

Annual Report

CITY OF WILLIS
Willis, Texas

All Funds
For the Year Ended
September 30, 1986

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SAULS AND PECHACEK

PUBLIC ACCOUNTANTS

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BELLVILLE, TEXAS 77418

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ROBERT E. SAULS, P.A.

July 22, 1987

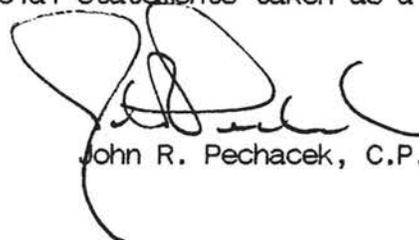
JOHN R. PECHACEK, C.P.A.

Honorable Mayor and Members of
the City Council
City of Willis, Texas

We have examined the combined financial statements of the City of Willis, Texas as of September 30, 1986 and for the year then ended, as listed in the accompanying table of contents. Our examination was made in accordance with generally accepted auditing standards and, accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the combined financial statements referred to above present fairly the financial position of the City of Willis, Texas as of September 30, 1986 and the results of its operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the individual fund financial statements referred to above, present fairly the financial position of the individual funds of the City of Willis, Texas at September 30, 1986 and the results of their operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination was made for the purpose of forming an opinion of the combined financial statements taken as a whole and on the individual fund financial statements. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the combined financial statements of the City of Willis, Texas. The information has been subjected to the auditing procedures applied in the examination of the combined and individual fund financial statements and in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.



John R. Pechacek, C.P.A.

Account	2019	2018	2017
Assets			
Current Assets			
Cash	1,234,567	1,123,456	1,012,345
Accounts Receivable	2,345,678	2,234,567	2,123,456
Inventory	3,456,789	3,345,678	3,234,567
Prepaid Expenses	456,789	445,678	434,567
Other Current Assets	567,890	556,789	545,678
Non-Current Assets			
Property, Plant, and Equipment	10,123,456	10,234,567	10,345,678
Intangible Assets	1,234,567	1,345,678	1,456,789
Other Non-Current Assets	234,567	245,678	256,789
Liabilities			
Current Liabilities			
Accounts Payable	1,234,567	1,345,678	1,456,789
Short-Term Debt	2,345,678	2,456,789	2,567,890
Other Current Liabilities	345,678	356,789	367,890
Non-Current Liabilities			
Long-Term Debt	5,678,901	5,789,012	5,890,123
Other Non-Current Liabilities	1,234,567	1,345,678	1,456,789
Equity			
Common Stock	10,000,000	10,000,000	10,000,000
Retained Earnings	1,234,567	1,123,456	1,012,345
Other Equity	234,567	245,678	256,789

FINANCIAL STATEMENTS

Account	2019	2018	2017
Income Statement			
Revenue	10,123,456	9,876,543	9,654,321
Cost of Goods Sold	(4,567,890)	(4,456,789)	(4,345,678)
Gross Profit	5,555,566	5,419,754	5,308,643
Operating Expenses	(3,456,789)	(3,345,678)	(3,234,567)
Operating Income	2,098,777	2,074,076	2,074,076
Other Income	123,456	134,567	145,678
Income Before Taxes	2,222,233	2,208,643	2,219,754
Income Tax Expense	(456,789)	(445,678)	(434,567)
Net Income	1,765,444	1,762,965	1,785,187
Balance Sheet			
Assets			
Current Assets	10,123,456	9,876,543	9,654,321
Non-Current Assets	1,234,567	1,345,678	1,456,789
Liabilities			
Current Liabilities	5,678,901	5,789,012	5,890,123
Non-Current Liabilities	1,234,567	1,345,678	1,456,789
Equity			
Common Stock	10,000,000	10,000,000	10,000,000
Retained Earnings	1,234,567	1,123,456	1,012,345
Other Equity	234,567	245,678	256,789

CITY OF WILLIS, TEXAS
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 SEPTEMBER 30, 1986

Governmental Fund Types

	General	Revenue Sharing	T.C.D.P. Grant	Debt Service
ASSETS				
Cash	\$ (326.51)	\$ 9,978.88	\$ 3,058.30	\$ 1,520.62
Temporary Investments	81,133.87	--	--	--
Receivables-				
Property Tax	66,819.49	--	--	--
Service Accounts	--	--	--	--
Allowance for Doubtful Accounts	(6,681.95)	--	--	--
Due from State	--	--	115,808.40	--
Accrued Interest	729.28	--	--	--
Due from Other Funds	46,828.59	--	--	11,587.04
Property, Plant, & Equipment (Net)	--	--	--	--
Restricted Assets-				
Cash & Temporary Investments	--	--	--	--
Amount Available for Debt Service	--	--	--	--
Amount to be Provided for Debt Service	--	--	--	--
Total Assets	\$ 188,502.77	\$ 9,978.88	\$ 118,866.70	\$ 13,107.66
LIABILITIES				
Accounts Payable	\$ 8,141.08	\$ --	\$ 118,817.10	\$ --
Appearance Bonds Payable	695.00	--	--	--
Bond Interest Payable	--	--	--	--
Due to State	2,473.22	--	--	--
Customer Deposits	--	--	--	--
Due to Other Funds	3,943.98	--	49.60	--
General Obligation Bonds Payable	--	--	--	--
Revenue Bonds Payable	--	--	--	--
Deferred Revenue	60,137.54	--	--	--
Total Liabilities	\$ 75,390.82	\$ --	\$ 118,866.70	\$ --
FUND EQUITY				
Contributed Capital	\$ --	\$ --	\$ --	\$ --
Investment in General Fixed Assets	--	--	--	--
Retained Earnings-				
Reserve for Revenue Bond Retirement	--	--	--	--
Unreserved (Deficit)	--	--	--	--
Fund Balance-				
Reserved for Retirement of Bonded Debt	--	--	--	13,107.66
Reserve for Authorized Construction	--	--	--	--
Unreserved (Deficit)	113,111.95	9,978.88	--	--
Total Fund Equity	\$ 113,111.95	\$ 9,978.88	\$ --	\$ 13,107.66
Total Liabilities & Fund Equity	\$ 188,502.77	\$ 9,978.88	\$ 118,866.70	\$ 13,107.66

(The accompanying notes are an integral part of this financial statement.)

Governmental Fund Types	Proprietary Fund Type	Account Groups		Totals (Memorandum Only)	
		Capital Projects	Water & Sewer Utility	General Fixed Assets	General Long- Term Debt
\$ 571.40	\$ 10,979.05	\$ --	\$ --	\$ 25,781.74	\$ 9,778.84
556,818.55	14,500.00	--	--	652,452.42	112,107.68
--	--	--	--	66,819.49	64,411.74
--	77,696.98	--	--	77,696.98	68,573.13
--	(3,000.00)	--	--	(9,681.95)	(9,441.17)
--	--	--	--	115,808.40	--
1,850.02	--	--	--	2,579.30	--
--	49.60	--	--	58,465.23	77,505.07
--	2,979,347.06	380,428.43	--	3,359,775.49	3,141,309.26
--	79,016.52	--	--	79,016.52	62,977.37
--	--	--	13,107.66	13,107.66	6,401.01
--	--	--	946,892.34	946,892.34	168,598.99
<u>\$ 559,239.97</u>	<u>\$ 3,158,589.21</u>	<u>\$ 380,428.43</u>	<u>\$ 960,000.00</u>	<u>\$ 5,388,713.62</u>	<u>\$ 3,702,221.92</u>
\$ 24,396.05	\$ 5,017.78	\$ --	\$ --	\$ 156,372.01	\$ 22,948.19
--	--	--	--	695.00	534.00
--	3,200.00	--	--	3,200.00	3,440.00
--	--	--	--	2,473.22	1,866.22
--	21,272.18	--	--	21,272.18	18,764.68
7,743.06	46,728.59	--	--	58,465.23	77,505.07
--	--	--	960,000.00	960,000.00	175,000.00
--	330,000.00	--	--	330,000.00	345,000.00
--	--	--	--	60,137.54	57,970.57
<u>\$ 32,139.11</u>	<u>\$ 406,218.55</u>	<u>\$ --</u>	<u>\$ 960,000.00</u>	<u>\$ 1,592,615.18</u>	<u>\$ 703,028.73</u>
\$ --	\$ 2,749,308.35	\$ --	\$ --	\$ 2,749,308.35	\$ 2,517,438.15
--	--	380,428.43	--	380,428.43	311,755.42
--	79,016.52	--	--	79,016.52	62,977.37
--	(75,954.21)	--	--	(75,954.21)	(47,438.21)
--	--	--	--	13,107.66	6,401.01
527,100.86	--	--	--	527,100.86	--
--	--	--	--	123,090.83	148,059.45
<u>\$ 527,100.86</u>	<u>\$ 2,752,370.66</u>	<u>\$ 380,428.43</u>	<u>\$ --</u>	<u>\$ 3,796,098.44</u>	<u>\$ 2,999,193.19</u>
<u>\$ 559,239.97</u>	<u>\$ 3,158,589.21</u>	<u>\$ 380,428.43</u>	<u>\$ 960,000.00</u>	<u>\$ 5,388,713.62</u>	<u>\$ 3,702,221.92</u>

CITY OF WILLIS, TEXAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE-ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED SEPTEMBER 30, 1986

	General	Revenue Sharing	T.C.D.P. Grant
	-----	-----	-----
REVENUES:			
Ad Valorem Tax	\$ 107,457.74	\$ --	\$ --
City Sales Tax	130,507.93	--	--
Franchise Tax, Street Rental	87,658.93	--	--
Revenue Sharing Entitlement	--	28,261.00	--
T.C.D.P. Grant	--	--	179,138.40
Sanitation and Landfill	69,446.09	--	--
Fines and Court Costs	38,347.70	--	--
Permits and License	10,377.49	--	--
Industrial Development Corporation	--	--	--
Miscellaneous	1,469.86	--	--
Interest Earned	6,442.72	--	--
	-----	-----	-----
Total Revenues	\$ 451,708.46	\$ 28,261.00	\$ 179,138.40
	-----	-----	-----
EXPENDITURES:			
City General	\$ 80,533.96	\$ --	\$ 29,128.40
City Office	78,774.60	8,415.50	--
Police Department	148,323.55	--	--
Sanitation	19,146.83	--	--
Landfill	15,992.29	--	--
Street Department	140,128.95	--	--
Water & Sewer Utility	--	13,024.40	186,234.80
	-----	-----	-----
Total Expenditures	\$ 482,900.18	\$ 21,439.90	\$ 215,363.20
	-----	-----	-----
Excess (Deficiency) of Revenues Over Expenditures	\$ (31,191.72)	\$ 6,821.10	\$ (36,224.80)
	-----	-----	-----
OTHER SOURCES AND (USES):			
Sale of Bonds	\$ --	\$ --	\$ --
Interfund Transfers In (Out)	(802.30)	--	36,224.80
Miscellaneous Adjustments	204.30	--	--
	-----	-----	-----
Total Other Sources and (Uses)	\$ (598.00)	\$ --	\$ 36,224.80
	-----	-----	-----
Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses	\$ (31,789.72)	\$ 6,821.10	\$ --
	-----	-----	-----
Fund Balance, October 1	144,901.67	3,157.78	--
	-----	-----	-----
Fund Balance, September 30	\$ 113,111.95	\$ 9,978.88	\$ --
	=====	=====	=====

(The accompanying notes are an integral part of this financial statement.)

Debt Service	Capital Projects	Totals (Memorandum Only)	
		1986	1985
\$ 26,864.44	\$ --	\$ 134,322.18	\$ 152,089.15
--	--	130,507.93	88,622.78
--	--	87,658.93	84,097.36
--	--	28,261.00	21,572.00
--	--	179,138.40	257,788.18
--	--	69,446.09	56,997.35
--	--	38,347.70	27,671.95
--	--	10,377.49	9,755.56
--	--	--	1,000.00
--	--	1,469.86	875.35
299.15	11,945.23	18,687.10	3,843.80
\$ 27,163.59	\$ 11,945.23	\$ 698,216.68	\$ 704,313.48
\$ 28,100.00	\$ 7,188.96	\$ 144,951.32	\$ 82,028.99
--	--	87,190.10	83,184.17
--	--	148,323.55	135,789.31
--	--	19,146.83	18,488.42
--	--	15,992.29	39,073.87
--	186,544.89	326,673.84	46,705.35
--	31,438.02	230,697.22	265,175.58
\$ 28,100.00	\$ 225,171.87	\$ 972,975.15	\$ 670,445.69
\$ (936.41)	\$ (213,226.64)	\$ (274,758.47)	\$ 33,867.79
\$ 7,643.06	\$ 775,750.00	\$ 783,393.06	\$ --
--	(35,422.50)	--	.40
--	--	204.30	13.25
\$ 7,643.06	\$ 740,327.50	\$ 783,597.36	\$ 13.65
\$ 6,706.65	\$ 527,100.86	\$ 508,838.89	\$ 33,868.19
6,401.01	--	154,460.46	120,579.02
\$ 13,107.66	\$ 527,100.86	\$ 663,299.35	\$ 154,447.21

CITY OF WILLIS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND EQUITY - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED SEPTEMBER 30, 1986

	Water and Sewer Utility Fund	
	1986	1985
OPERATING REVENUE:		
Charges for Water & Sewer Service	\$ 288,590.16	\$ 238,734.42
Water & Sewer Connections	15,175.81	18,456.95
Late Payment Penalties	11,172.42	8,253.42
Service Charges	4,790.00	5,646.00
Inspection Fees	1,150.00	700.00
Total Operating Revenue	\$ 320,878.39	\$ 271,790.79
OPERATING EXPENSE:		
Personnel	\$ 74,308.37	\$ 78,573.27
Contracted Services	3,768.63	2,381.44
Maintenance and Repairs	39,524.00	35,642.87
Utilities	46,390.69	43,355.57
Supplies and Materials	26,787.40	21,200.90
Vehicles	11,997.85	8,986.93
Other Operating Expense	9,116.25	8,977.69
Depreciation	106,962.64	105,825.34
Total Operating Expense	\$ 318,855.83	\$ 304,944.01
Operating Income (Loss)	\$ 2,022.56	\$ (33,153.22)
NON-OPERATING REVENUE (EXPENSE):		
Interest Earnings - Deposits	\$ 1,444.64	\$ 1,537.79
Interest Earnings - Bond Sinking Funds	5,575.08	5,189.64
Miscellaneous Adjustment	110.87	--
Interest Expense	(21,530.00)	(20,970.00)
Bond Paying Agent Fees	(100.00)	(100.00)
Total Non-operating Revenue (Expense)	\$ (14,499.41)	\$ (14,342.57)
Net Income	\$ (12,476.85)	\$ (47,495.79)
Fund Equity, October 1	2,532,977.31	2,315,297.92
Contributed Capital - T.C.D.P. Grant	150,010.00	257,788.18
Contributed Capital - Revenue Sharing	13,024.40	7,387.00
Contributed Capital - Capital Projects	68,835.80	--
Fund Equity, September 30	\$ 2,752,370.66	\$ 2,532,977.31

(The accompanying notes are an integral part of this financial statement.)

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 1986

NOTE 1: Summary of Significant Accounting Policies:

The City of Willis, Texas, operates under the Mayor-Alderman Form of government and provides the following services as authorized by state statute: public safety (police and fire), highways and streets, sanitation, recreation, education, public improvements, utilities (water and sanitary sewer) and general administrative services.

The following is a summary of the more significant accounting policies:

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 and account group 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). 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 transactions of the City are accounted for in the following funds and account groups:

Governmental Funds-

General Fund- This is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund- This fund is used to account for resources received under the Federal Revenue Sharing Program and the Texas Community Development Program Grant which are legally restricted to expenditures for specified purposes.

Debt Service Fund- This fund is used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.

Capital Projects Fund- This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1986

NOTE 1: (Continued)

Property, Plant, and Equipment-

Property, plant, and equipment of the Water and Sewer Utility Fund, including contributions from the municipality, are recorded at cost. Depreciation is provided using the straight-line method based on an estimated useful life of 33 1/3 years.

Memorandum Totals-

Totals captioned "Memorandum Only" are presented only as an aide to facilitate financial analysis and comparison. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2: Ad Valorem Property Taxes:

Ad valorem property tax is assessed on all taxable property within the corporate limits of the City as of January 1 each year not specifically exempted by state law or by the local governing body. Such taxes are generally levied on October 1 and are payable on or before January 31 of the following year. Ad valorem property taxes attach as an enforceable lien upon the property assessed. Net uncollected property taxes as of September 30, are not considered to be currently available and are, therefore, shown as deferred revenue. Penalties and interest are recorded as revenue when collected.

During the year ended September 30, 1986, the City levied an ad valorem tax for general governmental services of \$.30 per \$100 of assessed valuation which resulted in a tax levy of \$128,561.85 on the total assessed taxable valuation of \$ 42,853,950 for the 1985 tax year. Of the total \$.30 per \$100 valuation rate, \$.09 was allocated to general obligation debt retirement and \$.21 was allocated to general governmental services. State statutes allow the City to levy taxes up to a maximum of \$1.50 per \$100 of assessed valuation for general governmental services. Additionally, the City can levy taxes sufficient to meet the current general obligation debt service requirement.

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 1986

NOTE 3: Changes in Long-Term Debt

Following is a summary of bond and long-term debt transactions of the City for the year ended September 30, 1986:

	General Obligation	Revenue	Total
	-----	-----	-----
Bonds Payable, Oct. 1, 1985	\$ 175,000	\$ 345,000	\$ 520,000
Bonds Issued	800,000	--	800,000
Bonds Retired	(15,000)	(15,000)	(30,000)
	-----	-----	-----
Bonds Payable, Sept. 30, 1986	\$ 960,000	\$ 330,000	\$1,290,000
	=====	=====	=====

Bonds payable at September 30, 1986 are comprised of the following individual issues:

General Obligation Bonds-

\$220,000, 1975 Series, City of Willis General Obligation Bonds due serially in annual installments of \$5,000 July 1, 1976, \$10,000 July 1, 1977, and 1978, and \$15,000 July 1, 1979 through 1991. This issue bears interest as follows:
 \$15,000 total due July 1, 1976 and 1977 @ 6%;
 \$25,000 total due July 1, 1978 and 1979 @ 6.5%;
 and \$180,000 total due July 1, 1980 through 1991 @ 7%.

\$ 75,000

\$85,000, 1981 Series, City of Willis Combination Tax and Revenue Certificates of Obligation due serially in annual installments of \$25,000 September 1, 1992 through 1994 and \$10,000 September 1, 1995. The total issue bears interest from September 1, 1981 through August 31, 1982 @ 12%; from September 1, 1982 through August 31, 1983 @ 11%; from September 1, 1983 through August 31, 1984 @ 10%; from September 1, 1984 through August 31, 1985 @ 9%; and from September 1, 1985 to maturity at 8%.

85,000

\$800,000, 1986 Series, City of Willis Combination Tax and Revenue Certificates of Obligation due serially in annual installments beginning February 1, 1988. The annual principal amount due each year varies with a final installment of \$35,000 due February 1, 2001. The total issue bears interest of between 7.50% and 9.00%.

800,000

Total General Obligation Bonds

\$960,000
 =====

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 1986

NOTE 3: (Continued)

Revenue Bonds-

\$240,000, 1977 Series, City of Willis Waterworks and Sewer System Revenue Refunding and Improvement Bonds due serially in annual installments of \$10,000 August 1, 1978 through August 1, 1987 and \$15,000 August 1, 1988 through August 1, 1997. This issue bears interest as follows: \$40,000 total due August 1, 1978 through 1981 @ 4.5%; \$20,000 total due August 1, 1982 and 1983 @ 5%; \$100,000 total due August 1, 1984 through 1991 @ 6%; and \$80,000 total due August 1, 1985 through 1997 @ 6.5%.

\$160,000

\$250,000 1981 Series, City of Willis Waterworks and Sewer System Junior Lien Revenue Bonds due serially in annual installments of \$15,000 August 1, 1982 through August 1, 1986 and \$25,000 August 1, 1977. This issue bears interest at an annual rate of 5.6%.

\$170,000

Total Revenue Bonds

\$330,000

The next five years annual debt service requirements to amortize all bonds outstanding at September 30, 1986 are as follows:

Year Ending Sept 30	General Obligation		Revenue		Total
	Principal	Interest	Principal	Interest	
1987	15,000	98,034	25,000	18,920	156,954
1988	40,000	103,663	30,000	17,480	191,143
1989	45,000	105,133	30,000	16,020	196,158
1990	50,000	106,250	30,000	14,280	200,530
1991	55,000	101,213	30,000	12,540	198,753

NOTE 4: Significant Bond Resolution and Legal Requirements

Reserve Requirements-

The Waterworks and Sewer System Revenue Bond Series 1977 bond resolution requires the establishment of a reserve fund with an initial deposit of \$10,000. On or before the 20th day of each month thereafter, a minimum of \$300 shall be deposited until this account contains at least \$22,000. As of September 30, 1986 this reserve account contained cash and temporary investments of \$22,000.

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 1986

NOTE 4: (Continued)

The Waterworks and Sewer System Junior Lien Revenue Bond, Series 1981 bond resolution requires the establishment of a reserve fund into which the City shall deposit, on or before the 25th of each month, \$403 until such fund contains \$23,325. As of September 30, 1986 this reserve account contained cash and temporary investments of \$23,359.96.

Emergency Fund Requirement-

The Waterworks and Sewer System Revenue Bond, Series 1977 bond resolution requires the establishment of an emergency fund to cover repair on system extension for which other funds are not available. Minimum monthly deposits of \$200 are required until this fund contains \$5,000. At September 30, 1986 this emergency fund account contained \$5,772.64 in cash and temporary investments.

NOTE 5: Restricted Assets

Cash and temporary investments restricted for revenue bond reserves, emergency funds, and retirement of bonded indebtedness at September 30, 1986 are as follows:

Waterworks and Sewer System Revenue Bonds, Series 1977-	
Interest and Sinking Fund-	
Cash	\$ 19,177.07
Reserve Fund-	
Temporary Investments	27,000.00
Emergency Fund-	
Temporary Investments	5,772.64

Total	\$ 46,949.71

Waterworks and Sewer System Junior Lien Revenue Bond, Series 1981-	
Interest and Sinking Fund-	
Cash	\$ 8,706.85
Reserve Fund-	
Temporary Investments	23,359.96

Total	\$ 32,066.81

Total Restricted Assets	\$ 79,016.52
	=====

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1986

NOTE 6: Revenue Sharing Fund Expenditures for General
and Utility Funds

Of the \$21,439.90 in Revenue Sharing Fund expenditures made during the year ended September 30, 1986, \$8,415.50 was used for the purchase of office equipment and \$13,024.40 was used for the purchase of utility equipment.

NOTE 7: T.C.D.P. Grant-Contract No. 595547084 and S705999
Statement on Internal Accounting Controls

We evaluated internal accounting controls deemed significant to have a material relationship to the financial statements of the City of Willis as they relate to the Texas Community Development Program, Contract No. 595547084 and S705999, including the controls for payroll, cash receipts, cash disbursements, budgeting, and fixed asset accounting.

The objectives of an internal controls system are to provide reasonable and cost effective, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with proper authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Since our study and evaluation was made for limited purposes and would not necessarily disclose all material weaknesses in the system, we do not express an opinion on the system of internal accounting control of the City of Willis taken as a whole. Our study disclosed no weaknesses in those areas tested that would be material in relation to the financial statements of the City of Willis or the T.C.D.P. Contract.

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1986

NOTE 8: T.C.D.P. Grant - Contract No. 595547084 and S705999
Statement on Compliance Matters

This statement relates to the financial and program compliance of the City of Willis for the T.C.D.P. Contract presented on the special schedules contained in this report. Our examination, as explained in the last paragraph of our report letter, disclosed no areas of noncompliance with either laws, rules, regulations, or agreements in effect for the contract period indicated.

CITY OF WILLIS, TEXAS
 GENERAL FUND
 BALANCE SHEET
 SEPTEMBER 30, 1986 and 1985

	1986	1985
	-----	-----
ASSETS:		
Cash	\$ (326.51)	\$ (3,113.54)
Temporary Investments	81,133.87	97,607.68
Receivables-		
Accrued Interest	729.28	--
Property Tax	66,819.49	64,411.74
Allowance for Uncollectible Tax	(6,681.95)	(6,441.17)
Due From Other Funds-		
Water and Sewer Utility	46,728.59	72,275.93
Capital Projects	100.00	--
	-----	-----
Total Assets	\$ 188,502.77	\$ 224,740.64
	=====	=====
LIABILITIES:		
Accounts Payable	\$ 8,141.08	\$ 14,288.64
Due to State	2,473.22	1,866.22
Appearance Bonds Payable	695.00	534.00
Due to Other Funds	3,943.98	5,179.54
Deferred Revenue	60,137.54	57,970.57
	-----	-----
Total Liabilities	\$ 75,390.82	\$ 79,838.97
FUND EQUITY:		
Unreserved Fund Balance	113,111.95	144,901.67
	-----	-----
Total Liabilities and Fund Equity	\$ 188,502.77	\$ 224,740.64
	=====	=====

(The accompanying notes are an integral part of this financial statement.)

CITY OF WILLIS, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 1986

	1986			(Memo)
	Budget	Actual	Variance- Favorable Unfavorable	1985 Actual
REVENUES:				
Ad Valorem Tax	\$ 143,625.00	\$ 107,457.74	\$ (36,167.26)	\$ 116,909.61
City Sales Tax	87,000.00	130,507.93	43,507.93	88,622.78
Franchise Tax, Street Rental	80,000.00	87,658.93	7,658.93	84,097.36
Sanitation and Landfill	64,400.00	69,446.09	5,046.09	56,997.35
Fines and Court Costs	35,600.00	38,347.70	2,747.70	27,671.95
Permits and License	10,150.00	10,377.49	227.49	9,755.56
Industrial Development Corporation	--	--	--	1,000.00
Miscellaneous	600.00	1,469.86	869.86	875.35
Interest Earned	3,500.00	6,442.72	2,942.72	3,652.90
Total Revenues	\$ 424,875.00	\$ 451,708.46	\$ 26,833.46	\$ 389,582.86
EXPENDITURES:				
City General	\$ 78,100.00	\$ 80,533.96	\$ (2,433.96)	\$ 52,028.99
City Office	100,950.00	78,774.60	22,175.40	78,184.17
Police Department	150,871.00	148,323.55	2,547.45	125,305.70
Sanitation	26,600.00	19,146.83	7,453.17	18,488.42
Landfill	37,800.00	15,992.29	21,807.71	39,073.87
Street Department	80,400.00	140,128.95	(59,728.95)	46,705.35
Total Expenditures	\$ 474,721.00	\$ 482,900.18	\$ (8,179.18)	\$ 359,786.50
Excess (Deficiency) of Revenues Over Expenditures	\$ (49,846.00)	\$ (31,191.72)	\$ 18,654.28	\$ 29,796.36
OTHER SOURCES AND (USES):				
Transferred to Grant Fund		(802.30)		--
Miscellaneous Adjustments		204.30		13.25
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses		\$ (31,789.72)		\$ 29,809.61
Fund Balance, October 1		144,901.67		115,092.06
Fund Balance, September 30		\$ 113,111.95		\$ 144,901.67

(The accompanying notes are an integral part of this financial statement.)

CITY OF WILLIS, TEXAS
GENERAL FUND
STATEMENT OF EXPENDITURES WITH BUDGET COMPARISON
FOR THE YEAR ENDED SEPTEMBER 30, 1986

	1986			(Memo)
	Budget	Actual	Variance- Favorable (Unfavorable)	1985 Actual
CITY GENERAL:				
Purchased & Contracted Services	\$ 22,300.00	\$ 27,651.51	\$ (5,351.51)	\$ 19,925.03
Maintenance & Repairs	13,000.00	4,193.16	8,806.84	3,163.59
Other Operating Costs	42,800.00	48,689.29	(5,889.29)	28,940.37
Total City General	\$ 78,100.00	\$ 80,533.96	\$ (2,433.96)	\$ 52,028.99
CITY OFFICE:				
Personnel	\$ 49,650.00	\$ 48,769.87	\$ 880.13	\$ 46,138.12
Purchased & Contracted Services	4,000.00	3,134.91	865.09	3,390.32
Maintenance & Repairs	3,000.00	1,387.18	1,612.82	987.10
Supplies & Materials	7,500.00	6,422.66	1,077.34	3,401.01
Utilities	6,000.00	6,617.48	(617.48)	5,853.44
Other Operating Costs	10,800.00	10,800.00	--	10,400.00
Capital Outlay	20,000.00	1,642.50	18,357.50	8,014.18
Total City Office	\$ 100,950.00	\$ 78,774.60	\$ 22,175.40	\$ 78,184.17
POLICE DEPARTMENT:				
Personnel	\$ 111,971.00	\$ 110,272.52	\$ 1,698.48	\$ 90,154.19
Purchased & Contracted Services	1,200.00	1,300.00	(100.00)	900.00
Vehicles	15,000.00	16,907.31	(1,907.31)	15,450.20
Supplies & Materials	6,000.00	4,145.76	1,854.24	4,480.78
Telephone	2,500.00	4,936.94	(2,436.94)	4,449.48
Other Operating Costs	7,000.00	6,016.61	983.39	7,345.00
Capital Outlay	7,200.00	4,744.41	2,455.59	2,526.05
Total Police Department	\$ 150,871.00	\$ 148,323.55	\$ 2,547.45	\$ 125,305.70
SANITATION DEPARTMENT:				
Personnel	\$ 16,600.00	\$ 5,732.18	\$ 10,867.82	\$ 4,871.80
Purchased & Contracted Services	--	8,058.66	(8,058.66)	8,255.32
Vehicles	8,000.00	5,349.55	2,650.45	5,079.73
Maintenance & Repairs	2,000.00	6.44	1,993.56	281.57
Total Sanitation Department	\$ 26,600.00	\$ 19,146.83	\$ 7,453.17	\$ 18,488.42
LANDFILL:				
Purchased & Contracted Services	\$ 16,800.00	\$ 5,482.07	\$ 11,317.93	\$ 17,478.59
Maintenance & Repairs	5,000.00	1,750.55	3,249.45	4,505.66
Utilities	1,000.00	125.40	874.60	537.84
Other Operating Costs	15,000.00	8,634.27	6,365.73	16,551.78
Total Landfill Department	\$ 37,800.00	\$ 15,992.29	\$ 21,807.71	\$ 39,073.87

CITY OF WILLIS, TEXAS
 GENERAL FUND
 STATEMENT OF EXPENDITURES WITH BUDGET COMPARISON (Continued)
 FOR THE YEAR ENDED SEPTEMBER 30, 1986

	1986		Variance- Favorable (Unfavorable)	(Memo) 1985 Actual
	Budget	Actual		
STREET DEPARTMENT:				
Personnel	\$ 19,400.00	\$ 35,603.47	\$ (16,203.47)	\$ 7,760.70
Purchased & Contracted Services	7,400.00	4,461.66	2,938.34	7,398.33
Vehicles	3,500.00	2,614.54	885.46	210.74
Maintenance & Repairs	3,000.00	3,612.35	(612.35)	1,078.82
Supplies & Materials	7,500.00	15,185.24	(7,685.24)	8,621.12
Utilities	23,000.00	20,365.59	2,634.41	20,810.64
Other Operating Costs	2,000.00	1,800.00	200.00	825.00
Capital Outlay	14,600.00	56,486.10	(41,886.10)	--
Total Street Department	\$ 80,400.00	\$ 140,128.95	\$ (59,728.95)	\$ 46,705.35
Total Expenditures	\$ 474,721.00	\$ 482,900.18	\$ (8,179.18)	\$ 359,786.50

(The accompanying notes are an integral part of this financial statement.)

CITY OF WILLIS, TEXAS
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED SEPTEMBER 30, 1986

Grant or Program Title -----	Identification Number -----	Program or Award Amount -----	Accrued/Deferred Revenue 10/01/85 -----
Federal Revenue Sharing	44-2-170-002	\$ 28,261.00	\$ 3,157.78
Texas Department of Community Affairs - Planning Grant	595547084	19,100.00	--
Texas Department of Community Affairs - Sewer Improvement Grant	S705999	317,340.00	--

Receipts/ Revenue Realized	Disbursements/ Expenditures	Accrued/Deferred Revenue 9/30/86	Questioned Costs or Matters of Non-compliance
-----	-----	-----	-----
\$ 28,261.00	\$ 21,439.90	\$ 9,978.88	None came to our attention
19,100.00	19,100.00	--	None came to our attention
44,230.00	41,221.30	3,008.70	None came to our attention

CITY OF WILLIS, TEXAS
SPECIAL REVENUE FUND
T.C.D.P. GRANT - CONTRACT NO. 595547084 & S705999
BALANCE SHEET
SEPTEMBER 30, 1986

	1986	1985
	-----	-----
ASSETS:		
Cash	\$ 3,058.30	\$ 49.60
Due from State	115,808.40	--
	-----	-----
Total Assets	\$ 118,866.70	\$ 49.60
	=====	=====
LIABILITIES:		
Accounts Payable	\$ 118,817.10	\$ --
Due to Other Funds	49.60	49.60
	-----	-----
Total Liabilities	\$ 118,866.70	\$ 49.60
	=====	=====
FUND EQUITY:		
Fund Balance	--	--
	-----	-----
Total Liabilities and Fund Equity	\$ 118,866.70	\$ 49.60
	=====	=====

T.C.D.P. GRANT - CONTRACT NO. 595547084 & S705999
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 1986

	1986			
	-----	-----	-----	-----
	Budget	Actual	Variance- Favorable (Unfavorable)	1985 Actual
	-----	-----	-----	-----
REVENUES:				
T.C.D.P. Grant	\$ 336,440.00	\$ 179,138.40	\$ (157,301.60)	\$ 87,432.51
	-----	-----	-----	-----
EXPENDITURES:				
Water & Sewer Facilities-Grant	\$ 274,040.00	\$ 130,269.60	\$ 143,770.40	\$ 77,932.51
Water & Sewer Facilities-Local	80,000.00	35,422.50	44,577.50	8,492.96
Engineering Fees-Grant	28,300.00	20,542.70	7,757.30	--
Administration-Grant	34,100.00	28,326.10	5,773.90	--
Administration-Local	5,000.00	802.30	4,197.70	9,500.00
	-----	-----	-----	-----
Total Expenditures	\$ 421,440.00	\$ 215,363.20	\$ 206,076.80	\$ 95,925.47
	-----	-----	-----	-----
Excess (Deficiency) of Revenues Over Expenditures	\$ (85,000.00)	\$ (36,224.80)	\$ 48,775.20	\$ (8,492.96)
	-----	-----	-----	-----
OTHER SOURCES AND (USES):				
Transfer of Local Funds	85,000.00	36,224.80	(48,775.20)	8,492.96
	-----	-----	-----	-----
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ --	\$ --	\$ --	\$ --
	=====	=====	=====	=====
Fund Balance, October 1	--	--	--	--
	-----	-----	-----	-----
Fund Balance, September 30	\$ --	\$ --	\$ --	\$ --
	=====	=====	=====	=====

(The accompanying notes are an integral part of this financial statement.)

CITY OF WILLIS, TEXAS
SPECIAL REVENUE FUND
T.C.D.P. PLANNING GRANT - CONTRACT NO. 595547084
COMPARISON OF BUDGET WITH ACTUAL RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1986

	Project Budget	Project Actual		Project Total	Variance Favorable (Unfavorable)
		10-15-84 To 9-30-85	10-01-85 To 9-30-86		
RECEIPTS:					
T.C.D.P. Grant	\$ 19,100.00	\$ --	\$ 19,100.00	\$ 19,100.00	\$ --
DISBURSEMENTS - T.C.D.P. GRANT:					
Water System	\$ 5,000.00	\$ --	\$ 5,000.00	\$ 5,000.00	\$ --
Drainage System	4,000.00	--	4,000.00	4,000.00	--
Streets	3,000.00	--	3,000.00	3,000.00	--
Economic Development	4,000.00	--	4,000.00	4,000.00	--
Parks	1,100.00	--	1,100.00	1,100.00	--
Capital Improvements	2,000.00	--	2,000.00	2,000.00	--
Total Disbursements	\$ 19,100.00	\$ --	\$ 19,100.00	\$ 19,100.00	\$ --
Excess (Deficiency) of Receipts Over Disbursements	\$ --	\$ --	\$ --	\$ --	\$ --
Project Balance 9-30-85		--	--	--	
Project Balance 9-30-86			\$ --	\$ --	

(The accompanying notes are an integral part of this financial statement.)

CITY OF WILLIS, TEXAS
SPECIAL REVENUE FUND
T.C.D.P. SEWER IMPROVEMENT GRANT - CONTRACT NO. S705999
COMPARISON OF BUDGET WITH ACTUAL RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1986

	Budget	Project Actual 11-15-85 To 9-30-86	Variance Favorable (Unfavorable)
	-----	-----	-----
RECEIPTS:			
T.C.D.P. Grant	\$ 317,340.00	\$ 44,230.00	\$ (273,110.00)
Local Sources	85,000.00	802.30	(84,197.70)
	-----	-----	-----
Total Receipts	\$ 402,340.00	\$ 45,032.30	\$ (357,307.70)
	-----	-----	-----
DISBURSEMENTS - T.C.D.P. GRANT:			
Water & Sewer Facilities	\$ 274,040.00	\$ 17,752.50	\$ 256,287.50
Engineering Fees	28,300.00	20,542.70	7,757.30
Administration	15,000.00	2,926.10	12,073.90
	-----	-----	-----
Total Grant Disbursements	\$ 317,340.00	\$ 41,221.30	\$ 276,118.70
	-----	-----	-----
DISBURSEMENTS - LOCAL SOURCES:			
Water & Sewer Facilities	\$ 80,000.00	\$ --	\$ 80,000.00
Administration	5,000.00	802.30	4,197.70
	-----	-----	-----
Total Local Disbursements	\$ 85,000.00	\$ 802.30	\$ 84,197.70
	-----	-----	-----
Total Project Disbursements	\$ 402,340.00	\$ 42,023.60	\$ 360,316.40
	-----	-----	-----
Excess (Deficiency) of Receipts Over Disbursements	\$ --	\$ 3,008.70	\$ 3,008.70
	=====	-----	=====
Project Balance 9-30-85		--	

Project Balance 9-30-86		\$ 3,008.70	
		=====	

(The accompanying notes are an integral part of this financial statement.)

CITY OF WILLIS, TEXAS
 DEBT SERVICE FUND
 BALANCE SHEET
 SEPTEMBER 30, 1986 AND 1985

	1986	1985
	-----	-----
ASSETS:		
Cash	\$ 1,520.62	\$ 1,221.47
Due From Other Funds	11,587.04	5,179.54
	-----	-----
Total Assets	\$ 13,107.66	\$ 6,401.01
	=====	=====
FUND BALANCE:		
Reserved for Retirement of Bonded Debt	\$ 13,107.66	\$ 6,401.01
	=====	=====

STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED SEPTEMBER 30, 1986

	1986			
	-----	-----	-----	-----
	Budget	Actual	Variance- Favorable (Unfavorable)	(Memo) 1985 Actual
	-----	-----	-----	-----
REVENUES:				
Ad Valorem Taxes	\$ 29,150.00	\$ 26,864.44	\$ (2,285.56)	\$ 35,179.54
Interest Earned	--	299.15	299.15	190.90
	-----	-----	-----	-----
Total Revenues	\$ 29,150.00	\$ 27,163.59	\$ (1,986.41)	\$ 35,370.44
	-----	-----	-----	-----
EXPENDITURES:				
Bond Principal	\$ 15,000.00	\$ 15,000.00	\$ --	\$ 15,000.00
Interest	14,150.00	13,100.00	1,050.00	15,000.00
	-----	-----	-----	-----
Total Expenditures	\$ 29,150.00	\$ 28,100.00	\$ 1,050.00	\$ 30,000.00
	-----	-----	-----	-----
Excess of Revenues Over Expenditures	\$ --	\$ (936.41)	\$ (936.41)	\$ 5,370.44
	=====	=====	=====	-----
OTHER SOURCES AND (USES):				
Sale of Bonds		7,643.06		--
Fund Balance, October 1		6,401.01		1,030.57
		-----		-----
Fund Balance, September 30		\$ 13,107.66		\$ 6,401.01
		=====		=====

(The accompanying notes are an integral part of this financial statement.)

CITY OF WILLIS, TEXAS
 CAPITAL PROJECTS FUND
 BALANCE SHEET
 SEPTEMBER 30, 1986 AND 1985

	1986	1985
	-----	-----
ASSETS:		
Cash	\$ 571.40	\$ --
Temporary Investments	556,818.55	--
Interest Receivable	1,850.02	--
	-----	-----
Total Assets	\$ 559,239.97	\$ --
	=====	=====
LIABILITIES:		
Accounts Payable	\$ 24,396.05	\$ --
Due to Other Funds	7,743.06	--
	-----	-----
Total Liabilities	\$ 32,139.11	\$ --
	=====	=====
FUND EQUITY:		
Reserve for Authorized Construction	527,100.86	--
	-----	-----
Total Liabilities and Fund Equity	\$ 559,239.97	\$ --
	=====	=====

STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED SEPTEMBER 30, 1986

	1986			
	-----	-----	-----	
	Budget	Actual	Variance- Favorable (Unfavorable)	(Memo) 1985 Actual
	-----	-----	-----	-----
REVENUES:				
Sale of Bonds	\$ 750,000.00	\$ 775,750.00	\$ 25,750.00	\$ --
Interest Earned	--	11,945.23	11,945.23	--
	-----	-----	-----	-----
Total Revenues	\$ 750,000.00	\$ 787,695.23	\$ 37,695.23	\$ --
	-----	-----	-----	-----
EXPENDITURES:				
Street Improvements	\$ 400,000.00	\$ 186,544.89	\$ 213,455.11	\$ --
Municipal Sewer System	350,000.00	31,438.02	318,561.98	--
Bond Issuance Costs	--	7,188.96	(7,188.96)	--
	-----	-----	-----	-----
Total Expenditures	\$ 750,000.00	\$ 225,171.87	\$ 524,828.13	\$ --
	-----	-----	-----	-----
Excess of Revenues Over Expenditures	\$ --	\$ 562,523.36	\$ 562,523.36	\$ --
	=====	=====	=====	=====
OTHER SOURCES AND (USES):				
Transfer to Other Funds		(35,422.50)		--
Fund Balance, October 1		--		--
	-----	-----	-----	-----
Fund Balance, September 30		\$ 527,100.86		\$ --
	=====	=====	=====	=====

(The accompanying notes are an integral part of this financial statement.)

CITY OF WILLIS, TEXAS
WATER AND SEWER UTILITY FUND
BALANCE SHEET
SEPTEMBER 30, 1986

	1986	1985
	-----	-----
ASSETS:		
Current Assets-		
Cash	\$ 10,979.05	\$ 8,463.53
Temporary Investments	14,500.00	14,500.00
Service Accounts Receivable	77,173.50	68,217.62
Returned Checks	523.48	355.51
Allowance for Uncollectible Accounts	(3,000.00)	(3,000.00)
Due From Grant Fund	49.60	49.60
	-----	-----
Total Current Assets	\$ 100,225.63	\$ 88,586.26
	-----	-----
Property Plant & Equipment-		
Utility System in Service	\$ 3,784,267.20	\$ 3,527,511.34
Accumulated Depreciation	(804,920.14)	(697,957.50)
	-----	-----
Total Property, Plant & Equipment	\$ 2,979,347.06	\$ 2,829,553.84
	-----	-----
Restricted Assets-		
1977 Water & Sewer Revenue Bond Fund	\$ 46,949.71	\$ 35,510.65
1981 Water & Sewer Jr. Lien Revenue Bond Fund	32,066.81	27,466.72
	-----	-----
Total Restricted Assets	\$ 79,016.52	\$ 62,977.37
	-----	-----
Total Assets	\$ 3,158,589.21	\$ 2,981,117.47
	=====	=====
LIABILITIES:		
Current Liabilities-		
Accounts Payable	\$ 5,017.78	\$ 8,659.55
Bond Interest Payable	3,200.00	3,440.00
Customer Deposits Payable	21,272.18	18,764.68
Revenue Bonds Payable (Current)	35,000.00	25,000.00
Due to General Fund	46,728.59	72,275.93
	-----	-----
Total Current Liabilities	\$ 111,218.55	\$ 128,140.16
	-----	-----
Long-Term Liabilities-		
Revenue Bonds-Future Maturities	295,000.00	320,000.00
	-----	-----
Total Liabilities	\$ 406,218.55	\$ 448,140.16
	-----	-----
FUND EQUITY:		
Contributed Capital	\$ 2,749,308.35	\$ 2,517,438.15
	-----	-----
Retained Earnings-		
Reserved for Retirement of Revenue Bonds	79,016.52	62,977.37
Unreserved	(75,954.21)	(47,438.21)
	-----	-----
Total Fund Equity	\$ 2,752,370.66	\$ 2,532,977.31
	-----	-----
Total Liabilities & Fund Equity	\$ 3,158,589.21	\$ 2,981,117.47
	=====	=====

(The accompanying notes are an integral part of this financial statement.)

CITY OF WILLIS, TEXAS
WATER AND SEWER UTILITY FUND
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 1986

	1986			(Memo)
	Water Department	Sewer Department	Total	1985 Actual
OPERATING REVENUE:				
Charges for Water & Sewer Service	\$ 155,975.90	\$ 132,614.26	\$ 288,590.16	\$ 238,734.42
Water & Sewer Connections	9,755.81	5,420.00	15,175.81	18,456.95
Late Payment Penalties	6,038.42	5,134.00	11,172.42	8,253.42
Service Charges	2,395.00	2,395.00	4,790.00	5,646.00
Inspection Fees	--	1,150.00	1,150.00	700.00
Total Operating Revenue	\$ 174,165.13	\$ 146,713.26	\$ 320,878.39	\$ 271,790.79
OPERATING EXPENSE:				
Personnel	\$ 37,123.28	\$ 37,185.09	\$ 74,308.37	\$ 78,573.27
Contracted Services	1,189.73	2,578.90	3,768.63	2,381.44
Maintenance and Repairs	13,414.45	26,109.55	39,524.00	35,642.87
Utilities	20,112.09	26,278.60	46,390.69	43,355.57
Supplies and Materials	21,667.95	5,119.45	26,787.40	21,200.90
Vehicles	5,961.01	6,036.84	11,997.85	8,986.93
Other Operating Expense	4,521.25	4,595.00	9,116.25	8,977.69
Depreciation	53,481.32	53,481.32	106,962.64	105,825.34
Total Operating Expense	\$ 157,471.08	\$ 161,384.75	\$ 318,855.83	\$ 304,944.01
Operating Income (Loss)	\$ 16,694.05	\$ (14,671.49)	\$ 2,022.56	\$ (33,153.22)
NON-OPERATING REVENUE (EXPENSE):				
Interest Earnings - Deposits			\$ 1,444.64	\$ 1,537.79
Interest Earnings - Bond Sinking Funds			5,575.08	5,189.64
Miscellaneous Adjustment			110.87	--
Interest Expense			(21,530.00)	(20,970.00)
Bond Paying Agent Fees			(100.00)	(100.00)
Total Non-operating Revenue (Expense)			\$ (14,499.41)	\$ (14,342.57)
Net Income			\$ (12,476.85)	\$ (47,495.79)
Fund Equity, October 1			2,532,977.31	2,315,297.92
Contributed Capital - T.C.D.P. Grant			150,010.00	257,788.18
Contributed Capital - Revenue Sharing			13,024.40	7,387.00
Contributed Capital - Capital Projects			68,835.80	--
Fund Equity, September 30			\$ 2,752,370.66	\$ 2,532,977.31

(The accompanying notes are an integral part of this financial statement.)

CITY OF WILLIS, TEXAS
WATER AND SEWER UTILITY FUND
STATEMENT OF CHANGES IN FINANCIAL POSITION - CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 1986

Cash, October 1, 1985 \$ 22,963.53

Sources of Cash:

Net Income	\$ (12,476.85)
Add (Deduct) Non-Cash Items And Changes Not Affecting Net Income-	
Depreciation	106,962.64
Increase in Accounts Receivable	(9,123.85)
Decrease in Accounts Payable	(3,641.77)
Increase in Customer Deposits	2,507.50
Decrease in Bond Interest Payable	(240.00)

Total Sources of Cash \$ 83,987.67

Application of Cash:

Invested in Property, Plant & Equipment	\$ 24,885.66
Increase in Restricted Assets	16,039.15
Decrease in Amount Due to General Fund	25,547.34
Retirement of Revenue Bond Principal	15,000.00

Total Application of Cash 81,472.15

Net Increase in Cash 2,515.52

Cash, September 30, 1986 \$ 25,479.05

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(The accompanying notes are an integral part of this financial statement.)

SUPPLEMENTAL INFORMATION

CITY OF WILLIS, TEXAS
 ANALYSIS OF CHANGES IN PROPERTY TAXES RECEIVABLE
 FOR THE YEAR ENDED SEPTEMBER 30, 1986

Taxes Receivable, 10-1-85		\$ 64,411.74
1985 Original Roll	\$ 128,561.85	
Errors and Corrections	(1,574.43)	126,987.42
	<u> </u>	<u> </u>
Total Taxes to be Accounted for		\$ 191,399.16

Tax Collections		
1985	\$ 107,659.10	
1984	6,613.32	
1983	2,379.88	
1982	2,420.72	
1981 and prior	5,506.65	124,579.67
	<u> </u>	<u> </u>

Taxes Receivable, 9-30-86		\$ 66,819.49
		<u> </u>

Taxes Receivable by Year of Assessment		
1985	\$ 19,328.32	
1984	11,223.90	
1983	7,323.43	
1982	6,708.56	
1981 and prior	22,235.28	
	<u> </u>	

Taxes Receivable, 9-30-86		\$ 66,819.49
		<u> </u>

Year of Assessment	1985	1984	1983	1982
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assessed Valuation	\$ 42,853,950	\$ 34,658,020	\$ 31,916,600	\$ 28,369,990
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Tax Rate Per \$100 Valuation	\$.30	\$.38	\$.37	\$.38
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assessment	\$ 128,561.85	\$ 131,700.48	\$ 118,091.42	\$ 107,805.96
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

CITY OF WILLIS, TEXAS
WATER AND SEWER UTILITY FUND
SCHEDULE OF WATER USAGE AND NUMBER OF CUSTOMER SERVED
FOR THE YEAR ENDED SEPTEMBER 30, 1986

Month	Water Usage In Gallons		Number of Customers Served	
	Pumped	Sold	Water	Sewer
October, 1985	10,824,800	8,945,410	925	805
November, 1985	10,632,900	9,120,600	931	811
December, 1985	10,777,100	6,964,270	933	812
January, 1986	10,130,200	10,576,500	937	834
February, 1986	9,229,100	8,309,590	944	836
March, 1986	11,374,600	7,643,100	941	885
April, 1986	11,531,100	9,862,950	959	851
May, 1986	11,243,600	10,678,240	961	856
June, 1986	10,085,800	8,565,030	969	864
July, 1986	15,941,400	9,716,530	966	864
August, 1986	16,184,600	15,625,290	967	860
September, 1986	11,536,100	9,160,280	965	859
Total	139,491,300	115,167,790		
Average	11,624,275	9,597,316	950	845

CITY OF WILLIS, TEXAS
 REPAYMENT SCHEDULE - 1975 SERIES
 GENERAL OBLIGATION BONDS

Fiscal Year Ending Sept. 30	Bond Numbers	Interest Rate	Semi-Annual Interest Due		Annual Principal Due July 1	Total Annual Requirements
			January 1	July 1		
1976	1	6.00%	\$ 7,562.50	\$ 7,562.50	\$ 5,000.00	\$ 20,125.00
1977	2-3	"	7,412.50	7,412.50	10,000.00	24,825.00
1978	4-5	6.50%	7,112.50	7,112.50	10,000.00	24,225.00
1979	6-8	"	6,787.50	6,787.50	15,000.00	28,575.00
1980	9-11	7.00%	6,300.00	6,300.00	15,000.00	27,600.00
1981	12-14	"	5,775.00	5,775.00	15,000.00	26,550.00
1982	15-17	"	5,250.00	5,250.00	15,000.00	25,500.00
1983	18-20	"	4,725.00	4,725.00	15,000.00	24,450.00
1984	21-23	"	4,200.00	4,200.00	15,000.00	23,400.00
1985	24-26	"	3,675.00	3,675.00	15,000.00	22,350.00
1986	27-29	"	3,150.00	3,150.00	15,000.00	21,300.00
1987	30-32	"	2,625.00	2,625.00	15,000.00	20,250.00
1988	33-35	"	2,100.00	2,100.00	15,000.00	19,200.00
1989	36-38	"	1,575.00	1,575.00	15,000.00	18,150.00
1990	39-41	"	1,050.00	1,050.00	15,000.00	17,100.00
1991	42-44	"	525.00	525.00	15,000.00	16,050.00
Total			\$ 69,825.00	\$ 69,825.00	\$ 220,000.00	\$ 359,650.00

Paying Agent: Willis Bank of Texas
 Willis, Texas
 Bonds Dated: July 1, 1975
 Option: Bonds maturing July 1, 1988 through 1991 are optional
 for redemption on July 1, 1987 in inverse numerical
 order at par.

CITY OF WILLIS, TEXAS
 REPAYMENT SCHEDULE - 1981 SERIES
 COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION

Fiscal Year Ending Sept. 30	Interest Rate	Semi-Annual Interest Due		Annual Principal Due September 1	Total Annual Requirements
		March 1	September 1		
1982	12%	\$ 5,100.00	\$ 5,100.00	\$ --	\$ 10,200.00
1983	11%	4,675.00	4,675.00	--	9,350.00
1984	10%	4,250.00	4,250.00	--	8,500.00
1985	9%	3,825.00	3,825.00	--	7,650.00
1986	8%	3,400.00	3,400.00	--	6,800.00
1987	"	3,400.00	3,400.00	--	6,800.00
1988	"	3,400.00	3,400.00	--	6,800.00
1989	"	3,400.00	3,400.00	--	6,800.00
1990	"	3,400.00	3,400.00	--	6,800.00
1991	"	3,400.00	3,400.00	--	6,800.00
1992	"	3,400.00	3,400.00	25,000.00	31,800.00
1993	"	2,400.00	2,400.00	25,000.00	29,800.00
1994	"	1,400.00	1,400.00	25,000.00	27,800.00
1995	"	400.00	400.00	10,000.00	10,800.00
Total		\$ 45,850.00	\$ 45,850.00	\$ 85,000.00	\$ 176,700.00

Total Amount of Issue: \$ 85,000.00
 Paying Agent: Willis Bank of Texas
 Willis, Texas
 Prepayment Option: September 1, 1986 or any interest
 payment date thereafter.

CITY OF WILLIS, TEXAS
 REPAYMENT SCHEDULE - 1977 SERIES
 WATERWORKS AND SEWER SYSTEM REVENUE
 REFUNDING AND IMPROVEMENT BONDS

Fiscal Year Ending Sept. 30	Bond Numbers	Interest Rate	Semi-Annual Interest Due		Annual Principal Due August 1	Total Annual Requirements
			February 1	August 1		
1978	1-2	4.5%	\$ 7,622.22	\$ 7,000.00	\$ 10,000.00	\$ 24,622.22
1979	3-4	"	6,775.00	6,775.00	10,000.00	23,550.00
1980	5-6	"	6,550.00	6,550.00	10,000.00	23,100.00
1981	7-8	"	6,325.00	6,325.00	10,000.00	22,650.00
1982	9-10	5.0%	6,100.00	6,100.00	10,000.00	22,200.00
1983	11-12	"	5,850.00	5,850.00	10,000.00	21,700.00
1984	13-14	6.0%	5,600.00	5,600.00	10,000.00	21,200.00
1985	15-16	"	5,300.00	5,300.00	10,000.00	20,600.00
1986	17-18	"	5,000.00	5,000.00	10,000.00	20,000.00
1987	19-20	"	4,700.00	4,700.00	10,000.00	19,400.00
1988	21-23	"	4,400.00	4,400.00	15,000.00	23,800.00
1989	24-26	"	3,950.00	3,950.00	15,000.00	22,900.00
1990	27-29	"	3,500.00	3,500.00	15,000.00	22,000.00
1991	30-32	"	3,050.00	3,050.00	15,000.00	21,100.00
1992	33-35	6.5%	2,600.00	2,600.00	15,000.00	20,200.00
1993	36-38	"	2,112.50	2,112.50	15,000.00	19,225.00
1994	39-41	"	1,625.00	1,625.00	15,000.00	18,250.00
1995	42-44	"	1,137.50	1,137.50	15,000.00	17,275.00
1996	45-57	"	650.00	650.00	15,000.00	16,300.00
1997	58	"	162.50	162.50	5,000.00	5,325.00
Total			\$ 83,009.72	\$ 82,387.50	\$ 240,000.00	\$ 405,397.22

Total Amount of Issue: \$240,000.00
 Date of Issue: July 15, 1977
 Paying Agent: Willis Bank of Texas
 Willis, Texas
 Prepayment Option: August 1, 1987 or any interest
 payment date thereafter.

CITY OF WILLIS, TEXAS
 REPAYMENT SCHEDULE - 1981 SERIES
 WATERWORKS AND SEWER SYSTEM
 JUNIOR LIEN REVENUE BONDS

Fiscal Year Ending Sept. 30	Bond Numbers	Interest Rate	Semi-Annual Interest Due		Annual Principal Due August 1	Total Annual Requirements
			February 1	August 1		
1982	1-3	5.60%	\$ 7,000.00	\$ 7,000.00	\$ 15,000.00	\$ 29,000.00
1983	4-6	"	6,580.00	6,580.00	15,000.00	28,160.00
1984	7-9	"	6,160.00	6,160.00	15,000.00	27,320.00
1985	10-12	"	5,740.00	5,740.00	15,000.00	26,480.00
1986	13-15	"	5,320.00	5,320.00	15,000.00	25,640.00
1987	16-18	"	4,900.00	4,900.00	15,000.00	24,800.00
1988	19-21	"	4,480.00	4,480.00	15,000.00	23,960.00
1989	22-24	"	4,060.00	4,060.00	15,000.00	23,120.00
1990	25-27	"	3,640.00	3,640.00	15,000.00	22,280.00
1991	28-30	"	3,220.00	3,220.00	15,000.00	21,440.00
1992	31-33	"	2,800.00	2,800.00	15,000.00	20,600.00
1993	34-36	"	2,380.00	2,380.00	15,000.00	19,760.00
1994	37-39	"	1,960.00	1,960.00	15,000.00	18,920.00
1995	40-42	"	1,540.00	1,540.00	15,000.00	18,080.00
1996	43-45	"	1,120.00	1,120.00	15,000.00	17,240.00
1997	46-50	"	700.00	700.00	20,000.00 *	21,400.00
Total			\$ 61,600.00	\$ 61,600.00	\$ 245,000.00	\$ 368,200.00

Total Amount of Issue: \$ 250,000.00
 Date of Issue: August 1, 1981
 Paying Agent: American National Bank
 Austin, Texas
 Prepayment Option: Any interest payment date.

*Note - Bond Number 50 maturing August 1, 1997 was paid July 23, 1983, from surplus construction funds as required by the Texas Department of Water Resources.

CITY OF WILLIS, TEXAS
 INSURANCE COVERAGE
 SEPTEMBER 30, 1986

Type of Coverage -----	Policy Limits and Deductible -----	Insurer -----
Municipal Liability -----		
General Liability	\$1,000,000 Limit/\$500 Deductible	Texas Municipal League
Auto Liability	\$1,000,000 Limit/\$500 Deductible	Texas Municipal League
Law Enforcement Liability	\$1,000,000 Limit/\$1000 Deductible	Texas Municipal League
Errors and Omissions	\$ 500,000 Limit/\$1000 Deductible	Texas Municipal League
Municipal Property -----		
Basic Property, All Risks	\$2,223,360 Blanket/\$62,500 Deduct.	Texas Municipal League
Autos - Private and Other Specified Perils, Commission	Actual Cash Value/\$500 Deductible	Texas Municipal League
Workman's Compensation	Statutory	Texas Municipal League

CITY OF WILLIS, TEXAS
 ELECTED OFFICIALS, ADMINISTRATIVE PERSONNEL,
 AND LEGAL COUNSEL
 SEPTEMBER 30, 1986

<u>Position:</u>	<u>Name/Address:</u>	<u>Term of Office:</u>
Mayor	Carl Kleimann	April, 1985/ April, 1987
Alderman Place No. 1	Walter Barnes	April, 1985/ April, 1987
Alderman Place No. 2	Ruth Castleschouldt	April, 1986/ April, 1988
Alderman Place No. 3	David Hagan	April, 1985/ April, 1987
Alderman Place No. 4	W. L. Bilnoski	April, 1985/ April, 1987
Alderman Place No. 5	Bill Van Alstyne	April, 1985/ April, 1987
City Attorney	J. Ritchie Field 513 N. Main St. Suite 219 Conroe, Texas 77301	Appointed By Council
City Secretary	Janice Wilson Willis City Hall P.O. Box 436 Willis, Texas 77378	Appointed By Council