

CITY OF VAN, TEXAS

AUDIT REPORT

FEBRUARY 29, 2000



CITY OF VAN, TEXAS
ANNUAL FINANCIAL REPORT FOR
THE YEAR ENDED FEBRUARY 29, 2000

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OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

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

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

Independent Auditor's Report


Honorable Mayor and City Council
City of Van
Van, Texas

We have audited the accompanying general purpose financial statements of the City of Van as of and for the year ended February 29, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Van, Texas management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Van at February 29, 2000, and the results of its operations and the cash flow of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

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


Kenneth L. Williams
Certified Public Accountant

August 7, 2000



GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF VAN, TEXAS
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
FEBRUARY 29, 2000

<u>ASSETS</u>	<u>GOVERNMENTAL FUND TYPES</u>		
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>
Cash	\$ 119,602	\$ --	\$ --
Receivables			
Taxes	46,021	--	18,796
Allowance for Uncollectible Tax	(11,505)	--	(4,699)
Accounts	69,617	--	--
Other Agencies	31,256	--	3,323
Sundry	601	--	--
Due From Other Funds	7,443	--	--
Utility Deposits	10	--	--
Restricted Assets - Cash	--	--	144,300
Property Plant & Equipment			
Land & Buildings	--	--	--
Water Improvements	--	--	--
Sewer Improvements	--	--	--
Equipment	--	--	--
Less: Accumulated Depreciation	--	--	--
Construction In Progress	--	--	--
Amount Available in Debt Service Funds	--	--	--
Amount to be Provided for Retirement of General Long Term Debt	--	--	--
TOTAL ASSETS	\$ 263,045 =====	\$ -- =====	\$ 161,720 =====
<u>LIABILITIES</u>			
Accounts Payable	\$ 19,122	\$ --	\$ --
Customer Deposits	--	--	--
Due to Other Funds	--	--	--
General Obligation Bonds Payable	--	--	--
Notes Payable	--	--	--
Deferred Revenues	<u>34,515</u>	--	<u>14,097</u>
Total Liabilities	<u>53,637</u>	<u>--</u>	<u>14,097</u>

CITY OF VAN, TEXAS
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
FEBRUARY 29, 2000

PROPRIETARY FUND ENTERPRISE FUND	ACCOUNT GROUPS		TOTALS	
	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	(MEMORANDUM ONLY)	
			2-29-00	2-28-99
\$ 934,112	\$ --	\$ --	\$ 1,053,714	\$ 1,052,132
--	--	--	64,817	58,766
--	--	--	(16,204)	(14,691)
49,428	--	--	119,045	118,313
--	--	--	34,579	23,157
50	--	--	651	779
--	--	--	7,443	1,350
--	--	--	10	10
--	--	--	144,300	142,177
76,426	720,567	--	796,993	788,743
2,268,439	--	--	2,268,439	2,171,146
2,658,026	--	--	2,658,026	2,653,947
90,337	742,180	--	832,517	747,614
(2,116,915)	--	--	(2,116,915)	(1,979,823)
29,478	--	--	29,478	7,320
--	--	144,300	144,300	142,177
--	--	<u>1,314,742</u>	<u>1,314,742</u>	<u>1,386,292</u>
<u>\$ 3,989,381</u>	<u>\$ 1,462,747</u>	<u>\$1,459,042</u>	<u>\$ 7,335,935</u>	<u>\$ 7,299,409</u>
\$ 48,790	\$ --	\$ --	\$ 67,912	\$ 66,770
37,614	--	--	37,614	34,867
7,442	--	--	7,442	1,350
--	--	1,455,000	1,455,000	1,520,000
--	--	4,042	4,042	8,469
--	--	--	<u>48,612</u>	<u>44,075</u>
<u>93,846</u>	<u>--</u>	<u>1,459,042</u>	<u>1,620,622</u>	<u>1,675,531</u>

CITY OF VAN, TEXAS
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
FEBRUARY 29, 2000

<u>FUND EQUITY</u>	<u>GOVERNMENTAL FUND TYPES</u>		
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>
Investment in General Fixed Assets	--	--	--
Retained Earnings - Unreserved	--	--	--
Contributed Capital	--	--	--
Fund Balance - Unreserved	209,408	--	--
- Reserve for Debt Service	--	--	147,623
Total Fund Equity	<u>209,408</u>	<u>--</u>	<u>147,623</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ 263,045 =====	\$ -- =====	\$ 161,720 =====

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

CITY OF VAN, TEXAS
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
FEBRUARY 29, 2000

PROPRIETARY FUND	ACCOUNT GROUPS		TOTALS	
	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	(MEMORANDUM ONLY)	
ENTERPRISE FUND			2-29-00	2-28-99
\$ --	\$ 1,462,747	\$ --	\$ 1,462,747	\$ 1,414,787
3,895,535	--	--	3,895,535	3,615,321
--	--	--	--	250,000
--	--	--	209,408	199,222
--	--	--	147,623	144,548
<u>3,895,535</u>	<u>1,462,747</u>	<u>--</u>	<u>5,715,313</u>	<u>5,623,878</u>
<u>\$ 3,989,381</u>	<u>\$ 1,462,747</u>	<u>\$1,459,042</u>	<u>\$ 7,335,935</u>	<u>\$ 7,299,409</u>

CITY OF VAN, TEXAS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
YEAR ENDED FEBRUARY 29, 2000

	<u>GOVERNMENTAL</u>
<u>REVENUES</u>	
Ad Valorem Taxes	\$ 370,451
Franchise Fees	88,027
City Sales Taxes	216,814
Fines	7,574
Interest Income	3,542
Other Revenues	30,522
Gifts and Bequests	--
Total Revenues	716,930
<u>EXPENDITURES</u>	
Administrative	235,609
Police Department	234,223
City Judge	12,910
Fire Department	87,475
Street Department	51,364
Swimming Pool	23,342
Community Center	14,488
Retirement of Bonded Debt	--
Capital Outlay	39,302
Community Development	8,000
Total Expenditures	706,713
Revenues Over (Under) Expenditures	10,217
<u>OTHER SOURCES (USES)</u>	
Transfer In (Out)	--
Grant Refund	--
Total Other Sources (Uses)	--
Revenues and Other Sources Over (Under) Expenditures and Other Uses	10,217
Fund Balance, March 1	199,191
Other Adjustments	--
Fund Balance, FEBRUARY 28	\$ 209,408

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

CITY OF VAN, TEXAS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
YEAR ENDED FEBRUARY 29, 2000

<u>FUND TYPES</u>		<u>TOTALS</u>	
<u>SPECIAL</u>	<u>DEBT</u>	<u>(MEMORANDUM ONLY)</u>	
<u>REVENUE</u>	<u>SERVICE</u>	<u>2-29-00</u>	<u>2-28-99</u>
\$ --	\$ 149,773	\$ 520,224	\$ 531,022
--	--	88,027	91,153
--	--	216,814	170,744
--	--	7,574	12,051
--	2,050	5,592	6,413
--	--	30,522	22,631
--	--	--	1,110
<u>--</u>	<u>151,823</u>	<u>868,753</u>	<u>835,124</u>
--	--	235,609	307,699
--	--	234,223	207,610
--	--	12,910	11,486
--	--	87,475	36,624
--	--	51,364	68,473
--	--	23,342	24,301
--	--	14,488	16,275
--	148,748	148,748	146,640
--	--	39,302	1,873
--	--	8,000	--
<u>--</u>	<u>148,748</u>	<u>855,461</u>	<u>820,981</u>
<u>--</u>	<u>3,075</u>	<u>13,292</u>	<u>14,143</u>
--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	3,075	13,292	14,143
31	144,548	343,770	325,573
<u>(31)</u>	<u>--</u>	<u>(31)</u>	<u>4,054</u>
<u>\$ --</u>	<u>\$ 147,623</u>	<u>\$ 357,031</u>	<u>\$ 343,770</u>

CITY OF VAN, TEXAS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUND TYPES
YEAR ENDED FEBRUARY 29, 2000

	<u>GENERAL FUND</u>		<u>VARIANCE FAVORABLE (UNFAV.)</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	
<u>REVENUES</u>			
Ad Valorem Taxes	\$ 421,275	\$ 370,451	\$ (50,824)
Franchise Fees	90,000	88,027	(1,973)
City Sales Taxes	124,000	216,814	92,814
Fines	17,000	7,574	(9,426)
Interest Income	16,000	3,542	(12,458)
Other Revenues	17,950	30,522	12,572
Grants	--	--	--
Gifts and Bequests	--	--	--
TOTAL REVENUES	<u>686,225</u>	<u>716,930</u>	<u>30,705</u>
<u>EXPENDITURES</u>			
Administration Expense	271,053	235,609	35,444
Police Department Expense	218,803	234,223	(15,420)
City Judge	12,127	12,910	(783)
Fire Department Expense	60,640	87,475	(26,835)
Street Department Expense	70,000	51,364	18,636
Swimming Pool Expense	24,694	23,342	1,352
Community Center Expense	16,948	14,488	2,460
Community Development	10,000	8,000	2,000
Retirement of Bonded Debt	--	--	--
Capital Outlay	21,000	39,302	(18,302)
TOTAL EXPENDITURES	<u>705,265</u>	<u>706,713</u>	<u>(1,448)</u>
Revenues Over (Under) Expenditures	<u>\$ (19,040)</u>	<u>\$ 10,217</u>	<u>\$ 29,257</u>
<u>OTHER SOURCES (USES)</u>			
Transfer In	--	--	--
Transfer Out	--	--	--
Grant Refund	--	--	--
Total Other Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(19,040)</u>	<u>10,217</u>	<u>29,257</u>
Fund Balance, March 1	199,191	199,191	--
Other Adjustments	--	--	--
FUND BALANCE, FEBRUARY 28	<u>\$ 180,151</u>	<u>\$ 209,408</u>	<u>\$ 29,257</u>

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

CITY OF VAN, TEXAS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUND TYPES
YEAR ENDED FEBRUARY 29, 2000

<u>SPECIAL REVENUE FUND</u>			<u>DEBT SERVICE FUND</u>		
<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAV.)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAV.)</u>
\$ --	\$ --	\$ --	\$ 148,000	\$ 149,773	\$ 1,773
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	2,050	2,050
--	--	--	--	--	--
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>148,000</u>	<u>151,823</u>	<u>3,823</u>
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	148,750	148,748	2
<u>--</u>	<u>--</u>	<u>--</u>	<u>148,750</u>	<u>148,748</u>	<u>2</u>
--	--	--	(750)	3,075	3,825
--	--	--	--	--	--
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>(750)</u>	<u>3,075</u>	<u>3,825</u>
--	31	--	144,548	144,548	--
<u>--</u>	<u>(31)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>143,798</u>	<u>147,623</u>	<u>3,825</u>



CITY OF VAN, TEXAS
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
YEAR ENDED FEBRUARY 29, 2000
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED FEBRUARY 28, 1999)

<u>OPERATING REVENUES</u>	<u>2-29-00</u>	<u>2-28-99</u>
Charges for Services	\$ 681,417	\$ 684,399
TOTAL OPERATING REVENUES	<u>681,417</u>	<u>684,399</u>
 <u>OPERATING EXPENSES</u>		
Salaries	117,917	89,013
Payroll Taxes	9,896	7,553
Retirement Expense	9,406	12,445
Group Insurance	12,158	13,096
Water Chemicals	6,038	4,937
Sewer Chemicals	12,597	11,262
Water System Maintenance	50,142	45,360
Sewer System Maintenance	27,003	24,232
Insurance and Bonds	13,363	14,658
Utilities	81,325	80,896
Office Supplies	13,131	11,473
Vehicle Expense	12,456	7,548
Labor	7,608	7,465
Miscellaneous	31,092	18,850
Depreciation	137,092	129,658
Garbage Collection Expense	79,277	78,211
Contract Ambulance Service	37,725	40,742
Sludge Removal	<u>18,324</u>	<u>18,570</u>
TOTAL OPERATING EXPENSES	<u>676,550</u>	<u>615,969</u>
 OPERATING INCOME	 <u>4,867</u>	 <u>68,430</u>
 <u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest	25,347	25,323
Refunds	<u>--</u>	<u>--</u>
Total Non-Operating Revenues (Expenses)	<u>25,347</u>	<u>25,323</u>
 Net Income	 30,214	 93,753
Retained Earnings, March 1	3,615,321	3,521,568
Equity Transfers	<u>--</u>	<u>--</u>
 RETAINED EARNINGS, FEBRUARY 28	 <u>\$3,645,535</u>	 <u>\$ 3,615,321</u>
Contributed Capital - March 1	250,000	250,000
Contributions-Capital Grants	<u>--</u>	<u>--</u>
Contributed Capital - February 28	<u>250,000</u>	<u>250,000</u>
 FUND EQUITY, FEBRUARY 28	 <u>\$3,895,535</u> =====	 <u>\$ 3,865,321</u> =====

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



CITY OF VAN, TEXAS
STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUNDS
YEAR ENDED FEBRUARY 29, 2000

	<u>2-29-00</u>
Cash Flows From Operating Activities:	
Operating Income (Loss)	\$ <u>4,867</u>
Adjustments to Reconcile Operating Income (Loss)	
To Net cash Provided (Used) By Operating Activities	
Depreciation	137,092
Changes in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	(4,190)
Increase (Decrease) in Accounts Payable	<u>12,267</u>
Total Adjustments	<u>145,169</u>
Net Cash Provided By Operating Activities	<u>150,036</u>
Cash Flows From Noncapital Financing Activities:	
Increase (Decrease) in Customer Deposits	2,747
Transfer (To) From Other Funds	<u>6,092</u>
Net Cash Provided (Used) by Noncapital Activities	<u>8,839</u>
Cash Flow From Capital and Related Financial Activities:	
Acquisition of Fixed Assets	(168,687)
Payment on Loan Principal	<u>--</u>
Net Cash Provided (Used) from Capital and Related Financing Activities	<u>(168,687)</u>
Cash Flows From Investing Activities:	
Interest Earned on Operating Funds	<u>25,347</u>
Net Increase (Decrease) in Cash and Cash Equivalents	15,535
Cash and Cash Equivalents, March 1	<u>918,577</u>
CASH AND CASH EQUIVALENTS AT FEBRUARY 28	<u>\$ 934,112</u> =====

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



CITY OF VAN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FEBRUARY 29, 2000

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1. The Financial Reporting Entity

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

Individual Component Unit Disclosure - Blended Component Unit

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

2. Basis of Presentation - Fund Accounting

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

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

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

a. **Governmental Fund Types**

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

General Fund

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

Debt Service Fund

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

b. **Proprietary Funds**

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

Enterprise Fund

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

c. **Fiduciary Fund Types**

Agency Funds

The City has no agency funds.

Trust Funds

The City has no trust funds.

d. **Account Groups**

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



General Fixed Assets Account Group

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

General Long-Term Account Group

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

3. Basis of Accounting

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

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

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

Modified Accrual

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

Accrual

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

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

4. Budgets and Budgetary Accounting

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



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

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

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

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

5. Cash and Investments

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

6. Receivables

Property taxes which were levied during the fiscal year, and prior years, but are uncollected as of February 29, 2000, are recorded as delinquent taxes receivable. Based on historical experience, an allowance for uncollectible property taxes is established at 25% of the outstanding balance.

7. Fixed Assets

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

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



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

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

8. Inventory

Inventory items are expensed when purchased.

9. Accumulated Vacation Time

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

10. Fund Equity

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

11. Encumbrance System

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

12. Total Columns on Combined Statements

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



B. CASH AND INVESTMENTS

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

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

At February 29, 2000, the carrying amount of the City's deposits (cash and certificates of deposit) was \$1,198,014. Pledged collateral held by the City's agent bank in the City's name was \$1,568,675. The City's depository bank is the First State Bank, Van, Texas.

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

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

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

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

Temporary Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U. S. Treasury, certain U. S. agencies, and the State of Texas, (2) certificates of



deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. Similar to cash deposits, investments held at a financial institution can be categorized according to three levels of risk. these three levels of risk are:

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

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

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Category</u>
Certificates of Deposit	\$1,070,433	\$1,070,433	1

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

C. PROPERTY TAXES

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

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

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

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

D. CHANGES IN GENERAL FIXED ASSETS

<u>Balance</u>			<u>Balance</u>
<u>March 1,</u>	<u>Additions</u>	<u>Reductions</u>	<u>Feb. 29,</u>



Land/Buildings	678,074	--	--	678,074
Machinery and Equipment	694,220	47,960	--	742,180
Improvements Other Than Buildings	<u>42,493</u>	<u>--</u>	<u>--</u>	<u>42,493</u>
Total	<u>\$1,414,787</u>	<u>\$ 47,960</u>	<u>\$</u>	<u>\$ 1,462,747</u>

E. CHANGES IN PROPRIETARY FUND FIXED ASSETS

	Balance <u>March 1,</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>Feb. 29,</u>
Buildings	52,606	8,250	--	60,856
Water System	\$2,171,145	\$ 97,293	\$ --	\$2,268,438
Sewer System	2,653,946	4,079	--	2,658,025
Equipment	53,395	36,943	--	90,338
Construction In progress	<u>7,320</u>	<u>22,158</u>	<u>--</u>	<u>29,478</u>
Total	4,938,412	168,723	--	5,107,135
Less: Acc. Depr.	(1,979,823)	(137,092)	--	(2,116,915)
Land/R-O-W	<u>15,570</u>	<u>--</u>	<u>--</u>	<u>15,570</u>
Net Fixed Assets	<u>\$2,974,159</u>	<u>\$ 31,631</u>	<u>\$ --</u>	<u>\$3,005,790</u>

F. CHANGES IN GENERAL LONG TERM DEBT

Bond transactions of the City of Van, for the year ended February 29, 2000 are as follows:

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

Bonds Payable at March 1,	\$ 1,520,000
Bonds Issues	--
Bonds Retired	<u>(65,000)</u>
Payable at February 28,	<u>\$ 1,455,000</u>

The loan transactions for the City of Van for the year ended February 29, 2000 are as follows:

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

Loans Payable at March 1	\$ 8,469
Loan Proceeds	--
Loans Retired	<u>(4,427)</u>



Loans Payable at February 28,

\$ 4,042
=====

The annual requirements to amortize all bonded debt of the General Fund outstanding as of February 29, 2000 are as follows:

<u>Years Ending February 28,</u>	<u>Bond Requirements</u>	<u>Note Requirements</u>	<u>Total</u>
2001	145,644	4,229	149,873
2002	147,318	--	147,318
2003	143,783	--	143,783
2004	145,048	--	145,048
2005	145,978	--	145,978
Subsequent	<u>1,448,047</u>	<u>--</u>	<u>1,448,047</u>
Total	\$ <u>2,275,818</u> =====	\$ <u>4,229</u> =====	\$ <u>2,180,047</u> =====

G. CHANGES IN LONG TERM DEBT-PROPRIETARY FUND

The following is a summary of the long term debt transactions of the City for the year ended February 29, 2000.

	<u>Payable March 1,</u>	<u>Additions</u>	<u>Reductions</u>	<u>Payable Feb. 28,</u>
Vendor Lien Note	\$ -- =====	\$ -- =====	\$ -- =====	\$ -- =====

H. COMMITMENTS UNDER NONCAPITALIZED LEASES

The City has no noncapitalized leases.

I. CAPITAL LEASE OBLIGATION -GENERAL FUND

The City has no capital lease obligations.

J. EMPLOYEE RETIREMENT PLAN

Plan Description

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

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the city-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for services rendered before the plan began of a theoretical amount equal to



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

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

Contributions

The contribution rate for employees is 5%, and the city matching percent is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the city contribution rate is annually determined by the actuary. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Contributions are made monthly by both the employees and the City. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and calendar year when the rate goes into effect (i. e. December 31, 19998 valuation is effective for rates beginning January 20010).

Schedule of Actuarial Liabilities and Funding Progress

<u>Actuarial Valuation</u>					
<u>Date</u>	<u>12-94</u>	<u>12-93</u>	<u>12-92</u>	<u>12-91</u>	<u>12-90</u>
Actuarial Value of					
Assets	503,886	436,861	361,296	309,456	257,457
Actuarial Accrued					



Liability	664,725	582,820	470,243	408,657	352,559
Percentage Funded	75.80%	74.96%	76.83%	75.73%	73.03%
Unfunded Actuarial					
Accrued Liability	160,839	145,959	108,947	99,201	95,102
Annual Covered					
Payroll	266,644	244,356	243,286	279,061	283,112
UAAL as Percentage					
of Covered Payroll	60.32%	59.73%	44.78%	35.55%	33.59%
Net Pension Obligation					
(NPO) at the Beginning					
of Period	--	--	--	--	--
Annual Pension Cost					
Annual Required					
Contribution (ARC)	21,358	19,490	20,855	23,402	20,855
Interest on NPO	--	--	--	--	--
Adjustment to ARC	--	--	--	--	--
Contributions Made					
Increase in NPO	21,358	19,490	20,855	23,402	20,855
NPO at the end of					
Period	--	--	--	--	--

Actuarial Valuation

<u>Date</u>	<u>12-95</u>	<u>12-96</u>	<u>12-97</u>	<u>12-98</u>	<u>12-99</u>
Actuarial Value of					
Assets	478,465	557,865	581,266	562,880	647,482
Actuarial Accrued					
Liability	652,615	748,703	336,784	598,513	682,384
Percentage Funded	73.32%	74.51%	91.3%	94.0%	94.9%
Unfunded Actuarial					
Accrued Liability	174,150	190,838	55,518	35,633	34,902
Annual Covered					
Payroll	257,209	263,708	208,603	310,821	309,063
UAAL as Percentage					
of Covered Payroll	67.71%	72.36%	26.6%	11.5%	11.3%
Net Pension Obligation					
(NPO) at the Beginning					
of Period	--	--	--	--	--
Annual Pension Cost					
Annual Required					
Contribution (ARC)	24,472	27,523	30,307	28,452	27,115
Interest on NPO	--	--	--	--	--
Adjustment to ARC	--	--	--	--	--
Contributions Made					
Increase in NPO	24,472	27,523	30,307	28,452	27,115
NPO at the end of					
Period	--	--	--	--	--

The City of Van is one of 731 municipalities having the benefit plan administered by TMRS. Each of the 731 municipalities have an annual, individual actuarial valuation performed. All assumptions for the 12-31-1999 valuations are contained in the 1999 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P. O. box 149153, Austin, Texas 78714-9153.



K. HEALTH INSURANCE

During the year ended February 29, 2000, the employees of the City were covered by a health insurance plan (the Plan). The city paid 100% of the premiums per pay period for each employee to the Plan and employees, at their option, authorized payroll withholding to pay premiums for dependents. All contributions were paid to a self-funded pool administered by the Texas Municipal League Group Benefits Risk Pool.

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

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

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

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

Latest financial statements for the Texas Municipal League Group Benefits Risk Pool self-insurance pool are available for the year ended August 31, 1998 can be obtained from the Texas Municipal League, Austin, Texas.

L. RISK MANAGEMENT

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

The City has joined together with other governments to form a workers' compensation risk pool, a public entity risk pool currently operating as a common risk management and insurance program for workers' compensation insurance coverage. The agreement for formation of the Texas Municipal League Intergovernmental Risk Pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000 for each insured event.



the City's liability is limited to the contractual premiums required to be paid each year. those premiums can be changed only on the renewal date of the contractual agreement. Because of the structure of this insurance policy, no designation of fund balance to allow for contingent liabilities related to this insurances has been made.

The Texas Municipal League Intergovernmental Risk Pool has published its own financial report for the year ended August 31, 1998, which can be obtained from the Texas Municipal League, Austin, Texas

M. LITIGATION

The City has no pending or threatened litigation at February 29, 2000.

N. SUBSEQUENT EVENTS

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



COMBINING STATEMENTS



CITY OF VAN, TEXAS
GENERAL FUND
COMBINING BALANCE SHEET
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED FEBRUARY 29, 2000

<u>ASSETS</u>	<u>GENERAL</u> <u>FUND</u>	<u>VAN</u> <u>DEVELOPMENT</u>	<u>TOTALS</u>	
			<u>MEMORANDUM ONLY</u> <u>2-29-00</u>	<u>2-28-99</u>
Cash	\$ 83,133	\$ 36,469	\$ 119,602	\$ 133,524
Receivables				
Taxes	46,021	--	46,021	41,500
Allowance For Uncollectible Tax	(11,505)	--	(11,505)	(10,375)
Accounts	69,617	--	69,617	73,025
Other Agencies	26,089	5,167	31,256	20,786
Sundry	601	--	601	743
Due From Other Funds	2,643	4,800	7,443	1,350
Utility Deposits	<u>10</u>	<u>--</u>	<u>10</u>	<u>10</u>
TOTAL ASSETS	\$ 216,609	\$ 46,436	\$ 263,045	\$ 260,563
	=====	=====	=====	=====
 <u>LIABILITIES</u>				
Accounts Payable	\$ 19,122	\$ --	\$ 19,122	\$ 30,247
Due To Other Funds	--	--	--	--
Notes Payable	--	--	--	--
Deferred Revenues	<u>34,515</u>	<u>--</u>	<u>34,515</u>	<u>31,125</u>
TOTAL LIABILITIES	\$ 53,637	\$ --	\$ 53,637	\$ 61,372
	=====	=====	=====	=====
 <u>FUND EQUITY</u>				
Fund Balance - Unreserved	\$ 162,972	\$ 46,436	\$ 209,408	\$ 199,191
TOTAL FUND EQUITY	\$ 162,972	\$ 46,436	\$ 209,408	\$ 199,191
	=====	=====	=====	=====
TOTAL LIABILITIES AND FUND EQUITY	\$ 216,609	\$ 46,436	\$ 263,045	\$ 260,563
	=====	=====	=====	=====

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



CITY OF VAN, TEXAS
GENERAL FUND
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED FEBRUARY 29, 2000

<u>REVENUES</u>	<u>GENERAL FUND</u>	<u>VAN DEVELOPMENT</u>	<u>TOTALS</u>	
			<u>MEMORANDUM ONLY</u>	<u>2-29-00</u>
Ad Valorem Taxes	\$ 370,451	\$ --	\$ 370,451	\$ 372,412
Franchise Fees	88,027	--	88,027	91,153
City Sales Taxes	162,611	54,203	216,814	170,744
Fines	7,574	--	7,574	12,051
Interest Income	3,137	405	3,542	4,120
Other Revenues	<u>30,522</u>	<u>--</u>	<u>30,522</u>	<u>22,631</u>
Total Revenues	<u>\$ 662,322</u>	<u>\$ 54,608</u>	<u>\$ 716,930</u>	<u>\$ 673,111</u>
 <u>EXPENDITURES</u>				
Administrative	\$ 235,384	\$ 225	\$ 235,609	\$ 307,629
Police Department	234,223	--	234,223	207,610
City Judge	12,910	--	12,910	11,486
Fire Department	87,475	--	87,475	36,624
Street Department	51,364	--	51,364	68,473
Swimming Pool	23,342	--	23,342	24,301
Community Center	14,488	--	14,488	--
Community Development	--	8,000	8,000	--
Capital Outlay	<u>--</u>	<u>39,302</u>	<u>39,302</u>	<u>16,275</u>
Total Expenditures	<u>659,186</u>	<u>\$ 47,527</u>	<u>706,713</u>	<u>672,398</u>
Revenues Over (Under)				
Expenditures	3,136	7,081	10,217	713
 <u>Other Sources (Uses)</u>				
Transfers In (Out)	<u>--</u>	<u>--</u>	<u>--</u>	<u>(400)</u>
Total Other Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>(400)</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	3,136	7,081	10,217	313
Fund Balance, March 1	159,836	39,355	199,191	194,824
Prior Period Adjustments	<u>--</u>	<u>--</u>	<u>--</u>	<u>4,054</u>
FUND BALANCE, FEBRUARY 28	<u>\$ 162,972</u>	<u>\$ 46,436</u>	<u>\$ 209,408</u>	<u>\$ 199,191</u>

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



SUPPLEMENTAL INFORMATION



CITY OF VAN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED FEBRUARY 29, 2000

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAV)</u>
<u>REVENUES</u>			
Ad Valorem Taxes	\$ 421,275	\$ 370,451	\$ (50,824)
Franchise Fees	90,000	88,027	(1,973)
City Sales Taxes	93,000	162,611	69,611
Fines	17,000	7,574	(9,426)
Interest Income	16,000	3,137	(12,863)
Other Revenues	<u>17,950</u>	<u>30,522</u>	<u>12,572</u>
Total Revenues	<u>\$ 655,225</u>	<u>\$ 662,322</u>	<u>\$ 7,097</u>
<u>EXPENDITURES</u>			
<u>Administration and Non-Departmental</u>			
Salaries	84,000	70,696	13,304
Retirement	8,400	6,386	2,014
Payroll Taxes	7,300	5,360	1,940
Group Insurance	9,324	7,989	1,335
Auto Allowance	1,200	1,100	100
Auditor	2,250	2,250	--
City Attorney	3,300	3,750	(450)
Council Fees	3,600	3,600	--
Appraisal District	13,779	16,215	(2,436)
Office Expense	2,500	1,843	657
Utilities	65,000	71,405	(6,405)
Vehicle Gasoline	6,000	2,173	3,827
Vehicle Repair & Maintenance	6,500	2,191	4,309
Cleaning	--	--	--
Two-Way Radio	--	--	--
Insurance-General	22,000	13,893	8,107
Interest Other Than Bonds	4,500	4,504	(4)
Dog Leash Ordinance	1,800	2,270	(470)
Miscellaneous	14,600	19,758	(5,158)
Capital Improvement	<u>15,000</u>	<u>--</u>	<u>15,000</u>
Total Administration	<u>271,053</u>	<u>235,383</u>	<u>35,670</u>
<u>Police Department</u>			
Salaries	131,039	151,918	(20,879)
Retirement	13,100	11,377	1,723
Payroll Taxes	10,024	11,682	(1,658)
Supplies	--	916	(916)
Hospital Insurance	14,640	17,483	(2,843)



CITY OF VAN, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED FEBRUARY 29, 2000

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAV)</u>
<u>EXPENDITURES, Cont.</u>			
<u>Police Dept. Cont.</u>			
Office Expense	\$ 2,000	\$ 695	\$ 1,305
Gas and Oil	6,000	6,181	(181)
Vehicle Repair	3,000	2,177	823
Uniforms	3,000	2,099	901
Education	3,000	1,769	1,231
Equipment	33,000	21,576	11,424
Miscellaneous	--	6,350	(6,350)
Total Police Department	<u>218,803</u>	<u>234,223</u>	<u>(15,420)</u>
<u>City Judge</u>			
Salary	10,800	10,936	(136)
Payroll Tax	827	834	(7)
Clerical Expense	500	240	260
Miscellaneous	--	900	(900)
Total City Judge	<u>12,127</u>	<u>12,910</u>	<u>(783)</u>
<u>Fire Department</u>			
Hospitalization Insurance	11,800	11,760	40
Supplies	--	1,386	(1,386)
Gas and Oil	2,300	2,532	(232)
Maintenance	2,700	1,409	1,291
Insurance-General	11,800	9,884	1,916
Fire School & Training	2,000	2,000	--
Equipment	26,000	52,438	(26,438)
Miscellaneous	4,040	6,068	(2,028)
Total Fire Department	<u>60,640</u>	<u>87,477</u>	<u>(26,837)</u>
<u>Street Department</u>			
Oil Dirt	32,500	17,185	15,315
Contingencies	3,000	3,077	(77)
Streets	32,500	21,956	10,544
Miscellaneous	1,000	8,770	(7,770)
Equipment Fuel	1,000	376	624
Total Street Department	<u>70,000</u>	<u>51,364</u>	<u>18,636</u>
<u>Swimming Pool</u>			
Salaries	7,500	6,177	1,323
Payroll Taxes	550	455	95
Parks & Recreation	2,000	2,555	(555)
Chemicals and Supplies	3,000	4,197	(1,197)



CITY OF VAN, TEXAS
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS - BUDGET AND ACTUAL
WATER AND SEWER FUND
YEAR ENDED FEBRUARY 29, 2000

	<u>WATER AND SEWER FUND</u>		<u>VARIANCE</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
			<u>(UNFAV.)</u>
<u>OPERATING REVENUES</u>			
Water	\$ 400,000	\$ 382,851	\$ (17,149)
Sewer	133,000	131,246	(1,754)
Penalties	20,000	29,791	9,791
Water and Sewer Taps	15,000	14,625	(375)
Miscellaneous	4,000	2,050	(1,950)
Garbage	80,000	79,499	(501)
Ambulance Fees	<u>41,000</u>	<u>41,357</u>	<u>357</u>
Total Operating Revenues	<u>693,000</u>	<u>681,417</u>	<u>(11,583)</u>
<u>OPERATING EXPENDITURES</u>			
Salaries	110,000	117,917	(7,917)
Payroll Taxes	8,425	9,896	(1,471)
Retirement Expense	11,476	9,406	2,070)
Group Insurance	12,000	12,158	(158)
Water Chemicals	6,000	6,038	(38)
Sewer Chemicals	11,000	12,597	(1,597)
Sludge Removal	20,000	18,324	1,676
Water System Maintenance	31,000	50,142	(19,142)
Sewer System Maintenance	33,300	27,003	6,297
Insurance and Bonds	20,000	13,363	6,637
Utilities	75,000	81,325	(6,325)
Office Expense	6,000	13,131	(7,131)
Vehicle Expenses	7,000	12,456	(5,456)
Professional Fees	2,250	2,250	--
Miscellaneous	16,588	21,937	(5,349)
Depreciation	44,000	137,092	(93,092)
Garbage Collection Expense	80,000	79,277	723
Contract Ambulance Service	41,000	37,725	3,275
Contract Meter Reading	--	7,608	(7,608)
Water Testing	<u>--</u>	<u>6,905</u>	<u>(6,905)</u>
Total Operating Expenses	<u>535,039</u>	<u>676,550</u>	<u>(141,511)</u>
Total Operating Income	<u>\$ 157,961</u>	<u>\$ 4,867</u>	<u>\$ (153,094)</u>
<u>Non-Operating Revenues (Expenses)</u>			
Interest	<u>23,400</u>	<u>25,347</u>	<u>1,947</u>
Total Non-Operating Revenues	<u>23,400</u>	<u>25,347</u>	<u>1,947</u>
Net Income	<u>181,361</u>	<u>30,214</u>	<u>(151,147)</u>



CITY OF VAN, TEXAS
DEBT SERVICE REQUIREMENTS
TAX AND WATERWORKS AND SEWER SYSTEM SURPLUS
REVENUE CERTIFICATES OF OBLIGATION, SERIES 1994
FEBRUARY 29, 2000

<u>FISCAL</u> <u>YEAR ENDING</u> <u>FEBRUARY 28,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2001	65,000	80,644	145,644
2002	70,000	77,318	147,318
2003	70,000	73,783	143,783
2004	75,000	70,048	145,048
2005	80,000	65,978	145,978
2006	85,000	61,541	146,541
2007	90,000	56,728	146,728
2008	95,000	51,546	146,546
2009	100,000	45,988	145,988
2010	105,000	40,041	145,041
2011	110,000	33,725	143,725
2012	115,000	27,059	142,059
2013	125,000	19,919	144,919
2014	130,000	12,300	142,300
2015	<u>140,000</u>	<u>4,200</u>	<u>144,200</u>
TOTAL	\$ 1,455,000 =====	\$ 720,818 =====	\$ 2,175,818 =====

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



OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION



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

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

Mayor
City Council
City of Van, Texas

We have audited the financial statements of the City of Van, Texas as of and for the year ended February 29, 2000, and have issued our report thereon dated August 7, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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



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

Respectfully submitted,



Kenneth L. Williams
Certified Public Accountant

August 7, 2000

