

**CITY OF VAN, TEXAS**  
**AUDIT REPORT**  
**FEBRUARY 28, 2002**



CITY OF VAN, TEXAS

ANNUAL FINANCIAL REPORT FOR  
THE YEAR ENDED FEBRUARY 28, 2002

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OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

35



**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

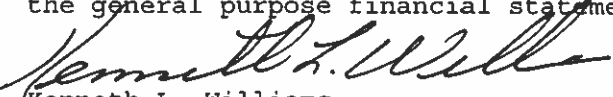
We have audited the accompanying general purpose financial statements of the City of Van as of and for the year ended February 28, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Van, Texas management. Our responsibility is to 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 February 28, 2002, 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 November 25, 2002, 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 t he 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  
November 25, 2002





**GENERAL PURPOSE FINANCIAL STATEMENTS**

**CITY OF VAN, TEXAS**  
**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS**  
**FEBRUARY 28, 2002**

<u>ASSETS</u>	<u>GOVERNMENTAL FUND TYPES</u>		
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>
Cash	\$ 273,910	\$ --	\$ --
Receivables			
Taxes	48,294	--	15,671
Allowance for Uncollectible Taxes	(12,073)	--	(3,918)
Accounts	91,192	--	--
Other Agencies	30,397	--	4,764
Sundry	100	--	--
Due From Other Funds	5,771	--	--
Utility Deposits	10	--	--
Restricted Assets - Cash	--	--	151,872
Property Plant & Equipment			
Land & Buildings	--	--	--
Water Improvements	--	--	--
Sewer Improvements	--	--	--
Infrastructure Assets	--	--	--
Equipment	--	--	--
Less: Accumulated Depreciation	--	--	--
Construction In Progress	--	--	--
Amount Available in Debt Service Funds	--	--	--
Amount to be Provided for Retirement of General Long Term Debt	--	--	--
<b>TOTAL ASSETS</b>	<b>\$ 437,601</b> =====	<b>\$ --</b> =====	<b>\$ 168,389</b> =====
 <u>LIABILITIES</u>			
Accounts Payable	\$ 9,414	\$ --	\$ --
Customer Deposits	--	--	--
Due to Other Funds	5,421	--	--
General Obligation Bonds Payable	--	--	--
Notes Payable	--	--	--
Revenue Bonds Payable	--	--	--
Deferred Revenues	36,220	--	11,753
 Total Liabilities	 51,055	 --	 11,753

CITY OF VAN, TEXAS  
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
FEBRUARY 28, 2002

PROPRIETARY FUND	ACCOUNT GROUPS		TOTALS	
	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	(MEMORANDUM ONLY)	
ENTERPRISE FUND			2-28-02	2-28-01
\$ 720,596	\$ --	\$ --	\$ 994,506	\$ 943,628
--	--	--	63,965	61,284
--	--	--	(15,991)	(15,321)
47,880	--	--	139,072	121,177
--	--	--	35,161	35,856
150	--	--	250	714
--	--	--	5,771	1,350
--	--	--	10	10
654,394	--	--	806,266	1,089,811
76,426	727,216	--	803,642	803,642
2,333,585	--	--	2,333,585	2,326,705
2,804,005	--	--	2,804,005	2,747,260
--	118,280	--	118,280	--
122,919	764,016	--	886,935	858,641
(2,414,158)	--	--	(2,414,158)	(2,264,078)
376,291	--	--	376,291	73,261
--	--	151,873	151,873	150,751
--	--	<u>1,168,127</u>	<u>1,168,127</u>	<u>1,239,249</u>
<u>\$ 4,722,088</u>	<u>\$ 1,609,512</u>	<u>\$1,320,000</u>	<u>\$ 8,257,590</u>	<u>\$ 8,173,940</u>
\$ 18,430	\$ --	\$ --	\$ 27,844	\$ 2,130
43,341	--	--	43,341	40,576
1,349	--	--	6,770	1,350
--	--	1,320,000	1,320,000	1,390,000
975,000	--	--	975,000	1,000,000
--	--	--	47,973	45,963
<u>1,038,120</u>	<u>--</u>	<u>1,320,000</u>	<u>2,420,928</u>	<u>2,480,019</u>

CITY OF VAN, TEXAS  
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
FEBRUARY 28, 2002

<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	--	--	--
- Construction Reserve	--	--	--
Contributed Capital	--	--	--
Fund Balance - Unreserved	386,546	--	--
- Reserve for Debt Service	--	--	<u>156,636</u>
Total Fund Equity	<u>386,546</u>	<u>--</u>	<u>156,636</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ 437,601 =====	\$ -- =====	\$ 168,389 =====

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

CITY OF VAN, TEXAS  
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
FEBRUARY 28, 2002

PROPRIETARY FUND	ACCOUNT GROUPS		TOTALS	
	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	(MEMORANDUM ONLY)	
ENTERPRISE FUND			2-28-02	2-28-01
\$ --	\$ 1,609,512	\$ --	\$ 1,609,512	\$ 1,491,232
2,435,546	--	--	2,435,546	2,582,566
109,577	--	--	109,577	63,152
888,845	--	--	888,845	891,906
250,000	--	--	250,000	250,000
--	--	--	386,546	259,403
<u>--</u>	<u>--</u>	<u>--</u>	<u>156,636</u>	<u>155,662</u>
<u>3,683,968</u>	<u>1,609,512</u>	<u>--</u>	<u>5,836,662</u>	<u>5,693,921</u>
<u>\$ 4,722,088</u>	<u>\$ 1,609,512</u>	<u>\$1,320,000</u>	<u>\$ 8,257,590</u>	<u>\$ 8,173,940</u>

**CITY OF VAN, TEXAS**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**YEAR ENDED FEBRUARY 28, 2002**

11-11-02

	<u>GOVERNMENTAL</u>
<b><u>REVENUES</u></b>	
Ad Valorem Taxes	\$ 400,280
Franchise Fees	111,436
City Sales Taxes	275,369
Fines	14,126
Interest Income	9,203
Other Revenues	33,574
Grants	<u>41,200</u>
Total Revenues	<u>885,188</u>
 <b><u>EXPENDITURES</u></b>	
Administrative	151,059
Police Department	291,012
City Judge	13,792
Fire Department	50,848
Street Department	196,890
Swimming Pool	25,190
Community Center	18,246
Community Development	18,008
Retirement of Bonded Debt	--
Capital Outlay	<u>--</u>
Total Expenditures	<u>765,045</u>
Revenues Over (Under) Expenditures	<u>120,143</u>
 <b><u>OTHER SOURCES (USES)</u></b>	
Transfer In (Out)	--
Grant Refund	<u>--</u>
Total Other Sources (Uses)	<u>--</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	120,143
Fund Balance, March 1	259,403
Other Adjustments	<u>7,000</u>
Fund Balance, FEBRUARY 28	<u>\$ 386,546</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 BALANCE - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**YEAR ENDED FEBRUARY 28, 2002**

<u>FUND TYPES</u>		<u>TOTALS</u>	
<u>SPECIAL</u>	<u>DEBT</u>	<u>(MEMORANDUM ONLY)</u>	
<u>REVENUE</u>	<u>SERVICE</u>	<u>2-28-02</u>	<u>2-28-01</u>
\$ --	\$ 146,259	\$ 546,539	\$ 536,411
--	--	111,436	94,509
--	--	275,369	228,681
--	--	14,126	9,378
--	2,033	11,236	6,961
--	--	33,574	32,001
--	--	41,200	20,177
<u>    </u>	<u>    </u>	<u>1,033,480</u>	<u>928,118</u>
<u>    </u>	<u>148,292</u>		
--	--	151,059	248,616
--	--	291,012	257,897
--	--	13,792	12,604
--	--	50,848	44,850
--	--	196,890	93,943
--	--	25,190	22,912
--	--	18,246	24,511
--	--	18,008	808
--	147,318	147,318	145,644
<u>    </u>	<u>    </u>	<u>    </u>	<u>18,276</u>
<u>    </u>	<u>147,318</u>	<u>912,363</u>	<u>870,061</u>
<u>    </u>	<u>    </u>		
<u>    </u>	<u>974</u>	<u>121,117</u>	<u>58,057</u>
--	--	--	--
<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
--	974	121,117	58,057
--	155,662	415,065	357,031
<u>    </u>	<u>    </u>	<u>7,000</u>	<u>(23)</u>
<u>    </u>	<u>    </u>		
\$ --	\$ 156,636	\$ 543,182	\$ 415,065
=====	=====	=====	=====

**CITY OF VAN, TEXAS**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUND TYPES**  
**YEAR ENDED FEBRUARY 28, 2002**

	<u>GENERAL FUND</u>		<u>VARIANCE FAVORABLE (UNFAV.)</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	
<b>REVENUES</b>			
Ad Valorem Taxes	\$ 360,186	\$ 400,280	\$ 40,094
Franchise Fees	90,000	111,436	21,436
City Sales Taxes	270,000	275,369	5,369
Fines	13,000	14,126	1,126
Interest Income	1,500	9,203	7,703
Other Revenues	35,700	33,574	(2,126)
Grants	--	41,200	41,200
Gifts and Bequests	--	--	--
TOTAL REVENUES	<u>770,386</u>	<u>885,188</u>	<u>114,802</u>
<b>EXPENDITURES</b>			
Administration Expense	228,515	151,059	77,456
Police Department Expense	239,150	291,012	(51,862)
City Judge	12,258	13,792	(1,534)
Fire Department Expense	43,900	50,848	(6,948)
Street Department Expense	114,000	196,890	(82,890)
Swimming Pool Expense	23,250	25,190	(1,940)
Community Center Expense	18,250	18,246	4
Community Development	--	18,008	(18,008)
Retirement of Bonded Debt	--	--	--
Capital Outlay	--	--	--
TOTAL EXPENDITURES	<u>679,323</u>	<u>765,045</u>	<u>(85,722)</u>
Revenues Over (Under) Expenditures	<u>\$ 91,063</u>	<u>\$ 120,143</u>	<u>\$ 29,080</u>
<b>OTHER SOURCES (USES)</b>			
Transfer In	--	--	--
Transfer Out	--	--	--
Grant Refund	--	--	--
Total Other Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>91,063</u>	<u>120,143</u>	<u>29,080</u>
Fund Balance, March 1	259,403	259,403	--
Other Adjustments	--	7,000	7,000
FUND BALANCE, FEBRUARY 28	<u>\$ 350,466</u>	<u>\$ 386,546</u>	<u>\$ 36,080</u>

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



CITY OF VAN, TEXAS  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUND TYPES  
YEAR ENDED FEBRUARY 28, 2002

<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>
\$ --	\$ --	\$ --	\$ 146,175	\$ 146,259	\$ 84
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	2,033	2,033
--	--	--	--	--	--
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>146,175</u>	<u>148,292</u>	<u>2,117</u>
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	146,175	147,318	(1,143)
<u>--</u>	<u>--</u>	<u>--</u>	<u>146,175</u>	<u>145,318</u>	<u>(1,143)</u>
--	--	--	--	974	974
--	--	--	--	--	--
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>974</u>	<u>974</u>
--	--	--	155,662	155,662	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>155,662</u>	<u>156,636</u>	<u>974</u>



**CITY OF VAN, TEXAS**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES**  
**YEAR ENDED FEBRUARY 28, 2002**  
**(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2001)**

<u>OPERATING REVENUES</u>	<u>2-28-02</u>	<u>2-28-01</u>
Charges for Services	\$ 542,038	\$ 525,914
TOTAL OPERATING REVENUES	<u>542,038</u>	<u>525,914</u>
<u>OPERATING EXPENSES</u>		
Salaries	171,307	153,657
Payroll Taxes	19,304	12,852
Retirement Expense	13,706	10,153
Group Insurance	21,036	30,750
Water Chemicals	8,531	8,006
Sewer Chemicals	15,385	11,333
Water System Maintenance	25,566	75,952
Sewer System Maintenance	25,401	34,922
Insurance and Bonds	17,374	3,443
Utilities	102,614	70,930
Office Supplies	8,066	10,442
Vehicle Expense	12,527	12,794
Labor	8,796	8,536
Miscellaneous	16,841	17,736
Depreciation	150,081	147,163
Sludge Removal	16,333	15,096
Water Testing	<u>11,034</u>	<u>7,109</u>
TOTAL OPERATING EXPENSES	<u>643,902</u>	<u>630,874</u>
OPERATING INCOME	<u>(101,864)</u>	<u>(104,960)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest	56,735	51,562
Accrued Interest on Bonds	--	6,724
Interest Expense & agents Fees	(58,527)	(26,176)
Bond Issue Costs	<u>--</u>	<u>(35,000)</u>
Total Non-Operating Revenues (Expenses)	<u>(1,792)</u>	<u>(2,890)</u>
Net Income	(103,656)	(107,850)
Retained Earnings, March 1	3,537,624	3,645,534
Adjustments	--	(60)
RETAINED EARNINGS, FEBRUARY 28	<u>\$3,433,968</u>	<u>\$ 3,537,624</u>
Contributed Capital - March 1	250,000	250,000
Contributions-Capital Grants	--	--
Contributed Capital - February 28	<u>250,000</u>	<u>250,000</u>
FUND EQUITY, FEBRUARY 28	<u>\$3,683,968</u>	<u>\$ 3,787,624</u>
	=====	=====

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



CITY OF VAN, TEXAS  
STATEMENT OF CASH FLOWS-  
ALL PROPRIETARY FUNDS  
YEAR ENDED FEBRUARY 28, 2002

	<u>2-28-02</u>
Cash Flows From Operating Activities:	
Operating Income (Loss)	\$ (101,864)
Adjustments to Reconcile Operating Income (Loss) To Net cash Provided (Used) By Operating Activities	
Depreciation	150,081
Changes in Assets and Liabilities (Increase) Decrease in Accounts Receivable	(1,924)
Increase (Decrease) in Accounts Payable	<u>17,300</u>
Total Adjustments	<u>165,457</u>
Net Cash Provided By Operating Activities	<u>63,593</u>
Cash Flows From Noncapital Financing Activities:	
Increase (Decrease) in Customer Deposits	2,765
Transfer (To) From Other Funds	<u>--</u>
Net Cash Provided (Used) by Noncapital Activities	<u>2,765</u>
Cash Flow From Capital and Related Financial Activities:	
Acquisition of Fixed Assets	(394,952)
Revenue Bond Proceeds	(25,000)
Interest and Fiscal Agent Fees	<u>(58,527)</u>
Net Cash Provided (Used) from Capital and Related Financing Activities	<u>(478,479)</u>
Cash Flows From Investing Activities:	
Interest Earned on Operating Funds	<u>56,735</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(355,386)
Cash and Cash Equivalents, March 1	<u>1,730,376</u>
CASH AND CASH EQUIVALENTS AT FEBRUARY 28	<u>\$1,374,990</u> =====

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



**CITY OF VAN, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FEBRUARY 28, 2002**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**1. The Financial Reporting Entity**

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

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

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

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

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





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

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

a. Governmental Fund Types

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

General Fund

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

Debt Service Fund

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

b. Proprietary Funds

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

Enterprise Fund

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

c. Fiduciary Fund Types

Agency Funds

The City has no agency funds.

Trust Funds

The City has no trust funds.

d. Account Groups

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



General Fixed Assets Account Group

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

General Long-Term Account Group

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

**3. Basis of Accounting**

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

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

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

Modified Accrual

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

Accrual

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

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

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

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

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

#### **6. Receivables**

Property taxes which were levied during the fiscal year, and prior years, but are uncollected as of February 28, 2002, are recorded as delinquent taxes receivable. Based on historical experience, an allowance for uncollectible property taxes is established at 25% of the outstanding balance.

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

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

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



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

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

#### **8. Inventory**

Inventory items are expensed when purchased.

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

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

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

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

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

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

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

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





B. CASH AND INVESTMENTS

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

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

At February 28, 2002, the carrying amount of the City's deposits (cash and certificates of deposit) was \$1,806,639. Pledged collateral held by the City's agent bank in the City's name was \$2,394,566. 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 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	\$ 717,043	\$ 717,043	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 March 1,	<u>Additions</u>	<u>Reductions</u>	Balance Feb. 28,
Land/Buildings	684,724	--	--	684,724
Machinery and Equipment	764,016	--	--	764,016
Improvements Other Than Buildings	42,493	--	--	42,493
Infrastructure Assets	<u>    --</u>	<u>118,280</u>	<u>    --</u>	<u>118,280</u>
<b>Total</b>	<b>\$1,491,233</b>	<b>\$ 118,280</b>	<b>\$    --</b>	<b>\$ 1,609,513</b>

E. CHANGES IN PROPRIETARY FUND FIXED ASSETS

	Balance March 1,	<u>Additions</u>	<u>Reductions</u>	Balance Feb. 28,
Buildings	60,856	--	--	60,856
Water System	\$2,326,704	\$ 6,880	\$    --	\$2,333,585
Sewer System	2,747,259	56,745	--	2,804,005
Equipment	94,627	28,294	--	122,921
Construction In progress	<u>73,261</u>	<u>303,030</u>	<u>    --</u>	<u>376,291</u>
<b>Total</b>	<b>5,302,707</b>	<b>394,949</b>	<b>--</b>	<b>5,697,658</b>
Less: Acc. Depr.	(2,264,078)	(150,080)	--	(2,414,158)
Land/R-O-W	<u>15,570</u>	<u>    --</u>	<u>    --</u>	<u>15,570</u>
<b>Net Fixed Assets</b>	<b>\$3,054,199</b>	<b>\$ 244,869</b>	<b>\$    --</b>	<b>\$3,299,070</b>

F. CHANGES IN GENERAL LONG TERM DEBT

Bond transactions of the City of Van, for the year ended February 28, 2002 are as follows:

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

Bonds Payable at March 1,	\$ 1,390,000
Bonds Issues	--
Bonds Retired	<u>(70,000)</u>
Payable at February 28,	<u>\$ 1,320,000</u>



The annual requirements to amortize all bonded debt of the General Fund outstanding as of February 28, 2002 are as follows:

<u>Years Ending February 28,</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total</u>
2003	70,000	73,783	143,783
2004	75,000	70,048	145,048
2005	80,000	65,978	145,978
2006	85,000	61,541	146,541
2007	90,000	56,728	146,728
2008-2012	525,000	198,359	723,359
2013-2015	<u>395,000</u>	<u>36,419</u>	<u>431,419</u>
Total	\$ <u>1,320,000</u> =====	\$ <u>562,856</u> =====	\$ <u>1,882,856</u> =====

G. CHANGES IN LONG TERM DEBT-PROPRIETARY FUND

Bond transactions of the City of Van, Water and Sewer Fund for the year ended February 28, 2002 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 March 1	\$1,000,000
Bonds Issued	--
Bonds Retired	<u>(25,000)</u>
Bonds Payable at February 28	\$ <u>975,000</u> =====

The annual requirements to amortize all bonded debt of the Water and Sewer Fund outstanding as of February 28, 2002 are as follows:

<u>Years Ending February 28,</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total</u>
2003	30,000	56,063	86,063
2004	30,000	53,963	83,963
2005	30,000	51,863	81,863
2006	35,000	49,588	84,588
2007	35,000	47,138	82,138
2008-2012	215,000	195,310	410,310
2013-2017	290,000	126,125	416,125
2018-2021	<u>310,000</u>	<u>35,475</u>	<u>345,475</u>
Total	\$ <u>975,000</u> =====	\$ <u>615,525</u> =====	\$ <u>1,590,525</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 758 administered by TMRS, an agent multiple-employer public employee retirement system.

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

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 (as of 4/8/02):

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 is the basis for the rate and calendar year when the rate goes into effect (i. e. December 31, 2001 valuation is effective for rates beginning January 2003).

### Schedule of Actuarial Liabilities and Funding Progress

#### Actuarial Valuation

<u>Date</u>	<u>12-96</u>	<u>12-95</u>	<u>12-94</u>	<u>12-93</u>	<u>12-92</u>
Actuarial Value of					
Assets	557,865	478,465	503,886	436,861	361,296
Actuarial Accrued					
Liability	748,703	652,615	664,725	582,820	470,243
Percentage Funded	74.51%	73.32%	75.80%	74.96%	76.83%
Unfunded Actuarial					
Accrued Liability	190,838	174,150	160,839	145,959	108,947
Annual Covered					
Payroll	263,708	257,209	266,644	244,356	243,286
UAAL as Percentage					
of Covered Payroll	72.36%	67.71%	60.32%	59.73%	44.78%
Net Pension Obligation					
(NPO) at the Beginning					
of Period	--	--	--	--	--
Annual Pension Cost					
Annual Required					
Contribution (ARC)	27,523	24,472	21,358	19,490	20,855
Interest on NPO	--	--	--	--	--
Adjustment to ARC	--	--	--	--	--
Contributions Made					
Increase in NPO	27,523	24,472	21,358	19,490	20,855
NPO at the end of					
Period	--	--	--	--	--



<u>Actuarial Valuation</u>					
<u>Date</u>	<u>12-97</u>	<u>12-98</u>	<u>12-99</u>	<u>12-00</u>	<u>12-01</u>
Actuarial Value of Assets	581,266	562,880	647,482	539,113	454,024
Actuarial Accrued Liability	336,784	598,513	682,384	575,805	503,225
Percentage Funded	91.30%	94.00%	94.90	93.6%	90.2%
Unfunded Actuarial Accrued Liability	55,518	35,633	34,902	36,692	49,201
Annual Covered Payroll	208,603	310,821	309,063	275,508	413,736
UAAL as Percentage of Covered Payroll	26.60%	11.50%	11.3%	13.3%	11.9%
Net Pension Obligation (NPO) at the Beginning of Period	--	--	--	--	--
Annual Pension Cost Annual Required					
Contribution (ARC)	30,307	28,452	27,115	24,274	30,999
Interest on NPO	--	--	--	--	--
Adjustment to ARC	--	--	--	--	--
Contributions Made					
Increase in NPO	30,307	28,452	27,115	24,274	30,999
NPO at the end of Period	--	--	--	--	--

The City of Van is one of 758 municipalities having the benefit plan administered by TMRS. Each of the 758 municipalities have an annual, individual actuarial valuation performed. All assumptions for the 12-31-2001 valuations are contained in the 2001 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 February 28, 2002, the employees of the City were covered by a health insurance plan (the Plan). The City paid 100% of the premiums per pay period for each employee to the Plan and employees, at their option, authorized payroll withholding to pay premiums for dependents. All contributions were paid to a self-funded pool administered by the Texas Municipal League Group Benefits Risk Pool.

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

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

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**CITY OF VAN, TEXAS**  
**GENERAL FUND**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**YEAR ENDED FEBRUARY 28, 2002**

<u>REVENUES</u>	<u>GENERAL FUND</u>	<u>VAN DEVELOPMENT</u>	<u>TOTALS</u>	
			<u>MEMORANDUM ONLY</u>	<u>2-28-02</u>
Ad Valorem Taxes	\$ 400,280	\$ --	\$ 400,280	\$ 385,285
Franchise Fees	111,436	--	111,436	94,509
City Sales Taxes	206,527	68,842	275,369	228,681
Fines	14,126	--	14,126	9,378
Interest Income	7,646	1,557	9,203	4,404
Other Revenues	27,701	5,873	33,574	32,001
Grants	<u>41,200</u>	<u>--</u>	<u>41,200</u>	<u>20,177</u>
Total Revenues	<u>\$ 808,916</u>	<u>\$ 76,272</u>	<u>\$ 885,188</u>	<u>\$ 774,435</u>
 <u>EXPENDITURES</u>				
Administrative	\$ 151,059	\$ --	\$ 151,059	\$ 248,616
Police Department	291,012	--	291,012	257,897
City Judge	13,792	--	13,792	12,604
Fire Department	50,848	--	50,848	44,850
Street Department	196,890	--	196,890	93,943
Swimming Pool	25,190	--	25,190	22,912
Community Center	18,246	--	18,246	24,511
Community Development	--	--	--	808
Capital Outlay	<u>--</u>	<u>18,008</u>	<u>18,008</u>	<u>18,276</u>
Total Expenditures	<u>747,037</u>	<u>\$ 18,008</u>	<u>765,045</u>	<u>724,417</u>
Revenues Over (Under) Expenditures	61,879	58,264	120,143	50,018
 <u>Other Sources (Uses)</u>				
Transfers In (Out)	<u>34,616</u>	<u>(34,616)</u>	<u>--</u>	<u>--</u>
Total Other Sources (Uses)	<u>34,616</u>	<u>(34,616)</u>	<u>--</u>	<u>--</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	96,495	23,648	120,143	50,018
Fund Balance, March 1	166,603	92,800	259,403	209,408
Prior Period Adjustments	<u>7,000</u>	<u>--</u>	<u>7,000</u>	<u>(23)</u>
FUND BALANCE, FEBRUARY 28	<u>\$ 270,098</u> =====	<u>\$ 116,448</u> =====	<u>\$ 386,546</u> =====	<u>\$ 259,403</u> =====

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CITY OF VAN, TEXAS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
YEAR ENDED FEBRUARY 28, 2002

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAV)</u>
<u>REVENUES</u>			
Ad Valorem Taxes	\$ 360,186	\$ 400,280	\$ 40,094
Franchise Fees	90,000	111,436	21,436
City Sales Taxes	216,000	206,527	(9,473)
Fines	13,000	14,126	1,126
Interest Income	1,500	7,646	6,146
Grants	--	41,200	41,200
Other Revenues	<u>35,700</u>	<u>27,701</u>	<u>(7,999)</u>
 Total Revenues	 <u>\$ 716,386</u>	 <u>\$ 808,916</u>	 <u>\$ 92,530</u>
<u>EXPENDITURES</u>			
<u>Administration and Non-Departmental</u>			
Salaries	63,700	70,007	(6,307)
Retirement	4,500	3,660	840
Payroll Taxes	5,100	5,291	(191)
Group Insurance	7,200	9,521	(2,321)
Auto Allowance	--	349	(349)
Education	1,200	1,640	(440)
Auditor	2,500	4,500	(2,000)
City Attorney	4,200	4,300	(100)
Council Fees	3,600	3,600	--
Appraisal District	16,215	12,091	4,124
Office Expense	2,000	2,159	(159)
Utilities	70,000	4,814	65,186
Vehicle Gasoline	4,000	1,269	2,731
Vehicle Repair & Maintenance	6,000	228	5,772
Insurance-General	22,000	4,568	17,432
Dog Leash Ordinance	1,700	1,067	633
Miscellaneous	14,600	21,995	(7,395)
Capital Improvement	--	--	--
Total Administration	<u>228,515</u>	<u>151,059</u>	<u>77,456</u>
<u>Police Department</u>			
Salaries	176,000	194,867	(18,867)
Retirement	11,000	12,746	(1,746)
Payroll Taxes	11,650	15,785	(4,135)
Supplies	--	--	--
Hospital Insurance	16,000	22,215	(6,215)



**CITY OF VAN, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**YEAR ENDED FEBRUARY 28, 2002**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAV)</u>
<b><u>EXPENDITURES, Cont.</u></b>			
<b><u>Police Dept. Cont.</u></b>			
Office Expense	\$ 2,000	\$ 1,267	\$ 733
Gas and Oil	7,000	6,443	557
Vehicle Repair	3,000	5,009	(2,009)
Uniforms	3,000	1,623	1,377
Education	3,000	1,815	1,185
Equipment	5,000	3,542	1,458
Miscellaneous	1,500	2,367	(867)
Insurance	--	14,516	(14,516)
Utilities	--	2,685	(2,685)
Telephone	--	6,132	(6,132)
Total Police Department	<u>239,150</u>	<u>291,012</u>	<u>(51,862)</u>
 <b><u>City Judge</u></b>			
Salary	11,173	11,489	(316)
Payroll Tax	585	658	(73)
Office Expense	500	1,291	(791)
Miscellaneous	--	354	(354)
Total City Judge	<u>12,258</u>	<u>13,792</u>	<u>(1,534)</u>
 <b><u>Fire Department</u></b>			
Hospitalization Insurance	23,600	18,944	4,656
Gas and Oil	3,000	3,030	(30)
Maintenance	2,700	14,397	(11,697)
Insurance-General	--	1,964	(1,964)
Fire School & Training	2,000	3,000	(1,000)
Equipment	10,000	1,687	8,313
Utilities	--	3,739	(3,739)
Telephone	--	2,418	(2,418)
Miscellaneous	2,600	1,669	931
Total Fire Department	<u>43,900</u>	<u>50,848</u>	<u>(6,948)</u>
 <b><u>Street Department</u></b>			
Salaries	--	1,010	(1,010)
Gas and Oil	2,000	2,048	(48)
Health Insurance	--	2,139	(2,139)
Maintenance and Repairs	3,000	8,255	(5,255)
Street Construction	107,000	136,072	(29,072)
Utilities	--	44,260	(44,260)



CITY OF VAN, TEXAS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
YEAR ENDED FEBRUARY 28, 2002

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAV)</u>
<u>EXPENDITURES, Cont.</u>			
<u>Street Dept., Cont.,</u>			
Equipment	--	1,015	(1,015)
Miscellaneous	<u>2,000</u>	<u>2,091</u>	<u>(91)</u>
Total Street Department	<u>114,000</u>	<u>196,890</u>	<u>(82,890)</u>
 <u>Swimming Pool</u>			
Salaries	9,000	9,783	(783)
Payroll Taxes	550	570	(20)
Utilities	4,400	5,661	(1,261)
Supplies	4,000	2,241	1,759
Pool Concession	1,800	1,936	(136)
Miscellaneous	<u>3,500</u>	<u>4,449</u>	<u>(949)</u>
Total Swimming Pool	<u>23,250</u>	<u>24,640</u>	<u>(1,390)</u>
 <u>Community Center</u>			
Salaries	6,800	7,397	(597)
Payroll Tax	450	575	(125)
Utilities	8,000	6,625	1,375
Office Expense	--	--	--
Maintenance and Repair	2,200	1,329	871
Supplies	800	1,078	(278)
Telephone	--	1,117	(1,117)
Miscellaneous	<u>--</u>	<u>125</u>	<u>(125)</u>
Total Community Center	<u>18,250</u>	<u>18,246</u>	<u>4</u>
 <u>City Lake</u>			
Miscellanoeus	--	438	(438)
Utilities	<u>--</u>	<u>112</u>	<u>(112)</u>
Total City Lake	<u>--</u>	<u>550</u>	<u>(550)</u>
 TOTAL EXPENDITURES	 \$ 679,323	 \$ 747,037	 \$ (67,714)
 Excess (Deficiency) of Revenues Over Expenditures	 37,063	 61,879	 24,816
 <u>Other Sources and Uses</u>			
Transfers In (Out)	<u>--</u>	<u>34,616</u>	<u>34,616</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 FEBRUARY 28, 2002

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAV)</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	<u>37,063</u>	<u>96,495</u>	<u>59,432</u>
Fund Balance, March 1	<u>166,603</u>	<u>166,603</u>	<u>--</u>
Prior Period Adjustment	--	7,000	7,000
<b>FUND BALANCE, FEBRUARY 28</b>	<b>\$ 203,666</b> =====	<b>\$ 270,098</b> =====	<b>\$ 66,432</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 FEBRUARY 28, 2002**

	<u>WATER AND SEWER FUND</u>		<u>VARIANCE FAVORABLE (UNFAV.)</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	
<b><u>OPERATING REVENUES</u></b>			
Water	\$ 377,500	\$ 355,855	\$ (21,645)
Sewer	132,000	132,183	183
Penalties	23,000	22,216	(784)
Water and Sewer Taps	17,500	20,914	3,414
Miscellaneous	<u>4,200</u>	<u>10,870</u>	<u>6,670</u>
Total Operating Revenues	<u>554,200</u>	<u>542,038</u>	<u>(12,162)</u>
<b><u>OPERATING EXPENDITURES</u></b>			
Salaries	169,000	171,307	(2,307)
Payroll Taxes	10,800	19,304	(8,504)
Retirement Expense	9,800	13,706	(3,906)
Group Insurance	14,250	21,036	(6,786)
Water Chemicals	7,000	8,531	(1,531)
Sewer Chemicals	13,000	15,385	(2,385)
Sludge Removal	20,000	16,333	3,667
Water System Maintenance	65,000	25,566	39,434
Sewer System Maintenance	65,000	25,401	39,599
Water Well Maintenance	10,000	--	10,000
Insurance and Bonds	20,000	17,374	2,626
Utilities	80,000	102,614	(22,614)
Office Expense	8,000	8,066	(66)
Vehicle Expenses	14,000	12,527	1,473
Professional Fees	2,250	--	2,250
Miscellaneous	12,000	11,072	928
Depreciation	49,000	150,081	(101,081)
Equipment Maintenance	12,000	2,672	9,328
Training and Travel	3,000	3,097	(97)
Contract Meter Reading	8,800	8,796	4
Water Testing	<u>4,550</u>	<u>11,034</u>	<u>(6,484)</u>
Total Operating Expenses	<u>597,450</u>	<u>643,902</u>	<u>(46,452)</u>
Total Operating Income	<u>\$ (43,250)</u>	<u>\$ (101,864)</u>	<u>\$ (58,614)</u>
<b><u>Non-Operating Revenues (Expenses)</u></b>			
Interest	24,212	56,735	32,523
Interest Expense & Agents Fees	(57,988)	(58,527)	(539)
Bond Issuance Costs	--	--	--
Total Non-Operating Revenues	<u>(33,776)</u>	<u>(1,792)</u>	<u>31,984</u>
Net Income	<u>(77,026)</u>	<u>(103,656)</u>	<u>(26,630)</u>



CITY OF VAN, TEXAS  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES  
IN RETAINED EARNINGS - BUDGET AND ACTUAL  
WATER AND SEWER FUND  
YEAR ENDED FEBRUARY 28, 2002

	<u>WATER AND SEWER FUND</u>		<u>VARIANCE FAVORABLE (UNFAV.)</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	
Retained Earnings at March 1	\$3,537,624	\$3,537,624	--
Equity Transfers	--	--	--
Retained Earnings at February 28	<u>3,460,598</u>	<u>3,433,968</u>	<u>(26,630)</u>
Contributed Capital - March 1	250,000	250,000	--
Contributions - Capital Grants	--	--	--
Contributed Capital - February 28	<u>250,000</u>	<u>250,000</u>	<u>--</u>
FUND EQUITY, FEBRUARY 28	<u>\$3,710,598</u>	<u>\$3,683,968</u>	<u>\$ (26,630)</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 February 28, 2002, and have issued our report thereon dated November 25, 2002. 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*.

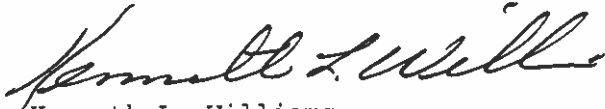
Internal Control Over Financial Reporting

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

November 25, 2002

