

ANNUAL FINANCIAL REPORT

of the

City of Nolanville, Texas

**For the Year Ended
September 30, 2021**

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City of Nolanville, Texas

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note V.E. to the financial statements, due to a correction to capital asset balances in the prior year, the City restated beginning net position within governmental activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information noted above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, slightly stylized font.

Brooks Watson & Co., PLLC
Certified Public Accountants
Houston, Texas
February 26, 2022

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

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City of Nolanville, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2021

As management of the City of Nolanville, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows (net position) at September 30, 2021 by \$9,647,301.
- The City's total net position increased by \$3,068,245. The majority of the City's net position is invested in capital assets.
- The City's governmental funds reported combined ending fund balances of \$4,131,715 at September 30, 2021, an increase of \$947,098 from the prior fiscal year; this includes an increase of \$581,287 in the general fund, an increase of \$29,967 in the debt service fund, a decrease of \$273,923 in the capital projects fund, an increase of \$43,263 in the street maintenance fund, an increase of \$607,490 in the grants fund, and a decrease of \$40,986 in the nonmajor governmental funds.
- The City's net pension liability decreased by \$7,375 compared to the prior fiscal year. The net pension liability outstanding at the close of the fiscal year was \$28,345.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

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

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

City of Nolanville, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2021

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, and culture and recreation. The City does not present business-type activities within the financial statements

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Nolanville Economic Development Corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 18 through 21 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 one category: governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing 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 this comparison between *governmental funds* and *governmental activities*.

City of Nolanville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2021

The City maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service, capital projects, grants, and street maintenance funds, which are considered major funds. The City's other special revenue funds fund are considered nonmajor for reporting purposes.

The City adopts an annual appropriated budget for its general, debt service, capital projects, and special revenue funds. A budgetary comparison statement has been provided for the general fund and street maintenance fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 22 through 27 of this report.

Component Unit

The City maintains the accounting and financial statements for one component unit. The Nolanville Economic Development Corporation is reported as a discretely presented component unit on the government-wide financial statements.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 29 through 57 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison for the general fund and major special revenue funds. Required supplementary information can be found on page 59 through 69 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Nolanville, assets exceeded liabilities by \$9,647,301 as of September 30, 2021, in the primary government.

The largest portion of the City's net position, \$6,468,582, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although

City of Nolanville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2021

the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Current and other assets of the primary government increased due primarily to greater cash on hand compared to the prior year, which is a direct result of increased net position over the course of the year.

Capital assets increased primarily as a result of new street, building and park improvements made during the year.

Long-term liabilities of the primary government decreased due to principal payments made during the year.

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	Governmental Activities	
	2021	2020
Current and other assets	\$ 4,540,597	\$ 3,512,299
Capital assets, net	8,319,738	6,540,412
Total Assets	12,860,335	10,052,711
Total Def. Outflows	57,705	57,981
Current liabilities	764,479	680,203
Long-term liabilities	2,493,646	2,839,409
Total Liabilities	3,258,125	3,519,612
Total Def. Inflows	12,614	12,024
Net Position:		
Net investment in capital assets	6,468,582	4,806,156
Restricted	161,580	119,438
Unrestricted	3,017,139	1,653,462
Total Net Position	\$ 9,647,301	\$ 6,579,056

City of Nolanville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2021

Statement of Activities:

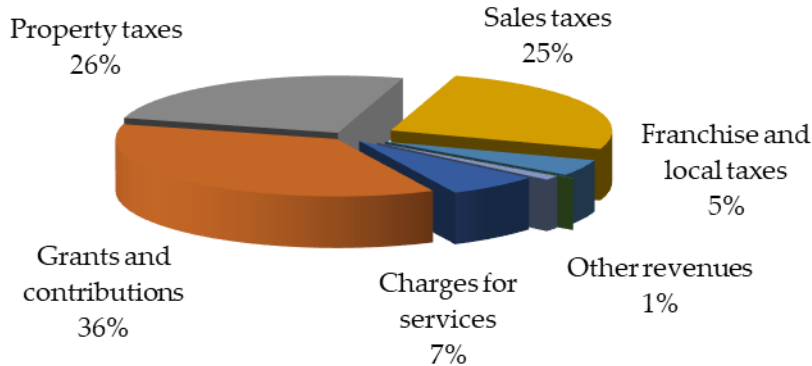
The following table provides a summary of the City's changes in net position:

	Governmental Activities	
	2021	2020
Revenues		
Program revenues:		
Charges for services	\$ 379,865	\$ 274,347
Grants and contributions	2,038,206	559,703
General revenues:		
Property taxes	1,436,431	1,255,756
Sales taxes	1,432,560	974,454
Franchise and local taxes	256,788	250,024
Investment income	4,238	22,331
Other revenues	67,819	34,550
Total Revenues	5,615,907	3,371,165
Expenses		
General government	683,840	544,510
Public safety	1,055,693	848,384
Public works	653,172	726,633
Culture and recreation	96,185	88,999
Interest and fiscal charges	58,772	68,086
Total Expenses	2,547,662	2,276,612
Change in Net Position	3,068,245	1,094,553
Beginning Net Position	6,579,056	5,484,503
Ending Net Position	\$ 9,647,301	\$ 6,579,056

City of Nolanville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2021

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

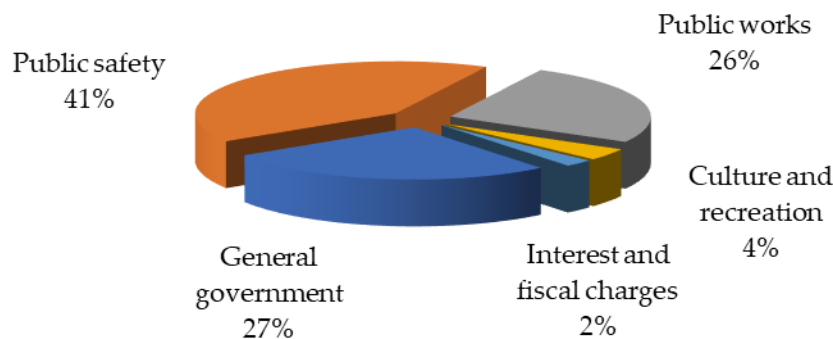
Governmental Activities - Revenues



For the year ended September 30, 2021, revenues from governmental activities totaled \$5,615,907. Overall revenues increased by \$2,244,742 or 67%, due primarily to increases in grants and contributions compared to the prior year. Grants/contributions, property tax and sales tax are the City's largest general revenue sources. Grants and contributions increased by \$1,478,503 primarily due to nonrecurring COVID-19 relief grants funds received in the current year. Charges for services increased \$105,518 as a result of greater permit and court fine revenue over the course of the year. Property taxes increased by \$180,675 due to an increase in appraised values and a greater tax rate imposed in the current year. Sales tax increased \$458,106 due to an increase in local taxable sales within the City during the year. Investment income decreased by \$18,093 as a result of the realization of lower interest rates during the year. Other revenue increased by \$33,269 as a direct result of nonrecurring insurance recoveries and miscellaneous funds received in the current year. All other revenues remained relatively stable over the course of the fiscal year.

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses



City of Nolanville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2021

For the year ended September 30, 2021, expenses for governmental activities totaled \$2,547,662. This represents an increase of \$271,050 or 12% from the prior year. The City's largest functional expense is public safety of \$1,055,693. The primary reasons for the \$207,309 and \$139,330 increase in public safety and general government expenses, respectively, was due to greater personnel costs, equipment repairs, professional services expenses, and nonrecurring COVID-19 relief expenses in the current year. All other expenses remained relatively consistent with the prior year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

At September 30, 2021, the City's governmental funds reported combined fund balances of \$4,131,715, an increase of \$947,098 in comparison with the prior year. The City has an unassigned fund balance in the general fund of \$2,214,944. The remainder of the fund balance was not in spendable form amounting to \$425.

As of the end of the year the general fund reflected a total fund balance of \$2,215,369. The fund balance increased by \$581,287 compared to the prior year primarily as a result of greater than anticipated revenues received during the year.

The debt service fund had an ending fund balance of \$40,690 at September 30, 2021 compared to the previous year's balance of \$10,723. Total principal and interest payments for the year were \$345,000 and \$52,713, respectively. Debt service payments were made in accordance with their payment schedules. Total property taxes revenues exceeded debt service payments by \$29,967 for the year ended September 30, 2021.

The capital projects fund had an ending fund balance of \$1,170,593. The fund balance decreased by \$273,923 primarily due to capital outlay expenditures exceeding investment income.

The street maintenance fund had an ending fund balance of \$110,759. The fund balance increased by \$43,263 as a result of greater than anticipated revenues and less than anticipated expenditures.

The grants fund had an ending fund balance of \$580,938. The fund balance increased by \$607,490.

City of Nolanville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2021

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a positive variance of \$508,407 for budgeted general fund revenues. The positive variance was primarily due to sales taxes being greater than budget by \$284,642. There was a positive variance of \$53,889 for budgeted general fund expenditures. This was due to several departments being below the budget for the year. Other financing sources and resulted in a positive variance of \$8,917. The net of these variances resulted in the total positive budget variance of \$571,213 for the general fund.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$8,319,738 in a variety of capital assets and infrastructure, net of accumulated depreciation. investment in capital assets includes land, buildings, vehicles, equipment, park improvements, and infrastructure.

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

- Fire station building improvements totaling \$206,651.
- Purchased equipment for police department totaling \$161,560.
- Developer contributions for street improvements amounting to \$818,758.
- Other street and paving improvements totaling \$369,663.
- Continuing grant project investments for road and drainage improvements totaling \$336,491.
- Park improvements totaling \$231,043.

More detailed information about the City's capital assets is presented in note IV. C to the financial statements.

LONG-TERM DEBT

The City's outstanding bonds payable decreased by \$345,000 compared to the prior year. The total bonds payable at the close of the fiscal year was \$2,775,000. The City made \$345,000 of principal payments during the current year.

The City monitors its debt obligations and callable bonds for refinancing opportunities with market conditions.

More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

City of Nolanville, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

September 30, 2021

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City and improving services provided to their public citizens. The City budgeted for growth in the upcoming year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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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FINANCIAL STATEMENTS

City of Nolanville, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2021

	Primary Government Governmental Activities	Component Unit Nolanville EDC
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 4,207,027	\$ 398,627
Receivables, net	329,638	54,908
Prepaid items	425	2,695
Due from component unit	3,507	-
Total Current Assets	4,540,597	456,230
Capital assets:		
Non-depreciable	512,564	44,701
Net depreciable capital assets	7,807,174	39,230
Total Noncurrent Assets	8,319,738	83,931
Total Assets	12,860,335	540,161
<u>Deferred Outflows of Resources</u>		
Deferred charge on refunding	32,775	-
Pension outflows	12,553	-
OPEB outflows	12,377	-
Total Deferred Outflows of Resources	\$ 57,705	\$ -

See Notes to Financial Statements.

City of Nolanville, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2021

	Primary Government	Component Unit
	Governmental Activities	Nolanville EDC
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 382,806	\$ 2,850
Accrued interest payable	3,853	-
Due to primary government	-	3,507
Compensated absences, current	27,820	-
Debt due within one year	350,000	-
Total Current Liabilities	764,479	6,357
Noncurrent liabilities:		
Net pension liability	28,345	-
OPEB liability	37,210	-
Compensated absences, noncurrent	3,091	-
Debt due in more than one year	2,425,000	-
Total Noncurrent Liabilities	2,493,646	-
Total Liabilities	3,258,125	6,357
<u>Deferred Inflows of Resources</u>		
Pension inflows	12,614	-
Total Deferred Inflows of Resources	12,614	-
<u>Net Position</u>		
Net investment in capital assets	6,468,582	83,931
Restricted		
Economic development	-	449,873
Debt service	40,690	-
Street maintenance	110,759	-
Court security and technology	10,131	-
Unrestricted	3,017,139	-
Total Net Position	\$ 9,647,301	\$ 533,804

See Notes to Financial Statements.

City of Nolanville, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 683,840	\$ 153,516	\$ 1,074,526	\$ -
Public safety	1,055,693	226,349	-	-
Public works	653,172	-	-	818,758
Culture and recreation	96,185	-	144,922	-
Interest and fiscal charges	58,772	-	-	-
Total Governmental Activities	2,547,662	379,865	1,219,448	818,758
Total Primary Government	\$ 2,547,662	\$ 379,865	\$ 1,219,448	\$ 818,758
Component Unit				
Nolanville EDC	\$ 146,999	\$ -	\$ -	\$ -

General Revenues:

Taxes:

Property taxes

Sales taxes

Franchise and local taxes

Investment income

Other revenues

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government		Component Unit
Governmental Activities	Total	Nolanville EDC
\$ 544,202	\$ 544,202	\$ -
(829,344)	(829,344)	-
165,586	165,586	-
48,737	48,737	-
(58,772)	(58,772)	-
<u>(129,591)</u>	<u>(129,591)</u>	<u>-</u>
<u>(129,591)</u>	<u>(129,591)</u>	<u>-</u>
		\$ (146,999)
1,436,431	1,436,431	-
1,432,560	1,432,560	286,476
256,788	256,788	-
4,238	4,238	332
67,819	67,819	350
<u>3,197,836</u>	<u>3,197,836</u>	<u>287,158</u>
3,068,245	3,068,245	140,159
6,579,056	6,579,056	393,645
<u>\$ 9,647,301</u>	<u>\$ 9,647,301</u>	<u>\$ 533,804</u>

City of Nolanville, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2021

	General	Debt Service	Capital Projects	Street Maintenance
<u>Assets</u>				
Cash and cash equivalents	\$ 2,930,086	\$ -	\$ 1,193,440	\$ -
Receivables, net	267,293	7,438	-	54,907
Prepaid items	425	-	-	-
Due from other funds	-	40,773	-	234,075
Due from component unit	3,507	-	-	-
Total Assets	\$ 3,201,311	\$ 48,211	\$ 1,193,440	\$ 288,982
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 121,079	\$ -	\$ 22,847	\$ 160,573
Due to other funds	845,202	1,106	-	17,650
Total Liabilities	966,281	1,106	22,847	178,223
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	19,661	6,415	-	-
Total Deferred Inflows of Resources	19,661	6,415	-	-
<u>Fund Balances</u>				
Nonspendable:				
Prepaid items	425	-	-	-
Restricted for:				
Debt service	-	40,690	-	-
Capital projects	-	-	1,170,593	-
Street maintenance	-	-	-	110,759
Court security and technology	-	-	-	-
Special revenue	-	-	-	-
Committed for:				
Special revenue	-	-	-	-
Unassigned reported in:				
General fund	2,214,944	-	-	-
Special revenue	-	-	-	-
Total Fund Balances	2,215,369	40,690	1,170,593	110,759
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,201,311	\$ 48,211	\$ 1,193,440	\$ 288,982

See Notes to Financial Statements.

<u>Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 74,795	\$ 8,706	\$ 4,207,027
-	-	329,638
-	-	425
583,769	14,593	873,210
-	-	3,507
<u>\$ 658,564</u>	<u>\$ 23,299</u>	<u>\$ 5,413,807</u>
\$ 77,626	\$ 681	\$ 382,806
-	9,252	873,210
<u>77,626</u>	<u>9,933</u>	<u>1,256,016</u>
-	-	26,076
<u>-</u>	<u>-</u>	<u>26,076</u>
-	-	425
-	-	40,690
-	-	1,170,593
-	-	110,759
-	10,131	10,131
580,938	-	580,938
-	4,338	4,338
-	-	2,214,944
-	(1,103)	(1,103)
<u>580,938</u>	<u>13,366</u>	<u>4,131,715</u>
<u>\$ 658,564</u>	<u>\$ 23,299</u>	<u>\$ 5,413,807</u>

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City of Nolanville, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

September 30, 2021

Fund Balances - Total Governmental Funds	\$	4,131,715
 Adjustments for the Statement of Net Position:		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets - non-depreciable		512,564
Capital assets - net depreciable		7,807,174
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		
Property tax receivable		26,076
 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 (revenues) until that time		
Pension difference in experience		(5,343)
Pension investment earnings		(7,238)
Pension change in assumptions		(33)
 Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/ expenditure) until then.		
Deferred charge on refunding		32,775
Pension contributions		12,553
OPEB contributions		195
OPEB change in assumptions		10,594
OPEB difference in experience		1,588
 Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.		
Accrued interest		(3,853)
Compensated absences		(30,911)
Net pension liability		(28,345)
OPEB liability		(37,210)
Non-current liabilities due in one year		(350,000)
Non-current liabilities due in more than one year		(2,425,000)
Net Position of Governmental Activities	\$	9,647,301

See Notes to Financial Statements.

City of Nolanville, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2021

	General	Debt Service	Capital Projects	Street Maintenance
<u>Revenues</u>				
Property tax	\$ 1,002,293	\$ 432,019	\$ -	\$ -
Sales tax	1,146,084	-	-	286,476
Franchise and local taxes	256,788	-	-	-
Public works revenue	4,197	-	-	-
Grant revenue	-	-	-	-
Intergovernmental revenue	-	-	-	-
License and permits	149,319	-	-	-
Fines and forfeitures	214,458	-	-	-
Investment income	2,454	-	1,784	-
Other revenue	53,769	-	-	-
Total Revenues	2,829,362	432,019	1,784	286,476
<u>Expenditures</u>				
Current:				
General government	579,690	4,339	-	-
Public safety	890,722	-	-	-
Public works	454,275	-	-	343,213
Culture and recreation	150,007	-	-	-
Capital outlay	72,263	-	275,707	-
Debt Service:				
Principal	-	345,000	-	-
Interest and fiscal charges	-	52,713	-	-
Total Expenditures	2,146,957	402,052	275,707	343,213
Excess of Revenues				
Over (Under) Expenditures	682,405	29,967	(273,923)	(56,737)
<u>Other Financing Sources (Uses)</u>				
Transfers in	87,000	-	-	100,000
Transfers (out)	(197,000)	-	-	-
Insurance recoveries	8,882	-	-	-
Total Other Financing Sources (Uses)	(101,118)	-	-	100,000
Net Change in Fund Balances	581,287	29,967	(273,923)	43,263
Beginning fund balances	1,634,082	10,723	1,444,516	67,496
Ending Fund Balances	\$ 2,215,369	\$ 40,690	\$ 1,170,593	\$ 110,759

See Notes to Financial Statements.

<u>Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 1,434,312
-	-	1,432,560
-	-	256,788
-	-	4,197
1,116,322	-	1,116,322
103,126	-	103,126
-	-	149,319
-	11,891	226,349
-	-	4,238
-	5,168	58,937
1,219,448	17,059	4,786,148
-	68,045	652,074
396,357	-	1,287,079
-	-	797,488
151,875	-	301,882
63,726	-	411,696
-	-	345,000
-	-	52,713
611,958	68,045	3,847,932
607,490	(50,986)	938,216
-	10,000	197,000
-	-	(197,000)
-	-	8,882
-	10,000	8,882
607,490	(40,986)	947,098
(26,552)	54,352	3,184,617
\$ 580,938	\$ 13,366	\$ 4,131,715

City of Nolanville, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2021

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

Net changes in fund balances - total governmental funds	\$	947,098
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		1,417,454
Developer contributions		818,758
Depreciation expense		(456,886)

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

Property taxes		2,119
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		(765)
Accrued interest		494
Pension expense		5,777
OPEB expense		(4,251)

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Amortization of deferred charge for refunding		(6,553)
Principal payments		345,000

Change in Net Position of Governmental Activities	\$	3,068,245
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See Notes to Financial Statements.

City of Nolanville, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 services, such as public safety (police and fire), highways and streets, public improvements, planning and zoning, judicial, general administrative and other services.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. No entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Unit

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 FINANCIAL STATEMENTS, Continued
September 30, 2021

B. Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds.

As discussed earlier, the government has one discretely presented component unit and is 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 and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

The government reports the following major governmental funds:

General Fund

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

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds, certificates of obligation, and other long-term debt of governmental funds. The primary source of revenue for debt service is local property taxes.

Capital Projects Fund

The City's capital projects fund accounts for the acquisition and construction of the government's major capital facilities.

City of Nolanville, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

Street Maintenance Fund

The City's street maintenance fund collects 0.25% city sales taxes. These revenues may be spent to repair and maintain existing city streets and sidewalks. The fund requires approval every four years and was last approved in November 2017.

Grants Fund

The City utilizes the grants fund to track funds received and expended for grant activities.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

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.

C. Measurement Focus and Basis of Accounting

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

City of Nolanville, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

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.

D. 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.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

City of Nolanville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

2. Fair Value

The City has applied Governmental Accounting Standards Board (“GASB”) Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

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

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

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

City of Nolanville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

5. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

6. Capital Assets

Capital assets, which include 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.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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

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

Asset Description	Estimated Useful Life
Buildings and improvements	15 to 50 years
Machinery and equipment	7 to 10 years
Furniture and fixtures	7 to 10 years
Infrastructure	10 to 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. An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the

City of Nolanville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making

City of Nolanville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

11. Compensated Absences

The liability for compensated absences reported in the government-wide statements consist of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

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

12. Long-Term Obligations

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

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.

City of Nolanville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

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

13. Estimates

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

14. Pensions

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

15. Other Postemployment Benefits ("OPEB")

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

City of Nolanville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

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.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general fund and major special revenue fund. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the function level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year.

City of Nolanville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

A. Expenditures in Excess of Appropriations

For the year ended, expenditures exceeded budget appropriations at the legal level of control as follows:

General Fund:		
Administration	\$	13,564
Emergency services		6,667
Public works		5,398
Grants Fund:		
Public safety		31,727
Capital outlay		63,726
Culture and recreation		78,375

B. Deficit Fund Equity

The court security fund had a deficit fund balance of \$1,103 as of September 30, 2021 due to expenditures exceeding court revenues and transfers in. The deficit will need to be funded through future court collections or transfers from other funds to be relieved in the future.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2021, the primary government had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Average Maturity (Years)</u>
External investment pool (TexPool)	\$ 2,585,198	0.10

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 to less than 90 days for investment pools and no more than two years for certificates of deposits and money market funds; 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

City of Nolanville, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

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. As of September 30, 2021, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. There were no limitations or restrictions on withdrawals.

City of Nolanville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

B. Receivables

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

	<u>General</u>	<u>Debt Service</u>	<u>Street Maintenance</u>	<u>Total</u>
Property taxes	\$ 22,995	\$ 7,438	\$ -	\$ 30,433
Sales tax	219,631	-	54,907	274,538
Franchise and local taxes	24,667	-	-	24,667
Total	<u>\$ 267,293</u>	<u>\$ 7,438</u>	<u>\$ 54,907</u>	<u>\$ 329,638</u>

The component unit accounts receivable as of September 30, 2021 of \$54,908 was related to sales tax.

City of Nolanville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

C. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 59,500	\$ -	\$ -	\$ 59,500
Construction in progress	116,573	336,491	-	453,064
Total capital assets not being depreciated	<u>176,073</u>	<u>336,491</u>	<u>-</u>	<u>512,564</u>
Capital assets, being depreciated:				
Buildings and improvements	1,229,626	255,560	-	1,485,186
Vehicles and equipment	1,483,443	218,435	-	1,701,878
Furniture and fixtures	31,385	6,262	-	37,647
Street improvements	6,794,838	1,188,421	-	7,983,259
Parks and improvements	697,497	231,043	-	928,540
Total capital assets being depreciated	<u>10,236,789</u>	<u>1,899,721</u>	<u>-</u>	<u>12,136,510</u>
Less accumulated depreciation				
Buildings and improvements	(451,064)	(36,056)	-	(487,120)
Vehicles and equipment	(1,201,437)	(115,159)	-	(1,316,596)
Furniture and fixtures	(27,718)	(1,782)	-	(29,500)
Street improvements	(2,138,858)	(262,625)	-	(2,401,483)
Parks and improvements	(53,373)	(41,264)	-	(94,637)
Total accumulated depreciation	<u>(3,872,450)</u>	<u>(456,886)</u>	<u>-</u>	<u>(4,329,336)</u>
Net capital assets being depreciated	<u>6,364,339</u>	<u>1,442,835</u>	<u>-</u>	<u>7,807,174</u>
Total Capital Assets	<u><u>\$ 6,540,412</u></u>	<u><u>\$ 1,779,326</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,319,738</u></u>

Depreciation was charged to governmental functions as follows:

General government	\$ 31,394
Public safety	98,433
Public works	281,052
Culture and recreation	46,007
Total Governmental Activities Depreciation Expense	<u><u>\$ 456,886</u></u>

City of Nolanville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

A summary of changes in component unit capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 44,701	\$ -	\$ -	\$ 44,701
Total capital assets not being depreciated	<u>44,701</u>	<u>-</u>	<u>-</u>	<u>44,701</u>
Capital assets, being depreciated:				
Buildings and improvements	25,404	14,181	-	39,585
Machinery and equipment	13,925	-	-	13,925
Total capital assets being depreciated	<u>39,329</u>	<u>14,181</u>	<u>-</u>	<u>53,510</u>
Less accumulated depreciation				
Buildings and improvements	(1,940)	(2,785)	-	(4,725)
Machinery and equipment	(7,891)	(1,664)	-	(9,555)
Total accumulated depreciation	<u>(9,831)</u>	<u>(4,449)</u>	<u>-</u>	<u>(14,280)</u>
Net capital assets being depreciated	<u>29,498</u>	<u>9,732</u>	<u>-</u>	<u>39,230</u>
Total Capital Assets	<u>\$ 74,199</u>	<u>\$ 9,732</u>	<u>\$ -</u>	<u>\$ 83,931</u>

City of Nolanville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

D. Long-term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. In general, the City uses the debt service fund to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
Bonds, notes and other payables:					
General Obligation Refunding Bonds	\$ 1,325,000	\$ -	\$ (180,000)	\$ 1,145,000	\$ 185,000
Certificates of Obligation	1,500,000	-	(95,000)	1,405,000	90,000
Tax Notes	295,000	-	(70,000)	225,000	75,000
Total Governmental Activities	<u>\$ 3,120,000</u>	<u>\$ -</u>	<u>\$ (345,000)</u>	<u>\$ 2,775,000</u>	<u>\$ 350,000</u>
Long-term liabilities due in more than one year				<u>\$ 2,425,000</u>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

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

<u>Description</u>	<u>Interest Rate</u>	<u>Original Balance</u>	<u>Yearend Balance</u>
Governmental Activities:			
General Obligation Bonds:			
2016 General obligation refunding bonds	1.73%	\$ 1,945,000	\$ 1,145,000
Certificates of Obligation:			
2020 Certificates of obligation	1.68%	1,500,000	1,405,000
Tax Notes:			
2017 Tax Note	2.07%	500,000	225,000
Total Governmental Activities		<u>\$ 3,945,000</u>	<u>\$ 2,775,000</u>

City of Nolanville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

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

General Obligation Bonds:

Year ending September 30,	G.O. Refunding Bonds	
	Principal	Interest
2022	\$ 185,000	\$ 19,809
2023	185,000	16,608
2024	185,000	13,408
2025	190,000	10,207
2026	200,000	6,920
2027	200,000	3,460
Total	\$ 1,145,000	\$ 70,412

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the City. The City is not obligated in any manner for special assessment debt.

Tax Notes:

Year ending September 30,	Tax Notes	
	Principal	Interest
2022	\$ 75,000	\$ 3,882
2023	75,000	2,329
2024	75,000	776
Total	\$ 225,000	\$ 6,987

City of Nolanville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Certificates of Obligation and Revenue Bonds:

Year ending September 30,	Certificates of Obligation	
	Principal	Interest
2022	\$ 90,000	\$ 22,875
2023	90,000	21,361
2024	90,000	19,848
2025	95,000	18,291
2026	95,000	16,694
2027	100,000	15,053
2028	100,000	13,372
2029	100,000	11,689
2030	105,000	9,965
2031	105,000	8,199
2032	105,000	6,433
2033	110,000	4,625
2034	110,000	2,775
2035	110,000	925
Total	\$ 1,405,000	\$ 172,105

E. Deferred Charge on Refunding

Deferred charges resulting from the issuance of the 2016 general obligation refunding bonds have been recorded as a deferred outflow of resources and are being amortized to interest expense over the terms of the respective refunded debts. The current year balance for governmental totaled \$32,775. Current year amortization expense for governmental activities totaled \$6,553.

F. Other Long-term Liabilities

The following is a summary of changes in the City's other long-term liabilities for the year ended. In general, the City uses the general fund to liquidate compensated absences.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 30,146	\$ 5,980	\$ (5,215)	\$ 30,911	\$ 27,820
Total Governmental Activities	\$ 30,146	\$ 5,980	\$ (5,215)	\$ 30,911	\$ 27,820
Long-term Liabilities Due in More than One Year				\$ 3,091	

City of Nolanville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

G. Interfund Transactions

The composition of interfund balances as of yearend is as follows:

Payable Funds	Receivable Funds				Total
	Grant	Debt Service	Street Maint.	Nonmajor Govt.	
General	\$ 565,013	\$ 40,773	\$ 234,075	\$ 5,341	\$ 845,202
Debt Service	1,106	-	-	-	1,106
Street Maintenance	17,650	-	-	-	17,650
Nonmajor gov.	-	-	-	9,252	9,252
	<u>\$ 583,769</u>	<u>\$ 40,773</u>	<u>\$ 234,075</u>	<u>\$ 14,593</u>	<u>\$ 873,210</u>

Amounts recorded as “due to/from” are considered to be temporary loans and will be repaid during the following year.

As of September 30, 2021, the EDC had a payable balance of \$3,507 due to the primary government.

The composition of interfund transfers during the current year is as follows:

Transfers Out	Transfers In			Total
	General	Street Maint.	Nonmajor Govt.	
General	\$ 87,000	\$ 100,000	\$ 10,000	\$ 197,000
	<u>\$ 87,000</u>	<u>\$ 100,000</u>	<u>\$ 10,000</u>	<u>\$ 197,000</u>

H. Fund Equity

The City records fund balance restrictions on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

City of Nolanville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

The following is a list of fund balances restricted/committed by the City:

	Restricted	Committed
Debt service	\$ 40,690	\$ -
Contingency	-	-
Municipal court security and technology	10,131 *	-
Street maintenance	110,759	-
Capital projects	1,170,593	-
Special revenue - grants	580,938	-
Special revenue - crossing guard	-	4,338
	\$ 1,913,111	\$ 4,338

* Restricted by enabling legislation

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations

City of Nolanville, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does anticipate that it will have an arbitrage liability and performs annual calculations to estimate this potential liability. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations, if indicated.

D. Pension Plans

1. Plan Description

The City of Nolanville, Texas participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

2. Benefits Provided

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

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

City of Nolanville, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2020</u>	<u>Plan Year 2019</u>
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%
Annuity increase (to retirees)	0% of CPI Repeating	0% of CPI Repeating

Employees covered by benefit terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	21
Active employees	19
Total	42

3. Contributions

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

Employees for the City of Nolanville were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Nolanville were 1.94% and 2.12% in calendar years 2021 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$17,847, and were equal to the required contributions.

City of Nolanville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum 16 mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

City of Nolanville, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Discount Rate:

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

City of Nolanville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/19	\$ 289,297	\$ 253,577	\$ 35,720
Changes for the year:			
Service Cost	56,265	-	56,265
Interest (on the Total Pension Liab.)	21,312	-	21,312
Change in assumptions	-	-	-
Difference between expected and actual experience	(4,168)	-	(4,168)
Contributions – employer	-	18,322	(18,322)
Contributions – employee	-	43,215	(43,215)
Net investment income (loss)	-	19,377	(19,377)
Benefit payments, including refunds of emp. contributions	(3,397)	(3,397)	-
Administrative expense	-	(125)	125
Other changes	-	(5)	5
Net changes	70,012	77,387	(7,375)
Balance at 12/31/20	\$ 359,309	\$ 330,964	\$ 28,345

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 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 93,635	\$ 28,345	\$ (23,956)

Pension Plan Fiduciary Net Position:

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

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

Pension expense for the year ended September 30, 2021 was \$12,052.

City of Nolanville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

At September 30, 2021, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between projected and investment earnings	\$ -	\$ (7,238)
Changes in actuarial assumptions	-	(33)
Differences between expected and actual economic experience	-	(5,343)
Contributions subsequent to the measurement date	12,553	-
Total	\$ 12,553	\$ (12,614)

The City reported \$12,553 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2021	\$ (5,138)
2022	(2,475)
2023	(4,013)
2024	(988)
2025	-
Thereafter	-
	\$ (12,614)

Other Postemployment Benefits

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

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

City of Nolanville, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

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

Employees covered by benefit terms

At the December 31, 2020 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	6
Active employees	19
Total	27

The City's retiree contribution rates to the TMRS SDBF for the years ended 2021, 2020 and 2019 are as follows:

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2019	0.01%	0.01%	100.0%
2020	0.01%	0.01%	100.0%
2021	0.03%	0.03%	100.0%

The City's contributions to the TMRS SDBF for the years ended 2021, 2020, and 2019 were \$219, \$80, and \$62, respectively, which equaled the required contributions each year.

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2020, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

City of Nolanville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5%, including inflation per year
Discount rate	2.00%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

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

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 2.00%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

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 2.00%, 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 (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

1% Decrease (1.00%)	Current Single Rate Assumption 2.00%	1% Increase (3.00%)
\$ 50,105	\$ 37,210	\$ 28,264

City of Nolanville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/19	\$ 25,674
Changes for the year:	
Service Cost	2,074
Interest	733
Difference between expected and actual experience	1,861
Changes of assumptions	6,954
Benefit payments	(86)
Net changes	11,536
Balance at 12/31/20	\$ 37,210

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$4,470.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 1,588
Changes in assumptions	10,594
Contributions subsequent to measurement date	195
Total	\$ 12,377

The City reported \$195 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2022.

City of Nolanville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

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:	
2021	\$ 1,663
2022	1,663
2023	1,663
2024	1,663
2025	1,663
Thereafter	3,867
	\$ 12,182

E. Restatement

Due to a correction to capital assets, the City restated its beginning net position within governmental activities. The restatement to beginning net position is as follows:

	Governmental Activities
Prior year ending net position, as reported	\$ 6,201,220
Correction to capital assets	377,836
Restated beginning net position/	\$ 6,579,056

F. Subsequent Events

There were no material subsequent events through February 26, 2022, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Nolanville, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND (Page 1 of 2)

For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property tax	\$ 1,033,634	\$ 1,033,634	\$ 1,002,293	\$ (31,341)
Sales tax	546,868	861,442	1,146,084	284,642
Franchise and local taxes	211,300	211,300	256,788	45,488
Public works revenue	1,250	1,250	4,197	2,947
License and permits	72,629	72,629	149,319	76,690
Fines and forfeitures	108,000	108,000	214,458	106,458
Investment income	12,000	12,000	2,454	(9,546)
Other revenue	20,700	20,700	53,769	33,069
Total Revenues	2,006,381	2,320,955	2,829,362	508,407
<u>Expenditures</u>				
Current:				
General government:				
Administration	530,126	566,126	579,690	(13,564) *
Public safety:				
Police	766,336	766,336	723,761	42,575
Emergency services	95,000	95,000	101,667	(6,667) *
Municipal court	66,394	66,394	65,294	1,100
Public works:				
Public works	448,877	448,877	454,275	(5,398) *
Culture and recreation:				
Community center	9,175	9,175	7,915	1,260
Parks and recreation	90,473	161,973	142,092	19,881
Capital outlay	-	86,965	72,263	14,702
Total Expenditures	2,006,381	2,200,846	2,146,957	53,889
Revenues Over (Under)				
Expenditures	-	120,109	682,405	562,296

City of Nolanville, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND (Page 2 of 2)

For the Year Ended September 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	\$ -	\$ 86,965	\$ 87,000	\$ 35
Transfers (out)	-	(197,000)	(197,000)	-
Insurance recoveries	-	-	8,882	8,882
Total Other Financing Sources (Uses)	<u>-</u>	<u>(110,035)</u>	<u>(101,118)</u>	<u>8,917</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 10,074</u>	581,287	<u>\$ 571,213</u>
Beginning fund balance			1,634,082	
Ending Fund Balance			<u>\$ 2,215,369</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
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
STREET MAINTENANCE
For the Year Ended September 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Sales taxes	\$ 142,000	\$ 215,000	\$ 286,476	\$ 71,476
Total Revenues	<u>142,000</u>	<u>215,000</u>	<u>286,476</u>	<u>71,476</u>
<u>Expenditures</u>				
Public works	142,000	394,000	343,213	50,787
Total Expenditures	<u>142,000</u>	<u>394,000</u>	<u>343,213</u>	<u>50,787</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>(179,000)</u>	<u>(56,737)</u>	<u>122,263</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	100,000	100,000	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ (79,000)</u>	<u>43,263</u>	<u>\$ 122,263</u>
Beginning fund balances			<u>67,496</u>	
Ending Fund Balances			<u>\$ 110,759</u>	

Notes to Required Supplementary Information

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

City of Nolanville, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GRANTS FUND
For the Year Ended September 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>				
Grant revenue	\$ 73,500	\$ 960,533	\$ 1,116,322	\$ 155,789
Intergovernmental revenue	-	86,956	103,126	16,170
Total Revenues	<u>73,500</u>	<u>1,047,489</u>	<u>1,219,448</u>	<u>171,959</u>
<u>Expenditures</u>				
Capital outlay	-	-	63,726	(63,726) *
Public safety	-	364,630	396,357	(31,727) *
Culture and recreation	73,500	73,500	151,875	(78,375) *
Total Expenditures	<u>73,500</u>	<u>438,130</u>	<u>611,958</u>	<u>(173,828)</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>609,359</u>	<u>607,490</u>	<u>(1,869)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ 609,359</u>	<u>607,490</u>	<u>\$ (1,869)</u>
Beginning fund balances			(26,552)	
Ending Fund Balances			<u>\$ 580,938</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

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years Ended:

	¹ <u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
Total pension liability			
Service cost	\$ 56,265	\$ 46,265	\$ 41,572
Interest (on the Total Pension Liability)	21,312	17,036	14,405
Differences between expected and actual experience	(4,168)	3,237	(8,211)
Changes of assumptions	-	(54)	-
Benefit payments, including refunds of participant contributions	(3,397)	(12,888)	(9,381)
Net change in total pension liability	<u>70,012</u>	<u>53,596</u>	<u>38,385</u>
Total pension liability - beginning	<u>289,297</u>	<u>235,701</u>	<u>197,316</u>
Total pension liability - ending (a)	<u>\$ 359,309</u>	<u>\$ 289,297</u>	<u>\$ 235,701</u>
Plan fiduciary net position			
Contributions - employer	\$ 18,322	\$ 16,035	\$ 14,166
Contributions - members	43,215	34,578	30,931
Net investment income (loss)	19,377	29,097	(4,699)
Benefit payments, including refunds of participant contributions	(3,397)	(12,888)	(9,381)
Administrative expenses	(125)	(162)	(90)
Other	(5)	(4)	(5)
Net change in plan fiduciary net position	<u>77,387</u>	<u>66,656</u>	<u>30,922</u>
Plan fiduciary net position - beginning	<u>253,577</u>	<u>186,921</u>	<u>155,999</u>
Plan fiduciary net position - ending (b)	<u>\$ 330,964</u>	<u>\$ 253,577</u>	<u>\$ 186,921</u>
Fund's net pension liability - ending (a) - (b)	<u>\$ 28,345</u>	<u>\$ 35,720</u>	<u>\$ 48,780</u>
Plan fiduciary net position as a percentage of the total pension liability	92.11%	87.65%	79.30%
Covered payroll	\$ 864,293	\$ 691,557	\$ 618,629
Fund's net pension liability as a percentage of covered payroll	3.28%	5.17%	7.89%

Notes to schedule:

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

	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
\$	34,407	\$ 32,551	\$ 29,816	\$ 25,471
	12,107	9,592	7,456	5,770
	(5,941)	2,346	(3,724)	(3,823)
	-	-	5,929	-
	(10,838)	(5,477)	(5,030)	(5,985)
	<u>29,735</u>	<u>39,012</u>	<u>34,447</u>	<u>21,433</u>
	<u>167,581</u>	<u>128,569</u>	<u>94,122</u>	<u>72,689</u>
\$	<u>197,316</u>	<u>\$ 167,581</u>	<u>\$ 128,569</u>	<u>\$ 94,122</u>
\$	11,296	\$ 9,340	\$ 7,326	\$ 4,398
	25,909	24,735	23,330	21,349
	15,853	5,427	80	1,875
	(10,838)	(5,477)	(5,030)	(5,985)
	(82)	(61)	(49)	(19)
	(4)	(3)	(2)	(2)
	<u>42,134</u>	<u>33,961</u>	<u>25,655</u>	<u>21,616</u>
	<u>113,865</u>	<u>79,904</u>	<u>54,249</u>	<u>32,633</u>
\$	<u>155,999</u>	<u>\$ 113,865</u>	<u>\$ 79,904</u>	<u>\$ 54,249</u>
\$	<u>41,317</u>	<u>\$ 53,716</u>	<u>\$ 48,665</u>	<u>\$ 39,873</u>
	79.06%	67.95%	62.15%	57.64%
\$	518,178	\$ 494,696	\$ 466,601	\$ 426,976
	7.97%	10.86%	10.43%	9.34%

City of Nolanville, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Years Ended:

	¹ 9/30/2021	9/30/2020	9/30/2019
Actuarially determined employer contributions	\$ 17,847	\$ 17,329	\$ 15,275
Contributions in relation to the actuarially determined contribution	\$ 17,847	\$ 17,329	\$ 15,275
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Annual covered payroll	\$ 896,842	\$ 800,011	\$ 660,442
Employer contributions as a percentage of covered payroll	1.99%	2.17%	2.31%

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

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.0% to 11.5% 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 2019 valuation pursuant to an experience study of the period 2014 - 2018.

Mortality Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

Pre-retirement: 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.

Other Information:

Notes There were no benefit changes during the year.

	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
\$	13,519	\$ 8,374	\$ 9,049	\$ 6,403
\$	<u>13,519</u>	<u>\$ 8,374</u>	<u>\$ 9,049</u>	<u>\$ 6,403</u>
\$	-	\$ -	\$ -	\$ -
\$	596,794	\$ 508,296	\$ 500,850	\$ 445,319
	2.27%	1.65%	1.81%	1.44%

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City of Nolanville, Texas

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

TEXAS MUNICIPAL RETIREMENT SYSTEM

Years Ended:

	¹ <u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>
Total OPEB liability				
Service cost	\$ 2,074	\$ 2,075	\$ 2,227	\$ 1,710
Interest	733	683	567	493
Changes of assumptions	6,954	6,037	(1,837)	1,700
Difference in expected and actual experience	1,861	(453)	444	-
Benefit payments, including refunds of participant contributions	(86)	(69)	(62)	(52)
Net changes	<u>11,536</u>	<u>8,273</u>	<u>1,339</u>	<u>3,851</u>
Total OPEB liability - beginning	<u>25,674</u>	<u>17,401</u>	<u>16,062</u>	<u>12,211</u>
Total OPEB liability - ending	<u><u>\$ 37,210</u></u>	<u><u>\$ 25,674</u></u>	<u><u>\$ 17,401</u></u>	<u><u>\$ 16,062</u></u>
 Covered payroll	 \$ 864,293	 \$ 691,557	 \$ 618,629	 \$ 518,178
Total OPEB Liability as a percentage of covered payroll	4.31%	3.71%	2.81%	3.10%

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

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

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***COMBINING STATEMENTS AND
INDIVIDUAL FUND SCHEDULES***

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specific purposes.

City of Nolanville, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2021

	Special Revenue Funds			Total
	Court Security	Court Technology	Crossing Guard	
<u>Assets</u>				
Cash and cash equivalents	\$ 8,431	\$ 275	\$ -	\$ 8,706
Due from other funds	-	9,856	4,737	14,593
Total Assets	\$ 8,431	\$ 10,131	\$ 4,737	\$ 23,299
<u>Liabilities</u>				
Accounts payable	\$ 282	\$ -	\$ 399	\$ 681
Due to other funds	9,252	-	-	9,252
Total Liabilities	9,534	-	399	9,933
<u>Fund Balances</u>				
Restricted for:				
Court security and technology	-	10,131	-	10,131
Committed for:				
Special revenues	-	-	4,338	4,338
Unassigned	(1,103)	-	-	(1,103)
Total Fund Balances	(1,103)	10,131	4,338	13,366
Total Liabilities and Fund Balances	\$ 8,431	\$ 10,131	\$ 4,737	\$ 23,299

City of Nolanville, Texas
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2021

	Special Revenue Funds			Total
	Court Security	Court Technology	Crossing Guard	
Revenues				
Fines and forfeitures	\$ 6,003	\$ 5,888	\$ -	\$ 11,891
Other revenue	-	-	5,168	5,168
Total Revenues	<u>6,003</u>	<u>5,888</u>	<u>5,168</u>	<u>17,059</u>
Expenditures				
General government	46,420	7,662	13,963	68,045
Total Expenditures	<u>46,420</u>	<u>7,662</u>	<u>13,963</u>	<u>68,045</u>
Revenues Over (Under)				
Expenditures	<u>(40,417)</u>	<u>(1,774)</u>	<u>(8,795)</u>	<u>(50,986)</u>
Other Financing Sources (Uses)				
Transfers in	10,000	-	-	10,000
Total Other Financing Sources				
(Uses)	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Net Change in Fund Balances	(30,417)	(1,774)	(8,795)	(40,986)
Beginning fund balances	29,314	11,905	13,133	54,352
Ending Fund Balances	<u>\$ (1,103)</u>	<u>\$ 10,131</u>	<u>\$ 4,338</u>	<u>\$ 13,366</u>