

**CITY OF VAN, TEXAS**  
**AUDIT REPORT**  
**SEPTEMBER 30, 2003**



**CITY OF VAN, TEXAS**  
**ANNUAL FINANCIAL REPORT FOR**  
**THE YEAR ENDED SEPTEMBER 30, 2003**

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IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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**KENNETH L. WILLIAMS**  
**CERTIFIED PUBLIC ACCOUNTANT**  
**P. O. BOX 1883**  
**QUITMAN, TEXAS 75783**

Independent Auditor's Report

Honorable Mayor and City Council  
City of Van  
Van, Texas

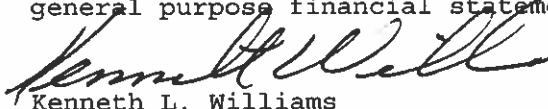
We have audited the accompanying general purpose financial statements of the City of Van as of and for the year ended September 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Van, Texas management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Van at September 30, 2003, and the results of its operations and the cash flow of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2004, on our consideration of the City of Van, Texas's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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



Kenneth L. Williams  
Certified Public Accountant  
January 8, 2004





**GENERAL PURPOSE FINANCIAL STATEMENTS**

CITY OF VAN, TEXAS  
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
SEPTEMBER 30, 2003

<u>ASSETS</u>	<u>GOVERNMENTAL FUND TYPES</u>		
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>
Cash	\$ 211,796	\$ --	\$ --
Receivables			
Taxes	19,863	--	5,992
Allowance for Uncollectible Taxes	(4,966)	--	(1,498)
Accounts	19,596	--	--
Other Agencies	4,857	--	1,777
Sundry	--	--	--
Due From Other Funds	7,195	--	--
Utility Deposits	10	--	--
Restricted Assets - Cash	--	--	60,026
Property Plant & Equipment			
Land & Buildings	--	--	--
Water Improvements	--	--	--
Sewer Improvements	--	--	--
Infrastructure Assets	--	--	--
Equipment	--	--	--
Less: Accumulated Depreciation	--	--	--
Amount Available in Debt Service Funds	--	--	--
Amount to be Provided for Retirement of General Long Term Debt	--	--	--
<b>TOTAL ASSETS</b>	<u>\$ 258,351</u>	<u>\$ --</u>	<u>\$ 66,297</u>
 <u>LIABILITIES</u>			
Accounts Payable	\$ 16,130	\$ --	\$ --
Customer Deposits	--	--	--
Due to Other Funds	6,136	--	--
General Obligation Bonds Payable	--	--	--
Notes Payable	--	--	--
Revenue Bonds Payable	--	--	--
Deferred Revenues	<u>14,897</u>	<u>--</u>	<u>4,494</u>
 Total Liabilities	 <u>37,163</u>	 <u>--</u>	 <u>4,494</u>

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

CITY OF VAN, TEXAS  
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
SEPTEMBER 30, 2003

PROPRIETARY FUND	ACCOUNT GROUPS		TOTALS	
	GENERAL	GENERAL	(MEMORANDUM ONLY)	
	FIXED ASSETS	LONG-TERM DEBT	9-30-03	9-30-02
\$ 687,991	\$ --	\$ --	\$ 899,787	\$ 857,351
--	--	--	25,855	24,107
--	--	--	(6,464)	(6,026)
56,151	--	--	75,747	75,249
--	--	--	6,634	25,327
129	--	--	129	--
--	--	--	7,195	--
--	--	--	10	10
121,131	--	--	181,157	111,101
169,822	742,471	--	912,293	912,293
3,256,146	--	--	3,256,146	3,249,104
2,852,995	--	--	2,852,995	2,804,005
--	189,416	--	189,416	178,416
138,261	738,538	--	876,799	861,457
(2,621,940)	--	--	(2,621,940)	(2,503,134)
--	--	61,802	61,802	61,045
--	--	<u>1,113,198</u>	<u>1,113,198</u>	<u>1,188,955</u>
<u>\$ 4,660,686</u>	<u>\$ 1,670,425</u>	<u>\$1,175,000</u>	<u>\$ 7,830,759</u>	<u>\$ 7,839,260</u>
\$ 28,134	\$ --	\$ --	\$ 44,264	\$ 52,118
54,372	--	--	54,372	49,462
1,059	--	--	7,195	--
--	--	1,175,000	1,175,000	1,250,000
--	--	--	--	--
915,000	--	--	915,000	945,000
--	--	--	19,391	18,080
<u>998,565</u>	<u>--</u>	<u>1,175,000</u>	<u>2,215,222</u>	<u>2,314,660</u>

CITY OF VAN, TEXAS  
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
SEPTEMBER 30, 2003

<u>FUND EQUITY</u>	<u>GOVERNMENTAL FUND TYPES</u>		
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>
Investment in General Fixed Assets	--	--	--
Retained Earnings - Unreserved	--	--	--
- Reserved for Revenue			
Bond Retirement	--	--	61,803
- Construction Reserve	--	--	--
Contributed Capital	--	--	--
Fund Balance - Unreserved	221,188	--	--
- Reserve for Debt Service	--	--	--
	<u>221,188</u>	<u>--</u>	<u>61,803</u>
Total Fund Equity	<u>221,188</u>	<u>--</u>	<u>61,803</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 258,351</u>	<u>\$ --</u>	<u>\$ 66,297</u>

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

CITY OF VAN, TEXAS  
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
SEPTEMBER 30, 2003

PROPRIETARY FUND ENTERPRISE FUND	ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)	
	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	9-30-03	9-30-02
\$ --	\$ 1,670,425	\$ --	\$ 1,670,425	\$ 1,659,425
3,412,121	--	--	3,412,121	3,293,222
--	--	--	61,803	91,229
--	--	--	--	--
250,000	--	--	250,000	250,000
--	--	--	221,188	169,678
--	--	--	--	61,046
<u>3,662,121</u>	<u>1,670,425</u>	<u>--</u>	<u>5,615,537</u>	<u>5,524,600</u>
<u>\$ 4,660,686</u>	<u>\$ 1,670,425</u>	<u>\$1,175,000</u>	<u>\$ 7,830,759</u>	<u>\$ 7,839,260</u>



**CITY OF VAN, TEXAS**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2003**

<u>REVENUES</u>	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>TOTAL MEMO ONLY.</u>
Ad Valorem Taxes	\$ 415,943	\$ --	\$ 146,983	\$ 562,926
Franchise Fees	113,946	--	--	113,946
City Sales Taxes	261,033	--	--	261,033
Fines	18,742	--	--	18,742
Interest Income	2,166	--	772	2,938
Other Revenues	53,490	--	--	53,490
Grants	--	--	--	--
Total Revenues	<u>\$ 865,320</u>	<u>\$ --</u>	<u>\$ 147,755</u>	<u>\$ 1,013,075</u>
 <u>EXPENDITURES</u>				
Administrative	\$ 248,605	\$ --	\$ --	\$ 248,605
Police Department	327,356	--	--	327,356
City Judge	13,465	--	--	13,465
Fire Department	80,454	--	--	80,454
Street Department	94,101	--	--	94,101
Swimming Pool	29,462	--	--	29,462
Community Center	21,636	--	--	21,636
Community Development	11,000	--	--	11,000
Retirement of Bonded Debt	--	--	146,997	146,997
City Lake	1,783	--	--	1,783
Total Expenditures	<u>\$ 827,862</u>	<u>\$ --</u>	<u>\$ 146,997</u>	<u>\$ 974,859</u>
Revenues Over (Under) Expenditures	<u>\$ 37,458</u>	<u>\$ --</u>	<u>\$ 758</u>	<u>\$ 38,216</u>
 <u>OTHER SOURCES (USES)</u>				
Transfer In	\$ 17,850	--	--	\$ 17,850
Transfer Out	(3,798)	--	--	(3,798)
Total Other Sources (Uses)	<u>\$ 14,052</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 14,052</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 51,510</u>	<u>\$ --</u>	<u>\$ 758</u>	<u>\$ 52,268</u>
Fund Balance, October 1	<u>\$ 169,678</u>	<u>\$ --</u>	<u>\$ 61,045</u>	<u>\$ 230,723</u>
Fund Balance, SEPTEMBER 30	<u>\$ 221,188</u>	<u>\$ --</u>	<u>\$ 61,803</u>	<u>\$ 282,991</u>

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

**CITY OF VAN, TEXAS**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUND TYPES**  
**YEAR ENDED SEPTEMBER 30, 2003**

	<u>GENERAL FUND</u>		<u>VARIANCE</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
			<u>(UNFAV.)</u>
<b><u>REVENUES</u></b>			
Ad Valorem Taxes	\$ 403,306	\$ 415,943	\$ 12,637
Franchise Fees	97,000	113,946	16,946
City Sales Taxes	225,000	261,033	36,033
Fines	17,000	18,742	1,742
Interest Income	6,000	2,166	(3,834)
Other Revenues	29,450	53,490	24,040
Grants	--	--	--
Gifts and Bequests	--	--	--
TOTAL REVENUES	<u>777,756</u>	<u>865,320</u>	<u>87,564</u>
<b><u>EXPENDITURES</u></b>			
Administration Expense	236,905	248,605	(11,700)
Police Department Expense	266,049	327,356	(61,307)
City Judge	13,732	13,465	267
Fire Department Expense	53,600	80,454	(26,854)
Street Department Expense	126,200	94,101	32,099
Swimming Pool Expense	20,838	29,462	(8,624)
Community Center Expense	19,809	21,636	(1,827)
City Lake	2,500	1,783	717
Retirement of Bonded Debt	--	--	--
Capital Outlay	--	11,000	(11,000)
TOTAL EXPENDITURES	<u>739,633</u>	<u>827,862</u>	<u>(88,229)</u>
Revenues Over (Under) Expenditures	<u>\$ 38,123</u>	<u>\$ 37,458</u>	<u>\$ (665)</u>
<b><u>OTHER SOURCES (USES)</u></b>			
Transfer In	--	17,850	17,850
Transfer Out	--	(3,798)	(3,798)
Total Other Sources (Uses)	<u>--</u>	<u>14,052</u>	<u>14,052</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>38,123</u>	<u>51,510</u>	<u>13,387</u>
Fund Balance, October 1	169,678	169,678	--
Other Adjustments	--	--	--
<b>FUND BALANCE, SEPTEMBER 30</b>	<b><u>\$ 207,801</u></b>	<b><u>\$ 221,188</u></b>	<b><u>\$ 13,387</u></b>

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



**CITY OF VAN, TEXAS**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUND TYPES**  
**YEAR ENDED SEPTEMBER 30, 2003**

<u>SPECIAL REVENUE FUND</u>			<u>DEBT SERVICE FUND</u>		
<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAV.)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAV.)</u>
\$ --	\$ --	\$ --	\$ 147,570	\$ 146,983	\$ (587)
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	772	772
--	--	--	--	--	--
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>147,570</u>	<u>147,755</u>	<u>185</u>
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	147,000	146,998	2
<u>--</u>	<u>--</u>	<u>--</u>	<u>147,000</u>	<u>146,998</u>	<u>2</u>
--	--	--	570	757	187
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>570</u>	<u>757</u>	<u>187</u>
--	--	--	61,045	61,045	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>61,615</u>	<u>61,802</u>	<u>187</u>
=====	=====	=====	=====	=====	=====



CITY OF VAN, TEXAS  
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES  
YEAR ENDED SEPTEMBER 30, 2003

<u>OPERATING REVENUES</u>	<u>9-30-03</u>
Charges for Services	\$ 731,319
TOTAL OPERATING REVENUES	<u>731,319</u>
<u>OPERATING EXPENSES</u>	
Salaries	175,799
Payroll Taxes	13,853
Retirement Expense	12,366
Group Insurance	30,718
Water Chemicals	6,331
Sewer Chemicals	11,112
Water System Maintenance	60,128
Sewer System Maintenance	25,335
Equipment Maintenance	5,354
Permits, License and Lab Fees	12,255
Insurance and Bonds	23,683
Utilities	102,147
Office Supplies	8,124
Vehicle Expense	7,705
Labor	10,709
Miscellaneous	16,354
Depreciation	132,044
Sludge Removal	11,940
Professional Fees	4,600
Dry Well Costs	--
Total Operating Expense	<u>670,557</u>
OPERATING INCOME	<u>60,762</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest	19,619
Interest Expense & Agents Fees	<u>(55,012)</u>
Total Non-Operating Revenues (Expenses)	<u>(35,393)</u>
Net Income	25,369
Retained Earnings, October 1	3,384,451
Equity Transfer	<u>2,301</u>
RETAINED EARNINGS, SEPTEMBER 30	<u>\$3,412,121</u>
Contributed Capital - October 1	<u>250,000</u>
Contributed Capital - September 30	<u>250,000</u>
FUND EQUITY, SEPTEMBER 30	<u>\$3,662,121</u> =====

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



CITY OF VAN, TEXAS  
STATEMENT OF CASH FLOWS-  
ALL PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2003

. 9-30-03

Cash Flows From Operating Activities:	
Operating Income (Loss)	<u>\$ 60,762</u>
Adjustments to Reconcile Operating Income (Loss)	
To Net cash Provided (Used) By Operating	
Activities	
Depreciation	132,044
Changes in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	18,969
Increase (Decrease) in Accounts Payable	(17,532)
Increase (Decrease) in Due Other Funds	<u>1,059</u>
Total Adjustments	<u>134,540</u>
Net Cash Provided By Operating Activities	<u>195,302</u>
Cash Flows From Noncapital Financing Activities:	
Increase (Decrease) in Customer Deposits	4,910
Equity Transfer (To) From Other Funds	<u>2,301</u>
Net Cash Provided (Used) by Noncapital Activities	<u>7,211</u>
Cash Flow From Capital and Related Financial Activities:	
Acquisition of Fixed Assets	(84,612)
Retirement Of Bond Principal	(30,000)
Interest and Fiscal Agent Fees	<u>(55,012)</u>
Net Cash Provided (Used) from Capital and Related	
Financing Activities	<u>(169,624)</u>
Cash Flows From Investing Activities:	
Interest Earned on Operating Funds	<u>19,619</u>
Net Increase (Decrease) in Cash and Cash	
Equivalents	52,508
Cash and Cash Equivalents, October 1	<u>756,614</u>
CASH AND CASH EQUIVALENTS AT SEPTEMBER 30	<u>\$ 809,122</u> =====

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



**CITY OF VAN, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2003**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**1. The Financial Reporting Entity**

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

**Individual Component Unit Disclosure - Blended Component Unit**

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

**2. Basis of Presentation - Fund Accounting**

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





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

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

a. Governmental Fund Types

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

General Fund

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

Debt Service Fund

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

b. Proprietary Funds

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

Enterprise Fund

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

c. Fiduciary Fund Types

Agency Funds

The City has no agency funds.

Trust Funds

The City has no trust funds.

d. Account Groups

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



General Fixed Assets Account Group

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

General Long-Term Account Group

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

**3. Basis of Accounting**

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

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

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

Modified Accrual

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

Accrual

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

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

**4. Budgets and Budgetary Accounting**

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



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

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

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

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

#### **5. Cash and Investments**

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

#### **6. Receivables**

Property taxes which were levied during the fiscal year, and prior years, but are uncollected as of September 30, 2003, are recorded as delinquent taxes receivable. Based on historical experience, an allowance for uncollectible property taxes is established at 25% of the outstanding balance.

#### **7. Fixed Assets**

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

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



Governmental fund acquired fixed assets of the City are not depreciated. Depreciation of fixed assets used by the Proprietary fund is charged as an expense against the operations. Accumulated depreciation is reported on the Proprietary Fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

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

#### **8. Inventory**

Inventory items are expensed when purchased.

#### **9. Accumulated Vacation Time**

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

#### **10. Fund Equity**

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

#### **11. Encumbrance System**

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

#### **12. Total Columns on Combined Statements**

Amounts in the "Totals (Memorandum Only)" columns in the combined financial statements represent a summation of the combined financial statement line items of the fund types and account groups and are presented for analytical purposes only. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. The summation includes fund types and account groups that use different basis of accounting, and includes interfund transactions that have not been eliminated and the caption "amounts to be provided:", which is not an asset in the usual sense. Consequently, amounts shown in the "Totals (Memorandum Only)" columns are not comparable to a consolidation and do not represent the total resources available or total revenues and expenditures/expenses of the City. The City changed fiscal years from February 28 to September 30. This change was effective for the fiscal year ended September 30, 2002. This change resulted in a seven month





fiscal year being reported on Exhibits A-2 and A-4 for the year ended September 30, 2002. For the report year ended September 30, 2003, the September 30, 2002 "Memo" column on these two exhibits has been deleted as the September 30, 2002 amounts represented only a seven month period and comparisons to the current year (12 month amounts) could be misleading.

**B. CASH AND INVESTMENTS**

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

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

At September 30, 2003, the carrying amount of the City's deposits (cash and certificates of deposit) was \$ 1,080,644. Pledged collateral held by the City's agent bank in the City's name was \$1,568,784. The City's depository bank is the First State Bank, Van, Texas.

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

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

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

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

**Temporary Investments**

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for



the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U. S. Treasury, certain U. S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. Similar to cash deposits, investments held at a financial institution can be categorized according to three levels of risk. these three levels of risk are:

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

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

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Category</u>
Certificates of Deposit	\$ 635,202	\$ 635,202	1

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

**C. PROPERTY TAXES**

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

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

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

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



**D. CHANGES IN GENERAL FIXED ASSETS**

	Balance <u>Oct. 1,</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>Sept. 30,</u>
Land/Buildings	684,724	--	--	684,724
Machinery and Equipment	738,538	--	--	738,538
Improvements Other Than Buildings	57,748	--	--	57,748
Infrastructure Assets	<u>178,415</u>	<u>11,000</u>	<u>--</u>	<u>189,415</u>
Total	<u>\$1,659,425</u>	<u>\$ 11,000</u>	<u>\$ --</u>	<u>\$ 1,670,425</u>

**E. CHANGES IN PROPRIETARY FUND FIXED ASSETS**

	Balance <u>Oct. 1,</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>Sept. 30,</u>
Buildings	154,251	--	--	154,251
Water System	\$3,249,105	\$ 7,041	\$ --	\$3,256,146
Sewer System	2,804,005	48,990	--	2,852,995
Equipment	122,920	28,580	(13,238)	138,262
Construction In progress	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total	6,330,281	84,611	(13,238)	6,401,654
Less: Acc. Depr.	(2,503,134)	(132,044)	13,238	(2,621,940)
Land/R-O-W	<u>15,570</u>	<u>--</u>	<u>--</u>	<u>15,570</u>
Net Fixed Assets	<u>\$3,842,717</u>	<u>\$ (47,433)</u>	<u>\$ --</u>	<u>\$3,795,284</u>

**F. CHANGES IN GENERAL LONG TERM DEBT**

Bond transactions of the City of Van, for the year ended September 30, 2003 are as follows:

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

Bonds Payable at October 1	\$ 1,250,000
Bonds Issued	--
Bonds Retired	<u>(75,000)</u>
Payable at September 30	<u>\$ 1,175,000</u>



The annual requirements to amortize all bonded debt of the General Fund outstanding as of September 30, 2003 are as follows:

<u>Years Ending September 30,</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total</u>
2004	80,000	68,098	148,098
2005	85,000	63,858	148,858
2006	90,000	59,225	149,225
2007	95,000	54,230	149,230
2008	100,000	48,863	148,863
2009-2013	585,000	150,400	735,400
2014	<u>140,000</u>	<u>8,400</u>	<u>148,400</u>
Total	\$ <u>1,175,000</u>	\$ <u>453,074</u>	\$ <u>1,628,074</u>

G. CHANGES IN LONG TERM DEBT-PROPRIETARY FUND

Bond transactions of the City of Van, Water and Sewer Fund for the year ended September 30, 2003 are as follows:

Waterworks and Sewer System Revenue Bonds, Series 2000, Dated September 15, 2000.

Original Amount \$1,000,000 @ 5.25%-7.00%, Maturing 8-15-2020

Bonds Payable at October 1	\$ 945,000
Bonds Issued	--
Bonds Retired	<u>(30,000)</u>
Bonds Payable at September 30	\$ <u>915,000</u>

The annual requirements to amortize all bonded debt of the Water and Sewer Fund outstanding as of September 30, 2003 are as follows:

<u>Years Ending September 30,</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total</u>
2004	30,000	52,913	82,913
2005	35,000	50,812	85,812
2006	35,000	48,362	83,362
2007	40,000	45,913	85,913
2008	40,000	43,113	83,113
2009-2013	240,000	175,400	415,400
2014-2018	330,000	101,688	431,688
2019-2021	<u>165,000</u>	<u>13,750</u>	<u>178,750</u>
Total	\$ <u>915,000</u>	\$ <u>531,951</u>	\$ <u>1,446,951</u>





H. COMMITMENTS UNDER NONCAPITALIZED LEASES

The City has no noncapitalized leases.

I. CAPITAL LEASE OBLIGATION -GENERAL FUND

The City has no capital lease obligations.

J. EMPLOYEE RETIREMENT PLAN

Plan Description

The City provides pension benefits for its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of over 774 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, 200%) of the employee's accumulated contributions. In addition, the City can grant as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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

Deposit Rate	5%
Matching Ratio (City to Employee)	2 to 1
A member is vested after	5 Years

Members can retire at certain ages, based on the years of service with the City. The service Retirement Eligibilities for the City are: 5 yrs/age 60, 25 yrs/any age.



Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and calendar year when the rate goes into effect (i. e. December 31, 2002 valuation is effective for rates beginning January 2004).

Schedule of Actuarial Liabilities and Funding Progress

<u>Actuarial Valuation</u>	<u>12-97</u>	<u>12-96</u>	<u>12-95</u>	<u>12-94</u>	<u>12-93</u>
<u>Date</u>					
Actuarial Value of Assets	581,266	557,865	478,465	503,886	436,296
Actuarial Accrued Liability	336,784	748,703	652,615	664,725	582,820
Percentage Funded	91.30%	74.51%	73.32%	75.80%	74.96%
Unfunded Actuarial Accrued Liability	55,518	190,838	174,150	160,839	145,959
Annual Covered Payroll	208,603	263,708	257,209	266,644	244,356
UAAL as Percentage of Covered Payroll	26.60%	72.36%	67.71%	60.32%	59.73%
Net Pension Obligation (NPO) at the Beginning of Period	--	--	--	--	--
Annual Pension Cost Annual Required					
Contribution (ARC)	30,307	27,523	24,472	21,358	19,490
Interest on NPO	--	--	--	--	--
Adjustment to ARC	--	--	--	--	--
Contributions Made					
Increase in NPO	30,307	27,523	24,472	21,358	19,490
NPO at the end of Period	--	--	--	--	--



<u>Actuarial Valuation</u>					
<u>Date</u>	<u>12-98</u>	<u>12-98</u>	<u>12-99</u>	<u>12-00</u>	<u>12-01</u>
Actuarial Value of Assets	562,880	647,482	539,113	454,024	430,653
Actuarial Accrued Liability	598,513	682,384	575,805	503,225	496,454
Percentage Funded	94.00%	94.90%	93.6%	90.2%	86.7%
Unfunded Actuarial Accrued Liability	35,633	34,902	36,692	49,201	65,801
Annual Covered Payroll	301,821	309,063	275,508	413,736	399,129
UAAL as Percentage of Covered Payroll	11.50%	11.30%	13.3%	11.9%	16.5%
Net Pension Obligation (NPO) at the Beginning of Period	--	--	--	--	--
Annual Pension Cost					
Annual Required					
Contribution (ARC)	28,452	27,115	24,274	30,999	30,238
Interest on NPO	--	--	--	--	--
Adjustment to ARC	--	--	--	--	--
Contributions Made					
Increase in NPO	28,452	27,115	24,274	30,999	30,238
NPO at the end of Period	--	--	--	--	--

The City of Van is one of 774 municipalities having the benefit plan administered by TMRS. Each of the 774 municipalities have an annual, individual actuarial valuation performed. All assumptions for the 12-31-2002 valuations are contained in the 2002 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P. O. Box 149153, Austin, Texas 78714-9153.

**K. HEALTH INSURANCE**

During the year ended September 30, 2003, the employees of the City were covered by a health insurance plan (the Plan). The City paid 100% of the premiums per pay period for each employee to the Plan and employees, at their option, authorized payroll withholding to pay premiums for dependents. All contribution were paid to a self-funded pool administered by the Texas Municipal League Group Benefits Risk Pool.

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

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



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

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

Latest financial statements for the Texas Municipal League Group Benefits Risk Pool self-insurance pool are available for the year ended August 31, 2003 can be obtained from the Texas Municipal League, Austin, Texas.

**L. RISK MANAGEMENT**

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

The City has joined together with other governments to form a workers' compensation risk pool, a public entity risk pool currently operating as a common risk management and insurance program for workers' compensation insurance coverage. The agreement for formation of the Texas Municipal League Intergovernmental Risk Pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000 for each insured event. The City's liability is limited to the contractual premiums required to be paid each year. Those premiums can be changed only on the renewal date of the contractual agreement. Because of the structure of this insurance policy, no designation of fund balance to allow for contingent liabilities related to this insurance has been made.

The Texas Municipal League Intergovernmental Risk Pool has published its own financial report for the year ended August 31, 2003, which can be obtained from the Texas Municipal League, Austin, Texas

**M. LITIGATION**

The City has no pending or threatened litigation at September 30, 2003.

**N. SUBSEQUENT EVENTS**

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





**COMBINING STATEMENTS**



**CITY OF VAN, TEXAS**  
**GENERAL FUND**  
**COMBINING BALANCE SHEET**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**YEAR ENDED SEPTEMBER 30, 2003**

<u>ASSETS</u>	<u>GENERAL FUND</u>	<u>VAN DEVELOPMENT</u>	<u>TOTALS MEMO ONLY 9-30-03</u>
Cash	\$ 52,243	\$ 159,553	\$ 211,796
Receivables			
Taxes	19,863	--	19,893
Allowance For Uncollectible Tax	(4,966)	--	(4,966)
Accounts	19,596	--	19,596
Other Agencies	--	4,857	4,857
Sundry	--	--	--
Due From Other Funds	1,059	6,136	7,195
Utility Deposits	<u>10</u>	<u>--</u>	<u>10</u>
 TOTAL ASSETS	 <u>\$ 87,805</u> =====	 <u>\$ 170,546</u> =====	 <u>\$ 258,351</u> =====
 <u>LIABILITIES</u>			
Accounts Payable	\$ 16,130	\$ --	\$ 16,130
Due To Other Funds	6,136	--	6,136
Notes Payable	--	--	--
Deferred Revenues	<u>14,897</u>	<u>--</u>	<u>14,897</u>
 TOTAL LIABILITIES	 <u>\$ 37,163</u>	 <u>\$ --</u>	 <u>\$ 37,163</u>
 <u>FUND EQUITY</u>			
Fund Balance - Unreserved	<u>\$ 50,642</u>	<u>\$ 170,546</u>	<u>\$ 221,188</u>
 TOTAL FUND EQUITY	 <u>\$ 50,642</u>	 <u>\$ 170,546</u>	 <u>\$ 221,188</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u>\$ 87,805</u> =====	 <u>\$ 170,546</u> =====	 <u>\$ 258,351</u> =====

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



**CITY OF VAN, TEXAS**  
**GENERAL FUND**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**YEAR ENDED SEPTEMBER 30, 2003**

<u>REVENUES</u>	<u>GENERAL FUND</u>	<u>VAN DEVELOPMENT</u>	<u>TOTALS MEMO ONLY 9-30-03</u>
Ad Valorem Taxes	\$ 415,943	\$ --	\$ 415,943
Franchise Fees	113,946	--	113,946
City Sales Taxes	195,775	65,258	261,033
Fines	18,742	--	18,742
Interest Income	1,166	1,000	2,166
Other Revenues	48,702	4,788	53,490
Grants	--	--	--
 Total Revenues	 <u>\$ 794,274</u>	 <u>\$ 71,046</u>	 <u>\$ 865,320</u>
 <u>EXPENDITURES</u>			
Administrative	\$ 248,289	\$ 316	\$ 248,605
Police Department	327,356	--	327,356
City Judge	13,465	--	13,465
Fire Department	80,454	--	80,454
Street Department	94,101	--	94,101
Swimming Pool	29,462	--	29,462
Community Center	21,636	--	21,636
Capital Outlay	--	11,000	11,000
City Lake	1,783	--	1,783
 Total Expenditures	 <u>816,546</u>	 <u>\$ 11,316</u>	 <u>827,862</u>
Revenues Over (Under) Expenditures	(22,272)	59,730	37,458
 <u>Other Sources (Uses)</u>			
Transfers In (Out)	17,850	(3,798)	14,052
 Total Other Sources (Uses)	 <u>17,850</u>	 <u>(3,798)</u>	 <u>14,052</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(4,422)	55,932	51,510
Fund Balance, October 1	55,064	114,614	169,678
Prior Period Adjustments	--	--	--
FUND BALANCE, SEPTEMBER 30	<u>\$ 50,642</u>	<u>\$ 170,546</u>	<u>\$ 221,188</u>

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



**SUPPLEMENTAL INFORMATION**





**CITY OF VAN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**YEAR ENDED SEPTEMBER 30, 2003**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAV)</u>
<b><u>REVENUES</u></b>			
Ad Valorem Taxes	\$ 403,306	\$ 415,943	\$ 12,637
Franchise Fees	97,000	113,946	16,946
City Sales Taxes	168,750	195,775	27,025
Fines	17,000	18,742	1,742
Interest Income	6,000	1,166	(4,834)
Other Revenues	<u>29,450</u>	<u>48,702</u>	<u>19,252</u>
Total Revenues	<u>\$ 721,506</u>	<u>\$ 794,274</u>	<u>\$ 72,768</u>
<b><u>EXPENDITURES</u></b>			
<b><u>Administration and Non-Departmental</u></b>			
Salaries	70,000	80,651	(10,651)
Retirement	3,500	5,717	(2,217)
Payroll Taxes	5,655	6,152	(497)
Group Insurance	8,200	14,320	(6,120)
Education	1,200	2,167	(967)
Auditor	2,500	8,500	(6,000)
City Attorney	58,700	59,306	(606)
Council Fees	3,600	3,200	400
Appraisal District	18,000	17,629	371
Office Expense	2,800	6,679	(3,879)
Utilities	10,000	10,211	(211)
Vehicle Gasoline	3,300	715	2,585
Vehicle Repair & Maintenance	7,000	1,984	5,016
Insurance-General	27,000	21,787	5,213
Dog Leash Ordinance	1,500	1,205	295
Miscellaneous	13,650	8,041	5,609
Mayor Expense	<u>300</u>	<u>25</u>	<u>275</u>
Total Administration	<u>236,905</u>	<u>248,289</u>	<u>(11,384)</u>
<b><u>Police Department</u></b>			
Salaries	188,500	214,359	(25,859)
Retirement	9,425	14,394	(4,969)
Payroll Taxes	15,420	17,161	(1,741)
Supplies	--	--	--
Hospital Insurance	21,000	26,739	(5,739)
Office Expense	2,300	3,326	(1,026)
Gas & Oil	7,000	8,731	(1,731)
Vehicle Repair	3,000	4,167	(1,167)

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



CITY OF VAN, TEXAS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2003

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAV)</u>
<u>EXPENDITURES, Cont.</u>			
<u>Police Dept. Cont.</u>			
Uniforms	\$ 3,000	\$ 1,963	\$ 1,037
Education	3,000	4,075	(1,075)
Equipment	12,154	13,821	(1,667)
Miscellaneous	1,250	5,689	(4,439)
Insurance	--	2,000	(2,000)
Utilities	--	4,879	(4,879)
Telephone	--	6,052	(6,052)
Total Police Department	266,049	327,356	(61,307)
<u>City Judge</u>			
Salary	11,600	11,696	(96)
Payroll Tax	887	894	(7)
Office Expense	600	577	23
Postage	375	218	157
Building Maintenance	150	--	150
Miscellaneous	100	60	40
Janitorial Supplies	20	20	--
Total City Judge	13,732	13,465	267
<u>Fire Department</u>			
Retirement Expense	23,600	1,550	22,050
Insurance	--	21,720	(21,720)
Gas and Oil	2,500	2,837	(337)
Maintenance	8,000	7,989	11
Insurance-General	--	1,964	(1,964)
Fire School & Training	3,000	3,000	--
Equipment	8,000	34,323	(26,323)
Utilities	8,000	2,757	5,243
Telephone	--	4,130	(4,130)
Miscellaneous	500	184	316
Total Fire Department	53,600	80,454	(26,854)
<u>Street Department</u>			
Salaries	--	--	--
Gas and Oil	1,000	910	90
Other Repairs	2,500	4,914	(2,414)
Street Repairs	52,000	36,382	15,618
Utilities	62,000	47,112	14,888

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



CITY OF VAN, TEXAS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2003

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAV)</u>
<u>EXPENDITURES, Cont.</u>			
<u>Street Dept. Cont.</u>			
Equipment Expense	\$ --	\$ 519	\$ (519)
Miscellaneous	<u>8,700</u>	<u>4,264</u>	<u>4,436</u>
Total Street Department	<u>126,200</u>	<u>94,101</u>	<u>32,099</u>
 <u>Swimming Pool</u>			
Salaries	9,000	10,904	(1,904)
Payroll Taxes	688	834	(146)
Utilities	5,300	11,149	(5,849)
Maintenance & Repair	500	1,045	(545)
Insurance	--	1,125	(1,125)
Supplies	3,600	2,205	1,395
Pool Concession	1,600	1,532	68
Miscellaneous	<u>150</u>	<u>668</u>	<u>518</u>
Total Swimming Pool	<u>20,838</u>	<u>29,462</u>	<u>(8,624)</u>
 <u>Community Center</u>			
Salaries	7,300	8,194	(894)
Payroll Tax	559	627	(68)
Utilities	7,700	8,896	(1,196)
Maintenance and Repair	2,500	1,766	734
Supplies	1,000	432	568
Telephone	--	690	(690)
Miscellaneous	<u>750</u>	<u>1,031</u>	<u>(281)</u>
Total Community Center	<u>19,809</u>	<u>21,636</u>	<u>(1,827)</u>
 <u>City Lake</u>			
Repairs	1,000	195	805
Utilities	<u>1,500</u>	<u>1,588</u>	<u>(88)</u>
Total City Lake	<u>2,500</u>	<u>1,783</u>	<u>717</u>
 TOTAL EXPENDITURES	 \$ 739,633	 \$ 816,546	 \$ (76,913)
 Excess (Deficiency) of Revenues Over Expenditures	 (18,127)	 (22,272)	 (4,145)
 <u>Other Sources and Uses</u>			
Transfers In (Out)	<u>--</u>	<u>--</u>	<u>--</u>

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



CITY OF VAN, TEXAS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2003

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAV)</u>
Fund Balance, October 1	<u>55,064</u>	<u>55,064</u>	<u>--</u>
Prior Period Adjustment	--	--	--
FUND BALANCE, SEPTEMBER 30	<u>\$ 36,937</u>	<u>\$ 32,792</u>	<u>\$ (4,145)</u>

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





**CITY OF VAN, TEXAS**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES**  
**IN RETAINED EARNINGS - BUDGET AND ACTUAL**  
**WATER AND SEWER FUND**  
**YEAR ENDED SEPTEMBER 30, 2003**

	<u>WATER AND SEWER FUND</u>		<u>VARIANCE FAVORABLE (UNFAV.)</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	
<b><u>OPERATING REVENUES</u></b>			
Water	\$ 429,000	\$ 506,738	\$ 77,738
Sewer	166,000	175,878	9,878
Penalties	23,500	19,345	(4,155)
Water and Sewer Taps	13,550	4,521	(9,029)
Miscellaneous	7,000	24,837	17,837
Total Operating Revenues	<u>639,050</u>	<u>731,319</u>	<u>92,269</u>
<b><u>OPERATING EXPENDITURES</u></b>			
Salaries	179,000	175,799	3,201
Payroll Taxes	14,394	13,853	541
Retirement Expense	8,950	12,366	(3,416)
Group Insurance	27,000	30,718	(3,718)
Water Chemicals	8,500	6,331	2,169
Sewer Chemicals	13,000	11,112	1,888
Sludge Removal	15,000	11,940	3,060
Water System Maintenance	55,000	60,128	(5,128)
Sewer System Maintenance	55,000	25,335	29,665
Water Well Maintenance	11,000	--	11,000
Permits, License & Lab Fees	1,800	12,255	(10,455)
Insurance and Bonds	27,000	23,683	3,317
Utilities	90,000	102,147	(12,147)
Office Expense	5,000	4,634	366
Postage	3,000	3,490	(490)
Vehicle Expenses	11,000	7,705	3,295
Professional Fees	2,500	4,600	(2,100)
Miscellaneous	9,300	14,182	(4,882)
Depreciation	85,000	132,044	(47,044)
Equipment Maintenance	1,000	5,354	(4,354)
Training and Travel	3,000	2,172	828
Contract Meter Reading	9,000	10,709	(1,709)
Water Testing	--	--	--
Total Operating Expenses	<u>634,444</u>	<u>670,557</u>	<u>(36,113)</u>
<b>Total Operating Income</b>	<b><u>\$ 4,606</u></b>	<b><u>\$ 60,762</u></b>	<b><u>\$ 56,156</u></b>

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



**CITY OF VAN, TEXAS**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES**  
**IN RETAINED EARNINGS - BUDGET AND ACTUAL**  
**WATER AND SEWER FUND**  
**YEAR ENDED SEPTEMBER 30, 2003**

	<u>WATER AND SEWER FUND</u>		<u>VARIANCE FAVORABLE (UNFAV.)</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	
<b><u>Non-Operating Revenues (Expenses)</u></b>			
Interest	52,000	19,619	(32,381)
Interest Expense & Agents Fees	(88,000)	(55,012)	32,988
Bond Issuance Costs	--	--	--
Total Non-Operating Revenues	<u>(36,000)</u>	<u>(35,393)</u>	<u>607</u>
Net Income	<u>(31,394)</u>	<u>25,369</u>	<u>56,763</u>
Retained Earnings at October 1	\$3,384,451	\$3,384,451	--
Equity Transfers	--	<u>2,301</u>	<u>2,301</u>
Retained Earnings at September 30	<u>3,353,057</u>	<u>3,412,121</u>	<u>59,064</u>
Contributed Capital - October 1	250,000	250,000	--
Contributions - Capital Grants	--	--	--
Contributed Capital - September 30	<u>250,000</u>	<u>250,000</u>	<u>--</u>
FUND EQUITY, SEPTEMBER 30	<u>\$3,603,057</u>	<u>\$3,662,121</u>	<u>\$ 59,064</u>

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



OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION



**KENNETH L. WILLIAMS**  
**CERTIFIED PUBLIC ACCOUNTANT**  
**P. O. BOX 1883**  
**QUITMAN, TEXAS 75783**

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

Mayor  
City Council  
City of Van, Texas

We have audited the financial statements of the City of Van, Texas as of and for the year ended September 30, 2003, and have issued our report thereon dated January 8, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

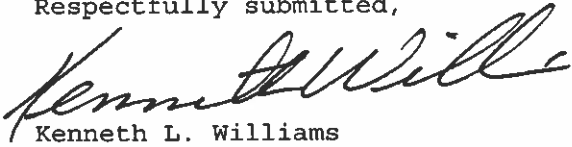
In planning and performing our audit, we considered the City of Van's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.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





This report is intended solely for the information and use of the audit committee, management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Kenneth L. Williams  
Certified Public Accountant

January 8, 2004

