

CITY OF VAN, TEXAS

AUDIT REPORT

FEBRUARY 28, 1998

**CITY OF VAN, TEXAS**  
**ANNUAL FINANCIAL REPORT FOR**  
**THE YEAR ENDED FEBRUARY 28, 1998**

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

Independent Auditor's Report

Honorable Mayor and City Council  
City of Van  
Van, Texas

We have audited the accompanying general purpose financial statements of the City of Van as of and for the year ended February 28, 1998, as listed in the table of contents. These financial statements are the responsibility of the city's administration. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Van at February 28, 1998, and the results of its operations and the cash flow of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

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

Respectfully submitted,



Kenneth L. Williams  
Certified Public Accountant

August 12, 1998

**GENERAL PURPOSE FINANCIAL STATEMENTS**

**CITY OF VAN, TEXAS**  
**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS**  
**FEBRUARY 28, 1998**

<u>ASSETS</u>	<u>GOVERNMENTAL FUND TYPES</u>		
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>
Cash	\$ 119,302	\$ 826	\$ --
Receivables (net, where applicable of allowances for uncollectibles)			
Taxes	29,301	--	--
Accounts	79,976	--	--
Other Agencies	13,491	--	5,596
Due From Other Funds	--	--	--
Utility Deposits	10	--	--
Restricted Assets - Cash	--	--	124,689
Fixed Assets (net of accumulated depreciation)	--	--	--
Amount Available in Debt Service Funds	--	--	--
Amount to be Provided for Retirement of General Long Term Debt	--	--	--
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 242,080	\$ 826	\$ 130,285
	=====	=====	=====
<u>LIABILITIES</u>			
Accounts Payable	\$ 17,955	\$ --	\$ --
Customer Deposits	--	--	--
Due to Other Funds	--	362	--
General Obligation Bonds Payable	--	--	--
Notes Payable	--	--	--
Deferred Revenues	29,301	--	--
	<hr/>	<hr/>	<hr/>
Total Liabilities	47,256	362	--
<u>FUND EQUITY</u>			
Investment in General Fixed Assets	--	--	--
Retained Earnings - Unreserved	--	--	--
Fund Balance - Unreserved	194,824	464	--
- Reserve for Debt Service	--	--	130,285
	<hr/>	<hr/>	<hr/>
Total Fund Equity	194,824	464	130,285
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND EQUITY	\$ 242,080	\$ 826	\$ 130,285
	=====	=====	=====

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, 1998**

PROPRIETARY FUND ENTERPRISE FUND	ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)	
	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	2-28-98	2-28-97
\$ 769,287	\$ --	\$ --	\$ 889,415	\$ 926,704
--	--	--	29,301	29,530
41,163	--	--	121,139	117,963
--	--	--	19,087	--
362	--	--	362	--
--	--	--	10	10
--	--	--	124,689	124,542
3,024,952	1,344,204	--	4,369,156	4,020,096
--	--	124,689	124,689	124,542
--	--	1,467,787	1,467,787	1,531,561
<u>\$ 3,835,764</u>	<u>\$ 1,344,204</u>	<u>\$1,592,476</u>	<u>\$ 7,145,635</u>	<u>\$ 6,874,948</u>
\$ 20,588	\$ --	\$ --	\$ 38,543	\$ 56,311
36,608	--	--	36,608	38,348
--	--	--	362	--
--	--	1,580,000	1,580,000	1,640,000
7,000	--	12,476	19,476	16,103
--	--	--	29,301	30,378
<u>64,196</u>	<u>--</u>	<u>1,592,476</u>	<u>1,704,290</u>	<u>1,781,140</u>
--	1,344,204	--	1,344,204	1,264,237
3,771,568	--	--	3,771,568	3,469,119
--	--	--	195,288	235,910
--	--	--	130,285	124,542
<u>3,771,568</u>	<u>1,344,204</u>	<u>--</u>	<u>5,441,345</u>	<u>5,093,808</u>
<u>\$ 3,835,764</u>	<u>\$ 1,344,204</u>	<u>\$1,592,476</u>	<u>\$ 7,145,635</u>	<u>\$ 6,874,948</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, 1998

	<u>GOVERNMENTAL</u>
<u>REVENUES</u>	<u>GENERAL</u>
Ad Valorem Taxes	\$ 365,249
Franchise Fees	84,052
City Sales Taxes	101,736
Fines	8,309
Interest Income	3,494
Other Revenues	29,234
Grants	--
Gifts and Bequests	--
Total Revenues	592,074
<u>EXPENDITURES</u>	
Administrative	250,754
Police Department	169,301
City Judge	16,746
Fire Department	49,569
Street Department	113,972
Swimming Pool	21,364
Community Center	14,071
Retirement of Bonded Debt	--
Capital Outlay	--
Total Expenditures	635,777
Revenues Over (Under) Expenditures	(43,703)
<u>OTHER SOURCES (USES)</u>	
Transfer In	3,707
Grant Refund	--
Total Other Sources (Uses)	3,707
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(39,996)
Fund Balance, March 1	234,820
Other Adjustments	--
Fund Balance, FEBRUARY 28	\$ 194,824

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, 1998

<u>FUND TYPES</u>		<u>TOTALS</u>	
<u>SPECIAL</u>	<u>DEBT</u>	<u>(MEMORANDUM ONLY)</u>	
<u>REVENUE</u>	<u>SERVICE</u>	<u>2-29-98</u>	<u>2-28-97</u>
\$ --	\$ 152,809	\$ 518,058	\$ 559,820
--	--	84,052	88,689
--	--	101,736	80,349
--	--	8,309	13,730
--	2,199	5,693	5,242
--	--	29,234	56,227
94,029	--	94,029	243,758
. 4,199	--	. 4,199	. 1,153
. 98,228	<u>155,008</u>	<u>845,310</u>	<u>1,048,968</u>
35	--	250,789	263,179
--	--	169,301	145,324
--	--	16,746	11,906
--	--	49,569	81,280
--	--	113,972	54,015
--	--	21,364	19,001
--	--	14,071	15,127
--	149,265	149,265	147,112
. 99,454	--	. 99,454	. 243,837
. 99,489	<u>149,265</u>	<u>884,531</u>	<u>980,781</u>
. (1,261)	<u>5,743</u>	<u>(39,221)</u>	<u>68,187</u>
. 37	--	3,744	27,637
. (250)	--	. (250)	. (1,548)
. (213)	--	<u>3,494</u>	<u>26,089</u>
(1,474)	5,743	(35,727)	94,276
1,090	124,542	360,452	267,024
. 848	--	<u>848</u>	<u>(848)</u>
\$ 464	\$ 130,285	\$ 325,573	\$ 360,452
=====	=====	=====	=====



**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, 1998**

	<u>GENERAL FUND</u>		<u>VARIANCE FAVORABLE (UNFAV.)</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	
<b><u>REVENUES</u></b>			
Ad Valorem Taxes	\$ 368,473	\$ 365,249	\$ (3,224)
Franchise Fees	78,810	84,052	5,242
City Sales Taxes	68,393	101,736	33,343
Fines	11,183	8,309	(2,874)
Interest Income	450	3,494	3,044
Other Revenues	20,310	29,234	8,924
Grants	--	--	--
Gifts and Bequests	--	--	--
TOTAL REVENUES	<u>547,619</u>	<u>592,074</u>	<u>44,455</u>
<b><u>EXPENDITURES</u></b>			
Administration Expense	256,569	250,754	5,815
Police Department Expense	167,410	169,301	(1,891)
City Judge	12,127	16,746	(4,619)
Fire Department Expense	43,140	49,569	(6,429)
Street Department Expense	65,000	113,972	(48,972)
Swimming Pool Expense	20,933	21,364	(431)
Community Center Expense	19,748	14,071	5,677
Retirement of Bonded Debt	--	--	--
Capital Outlay	--	--	--
TOTAL EXPENDITURES	<u>584,927</u>	<u>635,777</u>	<u>(50,850)</u>
Revenues Over (Under) Expenditures	<u>\$ (37,308)</u>	<u>\$ (43,703)</u>	<u>\$ (6,395)</u>
<b><u>OTHER SOURCES (USES)</u></b>			
Transfer In	--	3,707	3,707
Transfer Out	--	--	--
Grant Refund	--	--	--
Total Other Sources (Uses)	<u>--</u>	<u>3,707</u>	<u>3,707</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(37,308)</u>	<u>(39,996)</u>	<u>(2,688)</u>
Fund Balance, March 1	234,820	234,820	--
Other Adjustments	--	--	--
FUND BALANCE, FEBRUARY 28	<u>\$ 197,512</u> =====	<u>\$ 194,824</u> =====	<u>\$ (2,688)</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, 1998

<u>SPECIAL REVENUE FUND</u>			<u>DEBT SERVICE FUND</u>		
<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAV.)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAV.)</u>
\$ --	\$ --	\$ --	\$ 147,975	\$ 152,809	\$ 4,834
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	2,199	2,199
--	--	--	--	--	--
94,029	94,029	--	--	--	--
--	4,199	4,199	--	--	--
<u>94,029</u>	<u>98,288</u>	<u>4,199</u>	<u>147,975</u>	<u>155,008</u>	<u>7,033</u>
--	35	(35)	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	147,975	149,265	(1,290)
<u>93,995</u>	<u>99,454</u>	<u>(5,459)</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>93,995</u>	<u>99,489</u>	<u>(5,494)</u>	<u>147,975</u>	<u>149,265</u>	<u>(1,290)</u>
<u>34</u>	<u>(1,261)</u>	<u>(1,295)</u>	<u>--</u>	<u>5,743</u>	<u>5,743</u>
--	37	37	--	--	--
--	--	--	--	--	--
--	(250)	(250)	--	--	--
--	(213)	(213)	--	--	--
<u>34</u>	<u>(1,474)</u>	<u>(1,508)</u>	<u>--</u>	<u>5,743</u>	<u>5,743</u>
1,090	1,090	--	124,542	124,542	--
--	848	848	--	--	--
1,124	464	(660)	124,542	130,285	5,743
=====	=====	=====	=====	=====	=====

**CITY OF VAN, TEXAS**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES**  
**YEAR ENDED FEBRUARY 28, 1998**  
**(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED FEBRUARY 28, 1997)**

<u>OPERATING REVENUES</u>	<u>2-28-98</u>	<u>2-28-97</u>
Charges for Services	\$ 616,878	\$ 584,530
TOTAL OPERATING REVENUES	<u>616,878</u>	<u>584,530</u>
 <u>OPERATING EXPENSES</u>		
Salaries	98,583	111,238
Payroll Taxes	7,816	9,244
Retirement Expense	10,799	10,640
Group Insurance	9,757	9,089
Water Chemicals	4,669	6,863
Sewer Chemicals	7,055	5,339
Water System Maintenance	36,892	7,523
Sewer System Maintenance	27,932	35,670
Insurance and Bonds	4,019	20,165
Utilities	81,034	80,809
Office Supplies	7,688	7,468
Vehicle Expense	6,930	6,280
Labor	6,555	1,013
Miscellaneous	14,559	15,521
Depreciation	123,591	115,665
Garbage Collection Expense	79,340	76,208
Contract Ambulance Service	38,360	40,495
Sludge Removal	18,660	--
TOTAL OPERATING EXPENSES	<u>584,239</u>	<u>559,230</u>
 OPERATING INCOME	 <u>32,639</u>	 <u>25,300</u>
 <u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest	23,517	22,783
Refunds	--	350
Total Non-Operating Revenues (Expenses)	<u>23,517</u>	<u>23,133</u>
 Net Income	 56,156	 48,433
 Retained Earnings, March 1	 3,469,119	 3,459,322
Equity Transfers	<u>(3,707)</u>	<u>(38,636)</u>
 RETAINED EARNINGS, FEBRUARY 28	 <u>\$3,521,568</u>	 <u>\$ 3,469,119</u>
 Contributed Capital - March 1	 --	 --
Contributions-Capital Grants	<u>250,000</u>	<u>--</u>
Contributed Capital - February 28	<u>250,000</u>	<u>--</u>
 FUND EQUITY, FEBRUARY 28	 <u>\$3,771,568</u> =====	 <u>\$ 3,469,119</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, 1998

. 2-28-98

Cash Flows From Operating Activities:	
Operating Income (Loss)	\$ <u>32,639</u>
Adjustments to Reconcile Operating Income (Loss)	
To Net cash Provided (Used) By Operating Activities	
Depreciation	123,591
Changes in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	3,372
Increase (Decrease) in Accounts Payable	<u>(6,091)</u>
Total Adjustments	<u>120,872</u>
Net Cash Provided By Operating Activities	<u>153,511</u>
Cash Flows From Noncapital Financing Activities:	
Increase (Decrease) in Customer Deposits	(1,740)
Transfer (To) From Other Funds	<u>(3,707)</u>
Net Cash Provided (Used) by Noncapital Activities	<u>(5,447)</u>
Cash Flow From Capital and Related Financial Activities:	
Acquisition of Fixed Assets	(392,684)
Grant Revenues	250,000
Loan Proceeds	<u>7,000</u>
Net Cash Provided (Used) from Capital and Related Financing Activities	<u>(135,684)</u>
Cash Flows From Investing Activities:	
Interest Earned on Operating Funds	<u>23,517</u>
Net Increase (Decrease) in Cash and Cash Equivalents	35,897
Cash and Cash Equivalents, March 1	<u>733,390</u>
CASH AND CASH EQUIVALENTS AT FEBRUARY 28	\$ <u>769,287</u> =====

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

CITY OF VAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FEBRUARY 28, 1998

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. Reporting Entity**

As required by generally accepted accounting principles, these financial statements present City of Van financial information. The City is not included in any other governmental "reporting entity" as defined by governmental Accounting Standards Board in its Statement No. 14, "the Financial Reporting Entity." The City receives funding from local, state, and federal governmental sources and must comply with the requirement of these funding entities.

**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, 1998, are recorded as delinquent taxes receivable. Based on historical experience, an allowance for uncollectible property taxes is established at 55% 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, 1998, the carrying amount of the City's deposits (cash and certificates of deposit) was \$1,014,104. Pledged collateral held by the City's agent bank in the City's name was \$1,000,000. The City's depository bank is the First State Bank, Van, Texas.

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

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

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

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

#### Temporary Investments

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

1. Insured, registered for which the securities are held by the City or the City's agent in the City's name.
2. Uninsured and unregistered investments for which the

securities are held by the City's agent in the City's name.

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

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

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Category</u>
Certificates of Deposit	\$ 216,299	\$216,199	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 55% of the delinquent tax receivable balance.

**D. CHANGES IN GENERAL FIXED ASSETS**

	<u>Balance</u> <u>March 1,</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Feb. 28,</u>
Land/Buildings	678,074	--	--	678,074
Machinery and Equipment	543,671	79,966	--	623,637
Improvements Other Than Buildings	<u>42,493</u>	<u>--</u>	<u>--</u>	<u>42,493</u>
Total	<u>\$1,264,238</u>	<u>\$ 79,966</u>	<u>\$</u>	<u>\$ 1,344,204</u>

E. CHANGES IN PROPRIETARY FUND FIXED ASSETS

	Balance March 1,	<u>Additions</u>	<u>Reductions</u>	Balance Feb. 28,
Water System	\$2,171,145	\$ --	\$ --	\$2,171,145
Sewer System	2,261,067	374,939	--	2,636,006
Equipment	<u>50,220</u>	<u>3,175</u>	<u>--</u>	<u>53,395</u>
Total	4,482,432	378,114	--	4,860,546
Less: Acc. Depr.	(1,726,574)	(123,591)	--	(1,850,165)
Land	<u>--</u>	<u>14,570</u>	<u>--</u>	<u>--</u>
Net Fixed Assets	<u>\$2,755,858</u>	<u>\$ 269,093</u>	<u>\$ --</u>	<u>\$3,024,951</u>

F. CHANGES IN GENERAL LONG TERM DEBT

Bond transactions of the City of Van, for the year ended February 28, 1998 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,	\$ 1,640,000
Bonds Issues	--
Bonds Retired	<u>(60,000)</u>
Payable at February 28,	<u>\$ 1,580,000</u>

The loan transactions for the City of Van for the year ended February 28, 1998 are as follows:

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

Loans Payable at March 1	\$ 16,103
Loan Proceeds	--
Loans Retired	<u>(3,627)</u>
Loans Payable at February 28,	<u>\$ 12,476</u>

The annual requirements to amortize all bonded debt of the General Fund outstanding as of February 28, 1998 are as follows:

<u>Years Ending</u> <u>February 28,</u>	<u>Bond</u> <u>Requirements</u>	<u>Note</u> <u>Requirements</u>	<u>Total</u>
1999	146,625	5,075	151,700
2000	148,748	5,075	153,823

2001	145,644	4,229	149,873
2002	147,318	--	147,318
2003	143,783	--	143,783
Subsequent	<u>1,739,073</u>	<u>--</u>	<u>1,739,073</u>
Total	\$ <u>2,471,191</u>	\$ <u>14,379</u>	\$ <u>2,485,570</u>

G. CHANGES IN LONG TERM DEBT-PROPRIETARY FUND

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

	Payable March 1,	Additions	Reductions	Payable Feb. 28,
Vendor Lien Note	\$ -- =====	\$ 7,000 =====	\$ -- =====	\$ 7,000 =====

The City purchased real estate on 9-23-97 and executed a vendor lien note for \$7,000 payable 9-23-98 at -0-(no) percent interest.

H. COMMITMENTS UNDER NONCAPITALIZED LEASES

The City has no noncapitalized leases.

I. CAPITAL LEASE OBLIGATION -GENERAL FUND

The City has no capital lease obligations.

J. EMPLOYEE RETIREMENT PLAN

Plan Description

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

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

and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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

Contributions

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

Schedule of Actuarial Liabilities and Funding Progress

<u>Actuarial Valuation</u>					
<u>Date</u>	<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>
Actuarial Value of Assets	503,886	436,861	361,296	309,456	257,457
Actuarial Accrued Liability	664,725	582,820	470,243	408,657	352,559
Percentage Funded	75.80%	74.96%	76.83%	75.73%	73.03%
Unfunded Actuarial Accrued Liability	160,839	145,959	108,947	99,201	95,102
Annual Covered Payroll	266,644	244,356	243,286	279,061	283,112

UAAL as Percentage of Covered Payroll	60.32%	59.73%	44.78%	35.55%	33.59%
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Actuarial Valuation

<u>Date</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
Actuarial Value of Assets	478,465	557,865	581,266
Actuarial Accrued Liability	652,615	748,703	336,784
Percentage Funded	73.32%	74.51%	91.3%
Unfunded Actuarial Accrued Liability	174,150	190,838	55,518
Annual Covered Payroll	257,209	263,708	208,603
UAAL as Percentage of Covered Payroll	67.71%	72.36%	26.6%

K. HEALTH INSURANCE

During the year ended February 28, 1998, the employees of the City were covered by a health insurance plan (the Plan). The city paid 100% of the premiums per pay period for each employee to the Plan and employees, at their option, authorized payroll withholding to pay premiums for dependents. All contributions were paid to a self-funded pool administered by the Texas Municipal League Group Benefits Risk Pool.

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

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

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

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

Latest financial statements for the Texas Municipal League Group Benefits Risk Pool self-insurance pool are available for the year ended August 31, 1997 can be obtained from the Texas Municipal League, Austin, Texas.

L. RISK MANAGEMENT

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

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

The Texas Municipal League Intergovernmental Risk Pool has published its own financial report for the year ended August 31, 1997, which can be obtained from the Texas Municipal League, Austin, Texas

M. LITIGATION

The City has no pending or threatened litigation at February 28, 1998.

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.



SUPPLEMENTAL INFORMATION

**CITY OF VAN, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**YEAR ENDED FEBRUARY 28, 1998**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAV)</u>
<b><u>REVENUES</u></b>			
Ad Valorem Taxes	\$ 368,473	\$ 365,249	\$ (3,224)
Franchise Fees	78,810	84,052	5,242
City Sales Taxes	68,393	101,736	33,343
Fines	11,183	8,309	(2,874)
Interest Income	450	3,494	3,044
Other Revenues	<u>20,310</u>	<u>29,234</u>	<u>8,924</u>
Total Revenues	<u>\$ 547,619</u>	<u>\$ 592,074</u>	<u>\$ 44,455</u>
<b><u>EXPENDITURES</u></b>			
<b><u>Administration and Non-Departmental</u></b>			
Salaries	80,943	81,446	(503)
Retirement	8,430	10,365	(1,935)
Payroll Taxes	6,346	7,008	(662)
Group Insurance	6,500	8,357	(1,857)
Auto Allowance	--	1,400	(1,400)
Auditor	2,000	2,200	(200)
City Attorney	3,300	3,300	--
Council Fees	3,600	3,575	25
Appraisal District	22,000	14,855	7,145
Office Expense	3,400	2,090	1,310
Utilities	60,000	68,807	(8,807)
Vehicle Gasoline	6,000	6,199	(199)
Vehicle Repair & Maintenance	6,000	6,656	(656)
Cleaning	--	1,463	(1,463)
Two-Way Radio	--	733	(733)
Insurance-General	32,700	5,628	27,072
Interest Other Than Bonds	5,000	4,227	773
Dog Leash Ordinance	1,500	1,513	(13)
Miscellaneous	<u>8,850</u>	<u>20,932</u>	<u>(12,082)</u>
Total Administration	<u>256,569</u>	<u>250,754</u>	<u>5,815</u>
<b><u>Police Department</u></b>			
Salaries	112,565	119,972	(7,407)
Retirement	14,233	13,430	803
Payroll Taxes	8,612	9,593	(981)
Supplies	--	585	(585)
Hospital Insurance	10,800	11,555	(755)

CITY OF VAN, TEXAS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
YEAR ENDED FEBRUARY 28, 1998

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAV)</u>
<u>EXPENDITURES, Cont.</u>			
<u>Police Dept. Cont.</u>			
Office Expense	\$ 1,000	\$ 722	\$ 278
Gas and Oil	8,000	5,166	2,834
Vehicle Repair	4,000	2,439	1,561
Uniforms	1,500	198	1,302
Education	1,000	630	370
Equipment	4,200	--	4,200
Miscellaneous	<u>1,500</u>	<u>5,011</u>	<u>(3,511)</u>
Total Police Department	<u>167,410</u>	<u>169,301</u>	<u>(1,891)</u>
<u>City Judge</u>			
Salary	10,800	15,207	(4,407)
Payroll Tax	827	1,216	(389)
Clerical Expense	500	232	268
Miscellaneous	<u>--</u>	<u>91</u>	<u>(91)</u>
Total City Judge	<u>12,127</u>	<u>16,746</u>	<u>(4,619)</u>
<u>Fire Department</u>			
Hospitalization Insurance	23,600	18,420	5,180
Supplies	10,000	1,060	8,940
Gas and Oil	2,000	2,240	(240)
Maintenance	2,000	2,071	(71)
Insurance-General	--	2,005	(2,005)
Fire School & Training	2,000	1,998	2
Equipment	--	19,791	(19,791)
Miscellaneous	<u>3,540</u>	<u>1,984</u>	<u>1,556</u>
Total Fire Department	<u>43,140</u>	<u>49,569</u>	<u>(6,429)</u>
<u>Street Department</u>			
Oil Dirt	60,000	103,382	(43,382)
Contingencies	1,000	--	1,000
Streets	--	5,715	(5,715)
Miscellaneous	<u>4,000</u>	<u>4,875</u>	<u>(875)</u>
Total Street Department	<u>65,000</u>	<u>113,972</u>	<u>(48,972)</u>
<u>Swimming Pool</u>			
Salaries	6,000	5,937	63
Van Youth Association	--	--	--
Payroll Taxes	459	475	(16)
Parks & Recreation	1,500	29	1,471
Chemicals and Supplies	3,500	2,373	1,127

CITY OF VAN, TEXAS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
YEAR ENDED FEBRUARY 28, 1998

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAV)</u>
<u>EXPENDITURES, Cont.</u>			
<u>Swimming Pool, Cont.,</u>			
Pool Concession	\$ --	\$ 1,760	\$ (1,760)
Utilities	4,400	3,344	1,056
Debt Service	5,074	5,074	--
Miscellaneous	--	<u>2,372</u>	<u>(2,372)</u>
Total Swimming Pool	<u>20,933</u>	<u>21,364</u>	<u>(431)</u>
<u>Community Center</u>			
Salaries	5,525	3,874	1,651
Payroll Tax	423	310	113
Supplies	800	523	277
Office Expense	--	149	(149)
Utilities	7,000	7,068	(68)
Maintenance and Repair	1,000	413	587
Cont Lawn Service-Comm Center	--	330	(330)
Miscellaneous Expenses		1,404	(1,404)
Capital Outlay	<u>5,000</u>	<u>--</u>	<u>5,000</u>
Total Community Center	<u>19,748</u>	<u>14,071</u>	<u>5,677</u>
TOTAL EXPENDITURES	\$ 584,927	\$ 635,777	\$ (50,850)
Excess (Deficiency) of Revenues Over Expenditures	(37,308)	(43,703)	(6,395)
<u>Other Sources and Uses</u>			
Transfers In	<u>--</u>	<u>3,707</u>	<u>3,707</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	<u>(37,308)</u>	<u>(39,996)</u>	<u>(2,688)</u>
Fund Balance, March 1	<u>234,820</u>	<u>234,820</u>	<u>--</u>
FUND BALANCE, FEBRUARY 28	<u>\$ 197,512</u> =====	<u>\$ 194,824</u> =====	<u>\$ (2,688)</u> =====

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

CITY OF VAN, TEXAS  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES  
IN RETAINED EARNINGS - BUDGET AND ACTUAL  
WATER AND SEWER FUND  
YEAR ENDED FEBRUARY 28, 1998

	<u>WATER AND SEWER FUND</u>		<u>VARIANCE</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
			<u>(UNFAV.)</u>
<u>OPERATING REVENUES</u>			
Water	\$ 200,000	\$ 333,029	\$ 133,029
Sewer	148,000	121,853	(26,147)
Garbage	--	79,021	79,021
Ambulance Fees	--	41,594	41,594
Penalties	12,000	23,036	11,036
Tap Fees	9,470	13,575	4,105
Miscellaneous	4,000	4,770	770
TOTAL OPERATING REVENUES	<u>373,470</u>	<u>616,878</u>	<u>243,408</u>
<u>OPERATING EXPENDITURES</u>			
Salaries	110,100	98,583	11,517
Payroll Taxes	8,423	7,816	607
Retirement Expense	11,476	10,799	677
Group Insurance	8,640	9,757	(1,117)
Water Chemicals	9,000	4,669	4,331
Sewer Chemicals	9,000	7,055	1,945
Water System Maintenance	17,000	36,892	(19,892)
Sewer System Maintenance	21,600	27,932	(6,332)
Insurance and Bonds	29,360	4,019	25,341
Utilities	70,000	81,034	(11,034)
Office Expense	6,000	7,688	(1,688)
Vehicle Expenses	6,000	6,930	(930)
Labor	--	6,555	(6,555)
Miscellaneous	5,288	14,559	(9,271)
Depreciation	89,700	123,591	(33,891)
Garbage Collection Expense	--	79,340	(79,340)
Contract Ambulance Service	--	38,360	(38,360)
Sludge Removal	24,000	18,660	5,340
Schools and Training	--	--	--
TOTAL EXPENDITURES	<u>425,587</u>	<u>584,239</u>	<u>(158,652)</u>
Revenues Over (Under) Expenditures	<u>\$ (52,117)</u>	<u>\$ 32,639</u>	<u>\$ 84,756</u>
<u>OTHER SOURCES (USES)</u>			
Interest	<u>12,500</u>	<u>23,517</u>	<u>11,017</u>
Total Other Sources (Uses)	<u>12,500</u>	<u>23,517</u>	<u>11,017</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(39,617)</u>	<u>56,156</u>	<u>95,773</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, 1998

	<u>WATER AND SEWER FUND</u>		<u>VARIANCE FAVORABLE (UNFAV.)</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	
Retained Earnings at March 1	\$3,469,119	\$3,469,119	--
Equity Transfers	--	(3,707)	(3,707)
Retained Earnings at February 28	<u>3,469,119</u>	<u>3,521,568</u>	<u>92,066</u>
Contributed Capital - March 1	--	--	--
Contributions - Capital Grants	--	250,000	250,000
Contributed Capital - February 28	<u>--</u>	<u>250,000</u>	<u>250,000</u>
FUND EQUITY, FEBRUARY 28	<u>\$3,429,502</u>	<u>\$3,771,568</u>	<u>\$ 342,066</u>

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

CITY OF VAN, TEXAS  
SUPPLEMENTARY GRANT REVENUE AND EXPENSE SCHEDULE  
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
HOME INVESTMENT PARTNERSHIP PROGRAM  
FOR THE FISCAL YEAR ENDING FEBRUARY 28, 1998

Federal/State Financial Assistance  
 Federal Grantor: U. S. Department of Housing and Urban Development  
 Pass Through Grantor: Texas Department of Housing and Community Affairs  
 CFDA Number: 14.239  
 Contract Number: 533057  
 Contract Period: 7/1/94 to 6/30-97

<u>REVENUE</u>	<u>. BUDGET.</u>
Federal/State	\$ 104,000
Match	<u>10,000</u>
Total Revenues	<u>\$ 114,000</u>
<u>EXPENSES</u>	
Federal/State	
Administration	\$ 14,000
Rehabilitation	<u>100,000</u>
Total Expenses	<u>114,000</u>
 EXCESS REVENUE OVER EXPENDITURES	 \$ - - =====

\* Balance Refunded to Texas Department of Housing and  
 Community Affairs on 6-25-97.

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

CITY OF VAN, TEXAS  
SUPPLEMENTARY GRANT REVENUE AND EXPENSE SCHEDULE  
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
HOME INVESTMENT PARTNERSHIP PROGRAM  
FOR THE FISCAL YEAR ENDING FEBRUARY 28, 1998

<u>FEDERAL/STATE</u>		<u>MATCH</u>		<u>TOTAL.</u>
<u>PRIOR</u> <u>YEARS</u>	<u>CURRENT</u> <u>YEAR</u>	<u>PRIOR</u> <u>YEARS</u>	<u>CURRENT</u> <u>YEAR</u>	
\$ 88,351	\$ --	\$ --	\$ --	\$ 88,351
<u>    --</u>	<u>    --</u>	<u>  9,400</u>	<u>    --</u>	<u>  9,400</u>
<u>  88,351</u>	<u>    --</u>	<u>  9,400</u>	<u>    --</u>	<u>  97,751</u>
\$ 1,508	--	9,400	--	10,908
<u>  85,995</u>	<u>    598</u>	<u>    --</u>	<u>    --</u>	<u>  86,593</u>
<u>  87,503</u>	<u>    598</u>	<u>  9,400</u>	<u>    --</u>	<u>  97,501</u>
\$ 848	\$ (598)	\$ --	\$ --	\$ 250*
<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>



CITY OF VAN, TEXAS  
SUPPLEMENTARY GRANT REVENUE AND EXPENSE SCHEDULE  
COMMUNITY DEVELOPMENT (CFDA 14.228)  
FOR THE FISCAL YEAR ENDING FEBRUARY 28, 1998

Federal/State Financial Assistance  
 Federal Grantor: Department of Housing and Urban Development  
 Pass Through Grantor: Texas Department of Housing and Community Affairs  
 CFDA Number: 14.228  
 Contract Number: 715819  
 Contract Period: 7/1/95 to 6/30/97

<u>REVENUE</u>	<u>. BUDGET.</u>
Federal/State	\$ 250,000
Match	<u>127,000</u>
Total Revenues	<u>\$ 377,000</u>
<u>EXPENSES</u>	
Federal/State	
Administration	\$ 33,600
Sewer Facilities	307,900
Engineering	<u>35,500</u>
Total Expenses	<u>377,000</u>
EXCESS REVENUE OVER EXPENDITURES	\$ -- =====

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

CITY OF VAN, TEXAS  
SUPPLEMENTARY GRANT REVENUE AND EXPENSE SCHEDULE  
COMMUNITY DEVELOPMENT (CFDA 14.228)  
FOR THE FISCAL YEAR ENDING FEBRUARY 28, 1998

<u>FEDERAL/STATE</u>		<u>MATCH</u>		<u>TOTAL</u>
<u>PRIOR YEARS</u>	<u>CURRENT YEAR</u>	<u>PRIOR YEARS</u>	<u>CURRENT YEAR</u>	
\$ 155,971	\$ 94,029	\$ --	\$ --	\$250,000
<u>    --</u>	<u>    --</u>	<u>29,559</u>	<u>99,670</u>	<u>129,229</u>
<u>\$ 155,971</u>	<u>\$ 94,029</u>	<u>\$29,559</u>	<u>\$ 99,670</u>	<u>\$379,229</u>
\$ --	--	26,000	7,600	33,600
120,505	93,995	--	83,629	298,129
<u>35,055</u>	<u>445</u>	<u>--</u>	<u>12,000</u>	<u>47,500</u>
<u>155,560</u>	<u>94,440</u>	<u>26,000</u>	<u>103,229</u>	<u>379,229</u>
\$ 411	\$ (411)	\$ 3,559	\$ (3,559)	\$ --
<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

CITY OF VAN, TEXAS  
DEBT SERVICE REQUIREMENTS  
TAX AND WATERWORKS AND SEWER SYSTEM SURPLUS  
REVENUE CERTIFICATES OF OBLIGATION, SERIES 1994  
FEBRUARY 28, 1998

<u>FISCAL</u> <u>YEAR ENDING</u> <u>FEBRUARY 28,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
1999	60,000	86,625	146,625
2000	65,000	83,748	148,748
2001	65,000	80,644	145,644
2002	70,000	77,318	147,318
2003	70,000	73,783	143,783
2004	75,000	70,048	145,048
2005	80,000	65,978	145,978
2006	85,000	61,541	146,541
2007	90,000	56,728	146,728
2008	95,000	51,546	146,546
2009	100,000	45,988	145,988
2010	105,000	40,041	145,041
2011	110,000	33,725	143,725
2012	115,000	27,059	142,059
2013	125,000	19,919	144,919
2014	130,000	12,300	142,300
2015	<u>140,000</u>	<u>4,200</u>	<u>144,200</u>
TOTAL,	\$ 1,580,000 =====	\$ 891,191 =====	\$ 2,471,191 =====

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

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

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

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

Mayor  
City Council  
City of Van, Texas

We have audited the financial statements of the City of Van, Texas as of and for the year ended February 28, 1998, and have issued our report thereon dated August 12, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

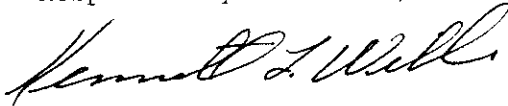
As part of obtaining reasonable assurance about whether the City of Van's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Van's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over some of the City's operations that we have reported to management of City of Van in a separate letter dated August 12, 1998.

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

Respectfully submitted,



Kenneth L. Williams  
Certified Public Accountant

August 12, 1998

CITY OF VAN, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED FEBRUARY 28, 1998

<u>PROGRAM</u>	<u>FINDINGS/NONCOMPLIANCE</u>	<u>QUESTIONED COSTS</u>
Community Development Block Grants - Small Cities Program	N O N E	-0-
Home Investment Partnership Program	N O N E	-0-