	<u>2,133,134</u>	<u>2,133,134</u>	<u>8,566</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,235,345	1,235,345	-
Restricted for:			
Debt service	220,248	220,248	-
Unrestricted	746,415	746,415	187,045
Total net position	<u>\$ 2,202,008</u>	<u>\$ 2,202,008</u>	<u>\$ 187,045</u>

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

**CITY OF NOLANVILLE, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2016**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>	<u>Component Unit</u>	<u>Nolanville Economic Development Corporation</u>
				<u>Governmental Activities</u>	<u>Total</u>	
<b>Primary Government:</b>						
Governmental activities:						
General government	\$ 399,035	\$ 63,360	\$ -	\$ (335,675)	\$ (335,675)	\$ -
Judicial	74,469	-	-	(74,469)	(74,469)	-
Public safety	425,366	-	-	(425,366)	(425,366)	-
Public works	379,868	-	-	(379,868)	(379,868)	-
Interest expense	85,802	-	-	(85,802)	(85,802)	-
Total governmental activities	<u>1,364,540</u>	<u>63,360</u>	<u>-</u>	<u>(1,301,180)</u>	<u>(1,301,180)</u>	<u>-</u>
 Total primary government	 <u>\$1,364,540</u>	 <u>\$ 63,360</u>	 <u>\$ -</u>	 <u>(1,301,180)</u>	 <u>(1,301,180)</u>	 <u>-</u>
<b>Component units:</b>						
Nolanville Economic Development Corporation	\$ 38,894	\$ -	\$ -	-	-	(38,894)
Total component units	<u>\$ 38,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>(38,894)</u>
 General revenues:						
Property taxes				902,837	902,837	-
Sales tax				227,161	227,161	45,432
Franchise taxes				170,116	170,116	-
Transfers				-	-	-
Rental				12,000	12,000	-
Fines and fees				102,203	102,203	-
Interest earned				7,536	7,536	480
Other income				19,229	19,229	2,000
Total general revenues				<u>1,441,082</u>	<u>1,441,082</u>	<u>47,912</u>
Changes in position				<u>139,902</u>	<u>139,902</u>	<u>9,018</u>
Net position - beginning of year				2,270,973	2,270,973	185,858
Adjustments for prior periods				<u>(208,867)</u>	<u>(208,867)</u>	<u>(7,830)</u>
Net position - beginning of year, as adjusted				<u>2,062,106</u>	<u>2,062,106</u>	<u>178,028</u>
Net position - end of year				<u>\$ 2,202,008</u>	<u>\$ 2,202,008</u>	<u>\$ 187,046</u>

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

**BASIC FINANCIAL STATEMENTS**  
**(The Funds)**

**CITY OF NOLANVILLE, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**September 30, 2016**

	<b>General</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash	\$ 46,063	\$ 22	\$ 46,085
Investments	866,440	-	866,440
Accounts receivable, net	18,981	6,390	25,371
Due from other funds and entities	7,324	45,550	52,874
Restricted assets:			
Cash and investments	-	220,248	220,248
<b>Total assets</b>	<b>\$ 938,808</b>	<b>\$ 272,210</b>	<b>\$ 1,211,018</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 131,196	\$ -	\$ 131,196
Payroll liabilities	3,946	-	3,946
Accrued liabilities	24,327	-	24,327
Due to other funds	45,550	-	45,550
<b>Total liabilities</b>	<b>205,019</b>	<b>-</b>	<b>205,019</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Unavailable revenue:			
Property taxes	15,242	5,132	20,374
<b>Total deferred inflow of resources</b>	<b>15,242</b>	<b>5,132</b>	<b>20,374</b>
<b>FUND BALANCE</b>			
Restricted	-	220,248	220,248
Unassigned	718,547	46,830	765,377
<b>Total fund balance</b>	<b>718,547</b>	<b>267,078</b>	<b>985,625</b>
<b>Total liabilities, deferred inflow of resources and fund balance</b>	<b>\$ 938,808</b>	<b>\$ 272,210</b>	<b>\$ 1,211,018</b>

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



**CITY OF NOLANVILLE, TEXAS**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**September 30, 2016**

Total fund balance – governmental funds (page 11) \$ 985,625

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

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

Land	59,500	
Buildings and street improvements	2,964,810	
Vehicles	556,643	
Grant projects	1,572,423	
Equipment and furniture	683,311	
Accumulated depreciation	<u>(2,676,342)</u>	
Net Capital Assets		3,160,345

Some revenues in the governmental fund are recorded as deferred inflow of resources because they are not collected within the prescribed time period (60 days) after yearend, and are therefore unavailable resources. On the accrual basis, however, those revenues would be recognized, regardless of when they are collected. 20,373

Certain pension contributions and changes in pension plan net position are reported as deferred outflows of resources in the statement of net position, but are reported as expenses in the governmental funds. 9,330

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

Long-term debt	(1,925,000)	
Net pension liability	<u>(48,665)</u>	
Total		<u>(1,973,665)</u>

Net position of governmental activities (page 9) \$ 2,202,008

The accompanying notes are an integral part of the financial statements

**CITY OF NOLANVILLE, TEXAS**  
**STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended**  
**September 30, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>REVENUE</b>			
Property tax	\$ 670,112	\$ 226,530	\$ 896,642
Sales taxes	227,161	-	227,161
Franchise and other taxes	170,116	-	170,116
Fines	102,203	-	102,203
Charges for services	63,360	-	63,360
Rental	12,000	-	12,000
Interest	7,536	-	7,536
Other income	19,229	-	19,229
Total revenue	<u>1,271,717</u>	<u>226,530</u>	<u>1,498,247</u>
<b>EXPENDITURES</b>			
General government	365,424	3,894	369,318
Judicial	74,329	-	74,329
Public safety	405,954	-	405,954
Public works	221,649	-	221,649
Debt service:			
Principal	-	135,000	135,000
Interest	-	85,802	85,802
Capital outlay	266,236	-	266,236
Total expenditures	<u>1,333,592</u>	<u>224,696</u>	<u>1,558,288</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(61,875)</u>	<u>1,834</u>	<u>(60,041)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Contributions and grants	-	-	-
Fund transfers	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>(61,875)</u>	<u>1,834</u>	<u>(60,041)</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	1,035,403	220,802	1,256,205
<b>ADJUSTMENTS FOR PRIOR PERIOD</b>	<u>(254,981)</u>	<u>44,442</u>	<u>(210,539)</u>
<b>FUND BALANCE, BEGINNING OF YEAR, AS ADJUSTED</b>	<u>780,422</u>	<u>265,244</u>	<u>1,045,666</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 718,547</u>	<u>\$ 267,078</u>	<u>\$ 985,625</u>

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

**CITY OF NOLANVILLE, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2016**

Net change in fund balances – total governmental funds (page 13)	\$ (60,041)
Amounts reported for governmental activities in the statement of activities are different because:	
The issuance of long-term debt provides current financial resources in the general fund, but issuing debt increases long-term liabilities in the statement of net position.	-
Long-term debt principal payments are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the statement of net position.	135,000
Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflow of resources in the governmental fund. This is the net change from the previous period.	6,194
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	60,560
Pension-related expenses do not require the use of current resources, and therefore are not reported in the fund statements. This is the amount by which pension related expenses exceeded current year contributions.	<u>(1,811)</u>
Change in net position of governmental activities (page 10)	<u><u>\$ 139,902</u></u>

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

## **NOTES TO FINANCIAL STATEMENTS**

**CITY OF NOLANVILLE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. REPORTING ENTITY**

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

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

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

**B. BASIS OF PRESENTATION**

*Government-Wide Financial Statements*

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

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

CITY OF NOLANVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2016

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***B. BASIS OF PRESENTATION (Continued)***

*Fund Financial Statements*

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

The City reports the following major governmental funds:

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

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

The City does not have any proprietary funds to report.

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

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

***C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING***

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

**CITY OF NOLANVILLE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING (Continued)***

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, fines, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other governmental fund revenues are considered to be measurable and available only when cash is received by the City. Property taxes receivable not determined to be available to finance current period obligations are recorded and deferred in the fund statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

**a. Cash and Cash Equivalents**

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

**b. Accounts Receivables**

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

**CITY OF NOLANVILLE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**c. Capital Assets**

Capital assets, which include land, buildings and improvements, machinery and equipment and infrastructure are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City has elected not to report major general infrastructure assets retroactively as permitted by GASB Statement No. 34 for smaller governments. The City will report newly acquired or constructed general infrastructure assets subsequently in the statement of net position in the period they acquire or construct those assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

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

**d. Restricted Assets**

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

**e. Long-Term Debt**

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



CITY OF NOLANVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2016

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**f. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category, which is the deferred outflow of resources related to the defined benefit pension plan. The deferred outflows of resources related to the defined benefit pension plan are reported in the government-wide financial statements. The deferred outflows of resources result from two transactions: contributions to the defined benefit pension plan subsequent to the plan's year end through the City's fiscal year end and the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one item that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue-property taxes*, is reported in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the periods the amount become available.

**g. Estimates**

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

**h. Pensions**

For the purposes of measuring the net pension liability/asset, 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 to the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**i. Property Taxes**

The City's property taxes are levied each October 1 on the assessed value listed as of the previous January 1 for all real and personal property located in the City. The assessed value for the tax roll of January 1, 2015, upon which the 2016 fiscal year levy was based was \$171,735,931. The tax levy of October 2015 set a tax rate of \$.5054 per \$100 of assessed valuation at 100 percent of assumed market value.

CITY OF NOLANVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2016

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**j. Equity Classifications**

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

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

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

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

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

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

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

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

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

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

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

CITY OF NOLANVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2016

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGETARY INFORMATION**

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

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

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

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

**3. DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

**Legal and Contractual Provisions, Governing Deposits and Investments**

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

At September 30, 2016, the carrying amount of the City's and NEDC's cash deposits were \$46,085 and \$15,399 respectively, the bank balances were \$49,006 and \$15,399, respectively.

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

**CITY OF NOLANVILLE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2016**

**3. DETAILED NOTES ON ALL FUNDS (Continued)**

**A. DEPOSITS AND INVESTMENTS (Continued)**

**Legal and Contractual Provisions, Governing Deposits and Investments**

(9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

As of September 30, 2016, the City's investments were invested with National Bank, Texpool and South Star Bank. The City categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are other observable inputs; and Level 3 inputs are unobservable inputs. As of September 30, 2016, the City had the following investments:

	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Input Level</u>
<u>Primary Government</u>			
National Bank	\$ 46,051	\$ 46,051	1
South Star Bank	128,000	128,000	1
Investment pools:			
Texpool	8,192	8,192	2
Texpool Prime	904,445	904,445	2
Total investment pools	<u>912,637</u>	<u>912,637</u>	
Total investments	<u>1,086,688</u>	<u>1,086,688</u>	
<u>Nolanville Economic Development Corporation</u>			
National Bank	4,856	4,856	1
Investment pools:			
Texpool	175,356	175,356	2
Total investment pools	<u>175,356</u>	<u>175,356</u>	
Total investments	<u>180,212</u>	<u>180,212</u>	
<u>Reporting Entity</u>			
Total investments	<u>\$ 1,266,900</u>	<u>\$ 1,266,900</u>	

**CITY OF NOLANVILLE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2016**

**3. DETAILED NOTES ON ALL FUNDS (Continued)**

***A. DEPOSITS AND INVESTMENTS (Continued)***

**Policies, Governing Deposits and Investments**

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

**Custodial Credit Risk – Deposits:** This is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2016, were covered by depository insurance or by pledged collateral held by the City's agent bank in the City's name.

**Custodial Credit Risk – Investments:** This is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's policy requires investments, other than investment pools, to be held by a third party custodian bank. All of the City's investments, other than investment pools, were held by the City's third party custodian bank in the City's name.

**Interest Rate Risk:** In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to less than 90 days for investment pools and maturity no more than two years from purchase date for certificates of deposits and money market funds. As of September 30, 2016, the weighted average maturity of TexPool and TexPool Prime were 44 days and 48 days respectively. Certificate of deposit matured October 18, 2016.

**Other Credit Risk:** In compliance with the City's Investment Policy, as of September 30, 2016, the City minimized credit risk losses due to a default of a security issuer or backer, by limiting investments to the safest types of securities; limiting Certificates of Deposit that are insured by the Federal Deposit Insurance Corporation (FDIC); limiting the City's investments to obligations issued, guaranteed, insured by or backed by the full faith and credit of the United States or its agencies and instrumentalities; pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business; and diversifying the investment portfolio so that potential losses on individual securities were minimized.

TexPool has been established for governmental entities in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. Finally, TexPool is rated AAAm by Standard & Poor's. The City's fair value position is stated at the value of the position upon withdrawal.

A reconciliation of cash and investments as shown in the Statement of Net Position for the City follows on the next page:

**CITY OF NOLANVILLE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2016**

**3. DETAILED NOTES ON ALL FUNDS (Continued)**

**A. DEPOSITS AND INVESTMENTS (Continued)**

**Policies, Governing Deposits and Investments**

	Primary Government	Discretely Presented Component Unit	Total Reporting Entity
Cash and investments (from previous pages)			
Carrying amount of deposits	\$ 46,085	\$ 15,399	\$ 61,484
Carrying amount of investments	1,086,688	180,212	1,266,900
<b>Total</b>	<b>\$ 1,132,773</b>	<b>\$ 195,611</b>	<b>\$ 1,328,384</b>
Statement of Net Position:			
Cash	\$ 46,085	\$ 15,399	\$ 61,484
Investments	866,440	180,212	1,046,652
Restricted cash and investments	220,248	-	220,248
<b>Total</b>	<b>\$ 1,132,773</b>	<b>\$ 195,611</b>	<b>\$ 1,328,384</b>

**B. RESTRICTED ASSETS**

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

	Governmental	Total
Debt service	\$ 220,248	\$ 220,248
<b>Total</b>	<b>\$ 220,248</b>	<b>\$ 220,248</b>

**C. CAPITAL ASSETS**

Changes in capital assets during the year ended September 30, 2016, were as follows:

	Balance October 1, 2015	Additions	Transfers/ Retirements	Balance September 30, 2016
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 59,500	\$ -	\$ -	\$ 59,500
Capital assets being depreciated:				
Buildings and improvements	748,370	4,883	-	753,253
Street improvements	3,568,161	69,487	-	3,637,648
Vehicles	520,329	36,314	-	556,643
Grant projects	-	146,332	-	146,332
Equipment and furniture	670,231	13,079	-	683,310
Total capital assets being depreciated	5,507,091	270,095	-	5,777,186
Less accumulated depreciation	(2,470,665)	(205,676)	-	(2,676,341)
Total capital assets being depreciated, net	3,036,426	64,419	-	3,100,845
<b>Total capital assets, net</b>	<b>\$ 3,095,926</b>	<b>\$ 64,419</b>	<b>\$ -</b>	<b>\$ 3,160,345</b>

**CITY OF NOLANVILLE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2016**

**3. DETAILED NOTES ON ALL FUNDS (Continued)**

**C. CAPITAL ASSETS (Continued)**

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

Governmental activities:	
General government	\$ 29,236
Public safety	18,543
Public works	157,896
Total depreciation expense - governmental activities	<u>\$ 205,675</u>

**D. LONG-TERM DEBT**

The following is a summary of long-term debt transactions for the year ended September 30, 2016:

	Beginning Balance	Additions	Deletions	Ending Balance
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Governmental activities:</b>				
General Obligation Bonds				
Series - 2007	\$ 1,200,000	\$ -	\$ (75,000)	\$ 1,125,000
Combination Tax and Surplus Revenue				
Certificates of Obligation - Series 2012	<u>860,000</u>	<u>-</u>	<u>(60,000)</u>	<u>800,000</u>
Governmental activity				
long - term liabilities	<u>\$ 2,060,000</u>	<u>\$ -</u>	<u>\$ (135,000)</u>	<u>\$ 1,925,000</u>

Long-term debt at September 30, 2016 is comprised of the following:

	<b>Governmental Type Activities</b>
	<u>          </u>
<b>Combination Tax and Revenue Bonds:</b>	
\$1,030,000 Tax & Revenue Certificates of Obligation, Series 2012, due in annual installments of \$55,000 to \$85,000 plus interest through 2027; interest at 3.07%	\$ 800,000
<b>General Obligation Bonds:</b>	
\$1,700,000 General Obligation Bonds, Series 2007, due in annual installments of \$55,000 to \$130,000 plus interest, 10 year call, 20 year payment term maturing in 2027, interest at 4.95%	1,125,000
	<u>\$ 1,925,000</u>

**CITY OF NOLANVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2016**

**3. DETAILED NOTES ON ALL FUNDS (Continued)**

***D. LONG-TERM DEBT (Continued)***

The annual debt service requirements to maturity for business-type activities are as follows:

Year Ended September 30,	Principal	Interest	Total
2017	140,000	80,248	220,248
2018	150,000	74,446	224,446
2019	155,000	68,243	223,243
2020	160,000	61,792	221,792
2021	165,000	55,188	220,188
2022-2026	940,000	166,529	1,106,529
2027-2031	215,000	9,045	224,045
Total	<u>\$ 1,925,000</u>	<u>\$ 515,491</u>	<u>\$ 2,440,491</u>

The Combination Tax and Revenue Bonds, Series 2012 and the General Obligation Bonds, Series 2007 were refunded in October of 2016, subsequent to the fiscal year.

**4. OTHER INFORMATION**

***A. RISK MANAGEMENT***

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other governments in the State of Texas to form the Texas Municipal League Intergovernmental Risk Pool (the Pool), a public entity risk pool currently operating as a common risk management and insurance program for liability, property, and workmen's compensation coverage. The City pays a quarterly contribution to the Pool for its insurance coverage. The agreement for formation of the Pool provides that the Pool will be self-sustaining through member contributions and will reinsure through commercial companies for claims in excess of specific limits.

The City has experienced no significant reductions in coverage through the Pool over the past year. There have been no insurance settlements exceeding Pool coverage for any of the last three years.

***B. COMMITMENTS AND CONTINGENCIES***

***a. Fire Protection Services***

On August 6, 2015, the City entered a contract with Central Bell County Fire and Rescue, Inc. for fire protection and emergency services. The effective date of the agreement is October 1, 2015 with an initial term of one year beginning on the effective date. The agreement shall renew automatically annually unless notice of cancellation is given by either party. Fees are billed monthly to the City in the amount of \$2,917. During the year ended September 30, 2016 payments by the City under the contract totaled \$35,004.



**CITY OF NOLANVILLE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2016**

**4. OTHER INFORMATION (CONTINUED)**

***B. COMMITMENTS AND CONTINGENCIES (Continued)***

***b. Ambulance Service Agreement***

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

***c. Grants***

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

***d. Litigation and Violations***

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

The City entered into an Agreed Order with the Texas Commission on Environmental Quality (TCEQ) effective July 12, 2016. The Order alleged that the City failed to maintain authorization to discharge storm water from its separate storm water sewer system. The Ordering Provisions of the Order require, among other things, that the City shall perform a Supplemental Environmental Project (SEP). This SEP is to be a household hazardous waste collection event for the residents of the City. With acceptance of the order and completion of the SEP, TCEQ will defer \$4,500 of the \$22,500 administrative penalty and allow the SEP to offset the remaining \$18,000 of the penalty. In compliance with the order, the City has planned a household hazardous waste collection event in November of 2016.

***C. PENSION PLAN***

**Plan Description**

The City of Nolanville participates as one of the 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency defined pension plan administered in accordance with the TMRS act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six member board of trustees. Although the Governor, with advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent

**CITY OF NOLANVILLE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2016**

**4. OTHER INFORMATION (Continued)**

**C. PENSION PLAN (Continued)**

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 publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

**Benefits Provided**

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Plan provisions for the City were as follows:

	Plan Year 2016	Plan Year 2015
Employee deposit rate	5.0%	5.0%
Matching ratio (City to Employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	0.0%	0.0%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

**Employees Covered by Benefit Terms**

At the December 31, 2015, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	15
Active employees	<u>14</u>
Total	31

**Contributions**

The contribution rates for employees in TMRS are either 5%, 6% or 7% of employee gross earnings and the city matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of the benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

**CITY OF NOLANVILLE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2016**

**4. OTHER INFORMATION (Continued)**

**C. PENSION PLAN (Continued)**

Employees for the City of Nolanville were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Nolanville were 1.89% and 1.57% in calendar years 2016 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2016, were \$9,049 and were equal to the required contributions.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. For cities with fewer than twenty employees, more conservative methods and assumptions are used. First, lower termination rates are used for smaller cities, with maximum multipliers of 75% for employers with less than 6 members, 85% for employers with 6 to 10 members and 100% for employers with 11 to 15 members, and 115% for employers with less than a 100 members. There is also a load on the life expectancy for employers with less than 15 active members. The life expectancy will be loaded by decreasing the mortality rates by 1% for every active member less than 15. For example, an employer with 5 active members will have the baseline mortality tables multiplied by 90% (10 active members times 1%). For underfunded plans, the maximum amortization period for amortizing gains and losses is decreased from current levels by 1 year for each active member less than the 20 member threshold. For example, an employer with 8 active members and a current maximum amortization period of 25 will use  $(25 - (20 - 8)) = 13$  year amortization period for the gain or loss in that year's valuation. Under this policy, the lowest amortization period will be  $25 - (20 - 1) = 6$  years. Once the plan is overfunded, the amortization period will revert back to the standard 25 years. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with 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 subject on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated

**CITY OF NOLANVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2016**

**4. OTHER INFORMATION (Continued)**

***C. PENSION PLAN (Continued)***

December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of the TMRS.

The long-term expected rate of return on pension plan investments was determined using a building – block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimate of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.6%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

***Discount Rate***

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

**CITY OF NOLANVILLE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2016**

**4. OTHER INFORMATION (Continued)**

**C. PENSION PLAN (Continued)**

<i>Changes in Net Pension Liability</i>	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2014	94,122	54,249	39,873
Changes for the year:			
Service cost	29,816	-	29,816
Interest	7,456	-	7,456
Change of benefit terms	-	-	-
Difference between expected and actual experience	(3,724)	-	(3,724)
Changes of assumptions	5,929	-	5,929
Contributions - employer	-	7,326	(7,326)
Contributions - employee	-	23,330	(23,330)
Net investment income	-	80	(80)
Benefit payments, including refunds of employee contributions	(5,030)	(5,030)	-
Administrative expense	-	(49)	49
Other changes	-	(2)	2
Net changes	34,447	25,655	8,792
<b>Balance at 12/31/2015</b>	<b>128,569</b>	<b>79,904</b>	<b>48,665</b>

**Sensitivity of the net pension liability to changes in the discount rate**

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

	1% Decrease in	1% Increase in	
	Discount Rate (5.75%)	Discount Rate (6.75%)	Discount Rate (7.75%)
City's net pension liability	72,364	48,665	30,006

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

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

For the year ended September 30, 2016, the City recognized pension expense of \$10,860.

**CITY OF NOLANVILLE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2016**

**4. OTHER INFORMATION (Continued)**

**C. PENSION PLAN (Continued)**

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	-	5,736
Changes in actuarial assumptions	4,843	-
Differences between projected and actual investment earnings	3,221	-
Contributions subsequent to the measurement date	7,003	-
Total	15,067	5,736
Total deferred outflows of resources, net	9,331	

\$7,003 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Net Deferred Outflows (Inflows) of Resources
2016	\$ 664
2017	664
2018	663
2019	584
2020	(248)
Thereafter	-
Total	\$ 2,327

**Supplemental Death Benefits Fund**

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit." or OPEB; additionally, retirees are responsible for 100% of the premiums paid for the benefit.

**CITY OF NOLANVILLE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2016**

**4. OTHER INFORMATION (Continued)**

**C. PENSION PLAN (Continued)**

The city offers supplemental death to:	Plan Year 2016	Plan Year 2015
Active employees	Yes	Yes
Retirees	Yes	Yes

**Contributions**

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

The City's contributions to the TRMS SDBF for the fiscal years ended 2016, 2015, and 2014 were \$688, \$568, and \$560, respectively, which equaled the required contributions each year.

**D. PRIOR PERIOD ADJUSTMENT**

Adjustment to the beginning net position of the government-wide financial statements and the beginning fund balance in the fund financial statements was required to record the effects of a due to/from balance netted in the prior period and a deferred revenue recorded in the prior year annual financial statements. Fund financial statements required a further adjustment to recognize the debt service fund's property tax receivable. Adjustments to the government-wide and fund financial statements were as follows:

Governmental-Wide:

Decrease in beginning net position for due to/from	\$(185,858)
Decrease in beginning net position for deferred revenue	<u>(23,009)</u>
Total prior period adjustment	\$(208,867)

Governmental Fund:

Decrease in beginning net position for due to/from	\$(185,858)
Decrease in beginning net position for due to Debt Service	(45,550)
Decrease in beginning net position for deferred revenue	(23,788)
Increase in beginning net position for receivables and deferral, net	<u>215</u>
Total prior period adjustment	\$(254,981)

Debt Service Fund:

Increase in beginning net assets for due from	\$ 45,550
Decrease in beginning net position for receivable, deferral and miscellaneous adjustments	<u>(1,108)</u>
Total prior period adjustment	\$ 44,442

**E. SUBSEQUENT EVENTS**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through March 17, 2017 the date the financial statements were available to be issued. The City completed a refunding of outstanding bonds on October 11, 2016. No change to the financial statements for the fiscal year ended September 30, 2016 was deemed necessary by management.

**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF NOLANVILLE, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -**  
**GENERAL FUND**

**For the Year Ended September 30, 2016**

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUE</b>				
Property taxes	\$ 899,386	\$ 899,386	\$ 896,642	\$ (2,744)
Sales taxes	218,750	218,750	227,161	8,411
Franchise and other taxes	182,000	182,000	170,116	(11,884)
Fines	92,000	92,000	102,203	10,203
Rental	12,000	12,000	12,000	-
Charges for services	63,510	63,510	63,360	(150)
Grants	685,725	685,725	-	(685,725)
Interest	6,500	6,500	7,536	1,036
Other	53,865	53,865	19,229	(34,636)
Total Revenue	<u>2,213,736</u>	<u>2,213,736</u>	<u>1,498,247</u>	<u>(715,489)</u>
<b>EXPENDITURES</b>				
General government	345,104	345,104	369,318	(24,214)
Judicial	82,041	82,041	74,329	7,712
Public safety	477,540	477,540	405,954	71,586
Public works	345,039	345,039	221,649	123,390
Grants	685,725	685,725	-	685,725
Capital outlays	75,000	75,000	266,236	(191,236)
Debt service:				-
Principal	135,000	135,000	135,000	-
Interest	85,802	85,802	85,802	-
Total Expenditures	<u>2,231,251</u>	<u>2,231,251</u>	<u>1,558,288</u>	<u>672,963</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	(17,515)	(17,515)	(60,041)	(42,526)
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance proceeds	-	-	-	-
Other	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ (17,515)</u>	<u>\$ (17,515)</u>	<u>\$ (60,041)</u>	<u>\$ (42,526)</u>

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

**CITY OF NOLANVILLE, TEXAS**  
**NOTE TO STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE – BUDGET TO ACTUAL – GENERAL FUND**  
**For the Year Ended September 30, 2016**

1. Basis of Presentation:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to capital outlays are recorded when payment is made.

2. Budget Highlights:

Actual results reflect an excess of expenditures over revenue of \$60,041. The unfavorable variance of \$42,526 to the budget was primarily attributable to an increase in capital outlays and general government expenses partially offset by increases in sales taxes and fines revenue. Various other components of revenue and expenses had an off-setting effect.

**CITY OF NOLANVILLE, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS -**  
**EMPLOYEES' PENSION PLAN**  
**December 31, 2015**

	Measurement Year 2014*	Measurement Year 2015*
<b>Total pension liability</b>		
Service cost	\$ 25,471	\$ 29,816
Interest (on the Total Pension Liability)	5,770	7,456
Changes of benefit terms	-	-
Difference between expected and actual experience	(3,823)	(3,724)
Change of assumptions	-	5,929
Benefit payments, including refunds of employee contributions	(5,985)	(5,030)
Net Change in Pension Liability	21,433	34,447
 Total Pension Liability - Beginning	 72,689	 94,122
 Total Pension Liability - Ending (a)	 \$ 94,122	 \$ 128,569
 <b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 4,398	\$ 7,326
Contributions - Employee	21,349	23,330
Net investment income	1,875	80
Benefit payments, including refunds of employee contributions	(5,985)	(5,030)
Administrative expense	(19)	(49)
Other	(2)	(2)
Net Change in Plan Fiduciary Net Position	21,616	25,655
 Plan Fiduciary Net Position - Beginning	 32,633	 54,249
 Plan Fiduciary Net Position - Ending (b)	 \$ 54,249	 \$ 79,904
Net Pension Liability - Ending (a) - (b)	\$ 39,873	\$ 48,665
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	57.64%	62.15%
 Covered Employee Payroll	 \$ 426,976	 \$ 466,601
Net Pension Liability as a Percentage of Covered Employee Payroll	9.34%	10.43%

\* As of December 31

See accompanying Independent Auditors' Report.

**CITY OF NOLANVILLE, TEXAS**  
**SCHEDULE OF CONTRIBUTIONS - EMPLOYEES' PENSION PLAN**  
**September 30, 2016**

	<u>Fiscal Year</u> <u>2015</u>	<u>Fiscal Year</u> <u>2016</u>
Actuarially determined contribution	\$ 6,403	\$ 9,049
Contributions in relation to the actuarially determined contribution	<u>\$ 6,403</u>	<u>\$ 9,049</u>
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 445,319	\$ 500,850
Contributions as a percentage of covered employee payroll	1.44%	1.81%

**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	28 years
Asset valuation method	10 year smoothed market; 15% soft corridor
Inflation	2.5%
Salary increases	3.5% to 10.5% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

**Other Information:**

Notes There were no benefit changes during the year.

**COMPLIANCE AND INTERNAL CONTROL SECTION**

# **ALTON D. THIELE, P.C.**

CERTIFIED PUBLIC ACCOUNTANT

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P.O. BOX 808

BELTON, TX 76513-0808

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 17, 2017.

### **Internal Control Over Financial Reporting**

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

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

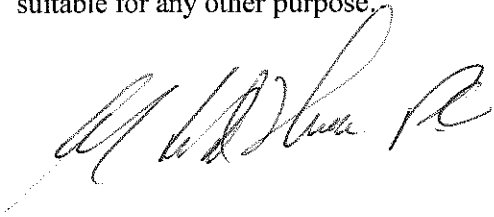
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

### **Compliance and Other Matters**

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

## Purpose of this Report

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

A handwritten signature in black ink, appearing to read "Alton D. Thiele, PC". The signature is written in a cursive, flowing style.

Alton D. Thiele, PC

Belton, Texas  
March 17, 2017