

CITY OF VAN, TEXAS

AUDIT REPORT

FEBRUARY 28, 1999



CITY OF VAN, TEXAS
ANNUAL FINANCIAL REPORT FOR
THE YEAR ENDED FEBRUARY 28, 1999

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OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
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IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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KENNETH L. WILLIAMS
CERTIFIED PUBLIC ACCOUNTANT
P. O. BOX 912
QUITMAN, TEXAS 75783

Independent Auditor's Report

Honorable Mayor and City Council
City of Van
Van, Texas

We have audited the accompanying general purpose financial statements of the City of Van as of and for the year ended February 28, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Van, Texas management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Van at February 28, 1999, and the results of its operations and the cash flow of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Van. This information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.



Kenneth L. Williams
Certified Public Accountant

August 23, 1999



GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF VAN, TEXAS
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
FEBRUARY 28, 1999

<u>ASSETS</u>	<u>GOVERNMENTAL FUND TYPES</u>		
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>
Cash	\$ 133,524	\$ 31	\$ --
Receivables			
Taxes	41,500	--	17,266
Allowance for Uncollectible Tax	(10,375)	--	(4,316)
Accounts	73,025	--	--
Other Agencies	20,786	--	2,371
Sundry	743	--	--
Due From Other Funds	1,350	--	--
Utility Deposits	10	--	--
Restricted Assets - Cash	--	--	142,177
Property Plant & Equipment			
Land & Buildings	--	--	--
Water Improvements	--	--	--
Sewer Improvements	--	--	--
Equipment	--	--	--
Less: Accumulated Depreciation	--	--	--
Construction In Progress	--	--	--
Amount Available in Debt Service Funds	--	--	--
Amount to be Provided for Retirement of General Long Term Debt	--	--	--
TOTAL ASSETS	<u>\$ 260,563</u>	<u>\$ 31</u>	<u>\$ 157,498</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 30,247	\$ --	\$ --
Customer Deposits	--	--	--
Due to Other Funds	--	--	--
General Obligation Bonds Payable	--	--	--
Notes Payable	--	--	--
Deferred Revenues	<u>31,125</u>	<u>--</u>	<u>12,950</u>
Total Liabilities	<u>61,372</u>	<u>--</u>	<u>12,950</u>

CITY OF VAN, TEXAS
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
FEBRUARY 28, 1999

PROPRIETARY FUND	ACCOUNT GROUPS		TOTALS	
	GENERAL	GENERAL	(MEMORANDUM ONLY)	
	FIXED ASSETS	LONG-TERM DEBT	2-28-99	2-28-98
\$ 918,577	\$ --	\$ --	\$ 1,052,132	\$ 889,415
--	--	--	58,766	65,113
--	--	--	(14,691)	(35,812)
45,288	--	--	118,313	121,139
--	--	--	23,157	19,087
--	--	--	779	--
--	--	--	1,350	362
--	--	--	10	10
--	--	--	142,177	124,689
68,176	720,567	--	788,743	735,136
2,171,146	--	--	2,171,146	2,171,146
2,653,947	--	--	2,653,947	2,636,007
53,394	694,220	--	747,614	677,031
(1,979,823)	--	--	(1,979,823)	(1,850,165)
7,320	--	--	7,320	--
--	--	142,177	142,177	124,689
--	--	<u>1,386,292</u>	<u>1,386,292</u>	<u>1,467,787</u>
<u>\$ 3,938,061</u>	<u>\$ 1,414,787</u>	<u>\$1,528,469</u>	<u>\$ 7,299,409</u>	<u>\$ 7,145,634</u>
\$ 36,523	\$ --	\$ --	\$ 66,770	\$ 38,543
34,867	--	--	34,867	36,608
1,350	--	--	1,350	362
--	--	1,520,000	1,520,000	1,580,000
--	--	8,469	8,469	19,476
--	--	--	<u>44,075</u>	<u>29,301</u>
<u>72,740</u>	<u>--</u>	<u>1,528,469</u>	<u>1,675,531</u>	<u>1,704,290</u>

CITY OF VAN, TEXAS
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
FEBRUARY 28, 1999

<u>FUND EQUITY</u>	<u>GOVERNMENTAL FUND TYPES</u>		
	<u>GENERAL</u>	<u>SPECIAL, REVENUE</u>	<u>DEBT SERVICE</u>
Investment in General Fixed Assets	--	--	--
Retained Earnings - Unreserved	--	--	--
Contributed Capital	--	--	--
Fund Balance - Unreserved	199,191	31	--
- Reserve for Debt Service	<u>--</u>	<u>--</u>	<u>144,548</u>
 Total Fund Equity	 <u>199,191</u>	 <u>31</u>	 <u>144,548</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u>\$ 260,563</u>	 <u>\$ 31</u>	 <u>\$ 157,498</u>

Subject to the accompanying report of Kenneth L. Williams, C.P.A.

CITY OF VAN, TEXAS
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
FEBRUARY 28, 1999

<u>PROPRIETARY</u> <u>FUND</u>	<u>ACCOUNT GROUPS</u>		<u>TOTALS</u>	
	<u>GENERAL</u> <u>FIXED</u> <u>ASSETS</u>	<u>GENERAL</u> <u>LONG-TERM</u> <u>DEBT</u>	<u>(MEMORANDUM ONLY)</u>	
<u>ENTERPRISE</u> <u>FUND</u>			<u>2-28-99</u>	<u>2-28-98</u>
\$ --	\$ 1,414,787	\$ --	\$ 1,414,787	\$ 1,344,204
3,615,321	--	--	3,615,321	3,521,568
250,000	--	--	250,000	250,000
--	--	--	199,222	195,288
--	--	--	<u>144,548</u>	<u>130,285</u>
<u>3,865,321</u>	<u>1,414,787</u>	<u>--</u>	<u>5,623,878</u>	<u>5,441,345</u>
<u>\$ 3,938,061</u>	<u>\$ 1,414,787</u>	<u>\$1,528,469</u>	<u>\$ 7,299,409</u>	<u>\$ 7,145,635</u>

CITY OF VAN, TEXAS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
YEAR ENDED FEBRUARY 28, 1999

	<u>GOVERNMENTAL</u>
<u>REVENUES</u>	
Ad Valorem Taxes	\$ 372,412
Franchise Fees	91,153
City Sales Taxes	170,744
Fines	12,051
Interest Income	4,120
Other Revenues	22,631
Grants	--
Gifts and Bequests	--
Total Revenues	673,111
<u>EXPENDITURES</u>	
Administrative	307,629
Police Department	207,610
City Judge	11,486
Fire Department	36,624
Street Department	68,473
Swimming Pool	24,301
Community Center	16,275
Retirement of Bonded Debt	--
Capital Outlay	--
Total Expenditures	672,398
Revenues Over (Under) Expenditures	713
<u>OTHER SOURCES (USES)</u>	
Transfer In (Out)	(400)
Grant Refund	--
Total Other Sources (Uses)	(400)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	313
Fund Balance, March 1	194,824
Other Adjustments	4,054
Fund Balance, FEBRUARY 28	\$ 199,191 =====

Subject to the Accompanying Report of Kenneth L. Williams, C.P.A.

CITY OF VAN, TEXAS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
YEAR ENDED FEBRUARY 28, 1999

FUND TYPES		TOTALS (MEMORANDUM ONLY)	
SPECIAL REVENUE	DEBT SERVICE	2-29-99	2-28-98
\$ --	\$ 158,610	\$ 531,022	\$ 518,058
--	--	91,153	84,052
--	--	170,744	101,736
--	--	12,051	8,309
--	2,293	6,413	5,693
--	--	22,631	29,234
--	--	--	94,029
<u>1,110</u>	--	<u>1,110</u>	<u>4,199</u>
<u>1,110</u>	<u>160,903</u>	<u>835,124</u>	<u>845,310</u>
70	--	307,699	250,789
--	--	207,610	169,301
--	--	11,486	16,746
--	--	36,624	49,569
--	--	68,473	113,972
--	--	24,301	21,364
--	--	16,275	14,071
--	146,640	146,640	149,265
<u>1,873</u>	--	<u>1,873</u>	<u>99,454</u>
<u>1,943</u>	<u>146,640</u>	<u>820,981</u>	<u>884,531</u>
(833)	14,263	14,143	(39,221)
400	--	--	3,744
--	--	--	(250)
<u>400</u>	--	--	<u>3,494</u>
(433)	14,263	14,143	(35,727)
464	130,285	325,573	360,452
--	--	4,054	848
<u>\$ 31</u>	<u>\$ 144,548</u>	<u>\$ 343,770</u>	<u>\$ 325,573</u>

CITY OF VAN, TEXAS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUND TYPES
YEAR ENDED FEBRUARY 28, 1999

	<u>GENERAL FUND</u>		<u>VARIANCE FAVORABLE (UNFAV.)</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	
<u>REVENUES</u>			
Ad Valorem Taxes	\$ 402,809	\$ 372,412	\$ (30,397)
Franchise Fees	84,000	91,153	7,153
City Sales Taxes	139,750	170,744	30,994
Fines	12,000	12,051	51
Interest Income	720	4,120	3,400
Other Revenues	17,420	22,631	5,211
Grants	--	--	--
Gifts and Bequests	--	--	--
TOTAL REVENUES	<u>656,699</u>	<u>673,111</u>	<u>16,412</u>
<u>EXPENDITURES</u>			
Administration Expense	248,989	307,629	(58,640)
Police Department Expense	191,940	207,610	(15,670)
City Judge	12,127	11,486	641
Fire Department Expense	44,640	36,624	8,016
Street Department Expense	65,000	68,473	(3,473)
Swimming Pool Expense	21,534	24,301	(2,767)
Community Center Expense	21,848	16,275	5,573
Retirement of Bonded Debt	--	--	--
Capital Outlay	--	--	--
TOTAL EXPENDITURES	<u>606,078</u>	<u>672,398</u>	<u>(66,320)</u>
Revenues Over (Under) Expenditures	<u>\$ 50,621</u>	<u>\$ 713</u>	<u>\$ (49,908)</u>
<u>OTHER SOURCES (USES)</u>			
Transfer In	--	--	--
Transfer Out	--	(400)	(400)
Grant Refund	--	--	--
Total Other Sources (Uses)	<u>--</u>	<u>(400)</u>	<u>(400)</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>50,621</u>	<u>313</u>	<u>(50,308)</u>
Fund Balance, March 1	194,824	194,824	--
Other Adjustments	--	4,054	4,054
FUND BALANCE, FEBRUARY 28	<u>\$ 245,445</u> =====	<u>\$ 199,191</u> =====	<u>\$ (46,254)</u> =====

Subject to the Accompanying Report of Kenneth L. Williams, C.P.A.

CITY OF VAN, TEXAS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUND TYPES
YEAR ENDED FEBRUARY 28, 1999

<u>SPECIAL REVENUE FUND</u>			<u>DEBT SERVICE FUND</u>		
<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAV.)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAV.)</u>
\$ --	\$ --	\$ --	\$ 147,975	\$ 158,610	\$ 10,635
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	2,293	2,293
--	--	--	--	--	--
--	1,110	1,110	--	--	--
<u>--</u>	<u>1,110</u>	<u>1,110</u>	<u>147,975</u>	<u>160,903</u>	<u>12,928</u>
--	70	(70)	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	146,640	146,640	--
--	1,873	(1,873)	--	--	--
<u>--</u>	<u>1,943</u>	<u>(1,943)</u>	<u>146,640</u>	<u>146,640</u>	<u>--</u>
--	(833)	(833)	1,335	14,263	12,928
--	400	400	--	--	--
--	--	--	--	--	--
<u>--</u>	<u>400</u>	<u>400</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	(433)	433	1,335	14,263	12,928
464	464	--	130,285	130,285	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
464	31	433	131,620	144,548	12,928
=====	=====	=====	=====	=====	=====



CITY OF VAN, TEXAS
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
YEAR ENDED FEBRUARY 28, 1999
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED FEBRUARY 28, 1998)

<u>OPERATING REVENUES</u>	<u>2-28-99</u>	<u>2-28-98</u>
Charges for Services	\$ 684,399	\$ 616,878
TOTAL OPERATING REVENUES	<u>684,399</u>	<u>616,878</u>
<u>OPERATING EXPENSES</u>		
Salaries	89,013	98,583
Payroll Taxes	7,553	7,816
Retirement Expense	12,445	10,799
Group Insurance	13,096	9,757
Water Chemicals	4,937	4,669
Sewer Chemicals	11,262	7,055
Water System Maintenance	45,360	36,892
Sewer System Maintenance	24,232	27,932
Insurance and Bonds	14,658	4,019
Utilities	80,896	81,034
Office Supplies	11,473	7,688
Vehicle Expense	7,548	6,930
Labor	7,465	6,555
Miscellaneous	18,850	14,559
Depreciation	129,658	123,591
Garbage Collection Expense	78,211	79,340
Contract Ambulance Service	40,742	38,360
Sludge Removal	18,570	18,660
TOTAL OPERATING EXPENSES	<u>615,969</u>	<u>584,239</u>
OPERATING INCOME	<u>68,430</u>	<u>32,639</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest	25,323	23,517
Refunds	--	--
Total Non-Operating Revenues (Expenses)	<u>25,323</u>	<u>23,517</u>
Net Income	93,753	56,156
Retained Earnings, March 1	3,521,568	3,469,119
Equity Transfers	--	(3,707)
RETAINED EARNINGS, FEBRUARY 28	<u>\$3,615,321</u>	<u>\$ 3,521,568</u>
Contributed Capital - March 1	250,000	--
Contributions-Capital Grants	--	250,000
Contributed Capital - February 28	<u>250,000</u>	<u>250,000</u>
FUND EQUITY, FEBRUARY 28	<u>\$3,865,321</u> =====	<u>\$ 3,771,568</u> =====

Subject to the accompanying report of Kenneth L. Williams, C.P.A.



CITY OF VAN, TEXAS
STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUNDS
YEAR ENDED FEBRUARY 28, 1999

	<u>2-28-99</u>
Cash Flows From Operating Activities:	
Operating Income (Loss)	\$ <u>68,430</u>
Adjustments to Reconcile Operating Income (Loss) To Net cash Provided (Used) By Operating Activities	
Depreciation	129,658
Changes in Assets and Liabilities (Increase) Decrease in Accounts Receivable	(3,799)
Increase (Decrease) in Accounts Payable	<u>15,935</u>
Total Adjustments	<u>141,794</u>
Net Cash Provided By Operating Activities	<u>210,224</u>
Cash Flows From Noncapital Financing Activities:	
Increase (Decrease) in Customer Deposits	(1,741)
Transfer (To) From Other Funds	<u>1,350</u>
Net Cash Provided (Used) by Noncapital Activities	<u>(391)</u>
Cash Flow From Capital and Related Financial Activities:	
Acquisition of Fixed Assets	(78,866)
Payment on Loan Principal	<u>(7,000)</u>
Net Cash Provided (Used) from Capital and Related Financing Activities	<u>(85,866)</u>
Cash Flows From Investing Activities:	
Interest Earned on Operating Funds	<u>25,323</u>
Net Increase (Decrease) in Cash and Cash Equivalents	149,290
Cash and Cash Equivalents, March 1	<u>769,287</u>
CASH AND CASH EQUIVALENTS AT FEBRUARY 28	\$ <u>918,577</u> =====

Subject to the Accompanying Report of Kenneth L. Williams, C.P.A.



CITY OF VAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FEBRUARY 28, 1999

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Van, Texas operates under a Mayor-Council form of government and provides the following services: general administration, police, fire, planning and zoning, street, solid waste, water and sewer services and ambulance service.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental unites. the Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and financial reporting. One June 15, 1987, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with the subsequent GASB pronouncements, (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below:

1. The Financial Reporting Entity

As required by generally accepted accounting principles, these financial statements present City of Van (the primary government) and its component unit. The component unit discussed below is included in the reporting entity because of the significance of their operational and financial relationship with the City of Van.

Individual Component Unit Disclosure - Blended Component Unit

The Van Economic Development Corporation is governed by a seven (7) member board. These board members are appointed by the City Council and Mayor. Although it is legally separate from the City of Van, the Van Economic Development Corporation is reported as if it were part of the primary government because its sole purpose is to determine the uses of the proceeds of a .5 per cent sales tax for the benefit of the citizens of the City of Van.

2. Basis of Presentation - Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which



spending activities are controlled. The various funds and account groups are reported by generic classification within the financial statements.

The following fund types and account groups are used by the City:

a. Governmental Fund Types

The focus of Governmental Fund measurement is upon determination of financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the City:

General Fund

To account for resources devoted to financing the general services that the City performs. This fund is charged with all costs of operating the City for which a separate fund has not been established.

Debt Service Fund

To account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

b. Proprietary Funds

The focus of Proprietary Fund measurement is upon determination of net income, financial position and changes in financial position. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The only Proprietary Fund of the City is an Enterprise Fund, which is describe in the following paragraph:

Enterprise Fund

To account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City uses the Enterprise Fund to account for the activities and operations of the City's water works and sewer system, solid waste disposal and ambulance service.

c. Fiduciary Fund Types

Agency Funds

The City has no agency funds.

Trust Funds

The City has no trust funds.

d. Account Groups

Account Groups are not funds; they do not reflect available financial resources and related liabilities. The following is a description of the Account Groups of the City:

General Fixed Assets Account Group



This account group reflects the costs of fixed assets acquired or constructed by the City. No depreciation has been provided in the General Fixed Assets Account Group.

General Long-Term Account Group

This account group is used to record the outstanding long-term obligations, both bonds and capital leases.

3. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Those revenues susceptible to accrual are property taxes, franchise taxes, interest revenues, and charges for services. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

Revenue recognition for cost reimbursement grants is recognized in accordance with GASB Statement 1. When the expenditure is incurred, grant revenue is considered to have been earned and therefore available and recognized as revenue.

Modified Accrual

All governmental funds and agency funds are accounted for using the modified accrual basis of accounting under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). "Measurable" means that the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Accrual

The accrual basis of accounting is used by the Proprietary Fund types. Under this method, revenues are recorded when earned, and the expenses are recognized when they are incurred.

Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board and all financial accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its proprietary fund as presented by the GASB.

4. Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control for the General Fund of the City. The same basis of accounting is used to reflect actual revenues and expenditures/expenses recognized on a generally accepted accounting principles basis.



The City Council adopts and "appropriated budget" for the General Fund. At a minimum, the City is required to present the final amended budgeted revenues and expenditures compared to actual revenues and expenditures for these two funds in Exhibit A-3.

The following procedures are followed in establishing the budgetary data reflected in the general purpose financial statements:

- a. The City Council prepares a budget for the next succeeding fiscal year beginning March 1. The operating budget includes proposed expenditures and the means of financing them. This proposed budget is filed at least thirty (30) days before the date the City Council determines the tax levy for the fiscal year.
- b. At least fifteen (15) days after preparation of the proposed budget, a meeting of the City Council is called for the purpose of adopting the proposed budget after at least ten (10) day's public notice of the meeting has been published.
- c. Prior to March 1, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can be amended only by approval of a majority of the City Council.

5. Cash and Investments

The City maintains separate cash accounts for each of its separate funds. All investments are certificates of deposit at the City's depository bank. For purposes of the statement of cash flows, the City considers all liquid investments available for current use with an initial maturity of twelve months or less to be cash equivalents.

6. Receivables

Property taxes which were levied during the fiscal year, and prior years, but are uncollected as of February 28, 1998, are recorded as delinquent taxes receivable. Based on historical experience, an allowance for uncollectible property taxes is established at 25% of the outstanding balance.

7. Fixed Assets

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. Fixed assets acquired in governmental funds are accounted for as expenditures in the fund when the asset is purchased and are recorded in the General Fixed Assets account Group at historical cost. Where historical cost is not known, assets are recorded at estimated historical cost. Donated assets are valued at estimated fair market value at time of acquisition.

Infrastructure such as roads, bridges, and curbs are considered public property and are not accounted for in the General Fixed Assets Group.

Governmental fund acquired fixed assets of the City are not depreciated. Depreciation of fixed assets used by the Proprietary fund is charged as an expense against the operations. Accumulated depreciation is reported



on the Proprietary Fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water and sewer plant	40 Years
Other system structures	30 Years
Equipment	10 Years
Vehicles	5 Years
Office equipment	5 Years

8. Inventory

Inventory items are expensed when purchased.

9. Accumulated Vacation Time

It is the City's policy to pay terminated employees for any accrued vacation leave earned but not used by the time of the termination. The City does not allow unused vacation leave to carry from one calendar year to the next calendar year. Employees earn one sick day per month and cannot accumulate more than 60 days. The City does not pay employees for unused sick leave.

10. Fund Equity

The unreserved fund balances for governmental funds present the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Unreserved retained earnings for the Proprietary Fund represent the net assets available for future operations or distribution. Reserved retained earnings for proprietary funds represent the net assets that have been legally identified for specific purposes.

11. Encumbrance System

The City does not use an encumbrance system of recording liabilities and expenditures.

12. Total Columns on Combined Statements

Amounts in the "Totals (Memorandum Only)" columns in the combined financial statements represent a summation of the combined financial statement line items of the fund types and account groups and are presented for analytic purposes only. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. The summation includes fund types and account groups that use different basis of accounting, and includes interfund transactions that have not been eliminated and the caption "amounts to be provided:", which is not an asset in the usual sense. Consequently, amounts shown in the "Totals (Memorandum Only)" columns are not comparable to a consolidation and do not represent the total resources available or total revenues and expenditures/expenses of the City.



B. CASH AND INVESTMENTS

The City's depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

The Public Funds Investment Act requires an annual audit of investment practices. Audit procedures in this area disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City was in substantial compliance with the requirements of the Act.

At February 28, 1999, the carrying amount of the City's deposits (cash and certificates of deposit) was \$1,194,309. Pledged collateral held by the City's agent bank in the City's name was \$1,000,000. The City's depository bank is the First State Bank, Van, Texas.

The City does not pool cash. Instead, the City maintains separate cash accounts, in the form of checking and/or savings accounts, for each fund.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

1. Insured or collateralized with securities held by the City or by the City's agent in the City's name.
2. Collateralized with securities held by the pledging financial institution's trust department or the City's agent in the in the City's name.
3. Uncollateralized.

Based on these three levels of risk, all of the City's cash deposits are classified as category 2.

Temporary Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U. S. Treasury, certain U. S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10)



and common trust funds. Similar to cash deposits, investments held at a financial institution can be categorized according to three levels of risk. these three levels of risk are:

1. Insured, registered for which the securities are held by the City or the City's agent in the City's name.
2. Uninsured and unregistered investments for which the securities are held by the City's agent in the City's name.
3. Uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the City's name.

The City's investments are categorized below to give an indication of the level of risk assumed by the City at year-end.

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Category</u>
Certificates of Deposit	\$ 216,478	\$216,478	1

The City's only investments during the year were certificates of deposit.

C. PROPERTY TAXES

Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year. A lien on all taxable real property is effective on January 1 of the tax year. Property tax revenues are recognized when they become available.

Available includes those property tax receivables expected to be collected within sixty days after year end.

Property within the City of Van is assessed by the Van Zandt County Appraisal District. The property taxes due to the City are collected by the Van Zandt County Appraisal District, Canton, Texas.

Based on collection histories, the City has provided an allowance for uncollectible real property taxes equivalent to 25% of the delinquent tax receivable balance.

D. CHANGES IN GENERAL FIXED ASSETS

	<u>Balance</u> <u>March 1,</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Feb. 28,</u>
Land/Buildings	678,074	--	--	678,074
Machinery and Equipment	623,637	70,583	--	694,220



Improvements Other Than Buildings	42,493	--	--	42,493
Total	\$1,344,204	\$ 70,583	\$	\$ 1,414,787
	=====	=====	=====	=====

E. CHANGES IN PROPRIETARY FUND FIXED ASSETS

	Balance March 1,	<u>Additions</u>	<u>Reductions</u>	Balance Feb. 28,
Buildings	--	52,606	--	52,606
Water System	\$2,171,145	\$ --	\$ --	\$2,171,145
Sewer System	2,636,006	17,940	--	2,653,946
Equipment	53,395	--	--	53,395
Construction In progress	--	7,320	--	7,320
Total	4,860,546	77,866	--	4,938,412
Less: Acc. Depr.	(1,850,165)	(129,658)	--	(1,979,823)
Land/R-O-W	14,570	1,000	--	15,570
Net Fixed Assets	\$3,024,951	\$ (50,792)	\$ --	\$2,974,159
	=====	=====	=====	=====

F. CHANGES IN GENERAL LONG TERM DEBT

Bond transactions of the City of Van, for the year ended February 28, 1999 are as follows:

Tax and Waterworks & Sewer System Surplus Revenue
Certificate of Obligation, Series 1994
Original Amount \$1,750,000 @ 3.75%-6.00%, Maturing 2014

Bonds Payable at March 1,	\$ 1,580,000
Bonds Issues	--
Bonds Retired	(60,000)
Payable at February 28,	\$ 1,520,000
	=====

The loan transactions for the City of Van for the year ended February 28, 1999 are as follows:

Vendors Lein Note Dated 12-7-1990 in Amount of \$32,000
10.00% interest payable in 120 monthly installments of \$422.88.

Loans Payable at March 1	\$ 12,476
Loan Proceeds	--
Loans Retired	(4,007)
Loans Payable at February 28,	\$ 8,469
	=====



The annual requirements to amortize all bonded debt of the General Fund outstanding as of February 28, 1999 are as follows:

<u>Years Ending February 28,</u>	<u>Bond Requirements</u>	<u>Note Requirements</u>	<u>Total</u>
2000	148,748	5,075	153,823
2001	145,644	4,229	149,873
2002	147,318	--	147,318
2003	143,783	--	143,783
2004	145,048	--	145,048
Subsequent	<u>1,594,025</u>	<u>--</u>	<u>1,594,025</u>
Total	\$ <u>2,324,566</u>	\$ <u>9,304</u>	\$ <u>2,333,870</u>

G. CHANGES IN LONG TERM DEBT-PROPRIETARY FUND

The following is a summary of the long term debt transactions of the City for the year ended February 28, 1998.

	<u>Payable March 1,</u>	<u>Additions</u>	<u>Reductions</u>	<u>Payable Feb. 28,</u>
Vendor Lien Note	\$ <u>7,000</u>	\$ <u>--</u>	\$ <u>7,000</u>	\$ <u>--</u>

H. COMMITMENTS UNDER NONCAPITALIZED LEASES

The City has no noncapitalized leases.

I. CAPITAL LEASE OBLIGATION -GENERAL FUND

The City has no capital lease obligations.

J. EMPLOYEE RETIREMENT PLAN

Plan Description

The City provides pension benefits for its full-time employees through a nontraditional, joint contributory, defined contribution plan in the state-wide Texas Municipal Retirement System (TMRS), one of over 700 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the city-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for services rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, 200%) of the employee's



accumulated contributions. In addition, the city can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 10 or more years of service or with 25 years of service regardless of age. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Contributions

The contribution rate for employees is 5%, and the city matching percent is currently 21 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the city contribution rate is annually determined by the actuary. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to city matching percent, which are the obligation of the city as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. When the City periodically adopts updated service credits and increases in annuities in effect, the increased unfunded actuarial liability is to be amortized over a new 25-year period. Currently, the unfunded actuarial liability is being amortized over the 25-year period which began January, 1997. The unit credit actuarial cost method is used for determining the City contribution rate. Contributions are made monthly by both the employees and the City. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year lag between the actuarial valuation that is the basis for the rate and calendar year when the rate goes into effect (i. e. December 31, 1998 valuation is effective for rates beginning January 2000).

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation

<u>Date</u>	<u>12-94</u>	<u>12-93</u>	<u>12-92</u>	<u>12-91</u>	<u>12-90</u>
Actuarial Value of Assets	503,886	436,861	361,296	309,456	257,457



Actuarial Accrued Liability	664,725	582,820	470,243	408,657	352,559
Percentage Funded	75.80%	74.96%	76.83%	75.73%	73.03%
Unfunded Actuarial Accrued Liability	160,839	145,959	108,947	99,201	95,102
Annual Covered Payroll	266,644	244,356	243,286	279,061	283,112
UAAL as Percentage of Covered Payroll	60.32%	59.73%	44.78%	35.55%	33.59%
Net Pension Obligation (NPO) at the Beginning of Period	--	--	--	--	--
Annual Pension Cost					
Annual Required					
Contribution (ARC)	--	--	--	--	--
Interest on NPO	--	--	--	--	--
Adjustment to ARC	--	--	--	--	--
Contributions Made					
Increase in NPO	--	--	--	--	--
NPO at the end of Period	--	--	--	--	--

Actuarial Valuation

<u>Date</u>	<u>12-95</u>	<u>12-96</u>	<u>12-97</u>	<u>12-98</u>
Actuarial Value of Assets	478,465	557,865	581,266	562,880
Actuarial Accrued Liability	652,615	748,703	336,784	598,513
Percentage Funded	73.32%	74.51%	91.3%	94.0%
Unfunded Actuarial Accrued Liability	174,150	190,838	55,518	35,633
Annual Covered Payroll	257,209	263,708	208,603	310,821
UAAL as Percentage of Covered Payroll	67.71%	72.36%	26.6%	11.5%
Net Pension Obligation (NPO) at the Beginning of Period	--	--	--	--
Annual Pension Cost				
Annual Required				
Contribution (ARC)	--	--	--	--
Interest on NPO	--	--	--	--
Adjustment to ARC	--	--	--	--
Contributions Made				
Increase in NPO	--	--	--	--
NPO at the end of Period	--	--	--	--

The City of Van is one of 717 municipalities having the benefit plan administered by TMRS. Each of the 717 municipalities have an annual, individual actuarial valuation performed. All assumptions for the 12-31-



1998 valuations are contained in the 1998 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P. O. box 149152, Austin, Texas 78714-9153.

K. HEALTH INSURANCE

During the year ended February 28, 1999, the employees of the City were covered by a health insurance plan (the Plan). The city paid 100% of the premiums per pay period for each employee to the Plan and employees, at their option, authorized payroll withholding to pay premiums for dependents. All contributions were paid to a self-funded pool administered by the Texas Municipal League Group Benefits Risk Pool.

The City also pays the premiums for \$10,000 life insurance policies for each employee. Employees can, at their option, obtain coverage for cancer and additional life insurance through the Plan. Employees pay 100% of the premiums for any such additional insurance coverage.

The contract between the City and the other participants of the self-funded pool is renewable October 1 and the terms of coverage and premium costs are included in the contractual provision.

Additional assessments cannot be made by the Plan during the year. Because of the terms of the agreement with the Plan, no reserve for self-insurance has been established.

In accordance with state statute, the City was protected against unanticipated catastrophic individual loss by stop-loss coverage carried through American Stoploss Insurance Company, a commercial insurer licensed to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$125,000 per individual, per year.

Latest financial statements for the Texas Municipal League Group Benefits Risk Pool self-insurance pool are available for the year ended August 31, 1998 can be obtained from the Texas Municipal League, Austin, Texas.

L. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City continues to carry commercial insurance for all of these types of risks of loss, including commercial building and property, vehicle collision, liability and comprehensive, public officials liability, and law enforcement officials.

The City has joined together with other governments to form a workers' compensation risk pool, a public entity risk pool currently operating as a common risk management and insurance program for workers' compensation insurance coverage. The agreement for formation of the Texas Municipal League Intergovernmental Risk Pool provides that the pool will be self-



sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000 for each insured event. the City's liability is limited to the contractual premiums required to be paid each year. those premiums can be changed only on the renewal date of the contractual agreement. Because of the structure of this insurance policy, no designation of fund balance to allow for contingent liabilities related to this insurances has been made.

The Texas Municipal League Intergovernmental Risk Pool has published its own financial report for the year ended August 31, 1998, which can be obtained from the Texas Municipal League, Austin, Texas

M. LITIGATION

The City has no pending or threatened litigation at February 28, 1999.

N. SUBSEQUENT EVENTS

The City is unaware of any subsequent event which would have a material effect on the financial status or operation of the City of Van.



COMBINING STATEMENTS



CITY OF VAN, TEXAS
GENERAL FUND
COMBINING BALANCE SHEET
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED FEBRUARY 28, 1999

<u>ASSETS</u>	<u>GENERAL</u>	<u>VAN</u>	TOTALS	
	<u>FUND</u>	<u>DEVELOPMENT</u>	<u>MEMORANDUM ONLY</u>	<u>MEMORANDUM ONLY</u>
			<u>2-28-99</u>	<u>2-28-98</u>
Cash	\$ 97,988	\$ 35,536	\$ 133,524	\$ 119,302
Receivables				
Taxes	41,500	--	41,500	65,113
Allowance For Uncollectible Tax	(10,375)	--	(10,375)	(35,812)
Accounts	73,025	--	73,025	79,976
Other Agencies	16,967	3,819	20,786	13,491
Sundry	743	--	743	--
Due From Other Funds	1,350	--	1,350	--
Utility Deposits	<u>10</u>	<u>--</u>	<u>10</u>	<u>10</u>
TOTAL ASSETS	\$ 221,208	\$ 39,355	\$ 260,563	\$ 242,080
	=====	=====	=====	=====
<u>LIABILITIES</u>				
Accounts Payable	\$ 30,247	\$ --	\$ 30,247	\$ 17,955
Due To Other Funds	--	--	--	--
Notes Payable	--	--	--	--
Deferred Revenues	<u>31,125</u>	<u>--</u>	<u>31,125</u>	<u>29,301</u>
TOTAL LIABILITIES	\$ 61,372	\$ --	\$ 61,372	\$ 47,256
	=====	=====	=====	=====
<u>FUND EQUITY</u>				
Fund Balance - Unreserved	\$ 159,836	\$ 39,355	\$ 199,191	\$ 194,824
TOTAL FUND EQUITY	\$ 159,836	\$ 39,355	\$ 199,191	\$ 194,824
	=====	=====	=====	=====
TOTAL LIABILITIES AND FUND EQUITY	\$ 221,208	\$ 39,355	\$ 260,563	\$ 242,080
	=====	=====	=====	=====

Subject to the accompanying report of Kenneth L. Williams, C.P.A.



CITY OF VAN, TEXAS
GENERAL FUND
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED FEBRUARY 28, 1999

<u>REVENUES</u>	<u>GENERAL</u> <u>FUND</u>	<u>VAN</u> <u>DEVELOPMENT</u>	<u>TOTALS</u>	
			<u>MEMORANDUM ONLY</u> <u>2-28-99</u>	<u>2-28-98</u>
Ad Valorem Taxes	\$ 372,412	\$ --	\$ 372,412	\$ 365,249
Franchise Fees	91,153	--	91,153	84,052
City Sales Taxes	128,058	42,686	170,744	101,736
Fines	12,051	--	12,051	8,309
Interest Income	3,741	379	4,120	3,494
Other Revenues	<u>22,631</u>	<u>--</u>	<u>22,631</u>	<u>29,234</u>
Total Revenues	<u>\$ 630,046</u>	<u>\$ 43,065</u>	<u>\$ 673,111</u>	<u>\$ 592,074</u>
 <u>EXPENDITURES</u>				
Administrative	\$ 295,283	\$ 12,346	\$ 307,629	\$ 250,754
Police Department	203,786	3,824	207,610	169,301
City Judge	11,486	--	11,486	16,746
Fire Department	36,624	--	36,624	49,569
Street Department	68,473	--	68,473	113,972
Swimming Pool	24,301	--	24,301	21,364
Community Center	<u>16,275</u>	<u>--</u>	<u>16,275</u>	<u>14,071</u>
Total Expenditures	<u>656,228</u>	<u>\$ 16,170</u>	<u>672,398</u>	<u>635,777</u>
Revenues Over (Under) Expenditures	(26,182)	26,895	713	(43,703)
 <u>Other Sources (Uses)</u>				
Transfers In (Out)	<u>(400)</u>	<u>--</u>	<u>(400)</u>	<u>3,707</u>
Total Other Sources (Uses)	<u>(400)</u>	<u>--</u>	<u>(400)</u>	<u>3,707</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(26,582)	26,895	313	(39,996)
Fund Balance, March 1	194,824	--	194,824	234,820
Prior Period Adjustments	<u>(8,406)</u>	<u>12,460</u>	<u>4,054</u>	<u>--</u>
FUND BALANCE, FEBRUARY 28	<u>\$ 159,836</u> =====	<u>\$ 39,355</u> =====	<u>\$ 199,191</u> =====	<u>\$ 194,824</u> =====

Subject to the accompanying report of Kenneth L. Williams, C.P.A.



SUPPLEMENTAL INFORMATION



CITY OF VAN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED FEBRUARY 28, 1999

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAV)</u>
<u>REVENUES</u>			
Ad Valorem Taxes	\$ 402,809	\$ 372,412	\$ (30,397)
Franchise Fees	84,000	91,153	7,153
City Sales Taxes	104,812	128,058	23,246
Fines	12,000	12,051	51
Interest Income	720	3,741	3,021
Other Revenues	<u>17,420</u>	<u>22,631</u>	<u>5,211</u>
Total Revenues	<u>\$ 621,761</u>	<u>\$ 630,046</u>	<u>\$ 8,285</u>
<u>EXPENDITURES</u>			
<u>Administration and Non-Departmental</u>			
Salaries	82,093	76,784	5,309
Retirement	8,825	8,009	816
Payroll Taxes	6,872	6,748	124
Group Insurance	7,720	6,907	813
Auto Allowance	1,200	1,200	--
Auditor	2,200	2,250	(50)
City Attorney	3,300	6,850	(3,550)
Council Fees	3,600	3,600	--
Appraisal District	13,779	12,598	1,181
Office Expense	2,500	2,607	(107)
Utilities	65,000	72,152	(7,152)
Vehicle Gasoline	6,000	4,392	1,608
Vehicle Repair & Maintenance	6,500	2,943	3,557
Cleaning	--	1,800	(1,800)
Two-Way Radio	--	579	(579)
Insurance-General	19,000	20,589	(1,589)
Interest Other Than Bonds	4,500	4,792	(292)
Dog Leash Ordinance	1,300	1,485	(185)
Miscellaneous	14,600	18,647	(4,047)
Capital Improvement	--	<u>40,351</u>	<u>(40,351)</u>
Total Administration	<u>248,989</u>	<u>295,283</u>	<u>(46,294)</u>
<u>Police Department</u>			
Salaries	118,000	124,322	(6,322)
Retirement	14,233	12,555	1,678
Payroll Taxes	9,071	9,867	(796)
Supplies	--	785	(785)
Hospital Insurance	12,436	10,695	1,741



CITY OF VAN, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED FEBRUARY 28, 1999

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAV)</u>
<u>EXPENDITURES, Cont.</u>			
<u>Police Dept. Cont.</u>			
Office Expense	\$ 1,500	\$ 1,095	\$ 405
Gas and Oil	6,000	4,927	1,073
Vehicle Repair	4,000	2,550	1,450
Uniforms	1,500	2,801	(1,301)
Education	1,000	1,918	(918)
Equipment	24,200	22,411	1,789
Miscellaneous	--	9,860	(9,860)
Total Police Department	<u>191,940</u>	<u>203,786</u>	<u>(11,846)</u>
 <u>City Judge</u>			
Salary	10,800	9,965	835
Payroll Tax	827	841	(14)
Clerical Expense	500	583	(83)
Miscellaneous	--	97	(97)
Total City Judge	<u>12,127</u>	<u>11,486</u>	<u>641</u>
 <u>Fire Department</u>			
Hospitalization Insurance	23,600	17,520	6,080
Supplies	10,000	1,795	8,205
Gas and Oil	2,300	1,978	322
Maintenance	2,700	735	1,965
Insurance-General	--	3,240	(3,240)
Fire School & Training	2,000	2,000	--
Equipment	2,600	6,856	(4,256)
Miscellaneous	1,440	2,500	(1,060)
Total Fire Department	<u>44,640</u>	<u>36,624</u>	<u>8,016</u>
 <u>Street Department</u>			
Oil Dirt	--	--	--
Contingencies	1,000	6,695	(5,695)
Streets	60,000	54,086	5,914
Miscellaneous	4,000	2,234	1,766
Capital Outlay	--	5,458	(5,458)
Total Street Department	<u>65,000</u>	<u>68,473</u>	<u>(3,473)</u>
 <u>Swimming Pool</u>			
Salaries	6,000	7,337	(1,337)
Payroll Taxes	300	516	(216)
Parks & Recreation	500	1,920	(1,420)
Chemicals and Supplies	3,500	3,166	334



CITY OF VAN, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED FEBRUARY 28, 1999

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAV)</u>
<u>EXPENDITURES, Cont.</u>			
<u>Swimming Pool, Cont.,</u>			
Pool Concession	\$ 1,760	\$ 1,906	\$ (146)
Utilities	4,400	3,940	460
Debt Service	5,074	5,075	(1)
Miscellaneous	--	441	(441)
Total Swimming Pool	<u>21,534</u>	<u>24,301</u>	<u>(2,767)</u>
 <u>Community Center</u>			
Salaries	5,525	6,137	(612)
Payroll Tax	423	422	1
Supplies	800	757	43
Office Expense	--	--	--
Utilities	7,000	6,244	756
Maintenance and Repair	1,000	1,198	(198)
Cont Lawn Service-Comm Center	2,100	630	1,470
Miscellaneous Expenses	--	887	(887)
Capital Outlay	5,000	--	5,000
Total Community Center	<u>21,848</u>	<u>16,275</u>	<u>5,573</u>
 TOTAL EXPENDITURES	 <u>\$ 606,078</u>	 <u>\$ 656,228</u>	 <u>\$ (50,150)</u>
 Excess (Deficiency) of Revenues Over Expenditures	 15,683	 (26,182)	 (41,865)
 <u>Other Sources and Uses</u>			
Transfers In (Out)	--	(400)	(400)
 Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	 <u>15,683</u>	 <u>(26,582)</u>	 <u>(42,265)</u>
 Fund Balance, March 1	 <u>194,824</u>	 <u>194,824</u>	 <u>--</u>
 Prior Period Adjustment	 --	 (8,406)	 (8,406)
 FUND BALANCE, FEBRUARY 28	 <u>\$ 210,507</u>	 <u>\$ 159,836</u>	 <u>\$ (50,671)</u>

Subject to the accompanying report of Kenneth L. Williams, C.P.A.



CITY OF VAN, TEXAS
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS - BUDGET AND ACTUAL
WATER AND SEWER FUND
YEAR ENDED FEBRUARY 28, 1999

	WATER AND SEWER FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAV.)
<u>OPERATING REVENUES</u>			
Water	\$ 315,000	\$ 392,844	\$ 77,844
Sewer	129,000	129,133	133
Penalties	20,000	19,844	(156)
Water and Sewer Taps	12,250	21,150	8,900
Miscellaneous	4,000	--	(4,000)
Garbage	79,800	79,864	64
Ambulance Fees	41,500	41,564	64
Total Operating Revenues	601,550	684,399	82,849
<u>OPERATING EXPENDITURES</u>			
Salaries	110,000	89,013	20,987
Payroll Taxes	8,425	7,553	872
Retirement Expense	11,476	12,445	(969)
Group Insurance	7,416	13,096	(5,680)
Water Chemicals	5,000	4,937	63
Sewer Chemicals	6,000	11,262	(5,262)
Sludge Removal	20,000	18,570	1,430
Water System Maintenance	17,000	45,360	(28,360)
Sewer System Maintenance	32,250	24,232	8,018
Insurance and Bonds	20,000	14,658	5,342
Utilities	75,000	80,896	(5,896)
Office Expense	6,000	11,473	(5,473)
Vehicle Expenses	7,000	7,548	(548)
Professional Fees	2,200	2,250	(50)
Miscellaneous	12,000	16,600	(4,600)
Depreciation	26,000	129,658	(103,658)
Garbage Collection Expense	79,800	78,211	1,589
Contract Ambulance Service	41,500	40,742	758
Contract Meter Reading	--	7,465	(7,465)
Schools and Training	--	--	--
Total Operating Expenses	487,067	615,969	(128,902)
Total Operating Income	\$ 114,483	\$ 68,430	\$ (46,053)
<u>Non-Operating Revenues (Expenses)</u>			
Interest	21,550	25,323	3,773
Total Non-Operating Revenues	21,550	25,323	3,773
Net Income	136,033	93,753	(42,280)



CITY OF VAN, TEXAS
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS - BUDGET AND ACTUAL
WATER AND SEWER FUND
YEAR ENDED FEBRUARY 28, 1999

	<u>WATER AND SEWER FUND</u>		<u>VARIANCE FAVORABLE (UNFAV.)</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	
Retained Earnings at March 1	\$3,521,568	\$3,521,568	--
Equity Transfers	--	--	--
Retained Earnings at February 28	<u>3,657,601</u>	<u>3,615,321</u>	<u>(42,280)</u>
Contributed Capital - March 1	250,000	250,000	--
Contributions - Capital Grants	--	--	--
Contributed Capital - February 28	<u>250,000</u>	<u>250,000</u>	--
FUND EQUITY, FEBRUARY 28	<u>\$3,907,601</u>	<u>\$3,865,321</u>	<u>\$ (42,280)</u>

Subject to the accompanying report of Kenneth L. Williams, C.P.A.



CITY OF VAN, TEXAS
DEBT SERVICE REQUIREMENTS
TAX AND WATERWORKS AND SEWER SYSTEM SURPLUS
REVENUE CERTIFICATES OF OBLIGATION, SERIES 1994
FEBRUARY 28, 1999

<u>FISCAL</u> <u>YEAR ENDING</u> <u>FEBRUARY 28,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2000	65,000	83,748	148,748
2001	65,000	80,644	145,644
2002	70,000	77,318	147,318
2003	70,000	73,783	143,783
2004	75,000	70,048	145,048
2005	80,000	65,978	145,978
2006	85,000	61,541	146,541
2007	90,000	56,728	146,728
2008	95,000	51,546	146,546
2009	100,000	45,988	145,988
2010	105,000	40,041	145,041
2011	110,000	33,725	143,725
2012	115,000	27,059	142,059
2013	125,000	19,919	144,919
2014	130,000	12,300	142,300
2015	<u>140,000</u>	<u>4,200</u>	<u>144,200</u>
TOTAL	<u>\$ 1,520,000</u>	<u>\$ 804,566</u>	<u>\$ 2,324,566</u>

Subject to the accompanying report of Kenneth L. Williams, C.P.A.



OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION



KENNETH L. WILLIAMS
CERTIFIED PUBLIC ACCOUNTANT
P. O. BOX 912
QUITMAN, TEXAS 75783

Report on Compliance and On Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards*

Mayor
City Council
City of Van, Texas

We have audited the financial statements of the City of Van, Texas as of and for the year ended February 28, 1999, and have issued our report thereon dated August 23, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

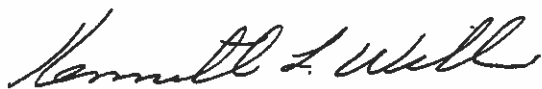
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Van's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



This report is intended for the information of the management, the City Council, and state and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,



Kenneth L. Williams
Certified Public Accountant

August 23, 1999

