

CITY OF VAN, TEXAS

AUDIT REPORT

FEBRUARY 28, 1994

CITY OF VAN, TEXAS

ANNUAL FINANCIAL REPORT FOR  
THE YEAR ENDED FEBRUARY 28, 1994

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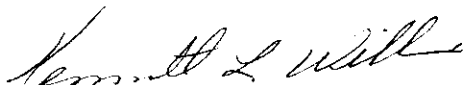
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Honorable Mayor and City Council  
City of Van  
Van, Texas

We have audited the accompanying general purpose financial statements of the City of Van as of February 28, 1994, and for the year then ended. These general purpose financial statements are the responsibility of the City of Van, Texas management. Our responsibility is to express an opinion on them based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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, of 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 purposes financial statement presentation. We believe that our audit provides a reasonable basis for for our opinion.

In our opinion, the general purpose financial statement referred to above present fairly, in all material respects, the financial position of the City of Van, Texas, as of February 28, 1994, and the results of its operations and the cash flow of its proprietary and similar trust fund types for the year then ended in conformity with generally accepted accounting principles.



Kenneth L. Williams  
Certified Public Accountant

July 6, 1994

GENERAL PURPOSE FINANCIAL STATEMENTS

**CITY OF VAN, TEXAS**  
**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS**  
**FEBRUARY 28, 1994**

<u>ASSETS</u>	<u>GOVERNMENTAL FUND TYPES</u>		
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>
Cash	\$ 225,058	\$ 3,678	\$ --
Receivables (net, where applicable of allowances for uncollectibles)			
Taxes	35,054	--	--
Accounts	64,695	--	--
Due From Other Funds	--	--	50,659
Utility Deposits	10	--	--
Restricted Assets - Cash	--	--	295,628
Fixed Assets (net of accumulated depreciation)	--	--	--
Amount Available in Debt Service Funds	--	--	--
Amount to be Provided for Retirement of General Long Term Debt	--	--	--
<b>TOTAL ASSETS</b>	<u><u>\$ 324,817</u></u>	<u><u>\$ 3,678</u></u>	<u><u>\$ 346,287</u></u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 13,916	\$ --	\$ --
Customer Deposits	--	--	--
Due to Other Funds	38,711	--	--
General Obligation Bonds Payable	--	--	--
Long-Term Notes Payable	--	--	--
Deferred Revenues	<u>35,054</u>	<u>--</u>	<u>--</u>
<b>Total Liabilities</b>	<u>87,681</u>	<u>--</u>	<u>--</u>
<u>FUND EQUITY</u>			
Investment in General Fixed Assets	--	--	--
Retained Earnings - Unreserved	--	--	--
Fund Balance - Unreserved	237,136	3,678	--
- Reserve for Debt Service	<u>--</u>	<u>--</u>	<u>346,287</u>
<b>Total Fund Equity</b>	<u>237,136</u>	<u>3,678</u>	<u>346,287</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><u>\$ 324,817</u></u>	<u><u>\$ 3,678</u></u>	<u><u>\$ 346,287</u></u>

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

**CITY OF VAN, TEXAS**  
**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS**  
**FEBRUARY 28, 1994**

PROPRIETARY FUND ENTERPRISE FUND	ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)	
	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	2-28-94	2-29-93
\$ 42,159	\$ --	\$ --	\$ 270,895	\$ 244,090
--	--	--	35,054	26,528
32,545	--	--	97,240	77,342
--	--	--	50,659	50,659
--	--	--	10	10
--	--	--	295,628	286,240
1,290,071	946,235	--	2,236,306	2,219,733
--	--	346,287	346,287	336,899
--	--	--	--	--
<u>\$ 1,364,775</u>	<u>\$ 946,235</u>	<u>\$ 346,287</u>	<u>\$ 3,332,079</u>	<u>\$ 3,241,501</u>
\$ 21,046	\$ --	\$ --	\$ 34,962	\$ 35,284
27,638	--	--	27,638	26,237
11,948	--	--	50,659	50,659
--	--	35,000	35,000	110,000
--	--	25,050	25,050	54,345
--	--	--	35,054	26,527
<u>60,632</u>	<u>--</u>	<u>60,050</u>	<u>208,363</u>	<u>303,052</u>
--	946,235	--	946,235	892,850
1,304,143	--	--	1,304,143	1,324,103
--	--	286,237	527,051	384,597
--	--	--	346,287	336,899
<u>1,304,143</u>	<u>946,235</u>	<u>286,237</u>	<u>3,123,716</u>	<u>2,938,449</u>
<u>\$ 1,364,775</u>	<u>\$ 946,235</u>	<u>\$ 346,287</u>	<u>\$ 3,332,079</u>	<u>\$ 3,241,501</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, 1994

<u>REVENUES</u>	<u>GOVERNMENTAL</u> <u>GENERAL</u>
Current Taxes	\$ 393,029
Delinquent Taxes	36,955
Utility Franchise Fees	84,649
Fines	34,414
Sales Taxes	64,069
Swimming Pool Fees	9,546
Interest Earned	5,802
Miscellaneous	<u>10,080</u>
 Total Revenues	 <u>638,544</u>
 <u>EXPENDITURES</u>	
Salaries	194,249
Police Department Expense	21,727
Fire Department Expense	40,399
Park and Swimming Pool	11,237
Utilities	65,133
Office Expense	8,880
Insurance and Bonds	59,854
Council and Legal Fees	13,009
City Court	5,402
Street Improvements	73,622
Vehicle Expense	7,299
Payroll Tax Expense	15,485
Retirement Expense	14,084
Capital Outlay	57,553
Miscellaneous	13,088
Appraisal District Assessment	12,420
Debt Service-Principal Retirement	21,311
Interest and Agent Charges	--
Interest Other Than Bonds	13,482
Building Repairs	--
Mowing	<u>--</u>
 Total Expenditures	 <u>648,234</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, 1994**

FUND TYPES		TOTALS (MEMORANDUM ONLY)	
SPECIAL REVENUE	DEBT SERVICE	2-28-94	2-29-93
\$ --	\$ 79,475	\$ 472,504	\$ 482,041
--	--	36,955	39,764
--	--	84,649	53,534
--	--	34,414	22,871
--	--	64,069	68,243
--	--	9,546	11,959
99	9,388	15,289	15,336
--	--	10,080	13,266
<u>99</u>	<u>88,863</u>	<u>727,506</u>	<u>707,014</u>
--	--	194,249	198,581
--	--	21,727	21,208
--	--	40,399	36,304
--	--	11,237	23,846
--	--	65,133	55,007
--	--	8,880	6,141
--	--	59,854	52,358
--	--	13,009	13,927
--	--	5,402	3,458
--	--	73,622	24,954
--	--	7,299	6,149
--	--	15,485	15,026
--	--	14,084	12,322
--	--	57,553	133,231
--	--	13,088	24,306
--	--	12,420	13,276
--	75,000	96,311	77,205
--	4,475	4,475	9,701
--	--	13,482	10,505
--	--	--	3,533
--	--	--	15,822
<u>--</u>	<u>79,475</u>	<u>727,709</u>	<u>756,860</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, 1994

	<u>GOVERNMENTAL</u>
	<u>GENERAL</u>
Revenues Over (Under) Expenditures	\$ (9,690)
 <u>OTHER SOURCES (USES)</u>	
Transfer of Equity to Other Funds	46,346
Load Proceeds	<u>    --</u>
Total Other Sources (Uses)	<u>46,346</u>
Revenues and Other Sources over (Under) Expenditures and Other Uses	36,656
Fund Balance, March 1	<u>200,480</u>
Fund Balance, February 28	<u><u>\$ 237,136</u></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, 1994

FUND TYPES		TOTALS	
SPECIAL REVENUE	DEBT SERVICE	(MEMORANDUM ONLY)	
		2-28-94	2-29-93
99	\$ 9,388	\$ (203)	\$ (49,846)
--	--	46,346	(23,115)
--	--	--	18,875
--	--	46,346	(4,240)
99	9,388	46,143	(54,086)
3,579	336,899	540,958	595,044
\$ 3,678	\$346,287	\$ 587,101	\$ 540,958

**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, 1994**

	GENERAL FUND		VARIANCE FAVORABLE (UNFAV.)
	BUDGET	ACTUAL	
Current Taxes	\$ 434,026	\$ 393,029	\$ (40,997)
Delinquent Taxes/Penalties	25,166	36,955	11,789
Utility Franchise Fees	58,715	84,649	25,934
Fines	15,121	34,414	19,293
Sales Taxes	56,000	64,069	8,069
Swimming Pool	10,000	9,546	(454)
Interest Earned	950	5,802	4,852
Miscellaneous	<u>6,720</u>	<u>10,080</u>	<u>3,360</u>
<b>TOTAL REVENUES</b>	<u>606,698</u>	<u>638,544</u>	<u>31,846</u>
 <b>EXPENDITURES</b>			
Salaries	197,060	194,249	2,811
Police Department Expense	23,300	21,727	1,573
Fire Department Expense	40,690	40,399	291
Park and Swimming Pool	16,834	11,237	5,597
Utilities	63,000	65,133	(2,133)
Office Expense	6,000	8,880	(2,880)
Insurance and Bonds	50,000	59,854	(9,854)
Council Fees	10,200	13,009	(2,809)
City Court	10,416	5,402	5,014
Street Improvements	55,000	73,622	(18,622)
Vehicle Expense	6,500	7,299	(799)
Payroll Tax Expense	15,075	15,485	(410)
Retirement Expense	12,000	14,084	(2,084)
Capital Outlay	72,000	57,553	14,447
Miscellaneous	11,950	13,088	(1,138)
Appraisal District Assessment	15,690	12,420	3,270
Debt Service-Principal Retirement	--	21,311	(21,311)
Interest and Agent Charges	--	--	--
Interest other Than Bonds	7,500	13,482	(5,982)
Building Repairs	--	--	--
Mowing	<u>--</u>	<u>--</u>	<u>--</u>
<b>TOTAL EXPENDITURES</b>	<u>613,215</u>	<u>648,234</u>	<u>(35,019)</u>

**CITY OF VAN, TEXAS**  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUND TYPES  
YEAR ENDED FEBRUARY 28, 1994

<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>
\$ --	\$ --	\$ --	\$ 79,475	\$ 79,475	\$ 425
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	99	99	--	9,388	9,388
--	--	--	--	--	--
<u>--</u>	<u>99</u>	<u>99</u>	<u>79,475</u>	<u>88,863</u>	<u>9,388</u>
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	75,000	75,000	--
--	--	--	4,475	4,475	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>79,475</u>	<u>79,475</u>	<u>(126)</u>

**CITY OF VAN, TEXAS**  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUND TYPES  
YEAR ENDED FEBRUARY 28, 1994

	<u>GENERAL FUND</u>		VARIANCE FAVORABLE (UNFAV.)
	<u>BUDGET</u>	<u>ACTUAL</u>	
Excess of Revenues Over Expenditures	\$ (6,517)	\$ (9,690)	\$ (3,173)
<u>OTHER SOURCES(USES)</u>			
Transfer of Equity to Other funds	--	46,346	46,346
Loan Proceeds	--	--	--
Total Other Sources (Uses)	--	46,346	46,346
<u>Revenues and Other Sources Over (Under)</u>			
<u>Expenditures and Other Uses</u>	(6,517)	36,656	43,173
Fund Balance, March 1	200,480	200,480	--
Other Adjustments	--	--	--
FUND BALANCE, FEBRUARY 28	<u>\$ 193,963</u>	<u>\$ 237,136</u>	<u>\$ 43,173</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, 1994

<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>
\$ --	\$ 99	\$ 99	\$ --	\$ 9,388	\$ 9,388
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	99	99	--	9,388	9,388
3,579	3,579	--	336,899	336,899	--
--	--	--	--	--	--
<u>\$ 3,579</u>	<u>\$ 3,678</u>	<u>\$ 99</u>	<u>\$ 336,899</u>	<u>\$ 346,287</u>	<u>\$ 9,388</u>

**CITY OF VAN, TEXAS**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES**  
**YEAR ENDED FEBRUARY 28, 1994**  
**(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED FEBRUARY 29, 1993)**

<u>OPERATING REVENUES</u>	<u>2-29-94</u>	<u>2-28-93</u>
Charges for Services	457,061	524,577
TOTAL OPERATING REVENUES	<u>457,061</u>	<u>524,577</u>
 <u>OPERATING EXPENSES</u>		
Salaries	117,743	191,169
Payroll Taxes	9,401	15,966
Retirement Expense	8,141	14,766
Water Chemicals	7,720	7,260
Water System Maintenance	26,616	46,000
Sewer System Maintenance	7,642	26,628
Insurance and Bonds	32,978	39,268
Utilities	69,040	77,610
Office Supplies	3,402	6,643
Vehicle Expense	6,251	15,343
Labor	1,115	9,366
Miscellaneous	5,918	11,568
Contract Ambulance Service	34,441	--
Fire Department Expense	--	1,260
Depreciation	67,169	77,416
Garbage Collection Expense	58,384	64,524
Operating Supplies	1,011	7,064
Interest Expense	251	1,333
Schools and Training	200	2,514
TOTAL OPERATING EXPENSES	<u>457,423</u>	<u>615,698</u>
 OPERATING INCOME	 <u>(362)</u>	 <u>(91,121)</u>
 <u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest	1,449	1,196
County Donations	15,000	15,000
Gain on Disposal of Assets	10,300	--
Total Non-Operating Revenues (Expenses)	<u>26,749</u>	<u>16,196</u>
 Net Income	 26,387	 (74,925)
 Retained Earnings, March 1	 1,324,102	 1,375,912
 Equity Transfers	 <u>(46,346)</u>	 <u>23,115</u>
 RETAINED EARNINGS, FEBRUARY 28	 <u><u>\$1,304,143</u></u>	 <u><u>\$ 1,324,102</u></u>

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

**CITY OF VAN, TEXAS**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUNDS**  
**YEAR ENDED FEBRUARY 28, 1994**

	<u>2-29-94</u>	<u>2-28-93</u>
Cash Flows From Operating Activities:		
Operating Income (Loss)	\$ (362)	\$ (91,121)
Adjustments to Reconcile Operating Income (Loss) To Net cash Provided (Used) By Operating Activities		
Depreciation	67,169	77,416
Changes in Assets and Liabilities (Increase) Decrease in Accounts Receivable	575	(1,348)
Increase (Decrease) in Accounts Payable	<u>(3,919)</u>	<u>6,699</u>
Total Adjustments	<u>63,825</u>	<u>82,767</u>
Net Cash Provided By Operating Activities	<u>63,463</u>	<u>(8,354)</u>
Cash Flows From Noncapital Financing Activities:		
Increase (Decrease) in Customer Deposits	1,401	3,062
Equity Transfer From Other Funds	<u>(46,346)</u>	<u>23,115</u>
Net Cash Provided (Used) by Noncapital Activities	<u>(44,945)</u>	<u>26,177</u>
Cash Flow From Capital and Related Financial Activities:		
Acquisition of Fixed Assets	(45,357)	(24,397)
County Donations	15,000	15,000
Principal Payments on Loans	(7,984)	(9,742)
Sale of Assets	<u>25,300</u>	<u>-</u>
Net Cash Provided (Used) from Capital and Related Financing Activities	<u>(13,041)</u>	<u>(19,139)</u>
Cash Flows From Investing Activities:		
Interest Earned on Operating Funds	<u>1,449</u>	<u>1,196</u>
Net Increase (Decrease) in Cash and Cash Equivalents	6,926	(120)
Cash and Cash Equivalents, March 1	<u>35,233</u>	<u>35,353</u>
CASH AND CASH EQUIVALENTS AT FEBRUARY 28	<u>\$ 42,159</u>	<u>\$ 35,233</u>

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



**CITY OF VAN, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FEBRUARY 28, 1994**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Van, Texas have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit as the reporting entity was made by applying the criteria set forth in GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

B. Fund Accounting

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliances and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the government is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent. The City of Van has no fiduciary funds.

### C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increase (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds, nonexpendable trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available).

"Measurable" means 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. The government considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year end on behalf of the government also are recognized as revenue. Fines, permits and parking meter revenue are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary fund types, pension trust funds and nonexpendable trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The government reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

#### D. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds.

The city does not use an encumbrance accounting system.

#### E. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

#### F. Inventories

The City of Van maintains no inventories.

#### G. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "revenue bond operations and maintenance" account is used to report resources set aside to subsidize potential deficiencies from the enterprise fund's operation that could adversely affect debt service payments. The "revenue bond current debt service" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "revenue bond future debt service" account is used to report resources set aside to make up potential future deficiencies in these revenue bond current debt service account. The "revenue bond renewal and replacement" account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

#### H. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutter, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight-line method.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

#### I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it.

Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employee. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

#### J. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

#### K. Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriate for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

#### 1. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

#### M. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial posi-

tion, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

#### N. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the government's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

## 2. LEGAL COMPLIANCE-BUDGETS

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to January 1, the Mayor submits to the Aldermen a proposed operating budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them.

A public hearing is conducted to obtain taxpayer comments.

Prior to March 1, the budget is legally enacted through passage of an ordinance.

Any revisions that alter the total expenditures of the water and sewer fund or any department for governmental type funds must be approved by the Mayor and Aldermen.

Formal budgetary integration is employed as management control device during the year for the general and special revenue funds.

Budget for the general fund is adopted on a cash basis.

Budget for the special revenue fund has not been prepared separately from the general fund.

Unused appropriations lapse at fiscal year-end and may not be carried over to the following fiscal year.

Budgeted amounts are as originally adopted or as amended by the Mayor and Aldermen. Individual amendments were not material in relation to the original appropriations.

3. CHANGES IN FIXED ASSETS

General Fixed Assets

	<u>Balance</u> <u>March 1,</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Feb. 28,</u>
Land	452,325	2,250		454,575
Machinery and Equipment	440,524	30,338	21,695	449,167
Improvements Other Than Buildings	<u>42,493</u>	<u>--</u>		<u>42,493</u>
Total	<u>\$ 935,342</u>	<u>\$ 32,588</u>	<u>\$ 21,695</u>	<u>\$ 946,235</u>

Water and Sewer Assets

Water System	\$2,158,694	\$	\$	\$2,158,694
Sewer System	552,463	45,357		597,820
Equipment	<u>9,895</u>			<u>9,895</u>
Total	2,721,052	45,357		2,766,409
Less: Acc. Depr.	<u>(1,409,169)</u>	<u>(67,169)</u>		<u>(1,476,338)</u>
Net Fixed Assets	<u>\$1,311,883</u>	<u>\$ (21,812)</u>	<u>\$</u>	<u>\$1,290,071</u>

4. LONG-TERM DEBT

The following is a summary of bond transactions of the City of Van, for the year ended February 28, 1994,

Bonds Payable at March 1,	\$ 110,000
Bonds Retired	<u>(75,000)</u>
Bonds Payable at February 28,	<u>\$ 35,000</u>

The loan transactions for the City of Van for the year ended February 28, 1994 are as follows:

Loans Payable at March 1	\$ 46,360
Loan Proceeds	--
Loans Retired	<u>(21,310)</u>
Loans Payable at February 28,	<u>\$ 25,050</u>

The annual debt service and reserve fund requirements for the next five years including interest payment for all debt outstanding as of February 28, 1994, are:

<u>Years Ending February 28,</u>	<u>Bond Requirements</u>	<u>Note Requirements</u>	<u>Total</u>
1995	35,962	5,075	41,037
1996	--	5,075	5,075
1997	--	5,075	5,075
1998	--	5,075	5,075
1999	--	5,075	5,075
Subsequent	--	9,303	9,303
Total	<u>\$ 35,962</u>	<u>\$ 34,678</u>	<u>\$ 70,640</u>

5. 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 613 administered by TMRS, an agent multiple-employer public employee retirement system. It is the opinion of the TMRS management that the plans in TMRS are substantially defined contribution plans, but they have elected to provide additional voluntary disclosure to help foster a better understanding of some of the nontraditional characteristics of the plan.

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 also provides death and disability benefits. A member is vested after 10 years, but he must leave his accumulated contributions in the plan. If a member withdraws his own money, he is not entitled to the employer-financed monetary credits, even if he was vested. 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 200%, 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 retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability 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, 1990. 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.

The City's total payroll in fiscal year 1993 was \$316,906 and the city's contributions were based on a payroll of \$244,356. Both the City and the covered employees made the required contributions, amounting to \$21,358 (8.56% of covered payroll for the months in calendar year 1993, 5.90% normal cost plus 2.66% to amortize the unfunded actuarial liability and 9.83% for the months in calendar year 1994, 6.53% normal cost plus 3.30% to amortize the unfunded actuarial liability) for the City and \$12,220 (5%) for the employees. There were no related-party transactions.

#### Funding Status and Progress

Even though the substance of the city's plan is not to provide a defined benefit in some form, some additional voluntary disclosure is appropriate due to the nontraditional nature of the defined contribution plan which had an initial unfunded pension benefit obligation due to the monetary credits granted by the city for services rendered before the

plan began and which can have additions to the unfunded pension benefit obligation through the periodic adoption of increases in benefit credits and benefits. Statement No. 5 of the Governmental Accounting Standards Board (GASB 5) defines pension benefit obligation as a standardized disclosure measure of the actuarial present value of pension benefits, adjusted for the effect of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of public employee pension plans, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee pension plans.

The pension benefit obligation shown below is similar in nature to the standardized disclosure measure required by GASB 5 for defined benefit plans except that there is no need to project salary increases since the benefit credits earned for service to date are not dependent upon future salaries. The calculations were made as part of the annual actuarial valuation as of December 31, 1993. Because of the money-purchase nature of the plan, the interest rate assumption, currently 8.5% per year, does not have as much impact on the results as it does for a defined benefit plan. Market value of assets is not determined for each city's plan, but the market value of assets for TMRS as a whole was 118.0% of book value as of December 31, 1993.

Pension Benefit Obligation

Annuitants currently receiving benefits	\$ 65,220
Terminated employees	63,241
Current employees	
Accumulated employee contributions including allocated invested earnings	167,044
Employer-Financed vested	205,675
Employer-financed nonvested	81,640
Total	582,820
Net Assets Available for Benefits, at Book Value	436,861
Unfunded Pension Benefit Obligation	145,959

The book value of assets is amortized cost for bonds and original cost for short-term securities and stocks. The actuarial assumptions used to compute the actuarially determined City contribution rate are the same as those used to compute the pension benefit obligation.

Historical trend information for the City of Van

<u>Year ended 9-30</u>	<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>
Net assets Available for Benefits	436,861	361,296	309,456	257,457	203,848
Pension Benefit Obligation	582,820	470,243	408,657	352,559	296,400
Percentage Funded	74.96%	76.83%	75.73%	73.03%	68.77%

Unfunded Pension					
Benefit Obligation	145,959	108,947	99,201	95,102	92,552
Annual covered					
Payroll	244,356	243,286	279,061	283,112	267,536
UPBO Divided by					
Payroll	59.73%	44.78%	35.55%	33.59%	34.59%
City Contribution					
to TMRS	21,358	19,490	20,855	23,402	21,135
Average City Rate	8.74%	8.01%	7.47%	8.27%	7.90%

6. LITIGATION

The City currently has no litigation pending against it.

COMBINING STATEMENTS

CITY OF VAN, TEXAS  
ENTERPRISE FUNDS  
COMBINING BALANCE SHEET  
FEBRUARY 28, 1994

<u>ASSETS</u>	<u>WATER AND SEWER FUND</u>	<u>AMBULANCE FUND</u>	<u>(MEMORANDUM TOTAL)</u>
Cash	\$ 27,364	\$ 14,795	\$ 42,159
Accounts Receivables(net, where applicable of allowances for uncollectibles)	29,093	3,452	32,545
Fixed Assets(net of accumulated depreciation)	<u>1,290,071</u>	<u>--</u>	<u>1,290,071</u>
TOTAL ASSETS	<u>\$ 1,346,528</u>	<u>\$ 18,247</u>	<u>\$ 1,364,775</u>
 <u>LIABILITIES</u>			
Accounts Payable	\$ 17,455	\$ 3,591	\$ 21,046
Customer Deposits	27,638	--	27,638
Due to Other Funds	11,948	--	11,948
Notes Payable	<u>--</u>	<u>--</u>	<u>--</u>
Total Liabilities	<u>57,041</u>	<u>3,591</u>	<u>60,632</u>
 <u>FUND BALANCE</u>			
Retained Earnings - Unreserved	<u>1,289,487</u>	<u>14,656</u>	<u>1,304,143</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,346,528</u>	<u>\$ 18,247</u>	<u>\$ 1,364,775</u>

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

**CITY OF VAN, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN RETAINED EARNINGS**  
**ALL PROPRIETARY FUND TYPES**  
**YEAR ENDED FEBRUARY 28, 1994**

<u>OPERATING REVENUES</u>	<u>WATER AND SEWER FUND</u>	<u>AMBULANCE FUND</u>	<u>(MEMORANDUM TOTAL)</u>
Charges for Services	\$ 391,877	\$ 65,184	\$ 457,061
TOTAL OPERATING REVENUES	<u>391,877</u>	<u>65,184</u>	<u>457,061</u>
 <u>OPERATING EXPENSES</u>			
Salaries	99,507	18,236	117,743
Payroll Taxes	7,781	1,620	9,401
Retirement Expense	8,141	--	8,141
Water Chemicals	7,720	--	7,720
Water System Maintenance	26,616	--	26,616
Sewer System Maintenance	7,642	--	7,642
Insurance and Bonds	32,600	378	32,978
Utilities	69,040	--	69,040
Office Supplies	3,310	92	3,402
Vehicle Expense	5,039	1,212	6,251
Labor	--	1,115	1,115
Miscellaneous	3,106	2,812	5,918
Contract Ambulance Service		34,441	34,441
Depreciation	67,169	--	67,169
Garbage Collection Expense	58,384	--	58,384
Operating Supplies	--	1,011	1,011
Interest Expense	--	251	251
Schools and Training	--	200	200
TOTAL OPERATING EXPENSES	<u>396,055</u>	<u>61,368</u>	<u>457,423</u>
 OPERATING INCOME	 <u>(4,178)</u>	 <u>3,816</u>	 <u>(362)</u>
 <u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest	733	716	1,449
County Donations	--	15,000	15,000
Gain on Disposal of Assets	--	10,300	10,300
Total Non-Operating Revenues (Expenses)	<u>733</u>	<u>26,016</u>	<u>26,749</u>
 Net Income	 (3,445)	 29,832	 26,749
Retained Earnings at Beginning of Year	1,292,932	31,170	1,324,102
Adjustments	<u>--</u>	<u>(46,346)</u>	<u>(46,346)</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 1,289,487</u>	<u>\$ 14,656</u>	<u>\$ 1,304,143</u>

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

**CITY OF VAN, TEXAS**  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN RETAINED EARNINGS  
WATER AND SEWER FUND  
YEARS ENDED FEBRUARY 28, 1993 AND 1994

<u>OPERATING REVENUES</u>	<u>WATER AND SEWER FUND</u> <u>2-28-94</u>	<u>2-28-93</u>	<u>CHANGE</u> <u>FAVORABLE</u> <u>(UNFAV.)</u>
CHARGES FOR SERVICES	\$ 391,877	\$ 366,047	\$ 25,830
TOTAL OPERATING REVENUES	<u>391,877</u>	<u>366,047</u>	<u>25,830</u>
 <u>OPERATING EXPENSES</u>			
SALARIES	99,507	97,098	(2,409)
PAYROLL TAXES	7,781	8,248	467
RETIREMENT EXPENSE	8,141	7,317	(824)
WATER CHEMICALS	7,720	7,260	(460)
WATER SYSTEM MAINTENANCE	26,616	46,000	19,384
SEWER SYSTEM MAINTENANCE	7,642	26,628	18,986
INSURANCE AND BONDS	32,600	33,789	1,189
UTILITIES	69,040	77,610	8,570
OFFICE EXPENSE	3,310	4,919	1,609
VEHICLE EXPENSE	5,039	3,928	(1,111)
MISCELLANEOUS	3,106	5,752	2,646
DEPRECIATION	67,169	67,416	247
GARBAGE COLLECTION EXPENSE	58,384	64,524	6,140
OPERATING SUPPLIES	--	--	--
INTEREST EXPENSE	--	--	--
SCHOOLS AND TRAINING	--	--	--
TOTAL OPERATING EXPENSES	<u>396,055</u>	<u>450,489</u>	<u>54,434</u>
OPERATING INCOME	<u>(4,178)</u>	<u>(84,442)</u>	<u>80,264</u>
 <u>NON OPERATING REVENUES (EXPENSES)</u>			
INTEREST	<u>733</u>	<u>662</u>	<u>71</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>733</u>	<u>662</u>	<u>71</u>
NET INCOME	(3,445)	(83,780)	80,335
RETAINED EARNINGS AT MARCH 1	1,292,932	1,353,597	(60,665)
EQUITY TRANSFERS	<u>--</u>	<u>23,115</u>	<u>(23,115)</u>
RETAINED EARNINGS AT FEBRUARY 28	<u>\$ 1,289,487</u>	<u>\$ 1,292,932</u>	<u>\$ (3,445)</u>

SUBJECT TO THE ACCOMPANYING REPORT OF KENNETH L. WILLIAMS, C.P.A.

STATISTICAL SECTION



CITY OF VAN, TEXAS  
DEBT SERVICE REQUIREMENTS  
BONDS OUTSTANDING  
FEBRUARY 28, 1994

<u>FISCAL</u> <u>YEAR ENDING</u> <u>FEBRUARY 28,</u>	<u>GENERAL OBLIGATION BONDS</u> <u>SERIES 1978</u>		<u>GENERAL OBLIGATION BONDS</u> <u>SERIES 1983</u>		<u>DEBT</u> <u>REQUIREMENTS</u>
	<u>MATURITIES</u>	<u>INTEREST</u>	<u>MATURITIES</u>	<u>INTEREST</u>	
1995	35,000.00	962.50	--	--	35,962.50
TOTALS	\$ 35,000.00	\$ 962.50	\$ --	\$ --	\$ 35,962.50

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