

CITY OF VAN, TEXAS
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2016

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

CERTIFIED PUBLIC ACCOUNTANTS

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Glenda Valek, CPA | Caitlyn Keller, CPA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Van, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Van, Texas, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and net pension liability information on pages 3-10 and 47-49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

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

Ennis, Texas
January 4, 2018

CITY OF VAN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the City of Van, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2016.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$6,622,234 (*net position*). Of this amount, \$1,641,171 represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,011,442.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$1,416,591, an increase of \$857,537 in comparison with prior year. Approximately 78% of this amount (\$1,099,849) is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,099,849, or approximately 38% of the total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, cultural and recreational and public works. The business-type activities of the City include water and sewer operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate economic development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 11-12 of this report.

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

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

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

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

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

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

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-45 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents *required supplementary information* concerning the City's General fund Budget Comparison Schedule, the Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of Contributions. Required supplementary information can be found on pages 47-49 of this report.

This report also presents combining statements referred to earlier in connection with nonmajor governmental funds. Combining and individual fund statements and schedules can be found on pages 51-54 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$6,622,234, at the close of the most recent fiscal year.

CITY OF VAN'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 1,784,075	\$ 667,587	\$ 623,899	\$ 789,896	\$ 2,407,974	\$ 1,457,483
Capital assets	2,081,698	1,917,434	3,568,665	3,357,906	5,650,363	5,275,340
Total assets	<u>3,865,773</u>	<u>2,585,021</u>	<u>4,192,564</u>	<u>4,147,802</u>	<u>8,058,337</u>	<u>6,732,823</u>
Total deferred outflows of resources	<u>168,797</u>	<u>81,777</u>	<u>83,287</u>	<u>38,892</u>	<u>252,084</u>	<u>120,669</u>
Long term liabilities	843,852	470,796	379,266	412,881	1,223,118	883,677
Other liabilities	197,993	79,300	209,500	279,723	407,493	359,023
Total liabilities	<u>1,041,845</u>	<u>550,096</u>	<u>588,766</u>	<u>692,604</u>	<u>1,630,611</u>	<u>1,242,700</u>
Total deferred inflows of resources	<u>38,409</u>	<u>-</u>	<u>19,167</u>	<u>-</u>	<u>57,576</u>	<u>-</u>
Net position:						
Net investment in capital assets	1,290,834	1,527,758	3,258,665	2,982,906	4,549,499	4,510,664
Restricted	306,649	377,666	124,915	106,099	431,564	483,765
Unrestricted	1,356,833	211,278	284,338	405,085	1,641,171	616,363
Total net position	<u>\$ 2,954,316</u>	<u>\$ 2,116,702</u>	<u>\$ 3,667,918</u>	<u>\$ 3,494,090</u>	<u>\$ 6,622,234</u>	<u>\$ 5,610,792</u>

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

By far, the largest portion of the City's net position (68.7%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

An additional portion of the City's net position (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,641,171 is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

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

The City's overall net position increased \$1,011,442 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

CITY OF VAN'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 510,520	\$ 149,104	\$ 1,228,107	\$ 1,315,214	\$ 1,738,627	\$ 1,464,318
Operating grants and contributions	394,626	50,642	-	-	394,626	50,642
Capital grants and contributions	50,000	191,280	166,836	126,272	216,836	317,552
General revenues:						
Property taxes	695,951	632,050	-	-	695,951	632,050
Sales taxes	626,563	581,879	-	-	626,563	581,879
Franchise taxes	100,993	102,178	-	-	100,993	102,178
Hotel-motel taxes	5,302	7,227	-	-	5,302	7,227
Investment earnings	2,197	1,329	2,356	1,114	4,553	2,443
Rent	7,355	6,111	-	-	7,355	6,111
Gain (loss) on sale of capital assets	859,328	10,690	11,776	505	871,104	11,195
Miscellaneous	157,160	220,338	-	-	157,160	220,338
Total revenues	3,409,995	1,952,828	1,409,075	1,443,105	4,819,070	3,395,933
Expenses:						
General government	601,954	574,998	-	-	601,954	574,998
Public safety	1,010,800	1,188,349	-	-	1,010,800	1,188,349
Cultural and recreational	90,710	102,520	-	-	90,710	102,520
Public works	916,088	253,495	-	-	916,088	253,495
Interest on long-term debt	21,606	24,980	-	-	21,606	24,980
Water and sewer	-	-	1,166,470	1,335,610	1,166,470	1,335,610
Total expenses	2,641,158	2,144,342	1,166,470	1,335,610	3,807,628	3,479,952
Change in net position before transfers	768,837	(191,514)	242,605	107,495	1,011,442	(84,019)
Transfers	68,777	(26,532)	(68,777)	26,532	-	-
Increase in net position	837,614	(218,046)	173,828	134,027	1,011,442	(84,019)
Net position - beginning, as restated	2,116,702	2,334,748	3,494,090	3,360,063	5,610,792	5,694,811
Net position - ending	\$ 2,954,316	\$ 2,116,702	\$ 3,667,918	\$ 3,494,090	\$ 6,622,234	\$ 5,610,792

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

- Charges for services for governmental activities increased by \$361,416 (242%). This increase was the result of the City changing the classification of garbage revenues from a business-type activity to a governmental type. This decrease in the charges for services for business-type activities was offset by an increase in water and sewer charges that was the result of an increase in consumption. The resulting decrease for business-type activities amounts to \$87,107 (7%).

- Operating grants and contributions increased by \$343,984 (679%) during the year. The majority of this increase is the result of grant reimbursements for expenditures needed to repair tornado damage.
- Capital grants and contributions for governmental activities decreased by \$141,280 (74%) during the year. The majority of this decrease is the product of the prior year completion of construction in progress being funded by the Van Economic Development Corporation.
- Gain on sale of capital assets increased by \$848,638. This increase was due to the sale of the City lake.
- Public safety expense decreased by \$177,549 (15%) during the year. This decrease was the result of a decrease in payroll and retirement expenses.
- Public works expenses increased by \$662,593 (261%) during the year. The majority of this increase is the product of expenses incurred to repair damage caused by a tornado.
- Water and sewer expense decreased by \$169,140 (13%) during the year. This decrease was primarily due to garbage expenses formerly recorded as a business-type expense now classified as a governmental activity.

Financial Analysis of Governmental Funds

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

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

At September 30, 2016, the City's governmental funds reported combined fund balances of \$1,416,591, an increase of \$857,537 in comparison with the prior year. Approximately 77.6% of this amount \$1,099,849 constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either nonspendable (\$10,093) or restricted for particular purposes (\$306,649).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned and total fund balance of the general fund was \$1,099,849 and \$1,279,358, respectively. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned and total fund balance represent approximately 38.4% and 44.6% of total general fund expenditures, respectively.

The fund balance of the City's general fund increased by \$903,661 during the current fiscal year.

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

Unrestricted net position of the Water and Sewer fund at the end of the year was \$284,338. The total growth in net position was \$173,828. Other factors concerning the finances of this fund have already been addressed in the analysis of the City's operations.

General Fund Budgetary Highlights.

Final budget compared to actual results. General fund actual revenues of \$2,026,197 exceeded budgeted revenues of \$1,593,122 by \$433,075. Following are the main components that experienced an increase or decrease of actual revenue compared to budgeted revenue:

- The \$130,823 increase in sales tax resulted from more growth in retail activity than originally budgeted.
- The \$199,413 increase in intergovernmental revenues resulted from grant reimbursements for expenditures needed to repair tornado damage.

Actual general fund expenditures of \$2,135,416 exceeded budgeted expenditures of \$1,591,490 by \$543,926 primarily due to expenditures needed to repair tornado damage. This excess was funded by excess revenues and from the sale of capital assets.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounts to \$5,650,363 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure. The total increase in capital assets for the current fiscal year was approximately 7.11%.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 18,640	\$ 168,640	\$ -	\$ -	\$ 18,640	\$ 168,640
Construction in progress	28,094	-	-	126,272	28,094	126,272
Buildings	220,972	180,548	41,428	44,980	262,400	225,528
Improvements	-	-	3,419,945	3,128,038	3,419,945	3,128,038
Machinery and equipment	830,740	544,401	107,292	58,616	938,032	603,017
Infrastructure	983,252	1,023,845	-	-	983,252	1,023,845
Total	\$ 2,081,698	\$ 1,917,434	\$ 3,568,665	\$ 3,357,906	\$ 5,650,363	\$ 5,275,340

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

- Building improvements of approximately \$64,000.
- Additions to water and system improvements of approximately \$497,000 which includes completion of approximately \$295,000 of construction in progress.
- Machinery and equipment additions of approximately \$532,000.

Additional information on the City's capital assets can be found in Note 3.E on pages 30-31 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$310,000, which is secured by the net revenues of the City's combined waterworks and sewer system. The remainder of the City's long-term obligations comprises contracts payable, notes payable and capital leases.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Contracts payable	\$ 325,198	\$ 372,497	\$ -	\$ -	\$ 325,198	\$ 372,497
Notes payable	109,259	17,179	-	-	109,259	17,179
Capital leases	282,378	-	-	-	282,378	-
Revenue bonds	-	-	310,000	375,000	310,000	375,000
Total	<u>\$ 716,835</u>	<u>\$ 389,676</u>	<u>\$ 310,000</u>	<u>\$ 375,000</u>	<u>\$ 1,026,835</u>	<u>\$ 764,676</u>

Additional information on the City's long term-debt can be found in Note 3.H on pages 32-35 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the 2016-17 Budget, General Fund revenues increased 16.23% from the 2015-16 budget year with property taxes making up about 31% and sales tax making up about 37% of general fund budgeted revenues.

REQUEST FOR INFORMATION

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

CITY OF VAN, TEXAS
STATEMENT OF NET POSITION
September 30, 2016

	Primary Government			Component Unit Van
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
ASSETS				
Cash and cash equivalents	\$ 600,428	\$ 278,528	\$ 878,956	\$ 296,534
Investments	756,504	41,709	798,213	201,200
Receivables (net of allowance for uncollectibles)	179,891	196,146	376,037	6,659
Due from other governments	143,578	-	143,578	-
Due from primary government	-	-	-	28,065
Internal balances	93,581	(93,581)	-	-
Inventories	-	74,291	74,291	-
Land held for sale	-	-	-	19,193
Prepaid items	10,093	-	10,093	-
Restricted cash and cash equivalents	-	126,806	126,806	-
Capital assets:				
Non-depreciable	46,734	-	46,734	-
Depreciable (net of accumulated depreciation)	2,034,964	3,568,665	5,603,629	242,291
Total assets	<u>3,865,773</u>	<u>4,192,564</u>	<u>8,058,337</u>	<u>793,942</u>
DEFERRED OUTFLOWS OF RESOURCES				
Changes in actuarial assumptions	27,154	13,551	40,705	-
Pension contributions after measurement date	30,935	15,437	46,372	-
Difference in projected and actual earnings on pension assets	79,854	39,626	119,480	-
Difference in expected and actual pension experience	30,854	14,673	45,527	-
Total deferred outflows of resources	<u>168,797</u>	<u>83,287</u>	<u>252,084</u>	<u>-</u>
LIABILITIES				
Accounts payable and other current liabilities	144,834	72,400	217,234	-
Accrued payroll payable	25,094	12,048	37,142	-
Due to component unit	28,065	-	28,065	-
Customer deposits payable	-	114,411	114,411	-
Liabilities payable from restricted assets	-	10,641	10,641	-
Noncurrent liabilities:				
Due within one year	213,129	102,324	315,453	138,836
Due in more than one year	630,723	276,942	907,665	748,655
Total liabilities	<u>1,041,845</u>	<u>588,766</u>	<u>1,630,611</u>	<u>887,491</u>
DEFERRED INFLOWS OF RESOURCES				
Difference in expected and actual pension experience	38,409	19,167	57,576	-
Total deferred inflows of resources	<u>38,409</u>	<u>19,167</u>	<u>57,576</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	1,290,834	3,258,665	4,549,499	242,291
Restricted for:				
Cultural and recreational	61,365	-	61,365	-
Debt service	169,416	124,915	294,331	-
Public safety	75,868	-	75,868	-
Unrestricted	1,356,833	284,338	1,641,171	(335,840)
Total net position	<u>\$ 2,954,316</u>	<u>\$ 3,667,918</u>	<u>\$ 6,622,234</u>	<u>\$ (93,549)</u>

See accompanying notes to financial statements.

CITY OF VAN, TEXAS
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2016

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Component Unit</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		<u>Van Economic Development Corporation</u>	
					<u>Governmental Activities</u>	<u>Business-type Activities</u>		<u>Total</u>
Function/Program Activities								
Governmental activities:								
General government	\$ 601,954	\$ 680	\$ -	\$ -	\$ (601,274)	\$ -	\$ (601,274)	\$ -
Public safety	1,010,800	170,809	39,560	-	(800,431)	-	(800,431)	-
Cultural and recreational	90,710	2,536	13,356	50,000	(24,818)	-	(24,818)	-
Public works	916,088	336,495	341,710	-	(237,883)	-	(237,883)	-
Interest on long-term debt	21,606	-	-	-	(21,606)	-	(21,606)	-
Total governmental activities	<u>2,641,158</u>	<u>510,520</u>	<u>394,626</u>	<u>50,000</u>	<u>(1,686,012)</u>	<u>-</u>	<u>(1,686,012)</u>	<u>-</u>
Business-type activities:								
Water and sewer	1,166,470	1,228,107	-	166,836	-	228,473	228,473	-
Total business-type activities	<u>1,166,470</u>	<u>1,228,107</u>	<u>-</u>	<u>166,836</u>	<u>-</u>	<u>228,473</u>	<u>228,473</u>	<u>-</u>
↪ Total primary government	<u>\$ 3,807,628</u>	<u>\$ 1,738,627</u>	<u>\$ 394,626</u>	<u>\$ 216,836</u>	<u>(1,686,012)</u>	<u>228,473</u>	<u>(1,457,539)</u>	<u>-</u>
Component unit:								
Van Economic Development Corporation	\$ 148,566	\$ -	\$ -	\$ 5,500				(143,066)
Total component unit	<u>\$ 148,566</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,500</u>				<u>(143,066)</u>
General revenues:								
Property taxes					695,951	-	695,951	-
Sales taxes					626,563	-	626,563	208,854
Franchise taxes					100,993	-	100,993	-
Hotel-motel taxes					5,302	-	5,302	-
Investment earnings					2,197	2,356	4,553	1,997
Rent					7,355	-	7,355	-
Gain on sale of capital asset					859,328	11,776	871,104	(223)
Miscellaneous					157,160	-	157,160	9,084
Transfers					68,777	(68,777)	-	-
Total general revenues and transfers					<u>2,523,626</u>	<u>(54,645)</u>	<u>2,468,981</u>	<u>219,712</u>
Change in net position					837,614	173,828	1,011,442	76,646
Net position - beginning, as restated					<u>2,116,702</u>	<u>3,494,090</u>	<u>5,610,792</u>	<u>(170,195)</u>
Net position - ending					<u>\$ 2,954,316</u>	<u>\$ 3,667,918</u>	<u>\$6,622,234</u>	<u>\$ (93,549)</u>

See accompanying notes to financial statements.

CITY OF VAN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 433,844	\$ 166,584	\$ 600,428
Investments	756,504	-	756,504
Receivables (net of allowance for uncollectibles)	178,830	1,061	179,891
Intergovernmental receivable	143,578	-	143,578
Prepaid items	10,093	-	10,093
Due from other funds	93,581	-	93,581
Total assets	\$ 1,616,430	\$ 167,645	\$ 1,784,075
LIABILITIES			
Accounts payable	\$ 114,422	\$ 30,412	\$ 144,834
Accrued payroll payable	25,094	-	25,094
Due to component unit	28,065	-	28,065
Total liabilities	167,581	30,412	197,993
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	25,913	-	25,913
Unavailable revenue - intergovernmental	143,578	-	143,578
Total deferred inflows of resources	169,491	-	169,491
FUND BALANCES			
Nonspendable:			
Prepaid items	10,093	-	10,093
Restricted:			
Cultural and recreational	-	61,365	61,365
Public safety	-	75,868	75,868
Debt service	169,416	-	169,416
Unassigned			
Total fund balances	1,099,849	-	1,099,849
Total liabilities, deferred inflow of resources, and fund balances	\$ 1,616,430	\$ 167,645	1,416,591
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			2,081,698
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.			169,491
Net pension asset and related deferred items are not financial resources and, therefore, are not reported in the funds.			
Deferred outflows - changes in actuarial assumptions		\$ 27,154	
Deferred outflows - contributions		30,935	
Deferred outflows - investment experience		79,854	
Deferred outflows - actuarial experience		30,854	168,797
Long-term liabilities, including contracts and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Due within one year		(213,129)	
Due in more than one year		(630,723)	(843,852)
Deferred inflows of resources are not reported in the governmental funds:			
Deferred outflows - actuarial experience			(38,409)
Net position of governmental activities			\$ 2,954,316

See accompanying notes to financial statements.

CITY OF VAN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2016

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 695,019	\$ -	\$ 695,019
Sales taxes	626,563	-	626,563
Franchise taxes	100,993	-	100,993
Hotel-motel taxes	-	5,302	5,302
Licenses and permits	48,262	-	48,262
Fines and forfeitures	56,769	3,558	60,327
Charges for current services	399,394	2,536	401,930
Investment earnings	2,112	85	2,197
Rent	7,355	-	7,355
Other	13,785	59	13,844
Intergovernmental	200,578	22,925	223,503
Contributions and donations	120	77,426	77,546
Total revenues	<u>2,150,950</u>	<u>111,891</u>	<u>2,262,841</u>
EXPENDITURES			
Current:			
General government	626,776	-	626,776
Public safety	1,019,989	53,149	1,073,138
Cultural and recreational	46,540	105,066	151,606
Public works	1,080,758	-	1,080,758
Debt service:			
Principal retirement	70,421	-	70,421
Interest and fiscal charges	21,606	-	21,606
Total expenditures	<u>2,866,090</u>	<u>158,215</u>	<u>3,024,305</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(715,140)</u>	<u>(46,324)</u>	<u>(761,464)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	68,577	200	68,777
Debt proceeds	397,580	-	397,580
Insurance proceeds	143,316	-	143,316
Sale of capital assets	1,009,328	-	1,009,328
Total other financing sources (uses)	<u>1,618,801</u>	<u>200</u>	<u>1,619,001</u>
Net change in fund balances	903,661	(46,124)	857,537
Fund balances - beginning, as restated	<u>375,697</u>	<u>183,357</u>	<u>559,054</u>
Fund balances - ending	<u>\$ 1,279,358</u>	<u>\$ 137,233</u>	<u>\$ 1,416,591</u>

See accompanying notes to financial statements.

CITY OF VAN, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2016

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

Net Change in Fund Balances - total governmental funds (page 14)		\$ 857,537
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay recorded as capital assets in the current period.		547,758
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(150,000)
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.		(233,494)
The issuance of long-term debt (e.g. contacts and notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Contract principal retirement	\$ 47,299	
Notes payable issued	(92,080)	
Capital lease issued	(305,500)	
Capital lease principal retirement	<u>23,122</u>	(327,159)
Some revenues will not be collected for several months after the City's fiscal year end. These are not considered "available" revenues in the governmental funds until received. Change in amount of unavailable revenue on fund statements.		
Property tax	932	
Intergovernmental	<u>143,578</u>	144,510
Pension contributions are recorded as expenditures in the governmental funds. However, in the statement of activities, these contributions are converted to the full accrual GASBS 68 pension.		
Deferred outflows - changes in actuarial assumptions	27,154	
Deferred outflows - contributions	1,191	
Deferred outflows - investment experience	67,167	
Deferred outflows - actuarial experience	(8,492)	
Deferred inflows - actuarial experience	<u>(38,409)</u>	48,611
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences	28,132	
Net pension liability	<u>(78,281)</u>	<u>(50,149)</u>
Change in net position of governmental activities (page 12)		<u><u>\$ 837,614</u></u>

CITY OF VAN, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2016

	Business-type Activities - Enterprise (Water and Sewer) Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 278,528
Investments	41,709
Restricted cash and cash equivalents	10,641
Receivables (net of allowance for uncollectibles)	196,146
Inventory	74,291
Total current assets	601,315
Noncurrent assets:	
Restricted cash and cash equivalents	116,165
Capital assets (net, where applicable of accumulated depreciation)	3,568,665
Total noncurrent assets	3,684,830
Total assets	4,286,145
DEFERRED OUTFLOWS OF RESOURCES	
Changes in actuarial assumptions	13,551
Pension contributions after measurement date	15,437
Difference in projected and actual earnings on pension assets	39,626
Difference in expected and actual pension experience	14,673
Total deferred outflows of resources	83,287
LIABILITIES	
Current liabilities:	
Accounts payable	72,400
Accrued payroll payable	12,048
Due to other funds	93,581
Customer deposits payable	114,411
Compensated absences	41,074
Bonds payable	61,250
Current liabilities payable from restricted assets:	
Bonds payable	8,750
Accrued interest payable	1,891
Total current liabilities	405,405
Noncurrent liabilities:	
Bonds payable	240,000
Net pension liability	36,942
Total noncurrent liabilities	276,942
Total liabilities	682,347
DEFERRED INFLOWS OF RESOURCES	
Difference in expected and actual pension experience	19,167
NET POSITION	
Net investment in capital assets	3,258,665
Restricted for debt service	124,915
Unrestricted	284,338
Total net position	\$ 3,667,918

See accompanying notes to financial statements.

CITY OF VAN, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Fiscal Year Ended September 30, 2016

	Business-type Activities - Enterprise (Water and Sewer) Fund
Operating revenues:	
Charges for services	\$ 1,218,147
Miscellaneous	9,960
Total operating revenues	1,228,107
Operating expenses:	
Personnel services	387,887
Supplies and materials	94,082
Maintenance and repair	239,338
Contractual services	205,755
Depreciation	218,475
Total operating expenses	1,145,537
Operating income (loss)	82,570
Nonoperating revenue (expenses):	
Investment earnings	2,356
Interest and fiscal charges	(20,933)
Gain on disposal of capital assets	11,776
Total nonoperating revenue (expenses)	(6,801)
Income (loss) before capital contributions and transfers	75,769
Capital contributions	166,836
Transfer out	(68,777)
Change in net position	173,828
Total net position - beginning	3,494,090
Total net position - ending	\$ 3,667,918

CITY OF VAN, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended September 30, 2016

	Business-type Activities - Enterprise (Water and Sewer) Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,241,774
Payments to suppliers	(581,148)
Payments to employees	(379,049)
Net cash provided by (used for) operating activities	<u>281,577</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Advances from other funds	80,758
Transfers to other funds	(68,777)
Net cash provided by (used for) noncapital financing activities	<u>11,981</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions	238,491
Acquisition and construction of capital assets	(500,889)
Proceeds from sale of capital assets	11,776
Principal paid on bond maturities	(65,000)
Interest and fiscal charges paid on revenue bonds	(21,395)
Net cash provided by (used for) capital and related financing activities	<u>(337,017)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	1,553
Net cash provided by investing activities	<u>1,553</u>
Net change in cash and cash equivalents	(41,906)
Cash and cash equivalents October 1 (including \$108,452 reported in restricted accounts)	<u>447,240</u>
Cash and cash equivalents September 30 (including \$126,806 reported in restricted accounts)	<u>\$ 405,334</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ 82,570
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	218,475
(Increase) decrease in accounts receivable	8,255
(Increase) decrease in inventory	(37,795)
(Increase) decrease in net pension asset	2,021
(Increase) decrease in pension related deferred outflows	(44,395)
Increase (decrease) in accounts payable	(4,178)
Increase (decrease) in accrued payroll payable	2,743
Increase (decrease) in compensated absences	(7,640)
Increase (decrease) in customer deposits	5,412
Increase (decrease) in net pension liability	36,942
Increase (decrease) in pension related deferred inflows	19,167
Total adjustments	<u>199,007</u>
Net cash provided by (used for) operating activities	<u>\$ 281,577</u>

CITY OF VAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of government-wide financial statements

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

B. Reporting entity

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

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

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

Separate financial statements for the Corporation are not issued.

CITY OF VAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise fund. Separate financial statements are provided for governmental funds and proprietary funds.

As discussed earlier, the City has a discretely presented component unit. The Van Economic Development Corporation is considered to be major component unit and is shown in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of presentation – fund financial statements

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

The City reports the following major governmental fund:

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

The City reports the following major proprietary fund:

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

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

CITY OF VAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement focus and basis of accounting

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

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

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

CITY OF VAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Measurement focus and basis of accounting (continued)

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

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

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

1. Cash and cash equivalents

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

2. Investments

Investments for the City are reported at fair value.

3. Restricted assets

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

CITY OF VAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. *Receivables*

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

5. *Inventories and prepaid items*

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

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

6. *Capital assets*

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year.

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

CITY OF VAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period. The amount of interest capitalized depends on the specific circumstances. No interest was capitalized during 2016; interest incurred and charged to expense totaled \$20,933.

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources reported in this year's financial statements include (1) a deferred outflow of resources related to the difference between expected and actual experience data used by the actuary, (2) a deferred outflow of resources related to changes in actuarial assumptions of the City's defined benefit pension plan, (3) a deferred outflow of resources for contributions made to the City's defined benefit pension plan between the measurement date of the net pension liabilities from that plan and the end of the City's fiscal year, and (4) deferred outflows of resources related to the differences between the projected and actual investment earnings for the City's multiple-employer defined benefit plan. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The differences between the projected and actual investment earnings are attributed to pension expense over a total of 5 years, including the current year. Deferred outflow of resources related to the difference between expected and actual experience data used by the actuary is attributed to pension expense over a total of 5.63 years, including the current year. No deferred outflows of resources affect the governmental funds financial statements in the current year.

CITY OF VAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are reported in the City's various statements of net position for the difference between expected and actual experience data used by the actuary. This deferred inflow of resources is attributed to pension expense over a total of 5.53 years, including the current year. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The City will not recognize the related revenues until they are available (collected not later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes and intergovernmental revenue are reported in the governmental funds balance sheet.

8. Long-term obligations

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

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

9. Net position flow assumption

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

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

CITY OF VAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

10. Fund balance flow assumption

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

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

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

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

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

CITY OF VAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

G. Revenues and expenditures/expenses

1. Program revenues

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

2. Property taxes

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

CITY OF VAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Revenues and expenditures/expenses (continued)

3. *Compensated absences*

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

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

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

5. *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Excess of expenditures over appropriations in individual funds

The General fund expenditures exceeded budget in the amount of \$543,926. This excess was funded by excess revenues and from the sale of capital assets.

CITY OF VAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash deposits with financial institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by State statutes at September 30, 2016. At year end, the bank balance of the City's deposits was \$1,836,583. Of the bank balance, \$750,000 was covered by federal depository insurance and the remaining balance, \$1,086,583 was covered by collateral pledged in the City's name. The collateral was held in the City's name by the safekeeping department of the pledging bank's agent and had a fair value of approximately \$2,963,000.

B. Investments

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

As of September 30, 2016, the City had the following investment:

<u>Investment Type</u>	<u>Fair Value</u>
Certificates of deposit	<u>\$ 798,213</u>

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

C. Restricted assets

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

Revenue bond interest and sinking	\$	45,881
Revenue bond reserve		80,925
		<u>\$ 126,806</u>

CITY OF VAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

D. Receivables

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

Receivables:	General	Nonmajor Governmental	Water and Sewer	Total
Taxes	\$ 189,793	\$ 1,061	\$ -	\$ 190,854
Accounts	87	-	269,107	269,194
Gross receivables	189,880	1,061	269,107	460,048
Less: allowance for uncollectibles	(11,050)	-	(72,961)	(84,011)
Net total receivables	<u>\$ 178,830</u>	<u>\$ 1,061</u>	<u>\$ 196,146</u>	<u>\$ 376,037</u>

E. Capital assets

Capital asset activity for the year ended September 30, 2016, was as follows:

Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 168,640	\$ -	\$ (150,000)	\$ 18,640
Construction in progress	-	28,094	-	28,094
Total capital assets not being depreciated	168,640	28,094	(150,000)	46,734
Capital assets being depreciated:				
Buildings	1,264,722	63,603	-	1,328,325
Machinery and equipment	1,574,679	456,061	(31,389)	1,999,351
Infrastructure	1,123,924	-	-	1,123,924
Totals capital assets being depreciated	3,963,325	519,664	(31,389)	4,451,600
Less accumulated depreciation for:				
Buildings	(1,084,175)	(23,178)	-	(1,107,353)
Machinery and equipment	(1,030,277)	(169,723)	31,389	(1,168,611)
Infrastructure	(100,079)	(40,593)	-	(140,672)
Total accumulated depreciation	(2,214,531)	(233,494)	31,389	(2,416,636)
Total capital assets, being depreciated, net	1,748,794	286,170	-	2,034,964
Governmental activities capital assets, net	<u>\$ 1,917,434</u>	<u>\$ 314,264</u>	<u>\$ (150,000)</u>	<u>\$ 2,081,698</u>

CITY OF VAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

E. Capital assets (continued)

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

Governmental activities:

General government	\$ 4,341
Public safety	142,570
Cultural and recreational	22,575
Public works	64,008
Total depreciation expense - governmental activities	\$ 233,494

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ 126,272	\$ 168,646	\$ (294,918)	\$ -
Total capital assets not being depreciated	126,272	168,646	(294,918)	-
Capital assets being depreciated:				
Buildings	139,550	-	-	139,550
Improvements	7,713,356	479,211	-	8,192,567
Machinery and equipment	276,879	76,295	(16,194)	336,980
Total capital assets being depreciated	8,129,785	555,506	(16,194)	8,669,097
Less accumulated depreciation for:				
Buildings	(94,570)	(3,552)	-	(98,122)
Improvements	(4,585,318)	(187,304)	-	(4,772,622)
Machinery and equipment	(218,263)	(27,619)	16,194	(229,688)
Total accumulated depreciation	(4,898,151)	(218,475)	16,194	(5,100,432)
Total capital assets being depreciated, net	3,231,634	337,031	-	3,568,665
Business-type capital assets, net	\$ 3,357,906	\$ 505,677	\$ (294,918)	\$ 3,568,665

F. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

CITY OF VAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

G. Lease obligations

Capital lease (as lessee)

The City is currently purchasing equipment under lease purchase agreements. The interest on the leases range from 3.42-4.7%.

The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Machinery and equipment	\$ 305,500
Less: accumulated depreciation	(35,492)
Total	<u>\$ 270,008</u>

Annual debt service requirements to maturity are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities Capital Lease Obligation</u>	
	<u>Principal</u>	<u>Interest</u>
	2017	\$ 63,630
2018	66,103	7,784
2019	68,715	5,172
2020	83,930	2,349
	<u>\$ 282,378</u>	<u>\$ 25,562</u>

H. Long-term liabilities

Revenue Bonds

The City issues revenue bonds to provide funds for the acquisition and construction of major capital facilities. Revenue bonds have been issued for business-type activities. Revenue bonds are direct obligations and pledge the full faith and credit of the government and are further secured by and payable from a pledge of the surplus net revenues derived from the operation of the City's water and sewer system. Revenue bonds outstanding at September 30, 2016 are as follows:

CITY OF VAN, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2016

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

H. Long-term liabilities (continued)

Business-type Activities:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
2000	\$ 1,000,000	2/1/2020	5.67%	<u>\$ 310,000</u>

Contracts Payable

Contracts payable outstanding at September 30, 2016 are as follows:

Governmental Activities:

<u>Contract Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>	<u>Collateral</u>
\$ 290,000	10/15/2018	5.10%	\$ 102,338	Fire truck
300,000	02/01/2026	5.25%	222,860	Fire truck
			<u>\$ 325,198</u>	

Notes Payable

Note payable outstanding at September 30, 2016 are as follows:

Governmental Activities:

<u>Note Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>	<u>Collateral</u>
\$ 141,043	10/06/2016	5.11%	\$ 17,179	Fire truck
92,080	1/15/2019	2.25%	92,080	Police vehicles
			<u>\$ 109,259</u>	

The net pension liability represents the liability for employee's for projected pension benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service less the amount of the pensions plan's fiduciary net position.

CITY OF VAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

H. Long-term liabilities (continued)

Changes in long-term liabilities

Changes in the City's long-term liabilities for the year ended September 30, 2016 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Contracts payable	\$ 372,497	\$ -	\$ (47,299)	\$ 325,198	\$ 49,797
Notes payable	17,179	92,080	-	109,259	46,714
Capital leases	-	305,500	(23,122)	282,378	63,630
Compensated absences	81,120	10,091	(38,223)	52,988	52,988
Net pension liability	-	74,029	-	74,029	-
Governmental activity Long-term liabilities	<u>\$ 470,796</u>	<u>\$ 481,700</u>	<u>\$ (108,644)</u>	<u>\$ 843,852</u>	<u>\$ 213,129</u>

Governmental contracts payable, notes payable, capital leases, compensated absences and net pension liability will be liquidated by the general fund.

Business-type activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 375,000	\$ -	\$ (65,000)	\$ 310,000	\$ 70,000
Compensated absences	48,714	16,672	(24,312)	41,074	41,074
Net pension liability	-	36,942	-	36,942	-
Business-type activity Long-term liabilities	<u>\$ 423,714</u>	<u>\$ 53,614</u>	<u>\$ (89,312)</u>	<u>\$ 388,016</u>	<u>\$ 111,074</u>

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

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>			
	<u>Contracts Payable</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 49,797	\$ 17,337	\$ 46,714	\$ 2,950
2018	52,428	14,707	30,199	1,407
2019	55,197	11,938	32,346	728
2020	20,371	9,022	-	-
2021	21,466	7,927	-	-
2022-2026	125,939	21,027	-	-
	<u>\$ 325,198</u>	<u>\$ 81,958</u>	<u>\$ 109,259</u>	<u>\$ 5,085</u>

CITY OF VAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

H. Long-term liabilities (continued)

Year Ending September 30	Business-Type Activities	
	Revenue Bonds	
	Principal	Interest
2017	\$ 70,000	\$ 15,125
2018	75,000	11,138
2019	80,000	6,875
2020	85,000	2,338
	<u>\$ 310,000</u>	<u>\$ 35,476</u>

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

1. Interest and Sinking Fund

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

2. Reserve Fund

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

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

	Required at 9/30/2016	Actual at 9/30/2016	Excess or (Deficiency)
Interest and sinking	\$ 10,641	\$ 45,881	\$ 35,240
Reserve	80,859	80,925	66
	<u>\$ 91,500</u>	<u>\$ 126,806</u>	<u>\$ 35,306</u>

I. Interfund receivables and payables

The composition of interfund balances as of September 30, 2016 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water and sewer	<u>\$ 93,581</u>

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

CITY OF VAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

J. Interfund transfers

The composition of interfund transfers as of September 30, 2016 is as follows:

Transfer out:	Transfer In:		
	General	Nonmajor Governmental	Total
Water and Sewer	\$ 68,577	\$ 200	\$ 68,777

Transfers were primarily used to:

- Record operational expenses on the Water and Sewer fund that were paid for by the General Fund.

K. Discretely presented component unit

1. Van Economic Development Corporation (Corporation)

Cash deposits with financial institutions

At year end the bank balance of the Corporation's deposits was \$497,911. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining balance, \$247,911 was covered by collateral pledged in the Corporation's name. The collateral was held in the Corporation's name by the safekeeping department of the pledging bank's agent and had a fair value of approximately \$737,000.

Capital assets

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets being depreciated:				
Buildings	\$ 255,802	\$ 9,565	\$ -	\$ 265,367
Machinery and equipment	1,335	7,215	(1,335)	7,215
Totals capital assets being depreciated	257,137	16,780	(1,335)	272,582
Less accumulated depreciation for:				
Buildings	(17,820)	(12,013)	-	(29,833)
Machinery and equipment	(912)	(658)	1,112	(458)
Total accumulated depreciation	(18,732)	(12,671)	1,112	(30,291)
Total capital assets, being depreciated, net	238,405	4,109	(223)	242,291
Governmental activities capital assets, net	\$ 238,405	\$ 4,109	\$ (223)	\$ 242,291

CITY OF VAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

K. Discretely presented component unit (continued)

Note Payable

Note payable outstanding at September 30, 2016 is as follows:

Governmental Activities:

<u>Note Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>	<u>Collateral</u>
\$ 1,060,000	08/31/2028	3.25%	<u>\$ 887,491</u>	Sales tax

Changes in long-term liabilities

Changes in the Corporation's long-term liabilities for the year ended September 30, 2016 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Note payable	\$ 945,421	\$ -	\$ (57,930)	\$ 887,491	\$ 138,836
Compensated absences	3,524	-	(3,524)	-	-
Governmental activity					
Long-term liabilities	<u>\$ 948,945</u>	<u>\$ -</u>	<u>\$ (61,454)</u>	<u>\$ 887,491</u>	<u>\$ 138,836</u>

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

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

<u>Year Ending September 30</u>	<u>Governmental Activities Note Payable</u>	
	<u>Principal</u>	<u>Interest</u>
	2017	\$ 138,836
2018	54,453	32,098
2019	56,834	30,076
2020	59,445	27,465
2021	62,175	24,735
2022-2026	356,438	78,112
2027-2028	159,310	7,268
	<u>\$ 887,491</u>	<u>\$ 234,993</u>

Line of Credit

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

CITY OF VAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

L. Contingencies

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

M. Subsequent events

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

- Purchase of 2 vehicles for approximately \$63,000.
- Purchase of equipment for approximately \$64,000.
- Building construction for approximately \$197,000.
- Issuance and sale of Combination Tax and Revenue Certificates of Obligation, Series 2017 in the amount of \$2,500,000 for the purpose of funding the 250,000 gallon water tank project, the 12" transmission line project and other infrastructure improvements.
- Engineering services for the bond projects of approximately \$508,000.

N. Prior period adjustment

A correction has been made to the governmental activities beginning net position in the government-wide financial statements and to the fund balance of the general fund in the fund financial statements due to an error in classification and recording of a financial transaction in the prior period, resulting in an understatement of assets and overstatement of expenditures in the prior year. The change to the beginning net position as of October 1, 2015 is summarized as follows:

	Government-wide Financial Statements	Fund Financial Statements
	Governmental Activities	General Fund
As previously reported, October 1, 2015	\$ 2,084,609	\$ 343,604
Correct understatement of prepaid item	32,093	32,093
Restated, October 1, 2015	\$ 2,116,702	\$ 375,697
 Effect of restatement on operations for the year ending September 30, 2015	 \$ 32,093	 \$ 32,093

CITY OF VAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 4 – DEFINED BENEFIT PENSION PLAN

A. Plan description

The City of Van, Texas participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

B. Benefits provided

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

At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

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

CITY OF VAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 4 – DEFINED BENEFIT PENSION PLAN (continued)

B. Benefits provided (continued)

	Plan Provisions
Supplemental death benefits:	
Employees	Yes
Retirees	Yes
Statutory maximum (%)	12.5%

⁽¹⁾ For years prior to 1982, the rate is the actual percentage in annuities. For 1982 and later, the rate is the percentage of the change in the CPI-U since retirement date, granted to each annuitant as an increase of the original annuity.

T — Includes Transfer Credits.

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

Employees covered by benefit terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	13
Active employees	18
	41

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Van, Texas were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Van, Texas were 6.68% and 7.79% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016, were equal to the required contributions.

CITY OF VAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 4 – DEFINED BENEFIT PENSION PLAN (continued)

D. Net pension (asset) liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by a factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

CITY OF VAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 4 – DEFINED BENEFIT PENSION PLAN (continued)

D. Net pension (asset) liability (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.0%
Total	100%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF VAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 4 – DEFINED BENEFIT PENSION PLAN (continued)

D. Net pension (asset) liability (continued)

Changes in the Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u> <u>(a)</u>	<u>Plan Fiduciary Net Position</u> <u>(b)</u>	<u>Net Pension (Asset) Liability</u> <u>(a) - (b)</u>
Balance at 12/31/2014	\$ 1,917,106	\$ 1,923,378	\$ (6,272)
Changes for the year:			
Service cost	112,852	-	112,852
Interest	135,535	-	135,535
Difference between expected and actual experience	(70,286)	-	(70,286)
Changes of assumptions	49,691	-	49,691
Contributions - employer	-	57,677	(57,677)
Contributions - employee	-	51,848	(51,848)
Net investment income	-	2,838	(2,838)
Benefit payments, including refunds of employee contributions	(74,637)	(74,637)	-
Administrative expense	-	(1,729)	1,729
Other	-	(85)	85
Net Changes	<u>\$ 153,155</u>	<u>\$ 35,912</u>	<u>\$ 117,243</u>
Balance at 12/31/2015	<u>\$ 2,070,261</u>	<u>\$ 1,959,290</u>	<u>\$ 110,971</u>

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	<u>1.0% Decrease in Discount Rate (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>1.0% Increase in Discount Rate (7.75%)</u>
City's net pension liability	\$ 372,266	\$ 110,971	\$ (107,860)

CITY OF VAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 4 – DEFINED BENEFIT PENSION PLAN (continued)

D. Net pension (asset) liability (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

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

For the year ended September 30, 2016, the City recognized pension expense of \$103,564.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Changes in actuarial assumptions	\$ 40,705	\$ -
Contributions subsequent to the measurement date	46,372	-
Difference between projected and actual investment earnings	119,480	-
Differences between expected and actual economic experience	45,527	57,576
Total	\$ 252,084	\$ 57,576

\$46,372 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31

2016	39,848
2017	39,848
2018	39,848
2019	30,567
2020	(1,975)
	\$ 148,136

CITY OF VAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 5 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2016, 2015 and 2014 were \$1,740, \$1,826 and \$ 1,828, respectively, which equaled the required contributions each year.

REQUIRED SUPPLEMENTARY INFORMATION

General Fund

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

CITY OF VAN, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 For the Fiscal Year Ended September 30, 2016

	Original and Final Budgeted Amounts	Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget - Over (Under) Budget
REVENUES					
Property taxes	\$ 595,992	\$ 695,019	\$ (88,652)	\$ 606,367	\$ 10,375
Sales taxes	495,000	626,563	(740)	625,823	130,823
Franchise taxes	100,000	100,993	67	101,060	1,060
Licenses and permits	3,450	48,262	-	48,262	44,812
Fines and forfeitures	100,000	56,769	40,773	97,542	(2,458)
Charges for current services	290,215	399,394	(120,533)	278,861	(11,354)
Investment earnings	1,500	2,112	(108)	2,004	504
Rent	5,600	7,355	-	7,355	1,755
Other	200	13,785	44,440	58,225	58,025
Intergovernmental	1,165	200,578	-	200,578	199,413
Contributions and donations	-	120	-	120	120
Total revenues	<u>1,593,122</u>	<u>2,150,950</u>	<u>(124,753)</u>	<u>2,026,197</u>	<u>433,075</u>
EXPENDITURES					
Current:					
General government	688,878	626,776	4,316	631,092	(57,786)
Public safety:					
Fire	60,365	68,095	(2,816)	65,279	4,914
Police	570,430	748,446	(165,869)	582,577	12,147
Municipal court	121,340	93,234	33,373	126,607	5,267
Ambulance	-	110,214	(110,214)	-	-
Cultural and recreational:					
Parks and pool	-	5,419	1,293	6,712	6,712
Community center	10,677	9,582	672	10,254	(423)
Community library	12,000	19,752	(315)	19,437	7,437
City lake	-	4,382	-	4,382	4,382
Museum	-	7,405	(4,874)	2,531	2,531
Public works	127,800	1,080,758	(394,213)	686,545	558,745
Debt service:					
Principal retirement	-	70,421	(70,421)	-	-
Interest and fiscal charges	-	21,606	(21,606)	-	-
Total debt service	<u>-</u>	<u>92,027</u>	<u>(92,027)</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,591,490</u>	<u>2,866,090</u>	<u>(730,674)</u>	<u>2,135,416</u>	<u>543,926</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,632</u>	<u>(715,140)</u>	<u>605,921</u>	<u>(109,219)</u>	<u>(110,851)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	68,577	(68,577)	-	-
Transfers out	-	-	2,004	2,004	2,004
Debt proceeds	-	397,580	(397,580)	-	-
Insurance proceeds	-	143,316	(140,116)	3,200	3,200
Sale of capital assets	-	1,009,328	4,776	1,014,104	1,014,104
Total other financing sources and uses	<u>-</u>	<u>1,618,801</u>	<u>(599,493)</u>	<u>1,019,308</u>	<u>1,019,308</u>
Net change in fund balance	<u>\$ 1,632</u>	<u>\$ 903,661</u>	<u>\$ 6,428</u>	<u>\$ 910,089</u>	<u>\$ 908,457</u>

NOTES TO BUDGETARY INFORMATION

Budgetary basis of accounting

An annual budget for the general fund is adopted on the budgetary basis of accounting. Appropriations lapse at the end of the fiscal year. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

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

	2014	2015
Total pension liability		
Service Cost	\$ 76,125	\$ 112,852
Interest (on the Total Pension Liability)	120,874	135,535
Changes of benefit terms	239,230	-
Difference between expected and actual experience	70,591	(70,286)
Changes of assumptions	-	49,691
Benefit payments, including refunds of employee contributions	(78,397)	(74,637)
Net Change in Total Pension Liability	428,423	153,155
Total Pension Liability - Beginning	1,488,683	1,917,106
Total Pension Liability - Ending (a)	\$ 1,917,106	\$ 2,070,261
Plan Fiduciary Net Position		
Contributions - Employer	\$ 20,536	\$ 57,677
Contributions - Employee	49,723	51,848
Net investment income	104,568	2,838
Benefit payments, including refunds of employee contributions	(78,397)	(74,637)
Administrative Expense	(1,092)	(1,729)
Other	(90)	(85)
Net Change in Plan Fiduciary Net Position	95,248	35,912
Plan Fiduciary Net Position - Beginning	1,828,130	1,923,378
Plan Fiduciary Net Position - Ending (b)	\$ 1,923,378	\$ 1,959,290
Net Pension Liability - Ending (a) - (b)	\$ (6,272)	\$ 110,971
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	100.33%	94.64%
Covered Employee Payroll	936,756	863,443
Net Pension Liability as a Percentage of Covered Employee Payroll	(0.67%)	12.85%

Notes to Schedule:

N/A

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

	2015	2016
Actuarially Determined Contribution	\$ 49,887	\$ 60,161
Contributions in relation to the actuarially determined contribution	49,887	60,161
Contribution deficiency (excess)	-	-
Covered employee payroll	946,265	818,999
Contributions as a percentage of covered employee payroll	5.27%	7.35%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.

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

Other Information:

Notes There were no benefit changes during the year.

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

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

CITY OF VAN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2016

	Court Security	Court Technology	Seizures	Tourism	Parks and Recreation	Library	Fire Department Equipment	Fire Department Relief Donations	Total Nonmajor Governmental Funds
ASSETS									
Cash and cash equivalents	\$ 9,685	\$ 3,388	\$ 315	\$ 71,862	\$ 1,512	\$12,082	\$ 60,709	\$ 7,031	\$ 166,584
Receivables	-	-	-	1,061	-	-	-	-	1,061
Total assets	<u>\$ 9,685</u>	<u>\$ 3,388</u>	<u>\$ 315</u>	<u>\$ 72,923</u>	<u>\$ 1,512</u>	<u>\$12,082</u>	<u>\$ 60,709</u>	<u>\$ 7,031</u>	<u>\$ 167,645</u>
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ 24,226	\$ 926	\$ -	\$ 5,260	\$ -	\$ 30,412
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,226</u>	<u>926</u>	<u>-</u>	<u>5,260</u>	<u>-</u>	<u>30,412</u>
FUND BALANCES									
Restricted:									
Cultural and recreational	-	-	-	48,697	586	12,082	-	-	61,365
Public safety	9,685	3,388	315	-	-	-	55,449	7,031	75,868
Total fund balances	<u>9,685</u>	<u>3,388</u>	<u>315</u>	<u>48,697</u>	<u>586</u>	<u>12,082</u>	<u>55,449</u>	<u>7,031</u>	<u>137,233</u>
Total liabilities and fund balances	<u>\$ 9,685</u>	<u>\$ 3,388</u>	<u>\$ 315</u>	<u>\$ 72,923</u>	<u>\$ 1,512</u>	<u>\$12,082</u>	<u>\$ 60,709</u>	<u>\$ 7,031</u>	<u>\$ 167,645</u>

CITY OF VAN, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended September 30, 2016

	Court Security	Court Technology	Seizures	Tourism	Parks and Recreation	Library	Fire Department Equipment	Fire Department Relief Donations	Total Nonmajor Governmental Funds
REVENUES									
Hotel - motel taxes	\$ -	\$ -	\$ -	\$ 5,302	\$ -	\$ -	\$ -	\$ -	\$ 5,302
Fines and forfeitures	1,525	2,033	-	-	-	-	-	-	3,558
Charges for current services	-	-	-	-	-	-	2,536	-	2,536
Investment earnings	-	-	-	77	-	-	-	8	85
Other	-	-	-	-	30	29	-	-	59
Intergovernmental	-	-	-	-	-	-	22,925	-	22,925
Contributions and donations	-	-	-	-	54,576	8,780	14,070	-	77,426
Total revenues	1,525	2,033	-	5,379	54,606	8,809	39,531	8	111,891
EXPENDITURES									
Current:									
Public safety	-	4,639	-	-	-	-	48,510	-	53,149
Cultural and recreational	-	-	-	34,048	66,836	4,182	-	-	105,066
Total expenditures	-	4,639	-	34,048	66,836	4,182	48,510	-	158,215
Excess (deficiency) of revenues over (under) expenditures	1,525	(2,606)	-	(28,669)	(12,230)	4,627	(8,979)	8	(46,324)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	200	-	-	-	-	200
Total other financing sources (uses)	-	-	-	200	-	-	-	-	200
Net change in fund balances	1,525	(2,606)	-	(28,469)	(12,230)	4,627	(8,979)	8	(46,124)
Fund balances - beginning	8,160	5,994	315	77,166	12,816	7,455	64,428	7,023	183,357
Fund balances - ending	\$ 9,685	\$ 3,388	\$ 315	\$ 48,697	\$ 586	\$ 12,082	\$ 55,449	\$ 7,031	\$ 137,233

Proprietary Fund

Enterprise Fund

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

CITY OF VAN, TEXAS
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET POSITION - BUDGET AND ACTUAL
ENTERPRISE FUND - WATER AND SEWER
For the Fiscal Year Ended September 30, 2016

	Original and Final Budget	Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget
Operating revenues:					
Charges for services	\$ 1,290,065	\$ 1,218,147	\$ 304,740	\$ 1,522,887	\$ 232,822
Miscellaneous	8,400	9,960	-	9,960	1,560
Total operating revenues	<u>1,298,465</u>	<u>1,228,107</u>	<u>304,740</u>	<u>1,532,847</u>	<u>234,382</u>
Operating expenses:					
Personnel services	378,010	387,887	(15,221)	372,666	(5,344)
Supplies and materials	109,442	94,082	8,561	102,643	(6,799)
Maintenance and repair	223,210	239,338	262,872	502,210	279,000
Contractual services	200,000	205,755	(8,524)	197,231	(2,769)
Depreciation	-	218,475	(218,475)	-	-
Total operating expenses	<u>910,662</u>	<u>1,145,537</u>	<u>29,213</u>	<u>1,174,750</u>	<u>264,088</u>
Operating income (loss)	<u>387,803</u>	<u>82,570</u>	<u>275,527</u>	<u>358,097</u>	<u>(29,706)</u>
Nonoperating revenue (expenses):					
Investment earnings	425	2,356	(94)	2,262	1,837
Principal, interest and fiscal charges	(169,816)	(20,933)	(132,597)	(153,530)	16,286
Gain on disposal of capital assets	-	11,776	(4,776)	7,000	7,000
Total nonoperating revenue (expenses)	<u>(169,391)</u>	<u>(6,801)</u>	<u>(137,467)</u>	<u>(144,268)</u>	<u>25,123</u>
Income (loss) before capital contributions and transfers	218,412	75,769	138,060	213,829	(4,583)
Capital contributions	-	166,836	(141,836)	25,000	25,000
Transfer out	(204,934)	(68,777)	(208,945)	(277,722)	(72,788)
Change in net position	<u>\$ 13,478</u>	<u>\$ 173,828</u>	<u>\$ (212,721)</u>	<u>\$ (38,893)</u>	<u>\$ (52,371)</u>