

***CITY OF VAN, TEXAS***

**ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended September 30, 2015

**CITY OF VAN, TEXAS**  
ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended September 30, 2015

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# YELDELL, WILSON, WOOD & REEVE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Greer Yeldell, CPA | Glen Wilson, CPA | Tracie Wood, CPA | Joyce Reeve, CPA  
Glenda Valek, CPA | Caitlyn Keller, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
City of Van, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Van, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **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 business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Van, Texas, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As discussed in Note 1.I to the financial statements, in 2015 the City adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. 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, budgetary comparison information, and net pension liability information on pages 3-10 and 48-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

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

*Yeldell, Wilson, Wood & Reeve, P.C.*

Yeldell, Wilson, Wood & Reeve, P.C.  
*Certified Public Accountants*

Ennis, Texas  
May 2, 2016

# **CITY OF VAN, TEXAS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

As management of the City of Van, 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, 2015.

### **Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$5,578,699 (*net position*). Of this amount, \$584,270 represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$116,112.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$526,961, a decrease of \$233,879 in comparison with prior year. Approximately 26% of this amount (\$137,510) is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$137,510, or approximately 7% of the total general fund expenditures.

### **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 Financial 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 financial information on all of the City's assets, deferred outflows of resources and liabilities, 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.

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 compensated absences).

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, cultural and recreational and public works. The business-type activities of the City include water and sewer operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate 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 11-12 of this report.

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

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported 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*.

The City maintains nine 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 Fund, which is considered to be a major fund. Data from the other eight governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The basic governmental fund financial statements can be found on pages 13-15 of this report.

**Proprietary Funds.** The City maintains one type of proprietary fund. The *enterprise fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses the enterprises fund to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water and Sewer fund, which is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 16-18 of this report.

**Notes to the 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 19-46 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report presents *required supplementary information* concerning the City's General fund Budget Comparison Schedule, the Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of Contributions. Required supplementary information can be found on pages 48-50 of this report.

This report also presents combining statements referred to earlier in connection with nonmajor governmental funds. Combining and individual fund statements and schedules can be found on pages 52-55 of this report.

### Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$5,578,699, at the close of the most recent fiscal year.

#### CITY OF VAN'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 635,494	\$ 2,109,969	\$ 789,896	\$ 585,384	\$ 1,425,390	\$ 2,695,353
Capital assets	1,917,434	1,849,241	3,357,906	3,427,740	5,275,340	5,276,981
Total assets	2,552,928	3,959,210	4,147,802	4,013,124	6,700,730	7,972,334
Total deferred outflows of resources	81,777	9,054	38,892	4,325	120,669	13,379
Long term liabilities	470,796	546,854	412,881	476,176	883,677	1,023,030
Other liabilities	79,300	1,086,662	279,723	181,210	359,023	1,267,872
Total liabilities	550,096	1,633,516	692,604	657,386	1,242,700	2,290,902
Net position:						
Net investment in capital assets	1,527,758	1,398,295	2,982,906	2,992,740	4,510,664	4,391,035
Restricted	377,666	287,564	106,099	77,415	483,765	364,979
Unrestricted	179,185	648,889	405,085	289,908	584,270	938,797
Total net position	\$ 2,084,609	\$ 2,334,748	\$ 3,494,090	\$ 3,360,063	\$ 5,578,699	\$ 5,694,811



Certain reclassifications have been made to the prior year data to conform with the current year presentation.

By far, the largest portion of the City's net position (80.9%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's net investment in capital assets increased as a result of machinery and equipment additions and infrastructure additions, while long-term debt decreased due to scheduled debt payments being made.

An additional portion of the City's net position (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$584,270 is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's overall net position decreased \$116,112 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

**CITY OF VAN'S CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 149,104	\$ 190,178	\$ 1,315,214	\$ 1,198,172	\$ 1,464,318	\$ 1,388,350
Operating grants and contributions	50,642	44,848	-	-	50,642	44,848
Capital grants and contributions	191,280	592,861	126,272	-	317,552	592,861
General revenues:						
Property taxes	632,050	720,418	-	-	632,050	720,418
Sales taxes	581,879	599,149	-	-	581,879	599,149
Franchise taxes	102,178	102,934	-	-	102,178	102,934
Hotel-motel taxes	7,227	5,884	-	-	7,227	5,884
Investment earnings	1,329	2,836	1,114	1,225	2,443	4,061
Rent	6,111	19,804	-	-	6,111	19,804
Gain (loss) on sale of capital assets	10,690	-	505	-	11,195	-
Miscellaneous	220,338	22,124	-	-	220,338	22,124
Total revenues	<u>1,952,828</u>	<u>2,301,036</u>	<u>1,443,105</u>	<u>1,199,397</u>	<u>3,395,933</u>	<u>3,500,433</u>
Expenses:						
General government	607,091	436,805	-	-	607,091	436,805
Public safety	1,188,349	1,021,205	-	-	1,188,349	1,021,205
Cultural and recreational	102,520	89,746	-	-	102,520	89,746
Public works	253,495	110,395	-	-	253,495	110,395
Interest on long-term debt	24,980	29,458	-	-	24,980	29,458
Water and sewer	-	-	1,335,610	1,156,748	1,335,610	1,156,748
Total expenses	<u>2,176,435</u>	<u>1,687,609</u>	<u>1,335,610</u>	<u>1,156,748</u>	<u>3,512,045</u>	<u>2,844,357</u>
Change in net position before transfers	(223,607)	613,427	107,495	42,649	(116,112)	656,076
Transfers	(26,532)	12,492	26,532	(12,492)	-	-
Increase in net position	<u>(250,139)</u>	<u>625,919</u>	<u>134,027</u>	<u>30,157</u>	<u>(116,112)</u>	<u>656,076</u>
Net position - beginning, as restated	2,334,748	1,708,829	3,360,063	3,329,906	5,694,811	5,038,735
Net position - ending	<u>\$ 2,084,609</u>	<u>\$ 2,334,748</u>	<u>\$ 3,494,090</u>	<u>\$ 3,360,063</u>	<u>\$ 5,578,699</u>	<u>\$ 5,694,811</u>

Certain reclassifications have been made to the prior year data to conform with the current year presentation.

- Capital grants and contributions decreased by \$275,309 (46.44%) during the year. The majority of this decrease is the product of the completion of construction in progress being funded by the Van Economic Development Corporation.
- Miscellaneous revenue increased by \$198,214 (895.92%) during the year. The majority of this increase is the product of insurance proceeds received for damage done by a tornado.
- General government expenses increased by \$170,286 (38.98%) during the year. This increase was the result of expenses incurred related to the cleanup and repair of damage done by a tornado.

- Public safety expense increased by \$167,144 (16.37%) during the year. This increase was the result of an increase in the budget for public safety expenses.
- Public works expenses increased by \$143,100 (129.63%) during the year. The majority of this increase is the product of budgeted road repairs.
- Charges for services for business-type activities increased by \$117,042 (9.77%). This increase was the result of rate increases implemented during the year.
- Water and sewer expense increased by \$178,862 (15.46%) during the year. This increase was the result of an increase in the budget for water and sewer expenses.

## Financial Analysis of Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At September 30, 2015, the City's governmental funds reported combined fund balances of \$526,961, a decrease of \$233,879 in comparison with the prior year. Approximately 26.1% of this amount \$137,510 constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance is *restricted* for particular purposes (\$377,666).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned and total fund balance of the general fund was \$137,510 and \$343,604, respectively. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned and total fund balance represent approximately 7.1% and 17.8% of total general fund expenditures, respectively.

The fund balance of the City's general fund decreased by \$309,561 during the current fiscal year. A \$297,181 decrease in fund balance was programmed into the general fund's 2015 budget.

**Proprietary Funds.** The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer fund at the end of the year was \$405,085. The total growth in net position was \$134,027. Other factors concerning the finances of this fund have already been addressed in the analysis of the City's operations.

**General Fund Budgetary Highlights.**

**Final budget compared to actual results.** General fund budgeted revenues of \$1,799,760 exceeded actual revenues of \$1,579,098 by \$220,662. Following are the main components that experienced an increase or decrease of actual revenue compared to budgeted revenue:

- The \$119,952 decrease in sales tax resulted from less growth in retail activity than originally budgeted.
- The \$47,797 decrease in franchise tax resulted from less growth in retail activity than originally budgeted.
- The \$48,094 decrease in fines and forfeiture resulted from a decrease in the number of citations issued during the year.

Budgeted general fund expenditures of \$2,102,282 exceeded actual expenditures of \$1,910,374 by \$191,908.

**Capital Assets and Debt Administration**

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015, amounts to \$5,275,340 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure. The total decrease in capital assets for the current fiscal year was approximately 0.03%.

**Capital Assets at Year-End  
Net of Accumulated Depreciation**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Land	\$ 168,640	\$ 189,846	\$ -	\$ -	\$ 168,640	\$ 189,846
Construction in progress	-	744,921	126,272	199,850	126,272	944,771
Buildings	180,548	200,796	44,980	48,532	225,528	249,328
Improvements	-	-	3,128,038	3,101,535	3,128,038	3,101,535
Machinery and equipment	544,401	611,446	58,616	77,823	603,017	689,269
Infrastructure	1,023,845	102,232	-	-	1,023,845	102,232
Total	<u>\$ 1,917,434</u>	<u>\$ 1,849,241</u>	<u>\$ 3,357,906</u>	<u>\$ 3,427,740</u>	<u>\$ 5,275,340</u>	<u>\$ 5,276,981</u>

Major capital asset events during the current fiscal year included the following:

- Additions to construction in progress related to infrastructure improvements of approximately \$191,000 and completions of approximately \$936,000.
- Additions to construction in progress related to water and system improvements of approximately \$126,000 and completions of approximately 200,000.
- Machinery and equipment additions of approximately \$67,000.

Additional information on the City's capital assets can be found in Note 2.E on pages 31-32 of this report.

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$375,000, which is secured by the net revenues of the City's combined waterworks and sewer system. The remainder of the City's long-term obligations comprises contracts payable and note payable.

**Outstanding Debt at Year End  
Contracts, Notes Bonds Payable**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Contracts payable	\$ 372,497	\$ 417,423	\$ -	\$ -	\$ 372,497	\$ 417,423
Note payable	17,179	33,523	-	-	17,179	33,523
Revenue bonds	-	-	375,000	435,000	375,000	435,000
Total	<u>\$ 389,676</u>	<u>\$ 450,946</u>	<u>\$ 375,000</u>	<u>\$ 435,000</u>	<u>\$ 764,676</u>	<u>\$ 885,946</u>

Additional information on the City's long term-debt can be found in Note 2.G on pages 33-35 of this report.

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

In the 2015-16 Budget, General Fund revenues decreased 2.3% from the 2014-15 budget year with property taxes making up about 34% and sales tax making up about 38% of general fund budgeted revenues.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, P.O. Box 487, Van, Texas 75790-0487.

**CITY OF VAN, TEXAS**  
**STATEMENT OF NET POSITION**  
September 30, 2015

	Primary Government			Component Unit Van
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
<b>ASSETS</b>				
Cash and cash equivalents	\$ 424,621	\$ 338,788	\$ 763,409	\$ 307,905
Investments	6,479	40,906	47,385	200,000
Receivables (net of allowance for uncollectibles)	175,535	204,401	379,936	16,780
Due from other governments	-	71,655	71,655	-
Due from primary government	-	-	-	35,818
Internal balances	12,823	(12,823)	-	-
Inventories	-	36,496	36,496	-
Land held for sale	-	-	-	19,193
Prepaid items	11,785	-	11,785	-
Restricted cash and cash equivalents	-	108,452	108,452	-
Net pension asset	4,251	2,021	6,272	-
Capital assets:				
Non-depreciable	168,640	126,272	294,912	-
Depreciable (net of accumulated depreciation)	1,748,794	3,231,634	4,980,428	238,405
Total assets	<u>2,552,928</u>	<u>4,147,802</u>	<u>6,700,730</u>	<u>818,101</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - contributions	29,744	14,146	43,890	-
Deferred outflows - investment experience	12,687	6,034	18,721	-
Deferred outflows - actuarial experience	39,346	18,712	58,058	-
Total deferred outflows of resources	<u>81,777</u>	<u>38,892</u>	<u>120,669</u>	<u>-</u>
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	22,125	148,233	170,358	37,591
Accrued payroll payable	21,357	9,305	30,662	1,762
Due to component unit	35,818	-	35,818	-
Customer deposits payable	-	108,999	108,999	-
Liabilities payable from restricted assets	-	13,186	13,186	-
Noncurrent liabilities:				
Due within one year	93,701	77,179	170,880	67,980
Due in more than one year	377,095	335,702	712,797	880,965
Total liabilities	<u>550,096</u>	<u>692,604</u>	<u>1,242,700</u>	<u>988,298</u>
<b>NET POSITION</b>				
Net investment in capital assets	1,527,758	2,982,906	4,510,664	238,405
Restricted for:				
Cultural and recreational	97,437	-	97,437	-
Debt service	194,309	106,099	300,408	-
Public safety	85,920	-	85,920	-
Unrestricted	179,185	405,085	584,270	(408,602)
Total net position	<u>\$ 2,084,609</u>	<u>\$ 3,494,090</u>	<u>\$ 5,578,699</u>	<u>\$ (170,197)</u>

See accompanying notes to financial statements.

**CITY OF VAN, TEXAS**  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended September 30, 2015

	Program Revenues					Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities		Total	
						Governmental Activities	Business-type Activities		
<b>Function/Program Activities</b>									
<b>Governmental activities:</b>									
General government	\$ 607,091	\$ 4,067	\$ -	\$ -	\$ (603,024)	\$ -	\$ (603,024)	\$ -	
Public safety	1,188,349	145,037	31,617	-	(1,011,695)	-	(1,011,695)	-	
Cultural and recreational	102,520	-	19,025	-	(83,495)	-	(83,495)	-	
Public works	253,495	-	-	191,280	(62,215)	-	(62,215)	-	
Interest on long-term debt	24,980	-	-	-	(24,980)	-	(24,980)	-	
Total governmental activities	2,176,435	149,104	50,642	191,280	(1,785,409)	-	(1,785,409)	-	
<b>Business-type activities:</b>									
Water and sewer	1,335,610	1,315,214	-	126,272	-	105,876	105,876	-	
Total business-type activities	1,335,610	1,315,214	-	126,272	-	105,876	105,876	-	
Total primary government	\$ 3,512,045	\$ 1,464,318	\$ 50,642	\$ 317,552	\$ (1,785,409)	\$ 105,876	\$ (1,679,533)	\$ -	
<b>Component unit:</b>									
Van Economic Development Corporation	\$ 346,105	\$ -	\$ -	\$ 20,911					(325,194)
Total component unit	\$ 346,105	\$ -	\$ -	\$ 20,911					(325,194)
General revenues:									
Property taxes					632,050	-	632,050	-	
Sales taxes					581,879	-	581,879	193,920	
Franchise taxes					102,178	-	102,178	-	
Hotel-motel taxes					7,227	-	7,227	-	
Investment earnings					1,329	1,114	2,443	3,264	
Rent					6,111	-	6,111	-	
Gain on sale of capital asset					10,690	505	11,195	-	
Miscellaneous					220,338	-	220,338	10,179	
Transfers					(26,532)	26,532	-	-	
Total general revenues and transfers					1,535,270	28,151	1,563,421	207,363	
Change in net position					(250,139)	134,027	(116,112)	(117,831)	
Net position - beginning, as restated					2,334,748	3,360,063	5,694,811	(52,366)	
Net position - ending					\$ 2,084,609	\$ 3,494,090	\$ 5,578,699	\$ (170,197)	

See accompanying notes to financial statements.

**CITY OF VAN, TEXAS**  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2015

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 242,331	\$ 182,290	\$ 424,621
Investments	6,479	-	6,479
Receivables (net of allowance for uncollectibles)	174,468	1,067	175,535
Prepaid items	11,785	-	11,785
Due from other funds	12,823	-	12,823
Total assets	<u>\$ 447,886</u>	<u>\$ 183,357</u>	<u>\$ 631,243</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 22,125	\$ -	\$ 22,125
Accrued payroll payable	21,357	-	21,357
Due to component unit	35,818	-	35,818
Total liabilities	<u>79,300</u>	<u>-</u>	<u>79,300</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	24,982	-	24,982
Total deferred inflow of resources	<u>24,982</u>	<u>-</u>	<u>24,982</u>
<b>FUND BALANCES</b>			
<b>Nonspendable:</b>			
Prepaid items	11,785	-	11,785
<b>Restricted:</b>			
Cultural and recreational	-	97,437	97,437
Public safety	-	85,920	85,920
Debt service	194,309	-	194,309
<b>Unassigned</b>	137,510	-	137,510
Total fund balances	<u>343,604</u>	<u>183,357</u>	<u>526,961</u>
Total liabilities, deferred inflow of resources, and fund balances	<u>\$ 447,886</u>	<u>\$ 183,357</u>	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			1,917,434
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.			24,982
Net pension asset and related deferred items are not financial resources and, therefore, are not reported in the funds.			
Net pension asset	\$ 4,251		
Deferred outflows - contributions	29,744		
Deferred outflows - investment experience	12,687		
Deferred outflows - actuarial experience	<u>39,346</u>		86,028
Long-term liabilities, including contracts and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Due within one year		(93,701)	
Due in more than one year		<u>(377,095)</u>	<u>(470,796)</u>
Net position of governmental activities			<u>\$ 2,084,609</u>

See accompanying notes to financial statements.



**CITY OF VAN, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended September 30, 2015

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property taxes	\$ 639,454	\$ -	\$ 639,454
Sales taxes	581,879	-	581,879
Franchise taxes	102,178	-	102,178
Hotel-motel taxes	-	7,227	7,227
Licenses and permits	3,848	-	3,848
Fines and forfeitures	29,938	1,420	31,358
Charges for current services	113,897	-	113,897
Investment earnings	1,243	86	1,329
Rent	6,111	-	6,111
Other	2,809	-	2,809
Intergovernmental	1,085	-	1,085
Contributions and donations	3,821	48,463	52,284
Total revenues	<u>1,486,263</u>	<u>57,196</u>	<u>1,543,459</u>
<b>EXPENDITURES</b>			
Current:			
General government	567,085	-	567,085
Public safety	972,499	48,702	1,021,201
Cultural and recreational	69,565	14,237	83,802
Public works	239,166	-	239,166
Debt service:			
Principal retirement	61,270	-	61,270
Interest and fiscal charges	24,980	-	24,980
Total expenditures	<u>1,934,565</u>	<u>62,939</u>	<u>1,997,504</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(448,302)</u>	<u>(5,743)</u>	<u>(454,045)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	81,425	81,425
Transfers out	(107,957)	-	(107,957)
Insurance proceeds	214,802	-	214,802
Sale of capital assets	31,896	-	31,896
Total other financing sources (uses)	<u>138,741</u>	<u>81,425</u>	<u>220,166</u>
Net change in fund balances	(309,561)	75,682	(233,879)
Fund balances - beginning	<u>653,165</u>	<u>107,675</u>	<u>760,840</u>
Fund balances - ending	<u>\$ 343,604</u>	<u>\$ 183,357</u>	<u>\$ 526,961</u>

See accompanying notes to financial statements.

**CITY OF VAN, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended September 30, 2015

Amounts reported for governmental activities in the statement of activities (page 12) are different because:

Net Change in Fund Balances - total governmental funds (page 14)		\$ (233,879)
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay recorded as capital assets in the current period.		255,448
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(21,206)
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.		(166,049)
The issuance of long-term debt (e.g. contacts and notes payable) 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 premiums, discounts, and similar items when debt is 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.		
Contract principal retirement	\$ 44,926	
Notes principal retirement	<u>16,344</u>	61,270
Some property tax will not be collected for several months after the City's fiscal year end. These are not considered "available" revenues in the governmental funds until received. Change in amount of unavailable revenue on Fund statements.		(7,404)
Pension contributions are recorded as expenditures in the governmental funds. However, in the statement of activities, these contributions are converted to the full accrual GASBS 68 pension.		
Deferred outflows - contributions	20,652	
Deferred outflows - investment experience	12,687	
Deferred outflows - actuarial experience	<u>39,346</u>	72,685
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 the governmental funds.		
Compensated absences	14,788	
Net pension asset	<u>(225,792)</u>	<u>(211,004)</u>
Change in net position of governmental activities (page 12)		<u>\$ (250,139)</u>

**CITY OF VAN, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
September 30, 2015

	<b>Business-type Activities - Enterprise (Water and Sewer) Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 338,788
Investments	40,906
Restricted cash and cash equivalents	13,186
Receivables (net of allowance for uncollectibles)	204,401
Due from other governments	71,655
Inventory	36,496
Total current assets	705,432
Noncurrent assets:	
Restricted cash and cash equivalents	95,266
Net pension asset	2,021
Capital assets (net, where applicable of accumulated depreciation)	3,357,906
Total noncurrent assets	3,455,193
Total assets	4,160,625
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows - contributions	14,146
Deferred outflows - investment experience	6,034
Deferred outflows - actuarial experience	18,712
Total deferred outflows of resources	38,892
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	148,233
Accrued payroll payable	9,305
Due to other funds	12,823
Customer deposits payable	108,999
Compensated absences	23,012
Bonds payable	54,167
Current liabilities payable from restricted assets:	
Bonds payable	10,833
Accrued interest payable	2,353
Total current liabilities	369,725
Noncurrent liabilities:	
Compensated absences	25,702
Bonds payable	310,000
Total noncurrent liabilities	335,702
Total liabilities	705,427
<b>NET POSITION</b>	
Net investment in capital assets	2,982,906
Restricted for debt service	106,099
Unrestricted	405,085
Total net position	\$ 3,494,090

See accompanying notes to financial statements.

**CITY OF VAN, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
For the Fiscal Year Ended September 30, 2015

	<b>Business-type Activities - Enterprise (Water and Sewer) Fund</b>
Operating revenues:	
Charges for services	\$ 1,305,698
Miscellaneous	9,516
Total operating revenues	1,315,214
Operating expenses:	
Personnel services	455,918
Supplies and materials	89,947
Maintenance and repair	170,491
Contractual services	384,354
Depreciation	211,534
Total operating expenses	1,312,244
Operating income (loss)	2,970
Nonoperating revenue (expenses):	
Investment earnings	1,114
Interest and fiscal charges	(23,366)
Gain on disposal of capital assets	505
Total nonoperating revenue (expenses)	(21,747)
Income (loss) before capital contributions and transfers	(18,777)
Capital contributions	126,272
Transfer in	26,532
Change in net position	134,027
Total net position - beginning, as restated	3,360,063
Total net position - ending	\$ 3,494,090

**CITY OF VAN, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
For the Fiscal Year Ended September 30, 2015

	<b>Business-type Activities - Enterprise (Water and Sewer) Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 1,284,370
Payments to suppliers	(626,186)
Payments to employees	(371,363)
Net cash provided by (used for) operating activities	<u>286,821</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Advances from other funds	(847)
Transfers from other funds	26,532
Net cash provided by (used for) noncapital financing activities	<u>25,685</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital contributions	54,617
Acquisition and construction of capital assets	(70,045)
Proceeds from sale of capital assets	505
Principal paid on bond maturities	(60,000)
Interest and fiscal charges paid on revenue bonds	(24,635)
Net cash provided by (used for) capital and related financing activities	<u>(99,558)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	894
Net cash provided by investing activities	<u>894</u>
Net change in cash and cash equivalents	213,842
Cash and cash equivalents October 1 (including \$81,037 reported in restricted accounts)	<u>233,398</u>
Cash and cash equivalents September 30 (including \$108,452 reported in restricted accounts)	<u>\$ 447,240</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income (loss)	\$ 2,970
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	211,534
(Increase) decrease in accounts receivable	(31,894)
(Increase) decrease in inventory	6,562
(Increase) decrease in net pension asset	107,384
(Increase) decrease in pension related deferred outflows	(34,567)
Increase (decrease) in accounts payable	12,044
Increase (decrease) in accounts payroll payable	4,200
Increase (decrease) in compensated absences	7,538
Net increase in customer deposits	1,050
Total adjustments	<u>283,851</u>
Net cash provided by (used for) operating activities	<u>\$ 286,821</u>
Noncash investing, capital and financing activities:	
Capital assets purchased on account and contributed	\$ 71,655

**CITY OF VAN, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of government-wide financial statements**

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

**B. Reporting entity**

The City of Van, Texas (the "City") is a general law municipality and was incorporated in 1946. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the City is required to consider other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component unit.

***Discretely presented component unit.*** The Corporation described below is included in the City's reporting entity because the City appoints the governing body and the Corporation is fiscally dependent on the City. The Corporation is reported as a discretely presented component unit since the governing body is not substantively the same as the governing body of the City, and it provides services to the citizens of Van and the surrounding area as opposed to only the primary government. To emphasize that it is legally separate from the City, it is reported in a separate column in the financial statements.

The *Van Economic Development Corporation* (the "Corporation") is responsible for disbursing the one-fourth percent sales tax to be used for economic and industrial development within the City. The members of the Corporation's board are appointed by the City and are comprised of seven directors which shall be persons who are business owners of the City or either a resident of the City, a resident of the county in which the major part of the area of the City is located, or reside in a place that is within 10 miles of the City's boundaries and is in a county bordering the county in which a major portion of the City is located. The City can impose its will on the Corporation by significantly influencing the program, projects, activities, or level of service performed by the Corporation. The Corporation is presented as a governmental fund type and has a September 30 year end.

Separate financial statements for the Corporation are not issued.

**CITY OF VAN, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of presentation – government-wide 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 City's enterprise fund. Separate financial statements are provided for governmental funds and proprietary funds.

As discussed earlier, the City has a discretely presented component unit. The Van Economic Development Corporation is considered to be major component unit and is shown in a separate column 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 charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**D. Basis of presentation – fund financial statements**

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

The City reports the following major governmental fund:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary fund:

The *water and sewer fund* accounts for the activities of the sewage collection system and the water distribution system.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. 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 funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

**CITY OF VAN, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Basis of presentation – fund financial statements (continued)**

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.

**E. Measurement focus and basis of accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.



**CITY OF VAN, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Measurement focus and basis of accounting (continued)**

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period if received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

**F. Budgetary information**

**1. Budgetary basis of accounting**

Annual budgets for the general and water and sewer funds are adopted on the budgetary basis of accounting. Appropriations in all budgeted funds lapse at the end of the fiscal year. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

**2. Compliance with finance related legal and contractual provisions**

The City has no material violations of finance related legal and contractual provisions, including the Texas Public Funds Investment Act.

**G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance**

**1. Cash and cash equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition.

**2. Investments**

Investments for the City are reported at fair value.

**CITY OF VAN, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance  
(continued)**

**3. *Restricted assets***

Certain resources set aside for the repayment of the City's enterprise fund bonds are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "revenue bond interest and sinking" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "revenue bond reserve" account is used to report resources set aside to make up potential future deficiencies in the bond interest and sinking account.

**4. *Receivables***

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to .2 percent of taxes levied each year.

**5. *Inventories and prepaid items***

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and land held for resale. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**6. *Capital assets***

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks 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 City as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year.

As the government constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

**CITY OF VAN, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)**

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period. The amount of interest capitalized depends on the specific circumstances. No interest was capitalized during 2015; interest incurred and charged to expense totaled \$23,366.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Buildings	5-30
Improvements	15-30
Machinery and equipment	3-15
Infrastructure	4-40

**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. Deferred outflows of resources reported in this year's financial statements include (1) a deferred outflow of resources for contributions made to the City's defined benefit pension plan between the measurement date of the net pension liabilities from that plan and the end of the City's fiscal year, (2) deferred outflows of resources related to the differences between the projected and actual investment earnings for the City's multiple-employer defined benefit fund and (3) deferred outflows of resources related to the difference between expected and actual experience data used by the actuary. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The differences between the projected and actual investment earnings are attributed to pension expense over a total of 5 years, including the current year. Deferred outflow of resources related to the difference between expected and actual experience data used by the actuary is attributed to pension expense over a total of 5.63 years, including the current year. No deferred outflows of resources affect the governmental funds financial statements in the current year.

**CITY OF VAN, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)**

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 City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**8. Long-term obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**9. Net position flow assumption**

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

*Net investment in capital assets* —This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

**CITY OF VAN, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)**

*Restricted net position* —This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

*Unrestricted net position* —This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

Sometimes the City 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 and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**10. Fund balance flow assumption**

The governmental fund financial statements present fund balance categorized based on the nature and extent of the constraints placed on the specific purposes for which a government's funds may be spent. The following classifications describe the relative strength of the spending constraints:

*Nonspendable fund balance*—amounts that are not in spendable form (such as inventories and prepaid items) or are required to be maintained intact.

*Restricted fund balance*—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

*Committed fund balance*—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

*Assigned fund balance*—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

**CITY OF VAN, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)**

*Unassigned fund balance*—amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned. Positive balances are reported only in the general fund.

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund 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 City'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.

**H. Revenues and expenditures/expenses**

**1. Program revenues**

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**2. Property taxes**

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property. Appraised values are established by the Van Zandt County Appraisal District as market value and assessed at 100% of appraised value. Property taxes attach as an enforceable lien on property as of January 1. The Van Zandt County Tax Assessor/Collector bills and collects the City's property taxes, which are due October 1. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. Over time substantially all property taxes are collected.

**CITY OF VAN, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Revenues and expenditures/expenses (continued)**

**3. *Compensated absences***

The City's policy permits employees to accumulate earned but unused paid time off benefits, which are eligible for payment upon separation from City service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Unused paid time off benefits shall be taken during the year following its accumulation.

**4. *Proprietary funds operating and nonoperating revenues and expenses***

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**5. *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.

**CITY OF VAN, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**I. New GASB pronouncement**

The Governmental Accounting Standards Board has issued a new pronouncement that the City has reviewed for application to their accounting and reporting.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, effective for periods beginning after June 15, 2014, replaces the requirements of GASB Statements No. 27 as it relates to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The standard requires government employers to recognize as a liability, for the first time, their long-term obligation for pension benefits. The employer liability is to be measured as the difference between the present value of projected benefit payments to be provided through the pension plan for past periods of service less the amount of the pension plan's fiduciary net position. Obligations for employers with cost sharing plans will be based on their proportionate share of contributions to the pension plan. The standard also requires more immediate recognition of annual service cost, interest and changes in benefits for pension expense; specifies requirements for discount rates, attribution methods; and changes disclosure requirements.

**NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Cash deposits with financial institutions**

*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 fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by State statutes at September 30, 2015. At year end, the bank balance of the City's deposits was \$1,003,775. Of the bank balance, \$540,564 was covered by federal depository insurance and the remaining balance, \$463,211 was covered by collateral pledged in the City's name. The collateral was held in the City's name by the safekeeping department of the pledging bank's agent and had a fair value of approximately \$1,603,000.



**CITY OF VAN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**B. Investments**

Investments – Acceptable investments under the City's investment policy shall be limited to the following instruments and as further described by the Public Funds Investment Act: (1) obligations of the United States, its agencies and instrumentalities, (2) certificates of deposit that are issued by a depository institution that has its main office or a branch office in this state, (3) repurchase agreements. A master repurchase agreement must be signed by the bank/dealer prior to the investment transaction, (4) commercial paper, (5) money market mutual funds, and (6) investment pools. Only if the pool is approved and passed by a resolution of the City Council.

As of September 30, 2015, the City had the following investment:

<u>Investment Type</u>	<u>Fair Value</u>
Certificates of deposit	<u>\$ 47,385</u>

*Concentration of credit risk.* The City's investment policy contains no limitations on the amount that can be invested in any one issuer.

**C. Restricted assets**

The balances of the restricted asset accounts in the proprietary fund are as follows:

Revenue bond interest and sinking	\$ 14,635
Revenue bond reserve	93,817
	<u>\$ 108,452</u>

**D. Receivables**

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the general, nonmajor governmental funds, and water and sewer funds, including the applicable allowances for uncollectible accounts:

<u>Receivables:</u>	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Water and Sewer</u>	<u>Total</u>
Taxes	\$ 186,858	\$ 1,067	\$ -	\$ 187,925
Accounts	-	-	272,803	272,803
Gross receivables	186,858	1,067	272,803	460,728
Less: allowance for uncollectibles	(12,390)	-	(68,402)	(80,792)
Net total receivables	<u>\$ 174,468</u>	<u>\$ 1,067</u>	<u>\$ 204,401</u>	<u>\$ 379,936</u>

**CITY OF VAN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**E. Capital assets**

Capital asset activity for the year ended September 30, 2015, was as follows:

**Governmental activities:**

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Capital assets not being depreciated:				
Land	\$ 189,846	\$ -	\$ (21,206)	\$ 168,640
Construction in progress	744,921	191,279	(936,200)	-
Total capital assets not being depreciated	<u>934,767</u>	<u>191,279</u>	<u>(957,406)</u>	<u>168,640</u>
Capital assets being depreciated:				
Buildings	1,264,723	-	-	1,264,723
Machinery and equipment	1,541,063	64,169	(30,554)	1,574,678
Infrastructure	187,724	936,200	-	1,123,924
Totals capital assets being depreciated	<u>2,993,510</u>	<u>1,000,369</u>	<u>(30,554)</u>	<u>3,963,325</u>
Less accumulated depreciation for:				
Buildings	(1,063,927)	(20,248)	-	(1,084,175)
Machinery and equipment	(929,617)	(131,214)	30,554	(1,030,277)
Infrastructure	(85,492)	(14,587)	-	(100,079)
Total accumulated depreciation	<u>(2,079,036)</u>	<u>(166,049)</u>	<u>30,554</u>	<u>(2,214,531)</u>
Total capital assets, being depreciated, net	<u>914,474</u>	<u>834,320</u>	<u>-</u>	<u>1,748,794</u>
Governmental activities capital assets, net	<u>\$ 1,849,241</u>	<u>\$ 1,025,599</u>	<u>\$ (957,406)</u>	<u>\$ 1,917,434</u>

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

**Governmental activities:**

General government	\$ 3,267
Public safety	124,961
Cultural and recreational	20,242
Public works	17,579
Total depreciation expense - governmental activities	<u>\$ 166,049</u>

**CITY OF VAN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**E. Capital assets (continued)**

**Business-type activities:**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ 199,850	\$ 126,404	\$ (199,982)	\$ 126,272
Total capital assets not being depreciated	<u>199,850</u>	<u>126,404</u>	<u>(199,982)</u>	<u>126,272</u>
Capital assets being depreciated:				
Buildings	139,550	-	-	139,550
Improvements	7,500,555	212,801	-	7,713,356
Machinery and equipment	274,402	2,477	-	276,879
Total capital assets being depreciated	<u>7,914,507</u>	<u>215,278</u>	<u>-</u>	<u>8,129,785</u>
Less accumulated depreciation for:				
Buildings	(91,018)	(3,552)	-	(94,570)
Improvements	(4,399,020)	(186,298)	-	(4,585,318)
Machinery and equipment	(196,579)	(21,684)	-	(218,263)
Total accumulated depreciation	<u>(4,686,617)</u>	<u>(211,534)</u>	<u>-</u>	<u>(4,898,151)</u>
Total capital assets being depreciated, net	<u>3,227,890</u>	<u>3,744</u>	<u>-</u>	<u>3,231,634</u>
Business-type capital assets, net	<u>\$ 3,427,740</u>	<u>\$ 130,148</u>	<u>\$ (199,982)</u>	<u>\$ 3,357,906</u>

The construction in progress consists of water and sewer system improvements.

Construction Commitments -

<u>Project</u>	<u>Spent-to-date</u>	<u>Commitment Remaining</u>
Water and sewer system improvements	<u>\$ 126,272</u>	<u>\$ 155,936</u>

The water and sewer system improvements project is a commitment of the City's enterprise fund. This project is being funded by a grant and operating revenues.

**F. 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. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**CITY OF VAN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**G. Long-term liabilities**

Revenue Bonds

The City issues revenue bonds to provide funds for the acquisition and construction of major capital facilities. Revenue bonds have been issued for business-type activities. Revenue bonds are direct obligations and pledge the full faith and credit of the government and are further secured by and payable from a pledge of the surplus net revenues derived from the operation of the City's water and sewer system. Revenue bonds outstanding at September 30, 2015 are as follows:

***Business-type Activities:***

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
2000	\$ 1,000,000	2/1/2020	5.67%	<u>\$ 375,000</u>

Contracts Payable

Contracts payable outstanding at September 30, 2015 are as follows:

***Governmental Activities:***

<u>Contract Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>	<u>Collateral</u>
\$ 290,000	10/15/2018	5.10%	\$ 133,117	Fire truck
300,000	02/01/2026	5.25%	239,380	Fire truck
			<u>\$ 372,497</u>	

Note Payable

Note payable outstanding at September 30, 2015 are as follows:

***Governmental Activities:***

<u>Note Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>	<u>Collateral</u>
\$ 141,043	10/06/2016	5.11%	<u>\$ 17,179</u>	Fire truck

**CITY OF VAN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**G. Long-term liabilities (continued)**

Changes in long-term liabilities

Changes in the City's long-term liabilities for the year ended September 30, 2015 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Contracts payable	\$ 417,423	\$ -	\$ (44,926)	\$ 372,497	\$ 47,299
Note payable	33,523	-	(16,344)	17,179	-
Compensated absences	95,908	73,311	(88,099)	81,120	46,402
Governmental activity					
Long-term liabilities	<u>\$ 546,854</u>	<u>\$ 73,311</u>	<u>\$ (149,369)</u>	<u>\$ 470,796</u>	<u>\$ 93,701</u>

Governmental contracts payable, note payable and compensated absences will be liquidated by the general fund.

**Business-type activities:**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 435,000	\$ -	\$ (60,000)	\$ 375,000	\$ 65,000
Compensated absences	41,176	29,422	(21,884)	48,714	23,012
Business-type activity					
Long-term liabilities	<u>\$ 476,176</u>	<u>\$ 29,422</u>	<u>\$ (81,884)</u>	<u>\$ 423,714</u>	<u>\$ 88,012</u>

Revenue bonds and compensated absences issued for business-type activities are repaid from those activities.

The debt service requirements for the City's bonds, contracts payable, and note payable are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>			
	<u>Contracts Payable</u>		<u>Note Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 47,299	\$ 19,836	\$ -	\$ -
2017	49,797	17,337	17,179	878
2018	52,428	14,707	-	-
2019	55,197	11,938	-	-
2020	20,371	9,022	-	-
2021-2025	119,512	27,454	-	-
2026	27,893	1,500	-	-
	<u>\$ 372,497</u>	<u>\$ 101,794</u>	<u>\$ 17,179</u>	<u>\$ 878</u>

**CITY OF VAN, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015

**NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**G. Long-term liabilities (continued)**

<u>Year Ending September 30</u>	<u>Business-Type Activities</u>	
	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 65,000	\$ 18,821
2017	70,000	15,125
2018	75,000	11,138
2019	80,000	6,875
2020	85,000	2,338
	<u>\$ 375,000</u>	<u>\$ 54,297</u>

Among other provisions, the ordinances authorizing issuance of the City's revenue bonds required the following:

1. Interest and Sinking Fund

This section requires monthly transfers from the operating fund to the interest and sinking in the amount equal to 1/12 of next maturing interest plus 1/12 of next maturing principal for debt service payments for the 2000 Water and Sewer Revenue Bonds.

2. Reserve Fund

This fund is required to accumulate an amount equal to not less than the average annual principal and interest requirements of the 2000 Water and Sewer Revenue Bonds.

Reserve requirements for interest and sinking and reserve accounts in connection with the 2000 Water and Sewer Revenue Bonds are as follows:

	<u>Required at 9/30/2015</u>	<u>Actual at 9/30/2015</u>	<u>Excess or (Deficiency)</u>
Interest and sinking	\$ 13,186	\$ 14,635	\$ 1,449
Reserve	80,859	93,817	12,958
	<u>\$ 94,045</u>	<u>\$ 108,452</u>	<u>\$ 14,407</u>

**CITY OF VAN, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2015

**NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**H. Interfund receivables and payables**

The composition of interfund balances as of September 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water and sewer	<u>\$ 12,823</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**I. Interfund transfers**

The composition of interfund transfers as of September 30, 2015 is as follows:

<u>Transfer out:</u>	<u>Transfer In:</u>		<u>Total</u>
	<u>Water and Sewer</u>	<u>Nonmajor Governmental</u>	
General	<u>\$ 26,532</u>	<u>\$ 81,425</u>	<u>\$ 107,957</u>

Transfers were primarily used to:

- Move restricted cash from the General fund to establish separate nonmajor governmental funds.
- Record operational expenses on the Water and Sewer fund that were paid for by the General Fund.

**CITY OF VAN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**J. Discretely presented component unit**

**1. Van Economic Development Corporation (Corporation)**

Capital assets

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets being depreciated:				
Buildings	\$ 47,092	\$ 208,710	\$ -	\$ 255,802
Machinery and equipment	1,335	-	-	1,335
Totals capital assets being depreciated	<u>48,427</u>	<u>208,710</u>	<u>-</u>	<u>257,137</u>
Less accumulated depreciation for:				
Buildings	(13,395)	(4,425)	-	(17,820)
Machinery and equipment	(645)	(267)	-	(912)
Total accumulated depreciation	<u>(14,040)</u>	<u>(4,692)</u>	<u>-</u>	<u>(18,732)</u>
Total capital assets, being depreciated, net	<u>34,387</u>	<u>204,018</u>	<u>-</u>	<u>238,405</u>
Governmental activities capital assets, net	<u>\$ 34,387</u>	<u>\$ 204,018</u>	<u>\$ -</u>	<u>\$ 238,405</u>

Note Payable

Note payable outstanding at September 30, 2015 is as follows:

**Governmental Activities:**

<u>Note Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>	<u>Collateral</u>
\$ 1,060,000	08/31/2028	3.25%	<u>\$ 945,421</u>	Sales tax

Changes in long-term liabilities

Changes in the Corporation's long-term liabilities for the year ended September 30, 2015 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Note payable	\$ 998,218	\$ -	\$ (52,797)	\$ 945,421	\$ 64,456
Compensated absences	1,057	3,621	(1,154)	3,524	3,524
Governmental activity					
Long-term liabilities	<u>\$ 999,275</u>	<u>\$ 3,621</u>	<u>\$ (53,951)</u>	<u>\$ 948,945</u>	<u>\$ 67,980</u>



**CITY OF VAN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**J. Discretely presented component unit (continued)**

Governmental note payable and compensated absences will be liquidated by the Corporation's general fund.

The debt service requirements for the Corporation's note payable is as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Governmental Activities</u>	
	<u>Note Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 64,456	\$ 32,246
2017	61,543	27,720
2018	63,574	25,690
2019	65,671	23,593
2020	67,837	21,426
2021-2025	374,267	72,050
2026-2028	248,073	12,278
	<u>\$ 945,421</u>	<u>\$ 215,003</u>

Line of Credit

The Corporation has an unused, unsecured revolving line of credit through a credit card. The card has a limit of \$10,000 with an interest rate of 12.6%.

**K. Contingencies**

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

**L. Subsequent events**

Subsequent to year end, the City approved the following items:

- Leasing agreement for the purchase of police software and hardware in the amount of approximately \$86,000.
- Purchase of a generator for City Hall for approximately \$18,000.
- Financing for two new utility trucks for approximately \$55,000.
- Contract for building repairs and maintenance for approximately \$90,000.
- Sale of Van City Lake for \$1,000,000.

**CITY OF VAN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**M. New Financial Reporting Requirements**

The GASB has issued the following statement which became effective for fiscal year 2015.

*GASB Statement No. 68, Accounting and Financial Reporting for Pensions* – This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer’s financial statements for any actuarially unfunded portion of pension benefits earned to date.

The implementation of Statement No. 68 resulted in a restatement of beginning net position for the elimination of the previously reported net pension obligation, the recording of the beginning net pension liability and the beginning deferred outflow for contributions made after the measurement date. Prospectively applying this change results in the adjustment below:

	<b>Government-wide Financial Statements</b>		<b>Fund Financial Statements</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Utility Fund</b>
As previously reported, October 1, 2014	\$ 2,095,651	\$ 3,246,333	\$ 3,246,333
Recording of net pension asset as of September 30, 2014	230,043	109,405	109,405
Deferral for pension contributions made after the measurement date	9,054	4,325	4,325
Restated, October 1, 2014	\$ 2,334,748	\$ 3,360,063	\$ 3,360,063

**NOTE 3 – DEFINED BENEFIT PLAN**

**A. Plan description**

The City of Van, Texas participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

**CITY OF VAN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 3 – DEFINED BENEFIT PLAN (continued)**

**A. Plan description (continued)**

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

**B. Benefits provided**

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

At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven 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.

	<u>Plan Provisions</u>
Employee deposit rate	6%
Municipal current matching ratio	2 - 1
Updated service credits:	
Rate (%)	100 T
Year effective	2015R
Increase benefits to retirees:	
Rate (%)	70
Year effective	1990
Military service credit effective date	3-11
Vesting	5 yrs
Service retirement eligibilities	5 yrs/age 60, 20 yrs/any age
Restricted prior service credit effective date	3-11
Supplemental death benefits:	
Employees	Yes
Retirees	Yes
Statutory maximum (%)	12.5

T — Includes Transfer Credits.

R — Annually Repeating. Ordinance automatically renews effective January 1 of each successive year.

**CITY OF VAN, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015

**NOTE 3 – DEFINED BENEFIT PLAN (continued)**

**B. Benefits provided (continued)**

***Employees covered by benefit terms***

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

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>23</u>
	39

**C. Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age 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 Van, Texas were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Van, Texas were 2.07% and 6.68% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were equal to the required contributions.

**D. Net pension (asset) liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**CITY OF VAN, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015

**NOTE 3 – DEFINED BENEFIT PLAN (continued)**

**D. Net pension (asset) liability (continued)**

***Actuarial assumptions***

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

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

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

**CITY OF VAN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 3 – DEFINED BENEFIT PLAN (continued)**

**D. Net pension (asset) liability (continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return (Arithmetic)</b>
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.5%
Total	100%	

***Discount Rate***

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**CITY OF VAN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 3 – DEFINED BENEFIT PLAN (continued)**

**D. Net pension (asset) liability (continued)**

***Changes in the Net Pension Liability***

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension (Asset) Liability (a) - (b)</u>
Balance at 12/31/2013	\$ 1,488,683	\$ 1,828,130	\$ (339,447)
Changes for the year:			
Service cost	76,125	-	76,125
Interest	120,874	-	120,874
Changes of benefit terms	239,230	-	239,230
Difference between expected and actual experience	70,591	-	70,591
Contributions - employer	-	20,536	(20,536)
Contributions - employee	-	49,723	(49,723)
Net investment income	-	104,568	(104,568)
Benefit payments, including refunds of employee contributions	(78,397)	(78,397)	-
Administrative expense	-	(1,092)	1,092
Other	-	(90)	90
Net Changes	<u>\$ 428,423</u>	<u>\$ 95,248</u>	<u>\$ 333,175</u>
Balance at 12/31/2014	<u>\$ 1,917,106</u>	<u>\$ 1,923,378</u>	<u>\$ (6,272)</u>

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	<u>1.0% Decrease in Discount Rate (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1.0% Increase in Discount Rate (8.0%)</u>
City's net pension liability	\$ 236,373	\$ (6,272)	\$ (210,131)

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

**CITY OF VAN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 3 – DEFINED BENEFIT PLAN (continued)**

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

For the year ended September 30, 2015, the City recognized pension expense of \$275,801.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflow of Resources</b>
Differences between expected and actual economic experience	\$ 58,058
Difference between projected and actual investment earnings	18,721
Contributions subsequent to the measurement date	43,890
Total	\$ 120,669

\$43,890 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended December 31</b>	
2015	\$ 17,212
2016	17,212
2017	17,212
2018	17,213
2019	7,930
	\$ 76,779



**CITY OF VAN, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015

**NOTE 4 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS**

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.

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

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.

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.

The City's contributions to the TMRS SDBF for the years ended 2015, 2014 and 2013 were \$1,826, \$1,828 and \$1,568, respectively, which equaled the required contributions each year.

## **REQUIRED SUPPLEMENTARY INFORMATION**

### **General Fund**

These supplementary schedules are included to supplement the basic financial statements as required by Governmental Accounting Standards Board.

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

For the Fiscal Year Ended September 30, 2015

	<b>Original and Final Budgeted Amounts</b>	<b>Actual GAAP Basis</b>	<b>Adjustments Budget Basis</b>	<b>Actual Budget Basis</b>	<b>Variance with Final Budget - Over (Under) Budget</b>
<b>REVENUES</b>					
Property taxes	\$ 647,205	\$ 639,454	\$ 8,511	\$ 647,965	\$ 760
Sales taxes	886,300	581,879	184,469	766,348	(119,952)
Franchise taxes	150,000	102,178	25	102,203	(47,797)
Licenses and permits	10,905	3,848	-	3,848	(7,057)
Fines and forfeitures	90,000	29,938	11,968	41,906	(48,094)
Charges for current services	750	113,897	(112,060)	1,837	1,087
Investment earnings	3,000	1,243	(78)	1,165	(1,835)
Rent	9,600	6,111	-	6,111	(3,489)
Other	2,000	2,809	-	2,809	809
Intergovernmental	-	1,085	-	1,085	1,085
Contributions and donations	-	3,821	-	3,821	3,821
Total revenues	<u>1,799,760</u>	<u>1,486,263</u>	<u>92,835</u>	<u>1,579,098</u>	<u>(220,662)</u>
<b>EXPENDITURES</b>					
Current:					
General government	660,191	567,085	105,049	672,134	11,943
Public safety:					
Fire	167,782	56,277	64,449	120,726	(47,056)
Police	578,213	571,794	(16,177)	555,617	(22,596)
Municipal court	127,149	87,407	13,661	101,068	(26,081)
City marshal	145,197	147,768	4,493	152,261	7,064
Ambulance	-	109,253	(109,253)	-	-
Cultural and recreational:					
Parks and pool	38,750	26,605	(121)	26,484	(12,266)
Community center	10,775	9,789	(80)	9,709	(1,066)
Community library	58,690	27,193	(99)	27,094	(31,596)
City lake	3,000	1,312	-	1,312	(1,688)
Museum	1,500	4,666	(43)	4,623	3,123
Public works	311,035	239,166	180	239,346	(71,689)
Debt service:					
Principal retirement	-	61,270	(61,270)	-	-
Interest and fiscal charges	-	24,980	(24,980)	-	-
Total debt service	<u>-</u>	<u>86,250</u>	<u>(86,250)</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>2,102,282</u>	<u>1,934,565</u>	<u>(24,191)</u>	<u>1,910,374</u>	<u>(191,908)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(302,522)</u>	<u>(448,302)</u>	<u>117,026</u>	<u>(331,276)</u>	<u>(28,754)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	5,341	(107,957)	12,836	(95,121)	(100,462)
Insurance proceeds	-	214,802	(198,015)	16,787	16,787
Sale of capital assets	-	31,896	-	31,896	31,896
Total other financing sources and uses	<u>5,341</u>	<u>138,741</u>	<u>(185,179)</u>	<u>(46,438)</u>	<u>(51,779)</u>
Net change in fund balance	<u>\$ (297,181)</u>	<u>\$ (309,561)</u>	<u>\$ (68,153)</u>	<u>\$ (377,714)</u>	<u>\$ (80,533)</u>

**CITY OF VAN, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
Last 10 Years (will ultimately be displayed)

	<b>2014</b>
<b>Total pension liability</b>	
Service Cost	\$ 76,125
Interest (on the Total Pension Liability)	120,874
Changes of benefit terms	239,230
Difference between expected and actual experience	70,591
Benefit payments, including refunds of employee contributions	(78,397)
<b>Net Change in Total Pension Liability</b>	<b>428,423</b>
<b>Total Pension Liability - Beginning</b>	<b>1,488,683</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 1,917,106</b>
 <b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 20,536
Contributions - Employee	49,723
Net investment income	104,568
Benefit payments, including refunds of employee contributions	(78,397)
Administrative Expense	(1,092)
Other	(90)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>95,248</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>1,828,130</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 1,923,378</b>
 <b>Net Pension Liability - Ending (a) - (b)</b>	<b>\$ (6,272)</b>
 <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>100.33%</b>
 <b>Covered Employee Payroll</b>	<b>936,756</b>
 <b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>(0.67%)</b>

**Notes to Schedule:**

N/A

**CITY OF VAN, TEXAS**  
**SCHEDULE OF CONTRIBUTIONS**  
Last 10 Fiscal Years (will ultimately be displayed)

	<b>2015</b>
Actuarially Determined Contribution	\$ 49,877
Contributions in relation to the actuarially determined contribution	49,877
Contribution deficiency (excess)	-
Covered employee payroll	946,265
Contributions as a percentage of covered employee payroll	5.27%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:**

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

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009.

Mortality RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

**Other Information:**

Notes

- 1) Adopted 100% repeating USC with transfer.
- 2) Increased employee contribution rate from 5% to 6%.
- 3) Increased statutory max to 12.50% due to plan changes.

## Nonmajor Governmental Funds

### Special Revenue Funds

Special revenue funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes.

*Court Security Fund* - This fund is used to account for the revenues to provide security services for buildings housing a municipal court.

*Court Technology Fund* - This fund is used to account for the revenues that are to be used for technological enhancements to the municipal court.

*Seizures Fund* - This fund is used to account for seized property to be used for official purposes as provided by Article 59.06 Texas Code of Criminal Procedure.

*Tourism Fund* - This fund is used to account for hotel/motel taxes received to be used for historic preservation and tourism promotion as authorized by statute.

*Parks and Recreation* - This fund is used to account for donated funds to be used for City park improvements.

*Library* - This fund is used to account for donated funds to be used for library operations.

*Fire Department Equipment* - This fund is used to account for funds to be used for fire department equipment purchases and repairs.

*Fire Department Relief Donations* - This fund is used to account for donations to aid firefighters and their families in the event of injury or death.

**CITY OF VAN, TEXAS**  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 September 30, 2015

	Court Security	Court Technology	Seizures	Tourism	Parks and Recreation	Library	Fire Department Equipment	Fire Department Relief Donations	Total Nonmajor Governmental Funds
<b>ASSETS</b>									
Cash and cash equivalents	\$ 8,160	\$ 5,994	\$ 315	\$ 76,099	\$ 12,816	\$ 7,455	\$ 64,428	\$ 7,023	\$ 182,290
Receivables	-	-	-	1,067	-	-	-	-	1,067
Total assets	<u>\$ 8,160</u>	<u>\$ 5,994</u>	<u>\$ 315</u>	<u>\$ 77,166</u>	<u>\$ 12,816</u>	<u>\$ 7,455</u>	<u>\$ 64,428</u>	<u>\$ 7,023</u>	<u>\$ 183,357</u>
<b>LIABILITIES</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>FUND BALANCES</b>									
<b>Restricted:</b>									
Cultural and recreational	-	-	-	77,166	12,816	7,455	-	-	97,437
Public safety	8,160	5,994	315	-	-	-	64,428	7,023	85,920
Total fund balances	<u>8,160</u>	<u>5,994</u>	<u>315</u>	<u>77,166</u>	<u>12,816</u>	<u>7,455</u>	<u>64,428</u>	<u>7,023</u>	<u>183,357</u>
Total liabilities and fund balances	<u>\$ 8,160</u>	<u>\$ 5,994</u>	<u>\$ 315</u>	<u>\$ 77,166</u>	<u>\$ 12,816</u>	<u>\$ 7,455</u>	<u>\$ 64,428</u>	<u>\$ 7,023</u>	<u>\$ 183,357</u>

**CITY OF VAN, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended September 30, 2015

	Court Security	Court Technology	Court Seizures	Tourism	Parks and Recreation	Library	Fire Department Equipment	Fire Department Relief Donations	Total Nonmajor Governmental Funds
\$	-	\$ -	\$ -	\$ 7,227	\$ -	\$ -	\$ -	\$ -	\$ 7,227
	649	771	-	-	-	-	-	-	1,420
	-	-	-	75	-	-	7	4	86
	-	-	-	-	12,592	4,006	31,645	220	48,463
	649	771	-	7,302	12,592	4,006	31,652	224	57,196
<b>REVENUES</b>									
	32	6,820	-	-	-	-	41,850	-	48,702
	-	-	-	5,976	4,120	4,141	-	-	14,237
	32	6,820	-	5,976	4,120	4,141	41,850	-	62,939
<b>EXPENDITURES</b>									
	617	(6,049)	-	1,326	8,472	(135)	(10,198)	224	(5,743)
<b>OTHER FINANCING SOURCES (USES)</b>									
	-	-	-	-	-	-	74,626	6,799	81,425
	-	-	-	-	-	-	74,626	6,799	81,425
	617	(6,049)	-	1,326	8,472	(135)	64,428	7,023	75,682
	7,543	12,043	315	75,840	4,344	7,590	-	-	107,675
	\$ 8,160	\$ 5,994	\$ 315	\$ 77,166	\$ 12,816	\$ 7,455	\$ 64,428	\$ 7,023	\$ 183,357



**Proprietary Fund**

**Enterprise Fund**

The City's water and sewer utility operations are accounted for in this fund.

**CITY OF VAN, TEXAS**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET POSITION - BUDGET AND ACTUAL**  
**ENTERPRISE FUND - WATER AND SEWER**  
For the Fiscal Year Ended September 30, 2015

	<b>Original and Final Budget</b>	<b>Actual GAAP Basis</b>	<b>Adjustments Budget Basis</b>	<b>Actual Budget Basis</b>	<b>Variance with Final Budget</b>
Operating revenues:					
Charges for services	\$ 1,078,370	\$ 1,305,698	\$ (237,671)	\$ 1,068,027	\$ (10,343)
Miscellaneous	9,135	9,516	(10)	9,506	371
Total operating revenues	<u>1,087,505</u>	<u>1,315,214</u>	<u>(237,681)</u>	<u>1,077,533</u>	<u>(9,972)</u>
Operating expenses:					
Personnel services	378,774	455,918	(84,553)	371,365	(7,409)
Supplies and materials	80,215	89,947	(10,860)	79,087	(1,128)
Maintenance and repair	302,839	170,491	36,204	206,695	(96,144)
Contractual services	231,000	384,354	(192,192)	192,162	(38,838)
Depreciation	-	211,534	(211,534)	-	-
Total operating expenses	<u>992,828</u>	<u>1,312,244</u>	<u>(462,935)</u>	<u>849,309</u>	<u>(143,519)</u>
Operating income (loss)	<u>94,677</u>	<u>2,970</u>	<u>225,254</u>	<u>228,224</u>	<u>133,547</u>
Nonoperating revenue (expenses):					
Investment earnings	424	1,114	(219)	895	471
Principal, interest and fiscal charges	(83,833)	(23,366)	(47,572)	(70,938)	12,895
Gain on disposal of capital assets	-	505	-	505	505
Total nonoperating revenue (expenses)	<u>(83,409)</u>	<u>(21,747)</u>	<u>(47,791)</u>	<u>(69,538)</u>	<u>13,871</u>
Income (loss) before capital contributions and transfers	11,268	(18,777)	177,463	158,686	147,418
Capital contributions	-	126,272	(115,151)	11,121	11,121
Transfer in	-	26,532	(12,835)	13,697	13,697
Change in net position	<u>\$ 11,268</u>	<u>\$ 134,027</u>	<u>\$ 49,477</u>	<u>\$ 183,504</u>	<u>\$ 172,236</u>