

Audit Report

CITY OF WILLIS, TEXAS

Willis, Texas

FOR THE YEAR ENDED SEPTEMBER 30, 1997

CITY OF WILLIS, TEXAS

AUDIT FOR THE YEAR ENDED SEPTEMBER 30, 1997

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SAULS & PECHACEK

P.O. Box 549
Bellville, Texas 77418

Independent Auditor's Report

Unqualified Opinion on General Purpose Financial Statements Submitted Together with Combining, Individual Fund and Account Group Financial Statements and Supporting Schedules as Supplementary Data

Honorable Mayor and Members of the City Council
City of Willis, Texas
P.O. Box 436
Willis, Texas 77378

We have audited the accompanying general purpose financial statements of City of Willis, Texas, as of and for the year ended September 30, 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

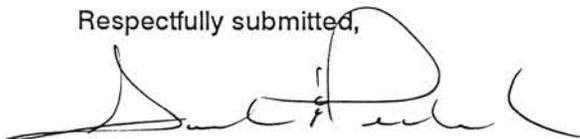
We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable 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 Willis, Texas as of September 30, 1997, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 1998, on our consideration of the City of Willis, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the City of Willis, Texas taken as a whole. The accompanying combining and individual fund financial 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. Such information, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Respectfully submitted,



Sauls and Pechacek

May 15, 1998

GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF WILLIS, TEXAS
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 SEPTEMBER 30, 1997

	Governmental Fund Types		
	General	Special Revenue	Debt Service
ASSETS			
Cash	\$ 50,409.67	\$ 32,198.73	\$ --
Temporary Investments	250,038.10	--	31,743.45
Receivables--			
Property Tax	52,107.30	--	36,403.97
Service Accounts	34,436.80	--	--
Allowance for Uncollectible Accounts	(10,421.46)	--	(7,280.79)
Miscellaneous	16,721.19	--	--
Supplies Inventory	--	--	--
Due from Other Funds	21,551.88	--	31,197.57
Property, Plant, & Equipment (Net)	--	--	--
Restricted Assets--			
Cash & Temporary Investments	--	--	--
Amounts Available for Debt Service	--	--	--
Amounts to be Provided for Debt Service	--	--	--
Total Assets	\$ 414,843.48	\$ 32,198.73	\$ 92,064.20
LIABILITIES			
Accounts Payable	\$ 15,625.16	\$ --	\$ --
Bond Interest Payable	--	--	--
Current Portion -- Capital Leases	--	--	--
Current Portion -- Bonded Debt	--	--	--
Due to Tax Attorney	--	--	--
Due to State	6,927.29	--	--
Customer Deposits	--	--	--
Due to Other Funds	31,197.57	17,448.57	--
Leases Payable--Future Maturities	--	--	--
General Obligation Bonds Payable	--	--	--
Revenue Bonds Payable	--	--	--
Miscellaneous	250.00	--	--
Deferred Revenue	41,685.84	14,750.16	29,123.18
Total Liabilities	\$ 95,685.86	\$ 32,198.73	\$ 29,123.18
FUND EQUITY			
Contributed Capital	\$ --	\$ --	\$ --
Investment in General Fixed Assets	--	--	--
Retained Earnings--			
Reserved for Revenue Bond Retirement	--	--	--
Unreserved (Deficit)	--	--	--
Fund Balance--			
Reserved for Police Activity	38.10	--	--
Reserved for Retirement of Bonded Debt	--	--	62,941.02
Unreserved	319,119.52	--	--
Total Fund Equity	\$ 319,157.62	\$ --	\$ 62,941.02
Total Liabilities & Fund Equity	\$ 414,843.48	\$ 32,198.73	\$ 92,064.20

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

Proprietary Fund Types		Fiduciary Fund Types		Account Groups		Totals (Memorandum Only)					
Water & Sewer Utility		Payroll Clearing		General Fixed Assets		General Long-Term Debt					
						1997	1996				
\$	--	\$	6,452.55	\$	--	\$	89,060.95	\$	242,670.52		
	440,882.64		---		---		722,664.19		611,841.16		
	--		---		---		88,511.27		102,975.79		
	103,622.56		---		---		138,059.36		119,787.36		
	(10,362.26)		---		---		(28,064.51)		(29,555.44)		
	--		---		---		16,721.19		16,084.58		
	17,414.88		---		---		17,414.88		17,414.88		
	--		---		---		52,749.45		37,237.89		
	3,364,949.83		---		1,650,370.88		5,015,320.71		4,443,459.84		
	815,113.87		---		---		815,113.87		1,304,102.63		
	--		---		---		62,941.02		43,315.92		
	--		---		---		848,069.04		1,029,555.04		
\$	<u>4,731,621.52</u>	\$	<u>6,452.55</u>	\$	<u>1,650,370.88</u>	\$	<u>911,010.06</u>	\$	<u>7,838,561.42</u>	\$	<u>7,938,890.17</u>
\$	21,358.32	\$	2,349.24	\$	--	\$	--	\$	39,332.72	\$	65,837.81
	---		---		---		---		---		---
	---		---		---		78,579.33		78,579.33		83,173.71
	10,000.00		---		---		90,000.00		100,000.00		120,000.00
	---		---		---		---		---		433.44
	---		---		---		---		6,927.29		8,667.39
	41,165.45		---		---		---		41,165.45		38,449.40
	---		4,103.31		---		---		52,749.45		37,227.80
	---		---		---		512,430.73		512,430.73		620,263.51
	---		---		---		230,000.00		230,000.00		320,000.00
	1,260,000.00		---		---		---		1,260,000.00		1,270,000.00
	---		---		---		---		250.00		715.00
	---		---		---		---		85,559.18		82,380.63
\$	<u>1,332,523.77</u>	\$	<u>6,452.55</u>	\$	<u>--</u>	\$	<u>911,010.06</u>	\$	<u>2,406,994.15</u>	\$	<u>2,647,148.69</u>
\$	3,499,250.44	\$	---	\$	---	\$	---	\$	3,499,250.44	\$	3,499,250.44
	---		---		1,650,370.88		---		1,650,370.88		1,558,111.99
	122.87		---		---		---		122.87		22,835.73
	(100,275.56)		---		---		---		(100,275.56)		(247,920.65)
	---		---		---		---		38.10		110.40
	---		---		---		---		62,941.02		43,315.92
	---		---		---		---		319,119.52		416,037.65
\$	<u>3,399,097.75</u>	\$	<u>---</u>	\$	<u>1,650,370.88</u>	\$	<u>---</u>	\$	<u>5,431,567.27</u>	\$	<u>5,291,741.48</u>
\$	<u>4,731,621.52</u>	\$	<u>6,452.55</u>	\$	<u>1,650,370.88</u>	\$	<u>911,010.06</u>	\$	<u>7,838,561.42</u>	\$	<u>7,938,890.17</u>

CITY OF WILLIS, TEXAS

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1997**

	<u>Operating Fund</u>	<u>Special Revenue Fund</u>
Revenues:		
<i>Property Taxes</i>	\$ 244,874.36	\$ --
<i>Sales Tax</i>	228,921.57	--
<i>Franchise Tax, Street Rental</i>	99,681.30	--
<i>Sanitation and Landfill</i>	254,495.11	--
<i>Fines and Court Costs</i>	102,502.55	--
<i>Permits, License and Inspection</i>	9,541.42	--
<i>Rental Income</i>	117,850.00	--
<i>Miscellaneous</i>	23,046.79	--
<i>Interest Earnings</i>	11,610.57	--
<i>Accrued Revenue</i>	--	--
<i>Grants Revenue</i>		
<i>Local Matching Grant Revenue</i>	--	36,096.55
<i>Federal Grant Revenue</i>	--	749,242.99
Total Revenues	<u>\$ 1,092,523.67</u>	<u>\$ 785,339.54</u>
Expenditures:		
<i>City General</i>	\$ 133,371.00	\$ --
<i>City Office</i>	96,101.59	--
<i>Police Department</i>	392,083.51	--
<i>Sanitation/Landfill</i>	219,836.01	--
<i>Treatment Facility</i>	101,625.00	--
<i>Street Department</i>	90,791.07	--
<i>Municipal Court</i>	45,427.46	--
<i>Grant Expenditures</i>	--	785,339.54
<i>Debt Service</i>	--	--
Total Expenditures	<u>\$ 1,079,235.64</u>	<u>\$ 785,339.54</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 13,288.03</u>	<u>\$ --</u>
Other Sources (Uses):		
<i>Capital Lease Principal</i>	\$ (110,278.46)	\$ --
<i>Capital Lease Proceeds</i>	--	--
<i>Miscellaneous Revenue (Expense)</i>	--	--
Total Other Sources (Uses)	<u>\$ (110,278.46)</u>	<u>\$ --</u>
Excess (Deficiency) of Revenues and Other Resources Over Expenditures and Other Uses	<u>\$ (96,990.43)</u>	<u>\$ --</u>
Fund Balance, October 1	<u>416,148.05</u>	<u>--</u>
Fund Balance, September 30	<u><u>\$ 319,157.62</u></u>	<u><u>\$ --</u></u>

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

Debt Service Fund	(Memorandum Only)	
	Year Ended September 30, 1997	Year Ended September 30, 1996
\$ 137,231.88	\$ 382,106.24	\$ 353,212.67
---	228,921.57	218,368.37
---	99,681.30	89,734.86
---	254,495.11	264,499.27
---	102,502.55	76,575.17
---	9,541.42	9,185.06
---	117,850.00	108,500.00
---	23,046.79	6,520.30
740.52	12,351.09	9,013.10
---	---	---
---	36,096.55	---
---	749,242.99	300,113.61
\$ 137,972.40	\$ 2,015,835.61	\$ 1,435,722.41
\$ ---	\$ 133,371.00	\$ 87,666.76
---	96,101.59	88,156.27
---	392,083.51	402,540.09
---	219,836.01	203,012.56
---	101,625.00	50,042.65
---	90,791.07	53,404.95
---	45,427.46	44,364.69
---	785,339.54	300,113.61
118,347.30	118,347.30	121,324.82
\$ 118,347.30	\$ 1,982,922.48	\$ 1,350,626.40
\$ 19,625.10	\$ 32,913.13	\$ 85,096.01
\$ ---	\$ (110,278.46)	\$ (71,258.05)
---	---	74,312.25
---	---	---
\$ ---	\$ (110,278.46)	\$ 3,054.20
\$ 19,625.10	\$ (77,365.33)	\$ 88,150.21
43,315.92	459,463.97	371,313.76
\$ 62,941.02	\$ 382,098.64	\$ 459,463.97

CITY OF WILLIS, TEXAS

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL, ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1997**

	OPERATING FUND		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
<i>Property Taxes</i>	\$ 255,000	\$ 244,874.36	\$ (10,125.64)
<i>Sales Tax</i>	200,000	228,921.57	28,921.57
<i>Franchise Tax, Street Rental</i>	90,000	99,681.30	9,681.30
<i>Sanitation and Landfill</i>	235,100	254,495.11	19,395.11
<i>Fines and Court Costs</i>	82,010	102,502.55	20,492.55
<i>Permits, License and Inspection</i>	9,500	9,541.42	41.42
<i>Rental Income</i>	117,000	117,850.00	850.00
<i>Miscellaneous</i>	19,500	23,046.79	3,546.79
<i>Interest Earnings</i>	8,500	11,610.57	3,110.57
<i>Grants Revenue</i>	--	--	--
Total Revenues	\$ 1,016,610.00	\$ 1,092,523.67	\$ 75,913.67
Expenditures:			
<i>City General</i>	\$ 105,000	\$ 133,371.00	\$ (28,371.00)
<i>City Office</i>	92,350	96,101.59	(3,751.59)
<i>Police Department</i>	403,640	392,083.51	11,556.49
<i>Sanitation/Landfill</i>	211,000	219,836.01	(8,836.01)
<i>Treatment Facility</i>	102,000	101,625.00	375.00
<i>Street Department</i>	81,190	90,791.07	(9,601.07)
<i>Municipal Court</i>	43,840	45,427.46	(1,587.46)
<i>Grant Expenditures</i>	--	--	--
<i>Debt Service</i>	--	--	--
Total Expenditures	\$ 1,039,020.00	\$ 1,079,235.64	\$ (40,215.64)
Excess (Deficiency) of Revenues Over Expenditures	\$ (22,410.00)	\$ 13,288.03	\$ 35,698.03
Other Sources (Uses):			
<i>Capital Lease Principal</i>		(110,278.46)	
<i>Capital Lease Proceeds</i>		--	
<i>Excess (Def.) of Rev. and Other Res. Over Expend. and Other Uses</i>		--	
		\$ (96,990.43)	
Fund Balance, October 1		416,148.05	
Fund Balance, September 30		\$ 319,157.62	

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

SPECIAL REVENUE FUND			DEBT SERVICE FUND		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ --	\$ --	\$ --	\$ 129,000	\$ 137,231.88	\$ 8,231.88
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
831,789	785,339.54	(46,449.46)	650	740.52	90.52
<u>\$ 831,789</u>	<u>\$ 785,339.54</u>	<u>\$ (46,449.46)</u>	<u>\$ 129,650</u>	<u>\$ 137,972.40</u>	<u>\$ 8,322.40</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
831,789	785,339.54	46,449.46	--	--	--
<u>\$ 831,789</u>	<u>\$ 785,339.54</u>	<u>\$ 46,449.46</u>	<u>118,230</u>	<u>118,347.30</u>	<u>(117.30)</u>
			<u>\$ 118,230.00</u>	<u>\$ 118,347.30</u>	<u>\$ (117.30)</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 11,420.00</u>	<u>\$ 19,625.10</u>	<u>\$ 8,205.10</u>
	\$ --			\$ --	
	\$ --			\$ --	
	\$ --			\$ 19,625.10	
	\$ --			\$ 43,315.92	
	<u>\$ --</u>			<u>\$ 62,941.02</u>	

CITY OF WILLIS, TEXAS

EXHIBIT A-4

*COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS – ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1997*

	Water and Sewer Utility Fund	
	1997	1996
OPERATING REVENUE:		
<i>Charges for Water and Sewer Service</i>	\$ 636,942.54	\$ 572,020.01
<i>Water and Sewer Connections</i>	61,055.26	41,788.33
<i>Late Payment Penalties</i>	25,002.65	25,308.34
<i>Service Charges</i>	6,539.14	7,250.00
<i>Inspection Fees</i>	3,330.00	1,445.00
Total Operating Revenue	<u>\$ 732,869.59</u>	<u>\$ 647,811.68</u>
OPERATING EXPENSE:		
<i>Personnel—Operating</i>	\$ 184,145.79	\$ 146,358.48
<i>Personnel—Administration</i>	27,920.77	24,109.22
<i>Professional Fees</i>	321.05	378.00
<i>Maintenance and Repairs</i>	105,381.49	98,266.55
<i>Utilities</i>	106,749.21	87,101.87
<i>Supplies, Materials and Postage</i>	19,214.94	14,779.37
<i>Vehicle Expense</i>	12,331.25	14,894.04
<i>Other Operating Expense</i>	18,255.98	15,666.92
<i>Depreciation</i>	146,596.15	143,442.87
Total Operating Expense	<u>\$ 620,916.63</u>	<u>\$ 544,997.32</u>
Operating Income (Loss)	<u>\$ 111,952.96</u>	<u>\$ 102,814.36</u>
NON-OPERATING REVENUE (EXPENSE):		
<i>Grant Expense (Local Matching)</i>	\$ --	\$ --
<i>Interest Earnings</i>	82,819.06	43,812.50
<i>Interest Expense</i>	(68,337.79)	(32,221.04)
<i>Bond Paying Agent Fees</i>	(1,502.00)	(770.00)
Total Non-operating Revenue (Expense)	<u>\$ 12,979.27</u>	<u>\$ 10,821.46</u>
Net Income (Loss)	<u>\$ 124,932.23</u>	<u>\$ 113,635.82</u>
Retained Earnings (Deficit), October 1	(225,084.92)	(338,720.74)
Retained Earnings (Deficit), September 30	<u>\$ (100,152.69)</u>	<u>\$ (225,084.92)</u>

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

CITY OF WILLIS, TEXAS
STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
YEAR ENDED SEPTEMBER 30, 1997

EXHIBIT A-5

INCREASE (DECREASE) IN CASH AND INVESTMENTS:

Cash Flows from Operating Activities—		
<i>Cash Received from Utility Sales</i>	\$ 635,596.90	
<i>Cash Received from Utility Connections</i>	61,055.26	
<i>Cash Received from Services Rendered</i>	9,869.14	
<i>Cash Payments for Personnel Costs</i>	(212,066.56)	
<i>Cash Payments for Maintenance and Repair</i>	(105,381.49)	
<i>Cash Payments for Utilities</i>	(106,749.21)	
<i>Cash Payments for Vehicle Expense</i>	(12,331.25)	
<i>Cash Payments for Supplies and Postage</i>	(19,214.94)	
<i>Cash Payments for Insurance</i>	(14,130.11)	
<i>Cash Payments for Other Operating Costs</i>	<u>(4,446.92)</u>	
Net Cash Provided by Operating Activities		\$ 232,200.82
Cash Flows from Capital and Financing Activities—		
<i>Cash Payments for Acquisition of Capital Assets</i>	\$ (589,649.13)	
<i>Cash Payments on Capital Leases</i>	(37,774.05)	
<i>Cash Payments of Bonded Debt Principal</i>	(35,000.00)	
<i>Cash Payments of Bonded Debt Interest</i>	(50,777.00)	
<i>Cash Payments of Paying Agent Fees</i>	(1,502.00)	
<i>Increase (Decrease) in Meter Deposits Payable</i>	<u>2,716.05</u>	
Net Cash (Used For) Capital and Financing Activities		(711,986.13)
Cash Flows from Investing Activities—		
<i>Interest Received</i>		<u>82,819.06</u>
Net Increase in Cash and Investments		\$ (396,966.25)
CASH AND INVESTMENTS, OCTOBER 1, 1996		<u>1,652,962.76</u>
CASH AND INVESTMENTS, SEPTEMBER 30, 1997		<u>\$ 1,255,996.51</u>

RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES:		
<i>Operating Income (Loss)</i>	\$ 81,699.51	
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities—		
<i>Depreciation</i>	146,596.15	
<i>Changes in Assets and Liabilities—</i>		
<i>(Increase) Decrease in Net Receivables</i>	(12,617.81)	
<i>Increase (Decrease) in Operating Liabilities</i>	<u>16,522.97</u>	
Net Cash Provided by Operating Activities		<u>\$ 232,200.82</u>

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

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 1997

A. Reporting Entity

The City of Willis, Texas, is incorporated as a political subdivision under the laws of the State of Texas and, as such, is exempt from federal and state taxation. The City operates under the Mayor–Alderman form of government and provides the following services as authorized by the state statute: public safety (police), highways and streets, sanitation, recreation, education, public improvements, utilities (water and sanitary sewer), and general administrative services. The City receives funding from local, state, and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the City is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards since the Mayor and Aldermen are responsible for governance of the City, are elected by the public, have decision making authority, the power to designate management, the responsibility to significantly influence operations and have primary accounting responsibility for fiscal matters.

B. Summary of Significant Accounting Policies

1. Fund Accounting

The accounts of the City are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self–balancing accounts which are comprised of each fund's assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and for individual funds based upon the purposes for which they are to be expended and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two fund types and three account groups as follows:

GOVERNMENTAL FUND TYPES

General Fund –

The General Fund is the fund which accounts for all financial resources and transactions except those required to be accounted for in another fund. This is a budgeted fund.

Special Revenue Fund –

The Special Revenue Fund is used to account for financial transactions and resources received under grants legally restricted to expenditure for specific purposes and where unused balances are to be returned to the grantor at the close of specified project periods. These are budgeted funds, and project accounting is employed to maintain the integrity for the various individual projects and sources of funds.

PROPRIETARY FUND TYPES

Utility Fund –

The Utility Fund is used to account for water and sanitary sewer utility operations that are financed and operated in a manner similar to private business enterprises. 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. This fund is budgeted for administrative control purposes.

FIDUCIARY FUND TYPES

Clearing Accounts –

Clearing Accounts are used to account for the activities of accounts utilized to process activities which affect more than one fund group (e.g. Payroll). They have no revenues or expenditures, are not budgeted, and have no fund balance.

B. Summary of Significant Accounting Policies (continued)

ACCOUNT GROUPS

General Fixed Assets –

The General Fixed Assets account group is used to account for property, plant and equipment used in the general operations of the City. No depreciation is provided, additions (including donations) and disposals are recorded or removed on the basis of historical cost or value at the date of acquisition.

General Long–Term Debt – The General Long–Term Debt account group is used to account for debt instruments which are to be repaid from governmental funds. Liabilities for such debt are offset by a provision for the allocation of future resources to these obligations.

2. Basis of Accounting

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

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. All major revenues are susceptible to accrual.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long term debt which is recognized when due.

The accrual basis of accounting is used for the proprietary fund types. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable.

3. Budgets and Budgetary Accounting

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

- a. Budgets for all funds are prepared by the City's administrative staff, reviewed and legally adopted by the City Council after public hearings as required by State law. Budgets are normally amended during the year to reflect changes in operating conditions.
- b. Budgets are strictly utilized by the City for overall planning and/or operations. Budgetary limitations are strictly imposed, and routine actual to budget comparative financial statements are prepared.
- c. The individual fund statements of revenues, expenditures, and changes in fund balance for the Governmental Fund Types present comparisons of legally adopted budgets with actual data on a budgetary basis.
- d. Unused appropriations, if any, for Governmental Fund Types which are budgeted annually, lapse at the end of the year.

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1997

B. Summary of Significant Accounting Policies (continued)

4. Inventory

Supplies and materials for the utility fund are generally debited to inventory when purchased, and charged to expense as used. Inventories on the balance sheet are recorded at the lower of cost or replacement cost with appropriate adjustments made to the expense accounts of the affected department.

5. 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, 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, 1997, the City levied an ad valorem tax of \$.64213 per \$100 of assessed valuation which resulted in a levy of \$345,147 on the net assessed taxable valuation of \$53,750,824 for the 1996 tax year. Of the total \$.64213 per \$100 valuation rate, \$.21808 was allocated to general obligation debt retirement and \$.42405 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, however, the City can levy taxes without limit sufficient to meet the current general obligation debt service requirement.

6. Cash Shown on Cash Flow Statement

For the purpose of the Statement of Cash Flows, investments are considered to be cash equivalents if they are highly liquid with a maturity of one year or less.

7. Memorandum Totals

Totals captioned "Memorandum Only" are presented only to facilitate financial analysis. 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 aggregation of this data.

C. Cash and Investments

During the year under audit, the City had cash deposits with one commercial financial institution. The City's deposits at September 30, 1997, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank. Although the pledged securities were not held by the City of Willis, the deposits were deemed collateralized under Texas law. All funds were properly secured at all times.

In addition, the following information is disclosed regarding coverage of combined balances on the date of the highest deposit:

- | | | |
|-------|--------------------------|----------------------|
| a. 1) | Woodforest National Bank | 2) Wells Fargo Bank |
| | <u>Willis, Texas</u> | <u>Willis, Texas</u> |

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1997

C. Cash and Investments (continued)

- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was (1) \$1,410,000 Par Value and (2) \$525,000 Par Value.
- c. Largest cash, savings and time deposit combined account balance amounted to (1) \$1,554,841.38 & (2) \$476,483.69 and occurred during the month of (1) February, 1997 & (2) July, 1997.
- d. Total amount of FDIC coverage at the time of largest combined balance was (1) \$200,000.

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

Category 1 – Deposits which are insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 – Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 – Deposits which are not collateralized.

Based on these three levels of risk, all of the City's cash deposits are classified as category 1.

Temporary Investments

Statutes authorize the City to invest in obligation of the U.S. Treasury of the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds, and other investments specifically allowed by the Public Funds Investment Act of 1987 (Article 842a.–2 Vernon's Civil Statutes).

During the year ended September 30, 1997, the City's temporary investments consisted entirely of certificates of deposit and money market accounts with its depository bank.

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:

Category 1 – Investments that are insured, registered or held by the entity, or by its agent in the entity's name.

Category 2 – Investments that are insured and unregistered held by counterparty's trust department, or agent in the entity's name.

Category 3 – Uninsured and unregistered investments held by the counterparty, its trust department, or its agent, but not in the entity's name.

Based on these three levels of risk, all of the District's investments are classified as category 1.

D. Loans

The City had no loans issued or outstanding during the year ended September 30, 1997.

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 1997

E. Capital Leases

The City has entered into a number of capital leases for the acquisition of land, buildings, vehicles and equipment. All of the leases contain non-appropriation clauses giving the City the right to void its obligation under leases in the event that funds are not available for appropriation by the City. Details pertaining to individual capital leases may be found in this report at Schedule C-3. The City's future obligation under the outstanding leases is as follows:

Year Ending September 30	Interest Rate	General Fund		
		Principal	Interest	Total
1997	5.9% - 8.3%	\$ 60,494.86	\$ 41,505.14	\$ 102,000.00
1998	5.9% - 8.3%	65,323.40	36,676.60	102,000.00
1999	6.5% - 8.3%	76,666.90	37,342.34	114,009.24
2000	6.5% - 8.3%	74,557.87	31,497.60	106,055.47
2001	8.3%	76,265.45	25,734.55	102,000.00
Subsequent	8.3%	284,940.51	38,359.49	323,300.00
Total		\$ <u>638,248.99</u>	\$ <u>211,115.72</u>	\$ <u>849,364.71</u>

Utility Fund

The City has no future obligations for capital leases in the Utility Fund as of September 30, 1997.

F. Changes in Long-Term Debt

The following is a summary of bond and long-term debt transactions of the City for the year ended September 30, 1997:

	General Obligation	Revenue	Total
Bonds Payable, October 1, 1996	\$ 405,000	\$ 1,305,000	\$ 1,710,000
Bonds Issued	--	0	0
Bonds Retired	85,000	35,000	120,000
Bonds Payable, September 30, 1997	\$ <u>320,000</u>	\$ <u>1,270,000</u>	\$ <u>1,590,000</u>

Bonds payable at September 30, 1997, are comprised of the following individual issues:

General Obligation Bonds -

\$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 final installment of \$35,000 due February 1, 2001. The total issue bears interest of between 7.5% and 9.00%.

Total General Obligation Bonds outstanding at September 30, 1997 \$ 320,000

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 1997

F. Changes in Long-Term Debt (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 due August 1, 1978 through August 1, 1987, \$15,000 due August 1, 1988 through August 1, 1997, and \$5,000, 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%.

Total Series 1977 Bonds outstanding at September 30, 1997 \$ --

\$250,000. – 1981 Series, City of Willis Waterworks and Sewer System Junior Lien Revenue Bonds due serially in annual installments of \$15,000 due August 1, 1982 through August 1, 1997, and \$25,000 due August 1, 1997. This issue bears interest at an annual rate of 5.6%. 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. This \$5,000 reduction in principal outstanding, resulted in a lower interest requirement than the original amortization schedule required.

Total Series 1981 Bonds outstanding at September 30, 1997 --

\$110,000 – 1995–A Series, City of Willis Waterworks and Sewer System Revenue Bonds due serially in annual installments of \$5,000 due August 1, 1997 through August 1, 2014, and \$10,000 due August 1, 2015 and 2016. This issue bears interest at an annual rate of 4.25% to 5.95%.

Total Series 1995–A Bonds outstanding at September 30, 1997 105,000

\$1,170,000 – 1995–B Series, City of Willis Waterworks and Sewer System Revenue Bonds due serially in annual installments ranging from \$5,000 to \$95,000 due August 1, 1997 through August 1, 2016. This issue bears interest at an annual rate of 3.70% to 5.40%.

Total Series 1995–B Bonds outstanding at September 30, 1997 1,165,000

Total Revenue Bonds outstanding at September 30, 1997 \$ 1,270,000

The next five years annual debt service requirements to amortize all bonds outstanding at September 30, 1997, are as follows:

General Obligation Bonds				
Year Ending September 30	Principal	Interest	Total	
1997	\$ 85,000	\$ 32,222	\$ 117,222	
1998	90,000	24,565	114,565	
1999	95,000	16,378	111,378	
2000	100,000	7,650	107,650	
2001	35,000	1,575	36,575	
Subsequent	--	--	--	
Total	\$ <u>405,000</u>	\$ <u>82,390</u>	\$ <u>487,390</u>	

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 1997

F. Changes in Long-Term Debt (Continued)

Year Ending September 30	Revenue Bonds		
	Principal	Interest	Total
1997	\$ 35,000	\$ 50,777	\$ 85,777
1998	10,000	49,268	59,268
1999	10,000	50,736	60,736
2000	10,000	51,555	61,555
2001	20,000	52,757	72,757
Subsequent	1,220,000	498,341	1,718,341
Total	\$ 1,305,000	\$ 753,434	\$ 2,058,434

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, 1997, this reserve account contained cash and temporary investments of \$42.91.

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, 1997, this reserve account contained cash and temporary investments of \$79.96.

The Waterworks and Sewer System Revenue Bond Series 1995–A and Series 1995–B bond resolutions require the establishment of a reserve fund in an amount equal to the average annual debt service of the Series 1995–A and Series 1995–B bonds, the prior outstanding bonds, and any additional bonds.

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 extensions for which other funds are not available. Minimum monthly deposits of \$200 are required until this fund contains \$5,000. At September 30, 1997, this emergency fund account contained \$5,000 in cash and temporary investments.

G. Restricted Assets

Cash and temporary investments restricted for revenue bond reserves, emergency funds, retirement of bonded indebtedness and repayment of customer utility meter deposits at September 30, 1997, are as follows:

Waterworks and Sewer System Revenue Bonds, Series 1977 –

Interest and Sinking Fund –	
Cash	\$ 42.91
Reserve Fund –	
Temporary Investments	--
Emergency Fund –	
Temporary Investments	--
Total	\$ 42.91

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 1997

G. Restricted Assets (continued)

Waterworks and Sewer System Junior Lien Revenue Bonds, Series 1981 –		
Interest and Sinking Fund –		
Cash	\$	79.96
Reserve Fund –		
Temporary Investments		--
Total	\$	<u>79.96</u>
Waterworks and Sewer System Revenue Bonds, Series 1995–A & B –		
Interest and Sinking Fund –		
Cash – Series 1995–A	\$	27.57
Cash – Series 1995–B		93.36
Construction Fund –		
Temporary Investments		793,370.07
Total	\$	<u>793,491.00</u>
Customer Utility Meter Deposits –		
Cash	\$	--
Temporary Investments		21,500.00
Total	\$	<u>21,500.00</u>
Total Restricted Assets	\$	<u>815,113.87</u>

H. Litigation

The City was not involved in litigation at September 30, 1997.

I. Contingent Liabilities

There were no unrecorded contingent liabilities as of September 30, 1997.

J. Changes in General Fixed Assets

During the year ended September 30, 1997, the following changes occurred in the City's General Fixed Assets:

Balance October 1, 1996		\$	1,558,111.99
Additions –			
Vehicles	\$	--	
Equipment		<u>92,258.89</u>	92,258.89
Deletions –			
Vehicles	\$	--	
Equipment		<u>--</u>	0.00
Balance September 30, 1997		\$	<u>1,650,370.88</u>

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 1997

K. Depreciation

Depreciation is recorded as an operating expense of the Proprietary Fund (Utility Fund) based on the straight-line method using the following estimated useful lives:

<u>Asset</u>	<u>Estimated Life</u>	<u>Annual Percentage</u>
Utility System	33 1/3 Years	3%

L. Accumulated Unpaid Vacation and Sick Leave Benefits

The City had no material unbudgeted liability for accumulated unpaid vacation and sick leave benefits at September 30, 1997.

M. Pension Plan

Plan Description –

The city provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, defined contribution plan in the state-wide Texas Municipal Retirement System (TMRS), one of over 688 administered by TMRS, an agent multiple-employer public employee retirement system. It is the opinion of the TMRS management that the plans in TMRS are substantially defined contribution plans, but they have elected to provide additional voluntary disclosure to help foster a better understanding of some of the nontraditional characteristics of the plan.

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

Members can retire at ages 60 and above with 10 or more years of service or with 25 years of service regardless of age. The plan also provides death and disability benefits. A member is vested after 10 years, but he must leave his accumulated contributions in the plan. If a member withdraws his own money, he is not entitled to the employer-financed monetary credits, even if he was vested. The plan provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1997

M. Pension Plan (continued)

Contributions –

The contribution rate for the employees is 6%, and the city matching percent is currently 150%, both as adopted by the governing body of the city. Under the state law governing TMRS, the city contribution rate is annually determined by the actuary. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to city matching percent, which are the obligation of the city as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the city to each employee at the time his retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's 25-year amortization period. When the city periodically adopts updated service credits and increases in annuities in effect, the increased unfunded actuarial liability is to be amortized over a new 25-year period. Currently, the unfunded actuarial liability is being amortized over the 25-year period which began January, 1997. The unit credit actuarial cost method is used for determining the city contribution rate. Contributions are made monthly by both the employees and the city. Since the city needs to know its contribution rate in advance to budget for it, there is a one-year lag between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

The City's total payroll in fiscal year 1997, was \$558,368 and the city's contributions were based on a payroll of \$545,104. Both the city and the covered employees made the required contributions, amounting to \$14,920 (2.88% of covered payroll for the months in calendar year 1997, 3.43% normal cost plus -0.55% to amortize the unfunded actuarial liability, and 2.69% for the months in calendar year 1997, 3.17% normal cost plus -0.48% to amortize the unfunded actuarial liability) for the city and \$32,707 (6%) for the employees. The city adopted changes in the plan since the previous actuarial valuation, which had the effect of increasing the city's contribution rate for 1997 by 0.04% of payroll. There were no related-party transactions.

Funding Status and Progress –

Even though the substance of the city's plan is not to provide a defined benefit in some form, some additional voluntary disclosure is appropriate due to the nontraditional nature of the defined contribution plan which had an initial unfunded pension benefit obligation due to the monetary credits granted by the city for services rendered before the plan began and which can have additions to the unfunded pension benefit obligations through the periodic adoption of increases in benefit credits and benefits. Statement No. 5 of the Governmental Accounting Standards Board (GASB 5) defines pension benefit obligation as a standardized disclosure measure of the actuarial present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of public employee pension plans, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee pension plans.

The pension benefit obligation shown below is similar in nature to the standardized disclosure measure required by GASB 5 for defined benefit plans except that there is no need to project salary increases since the benefit credits earned for service to date are not dependent upon future salaries. The calculations were made as part of the annual actuarial valuation as of December 31, 1997. Because of the money-purchase nature of the plan, the interest rate assumption, currently 8.0% per year, does not have as much impact on the results as it does for

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1997

N. Health Care Coverage (continued)

The contract between the City of Willis and the Texas Municipal League Group Benefits Risk Pool was renewed October 1, 1997, and the terms of coverage and contribution costs are included in the contractual provisions.

In accordance with state statute, the City was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through the Durham Life 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 \$100,000 and for aggregate loss. Financial statements for the Durham Life Insurance Company are filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

Representatives of the TML Group Benefits Risk Pool have indicated that there was no unfunded claim obligation as of September 30, 1997, the overall pool reserve, plus stop-loss coverage was more than sufficient to cover all claims, both reported but unpaid and unreported claims.

O. Deficit Retained Earnings

The City's Unreserved Retained Earnings account for the Utility Fund reflects a deficit of \$100,275.56. This deficit is the result of the City's failure to totally fund depreciation expense and is approximately \$147,000 less than the September 30, 1996 Unreserved Retained Earnings deficit.

***COMBINING AND
INDIVIDUAL FUND STATEMENTS***

CITY OF WILLIS, TEXAS

GENERAL FUND
BALANCE SHEET
SEPTEMBER 30, 1997

EXHIBIT B-1

	1997	1996
ASSETS:		
Cash	\$ 50,409.67	\$ 196,955.92
Temporary Investments	250,038.10	225,815.57
Receivables—		
Garbage Service	52,107.30	30,184.59
Property Tax	34,436.80	58,530.95
Allowance for Uncollectible Taxes	(10,421.46)	(11,706.19)
Miscellaneous	16,721.19	16,084.58
Due from Other Funds	21,551.88	9,438.88
Total Assets	<u>\$ 414,843.48</u>	<u>\$ 525,304.30</u>
 LIABILITIES:		
Accounts Payable	\$ 15,625.16	\$ 24,716.65
Due to Tax Attorney	—	433.44
Due to State	6,927.29	8,667.39
Due to Other Funds	31,197.57	27,799.01
Miscellaneous	250.00	715.00
Deferred Revenue	41,685.84	46,824.76
Total Liabilities	<u>\$ 95,685.86</u>	<u>\$ 109,156.25</u>
 FUND EQUITY:		
Reserved for Police Activity	\$ 38.10	\$ 110.40
Unreserved Fund Balance	319,119.52	416,037.65
Total Equity	<u>\$ 319,157.62</u>	<u>\$ 416,148.05</u>
Total Liabilities and Fund Equity	<u>\$ 414,843.48</u>	<u>\$ 525,304.30</u>

(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 – BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 1997

EXHIBIT B-2

Page 1 of 2

	1997			1996 Actual
	Budget	Actual	Variance – Favorable (Unfavorable)	
REVENUES:				
Ad Valorem Taxes	\$ 255,000	\$ 244,874.36	\$ (10,125.64)	\$ 220,789.77
City Sales Taxes	200,000	228,921.57	28,921.57	218,368.37
Franchise Taxes and Street Rental	90,000	99,681.30	9,681.30	89,734.86
Sanitation and Landfill	235,100	254,495.11	19,395.11	264,499.27
Fines and Court Costs	82,010	102,502.55	20,492.55	76,575.17
Permits, License, and Inspection	9,500	9,541.42	41.42	9,185.06
Rental Income	117,000	117,850.00	850.00	108,500.00
Miscellaneous	19,500	23,046.79	3,546.79	6,520.30
Interest Earned	8,500	11,610.57	3,110.57	7,907.60
Accrued Revenue	--	--	--	--
Total Revenues	\$ 1,016,610	\$ 1,092,523.67	\$ 75,913.67	\$ 1,002,080.40
EXPENDITURES:				
CITY GENERAL:				
<i>Purchased and Contracted Services</i>	\$ 27,500	\$ 47,685.39	\$ (20,185.39)	\$ 24,045.23
<i>Maintenance and Repairs</i>	10,000	5,347.31	4,652.69	8,348.90
<i>Other Operating Costs</i>	56,000	64,885.13	(8,885.13)	44,178.85
<i>Capital Outlay</i>	1,500	--	1,500.00	26.64
<i>Birthday Blast</i>	10,000	15,453.17	(5,453.17)	11,067.14
Total City General	\$ 105,000	\$ 133,371.00	\$ (28,371.00)	\$ 87,666.76
CITY OFFICE:				
<i>Personnel</i>	\$ 73,340	\$ 64,660.23	\$ 8,679.77	\$ 70,047.91
<i>Maintenance and Repairs</i>	2,000	4,716.94	(2,716.94)	2,489.00
<i>Supplies, Materials, and Postage</i>	5,000	6,181.91	(1,181.91)	4,310.73
<i>Utilities/Telephone</i>	5,500	7,707.82	(2,207.82)	4,800.04
<i>Capital Outlay</i>	6,510	12,834.69	(6,324.69)	6,508.59
Total City Office	\$ 92,350	\$ 96,101.59	\$ (3,751.59)	\$ 88,156.27
POLICE DEPARTMENT:				
<i>Personnel</i>	\$ 315,660	\$ 334,909.01	\$ (19,249.01)	\$ 251,240.09
<i>Maintenance and Repairs</i>	5,000	5,884.54	(884.54)	5,214.25
<i>Supplies, Materials, Uniforms & Postage</i>	5,600	4,437.23	1,162.77	7,746.08
<i>Vehicle Expense</i>	32,000	20,388.86	11,611.14	30,828.39
<i>Utilities/Telephone</i>	12,000	8,150.78	3,849.22	9,754.85
<i>Other Operating Costs</i>	8,380	5,426.30	2,953.70	2,367.14
<i>Capital Outlay</i>	25,000	9,956.96	15,043.04	92,839.99
<i>Debt Service – Interest</i>	--	2,929.83	(2,929.83)	2,549.30
Total Police Department	\$ 403,640	\$ 392,083.51	\$ 11,556.49	\$ 402,540.09

CITY OF WILLIS, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 1997

	1997		Variance-	1996
	Budget	Actual	Favorable (Unfavorable)	Actual
SANITATION/LANDFILL:				
<i>Purchased and Contracted Services</i>	\$ 211,000	\$ 219,836.01	\$ (8,836.01)	\$ 203,012.56
<i>Maintenance and Repairs</i>	--	--	--	--
Total Landfill Department	\$ 211,000	\$ 219,836.01	\$ (8,836.01)	\$ 203,012.56
TREATMENT FACILITY:				
<i>Purchased and Contracted Services</i>	\$ 102,000	\$ 101,625.00	\$ 375.00	\$ --
<i>Debt Service-Interest</i>	--	--	--	50,042.65
Total Treatment Facility	\$ 102,000	\$ 101,625.00	\$ 375.00	\$ 50,042.65
STREET DEPARTMENT:				
<i>Personnel</i>	\$ 25,040	\$ 22,537.23	\$ 2,502.77	\$ 25,176.36
<i>Rentals</i>	150	--	150.00	124.10
<i>Maintenance and Repairs</i>	29,000	32,814.69	(3,814.69)	6,198.39
<i>Supplies and Materials</i>	5,000	8,318.46	(3,318.46)	3,199.32
<i>Vehicle Expense</i>	2,000	4,735.18	(2,735.18)	1,622.64
<i>Utilities</i>	20,000	22,385.51	(2,385.51)	17,084.14
Total Street Department	\$ 81,190	\$ 90,791.07	\$ (9,601.07)	\$ 53,404.95
MUNICIPAL COURT:				
<i>Personnel</i>	\$ 28,840	\$ 28,650.72	\$ 189.28	\$ 26,659.57
<i>Purchases and Contracted Services</i>	11,000	12,969.69	(1,969.69)	13,986.64
<i>Maintenance and Repairs</i>	1,500	995.83	504.17	1,434.02
<i>Supplies, Materials Uniforms & Postage</i>	2,000	2,248.41	(248.41)	1,795.23
<i>Other Operating Costs</i>	500	562.81	(62.81)	489.23
Total Municipal Court	\$ 43,840	\$ 45,427.46	\$ (1,587.46)	\$ 44,364.69
Total Expenditures	\$ 1,039,020	\$ 1,079,235.64	\$ (40,215.64)	\$ 929,187.97
Excess (Deficiency) of Revenues Over Expenditures	\$ (22,410)	\$ 13,288.03	\$ 35,698	\$ 72,892.43
OTHER RESOURCES AND USES:				
<i>Capital Lease Principal Payments</i>		\$ (110,278.46)		\$ (71,258.05)
<i>Proceeds From Capital Leases</i>		--		74,312.25
<i>Interfund Transfers In (Out)</i>		--		--
Excess (Deficiency) of Revenues and other resources Over Expenditures and Other Uses		\$ (96,990.43)		\$ 75,946.63
Fund Balance, October 1		416,148.05		340,201.42
Fund Balance, September 30		\$ 319,157.62		\$ 416,148.05

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

CITY OF WILLIS, TEXAS
 SPECIAL REVENUE FUND
 COMBINING BALANCE SHEET
 SEPTEMBER 30, 1997

EXHIBIT B-3

	HOME Program	Economic Development Program	TCDP Grant # 714929	TCDP Grant # 703969	Totals	
					9-30-97	9-30-96
ASSETS						
<i>Cash</i>	\$ 974.21	\$ 49.60	\$ 10.00	\$ 31,164.92	\$ 32,198.73	\$ 36,285.02
<i>Due From Other Funds</i>	--	--	--	--	--	--
<i>Total Assets</i>	<u>\$ 974.21</u>	<u>\$ 49.60</u>	<u>\$ 10.00</u>	<u>\$ 31,164.92</u>	<u>\$ 32,198.73</u>	<u>\$ 36,285.02</u>
LIABILITIES						
<i>Accounts Payable</i>	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 36,225.42
<i>Due To Other Funds</i>	660.00	49.60	10.00	16,728.97	17,448.57	59.60
<i>Deferred Revenue</i>	314.21	--	--	14,435.95	14,750.16	--
<i>Total Liabilities</i>	<u>\$ 974.21</u>	<u>\$ 49.60</u>	<u>\$ 10.00</u>	<u>\$ 31,164.92</u>	<u>\$ 32,198.73</u>	<u>\$ 36,285.02</u>
FUND EQUITY						
<i>Fund Balance</i>	--	--	--	--	--	--
<i>Total Liab. & Fund Equity</i>	<u>\$ 974.21</u>	<u>\$ 49.60</u>	<u>\$ 10.00</u>	<u>\$ 31,164.92</u>	<u>\$ 32,198.73</u>	<u>\$ 36,285.02</u>

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

CITY OF WILLIS, TEXAS

SPECIAL REVENUE FUND
 COMBINING STATEMENT OF REVENUE, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED SEPTEMBER 30, 1997

	HOME Program	Economic Develop. Program	TCDP Grant # 714929	TCDP Grant # 703969	Totals	
					9-30-97	9-30-96
Revenues:						
<i>Local Sources</i>	\$ --	\$ 3,600.00	\$ 10,862.50	\$ 21,634.05	\$ 36,096.55	\$ 44,735.00
<i>State Sources</i>	--	--	--	--	--	--
<i>Federal Sources</i>	103,875.89	54,436.00	347,982.35	242,948.75	749,242.99	255,378.61
Total Revenues	<u>\$ 103,875.89</u>	<u>\$ 58,036.00</u>	<u>\$ 358,844.85</u>	<u>\$ 264,582.80</u>	<u>\$ 785,339.54</u>	<u>\$ 300,113.61</u>
Expenditures:						
<i>Easement Acquisition</i>	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
<i>Utility Construction</i>	--	54,436.00	347,982.35	250,157.80	652,576.15	131,277.61
<i>Engineering Fees</i>	--	--	5,362.50	7,500.00	12,862.50	49,797.00
<i>Administration</i>	3,921.89	3,600.00	5,500.00	6,925.00	19,946.89	119,039.00
<i>Rural Development</i>	99,954.00	--	--	--	99,954.00	--
Total Expenditures	<u>\$ 103,875.89</u>	<u>\$ 58,036.00</u>	<u>\$ 358,844.85</u>	<u>\$ 264,582.80</u>	<u>\$ 785,339.54</u>	<u>\$ 300,113.61</u>
Excess (Deficit) Revenues Over Expenditures	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Fund Balance, October 1	--	--	--	--	--	--
Fund Balance, Sept. 30	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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

CITY OF WILLIS, TEXAS

DEBT SERVICE FUND

BALANCE SHEET

SEPTEMBER 30, 1997

EXHIBIT B-5

	1997	1996
ASSETS:		
<i>Temporary Investments</i>	\$ 31,743.45	\$ 37,165.46
<i>Property Tax Receivable</i>	36,403.97	44,444.84
<i>Allowance for Uncollectible Accounts</i>	(7,280.79)	(8,888.97)
<i>Due from Other Funds</i>	31,197.57	6,150.46
Total Assets	\$ 92,064.20	\$ 78,871.79
LIABILITIES:		
<i>Deferred Revenue</i>	\$ 29,123.18	\$ 35,555.87
FUND EQUITY:		
<i>Reserved for Retirement of Bonded Debt</i>	62,941.02	43,315.92
Total Liabilities and Fund Equity	\$ 92,064.20	\$ 78,871.79

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

CITY OF WILLIS, TEXAS

DEBT SERVICE FUND

STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED SEPTEMBER 30, 1997

	1997			1996
	Budget	Actual	Variance- Favorable (Unfavorable)	Actual
REVENUES:				
<i>Ad Valorem Taxes</i>	\$ 129,000	\$ 137,231.88	\$ 8,231.88	\$ 132,422.90
<i>Interest Earned</i>	650	740.52	90.52	1,105.50
Total Revenues	\$ 129,650	\$ 137,972.40	\$ 8,322.40	\$ 133,528.40
EXPENDITURES:				
<i>Bond Principal</i>	\$ 85,000	\$ 85,000.00	\$ --	\$ 80,000.00
<i>Bond Interest</i>	32,230	32,222.50	7.50	39,360.00
<i>Paying Agent Fees</i>	1,000	1,124.80	(124.80)	1,964.82
Total Expenditures	\$ 118,230	\$ 118,347.30	\$ (117.30)	\$ 121,324.82
Excess of Revenues Over Expenditures	\$ 11,420	\$ 19,625.10	\$ 8,205.10	\$ 12,203.58
OTHER SOURCES AND (USES)				
Fund Balance, October 1		43,315.92		31,112.34
Fund Balance, September 30		\$ 62,941.02		\$ 43,315.92

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

CITY OF WILLIS, TEXAS
WATER AND SEWER UTILITY FUND
BALANCE SHEET
SEPTEMBER 30, 1997

EXHIBIT B-6

	1997	1996
ASSETS:		
<i>Current Assets—</i>		
Cash	\$ --	\$ --
Temporary Investments	440,882.64	348,860.13
Service Accounts Receivable	103,622.56	89,602.77
Allowance for Uncollectible Accounts	(10,362.26)	(8,960.28)
Due From Other Funds	--	21,648.55
* Supplies Inventory <i>Work on it exactly where it is</i>	17,414.88	17,414.88
Total Current Assets	<u>\$ 551,557.82</u>	<u>\$ 468,566.05</u>
<i>Property, Plant and Equipment—</i>		
Utility System in Service	\$ 4,886,538.27	\$ 4,781,428.70
Accumulated Depreciation	(2,100,162.96)	(1,953,566.81)
Construction in Progress	578,574.52	57,485.96
Total Property, Plant and Equipment	<u>\$ 3,364,949.83</u>	<u>\$ 2,885,347.85</u>
<i>Restricted Assets—</i>		
1977 Water and Sewer Revenue Bond Fund	\$ 42.91	\$ 12,847.46
1981 Water and Sewer Jr. Lien Revenue Bond	79.96	9,988.27
1995 Water and Sewer Revenue Bond Fund	793,491.00	1,259,766.90
Meter Deposit	21,500.00	21,500.00
Total Restricted Assets	<u>\$ 815,113.87</u>	<u>\$ 1,304,102.63</u>
Total Assets	<u>\$ 4,731,621.52</u>	<u>\$ 4,658,016.53</u>
LIABILITIES:		
<i>Current Liabilities—</i>		
Accounts Payable	\$ 21,358.32	\$ 4,835.35
Bond Interest Payable	--	--
Customer Deposits Payable	41,165.45	38,449.40
Capital Leases Payable (Current)	--	6,312.81
Revenue Bonds Payable (Current)	10,000.00	35,000.00
Due to Other Funds	--	--
Total Current Liabilities	<u>\$ 72,523.77</u>	<u>\$ 84,597.56</u>
<i>Long-Term Liabilities—</i>		
Capital Leases Payable—Future Maturities	\$ --	\$ 29,253.45
Revenue Bonds—Future Maturities	1,260,000.00	1,270,000.00
Total Long-Term Liabilities	<u>\$ 1,260,000.00</u>	<u>\$ 1,299,253.45</u>
Total Liabilities	<u>\$ 1,332,523.77</u>	<u>\$ 1,383,851.01</u>
FUND EQUITY:		
Contributed Capital	\$ 3,499,250.44	\$ 3,499,250.44
Retained Earnings—		
Reserved for Retirement of Revenue Bonds	122.87	22,835.73
Unreserved	(100,275.56)	(247,920.65)
Total Fund Equity	<u>\$ 3,399,097.75</u>	<u>\$ 3,274,165.52</u>
Total Liabilities and Fund Equity	<u>\$ 4,731,621.52</u>	<u>\$ 4,658,016.53</u>

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

CITY OF WILLIS, TEXAS

EXHIBIT B-7

*COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS – ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1997*

	1997	Water and Sewer Utility Fund 1996
OPERATING REVENUE:		
<i>Charges for Water and Sewer Service</i>	\$ 636,942.54	\$ 572,020.01
<i>Water and Sewer Connections</i>	61,055.26	41,788.33
<i>Late Payment Penalties</i>	25,002.65	25,308.34
<i>Service Charges</i>	6,539.14	7,250.00
<i>Inspection Fees</i>	3,330.00	1,445.00
Total Operating Revenue	\$ 732,869.59	\$ 647,811.68
OPERATING EXPENSE:		
<i>Personnel—Operating</i>	\$ 184,145.79	\$ 146,358.48
<i>Personnel—Administration</i>	27,920.77	24,109.22
<i>Professional Fees</i>	321.05	378.00
<i>Maintenance and Repairs</i>	105,381.49	98,266.55
<i>Utilities</i>	106,749.21	87,101.87
<i>Supplies, Materials and Postage</i>	19,214.94	14,779.37
<i>Vehicle Expense</i>	12,331.25	14,894.04
<i>Other Operating Expense</i>	18,255.98	15,666.92
<i>Depreciation</i>	146,596.15	143,442.87
Total Operating Expense	\$ 620,916.63	\$ 544,997.32
Operating Income (Loss)	\$ 111,952.96	\$ 102,814.36
NON-OPERATING REVENUE (EXPENSE):		
<i>Grant Expense (Local Matching)</i>	\$ --	\$ --
<i>Interest Earnings</i>	82,819.06	43,812.50
<i>Interest Expense</i>	(68,337.79)	(32,221.04)
<i>Bond Paying Agent Fees</i>	(1,502.00)	(770.00)
Total Non-operating Revenue (Expense)	\$ 12,979.27	\$ 10,821.46
Net Income (Loss)	\$ 124,932.23	\$ 113,635.82
Retained Earnings (Deficit), October 1	(225,084.92)	(338,720.74)
Retained Earnings (Deficit), September 30	<u>\$ (100,152.69)</u>	<u>\$ (225,084.92)</u>

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

SUPPLEMENTAL INFORMATION

CITY OF WILLIS, TEXAS

EXHIBIT C-1

*ANALYSIS OF CHANGES IN AD VALOREM TAXES RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 1997*

Taxes Receivable, 10-1-96		\$ 102,975.79
<i>Adjustments to Delinquent Taxes</i>		(506.23)
<i>1996 Original Roll</i>	\$ 345,147.06	
<i>Errors and Corrections</i>	3,042.94	348,190.00
Total Taxes to be Accounted for		<u>\$ 450,659.56</u>
Tax Collections		
<i>Current Collections</i>	\$ 324,203.94	
<i>Delinquent Collections</i>	37,944.35	362,148.29
Taxes Receivable, 9-30-97		<u>\$ 88,511.27</u>

Tax Collections, Adjustments and Balance by Year of Assessment:

<u>Year Assessed</u>	<u>Beg. Balance</u>	<u>Adjustments</u>	<u>Collections</u>	<u>End. Balance</u>
1996	\$ 345,147.06	\$ 3,042.94	\$ 324,203.94	\$ 23,986.06
1995	30,497.72	1,491.74	19,890.18	12,099.28
1994	14,960.85	287.34	7,665.64	7,582.55
1993	10,436.61	(46.35)	3,725.75	6,664.51
1992	7,514.06	78.71	2,647.89	4,944.88
1991	5,655.28	(83.51)	726.46	4,845.31
1990	6,224.08	81.04	644.41	5,660.71
1989	4,642.30	(149.90)	401.44	4,090.96
1988	4,344.02	(172.06)	371.02	3,800.94
1987 and Prior	18,700.87	(1,993.24)	1,871.56	14,836.07
Taxes Receivable, 9-30-97				<u>\$ 88,511.27</u>

Property Valuation:

<u>Year of Assessment</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>	<u>1992</u>
Market Value @ Jan. 1-					
<i>Land</i>	\$ 17,567,960	\$ 15,527,150	\$ 14,952,760	\$ 15,340,110	\$ 15,709,590
<i>Improvements</i>	54,367,730	50,187,314	25,836,370	25,186,371	24,315,501
<i>Personal Property</i>	11,756,213	10,771,402	10,225,066	9,970,079	8,577,935
Total Market Value	\$ 83,691,903	\$ 76,485,866	\$ 51,014,196	\$ 50,496,560	\$ 48,603,026
<i>Exempt Property</i>	27,463,410	25,282,710	2,559,140	3,109,458	2,642,306
<i>Productivity Exemptions</i>	1,052,010	297,420	297,420	371,760	310,930
<i>Old Age Exemptions</i>	771,520	711,660	697,210	652,210	672,210
<i>Disabled Vet Exemptions</i>	164,749	39,880	37,380	33,140	33,430
<i>Freeport</i>	489,390	170,044	709,275	--	--
Net Taxable Value	\$ 53,750,824	\$ 49,984,152	\$ 46,713,771	\$ 46,329,992	\$ 44,944,150
Rate Per \$100 Value-					
<i>Maintenance & Operation</i>	\$ 0.42405	\$ 0.40792	\$ 0.38982	\$ 0.36452	\$ 0.35475
<i>Debt Service</i>	0.21808	0.23706	0.25973	0.26528	0.27040
Original Levy	\$ 345,147.06	\$ 322,387.96	\$ 303,429.29	\$ 291,786.29	\$ 280,968.35

CITY OF WILLIS, TEXAS

EXHIBIT C-2

WATER AND SEWER UTILITY FUND

SCHEDULE OF WATER USAGE AND NUMBER OF CUSTOMERS SERVED
FOR THE YEAR ENDED SEPTEMBER 30, 1997

Month	Water Usage In Gallons		Number of Customers Served	
	Pumped	Sold	Water	Sewer
October, 1996	18,071,100	13,138,400	1,360	1,160
November, 1996	16,623,100	11,826,300	1,351	1,151
December, 1996	16,575,800	10,096,800	1,358	1,159
January, 1997	14,274,300	23,921,600	1,354	1,158
February, 1997	13,683,800	11,271,700	1,358	1,165
March, 1997	17,016,800	10,695,500	1,349	1,158
April, 1997	15,214,100	13,588,000	1,370	1,179
May, 1997	17,866,700	12,882,300	1,390	1,199
June, 1997	17,604,700	32,409,300	1,395	1,196
July, 1997	22,167,900	16,997,900	1,414	1,212
August, 1997	22,054,000	20,044,200	1,420	1,219
September, 1997	<u>20,287,900</u>	<u>18,712,300</u>	<u>1,439</u>	<u>1,240</u>
Totals	<u>211,440,200</u>	<u>195,584,300</u>		
Average	<u>17,620,017</u>	<u>16,298,692</u>	<u>1,380</u>	<u>1,183</u>

CITY OF WILLIS, TEXAS
SCHEDULE OF CAPITAL LEASES PAYABLE
YEAR ENDED SEPTEMBER 30, 1997

Payable To, Purpose And Lawful Authority	Date Issued & Interest Rate	Maturity Schedule	Fund Payable From	Principal Balance 10-1-96	Current Year Transactions	
					Issued	Retired
GENERAL FUND:						
Chicord Financial Service <i>Rehabilitation Center Public Property Finance Act</i>	06-20-90 8.30%	168 Months @ \$8125.00	General	\$ 576,892.19	\$ --	\$ 51,549.69
T. Warren Investments <i>Rehab Center Land Public Property Finance Act</i>	06-20-90 No Interest	168 Months @ \$375.00	General	36,750.00	--	4,500.00
Ford Motor Credit <i>1 Police Sedan Public Property Finance Act</i>	7-22-93 6.00%	36 Months @ \$565.33	General	--	--	--
Ford Motor Credit <i>1 Police Sedan Public Property Finance Act</i>	2-04-94 5.90%	36 Months @ \$443.57	General	9,228.23	--	9,228.23
Ford Motor Credit <i>1 Police Sedan Public Property Finance Act</i>	4-13-95 7.30%	36 Months @ \$534.08	General	9,079.57	--	9,079.57
Ford Motor Credit <i>1 Police Sedan Public Property Finance Act</i>	4-12-96 6.55%	36 Months @ \$513.50	General	19,226.76	--	19,226.76
Ford Motor Credit <i>1 Police Sedan Public Property Finance Act</i>	6-19-96 6.50%	36 Months @ \$487.27	General	16,694.21	--	16,694.21
Subtotal General Fund				\$ 667,870.96	\$ --	\$ 110,278.46

Principal Balance 9-30-97	Interest Year Ended 9-30-97	Annual Requirements				Interest 10-01-98 To Maturity
		Year Ending 9-30-98		Year Ending 9-30-99		
		Principal	Interest	Principal	Interest	
\$ 525,342.50	\$ 45,950.31	\$ 55,994.86	\$ 41,505.14	\$ 60,823.40	\$ 36,676.60	\$ 95,225.76
36,750.00	--	4,500.00	--	4,500.00	--	--
--	--	--	--	--	--	--
--	413.11	--	--	--	--	--
--	466.60	--	--	--	--	--
--	1,109.46	--	--	--	--	--
--	940.66	--	--	--	--	--
<u>\$ 562,092.50</u>	<u>\$ 48,880.14</u>	<u>\$ 60,494.86</u>	<u>\$ 41,505.14</u>	<u>\$ 65,323.40</u>	<u>\$ 36,676.60</u>	<u>\$ 95,225.76</u>

CITY OF WILLIS, TEXAS

SCHEDULE OF CAPITAL LEASES PAYABLE (CONTINUED)

YEAR ENDED SEPTEMBER 30, 1997

Payable To, Purpose And Lawful Authority	Date Issued & Interest Rate	Maturity Schedule	Fund Payable From	Principal Balance 10-1-96	Current Year Transactions	
					Issued	Retired
UTILITY FUND:						
<i>John Deere Leasing</i>	9-15-96	60 Months				
<i>Equipment Purchase</i>	6.75%	@ \$710.05	Utility	\$ 35,566.26	\$ --	\$ 35,566.26
<i>Public Property Finance Act</i>						
Subtotal Utility Fund				\$ 35,566.26	\$ --	\$ 35,566.26
Total				\$ 709,497.22	\$ --	\$ 145,844.72

Principal Balance 9-30-97	Interest Year Ended 9-30-97	Annual Requirements				Interest 10-01-99 To Maturity
		Year Ending 9-30-98		Year Ending 9-30-99		
		Principal	Interest	Principal	Interest	
\$ --	\$ 2,207.79	\$ --	\$ --	\$ --	\$ --	\$ --
\$ --	\$ 2,207.79	\$ --	\$ --	\$ --	\$ --	\$ --
\$ 562,092.50	\$ 51,087.93	\$ 60,494.86	\$ 41,505.14	\$ 65,323.40	\$ 36,676.60	\$ 95,225.76

CITY OF WILLIS, TEXAS
ANALYSIS OF CHANGES IN DEBT
YEAR ENDED SEPTEMBER 30, 1997

Description	Date of Issue	Amount of Issue	Interest Rate	Principal Outstanding 10-1-96	Debt Issued	Debt Retired
GENERAL OBLIGATION DEBT:						
<i>Combination Tax & Revenue Certificates of Obligation, 1986 Series</i>	05-01-86	\$ 800,000	7.5% to 9%	\$ 405,000	\$ --	\$ 85,000
Total General Obligation Debt				\$ 405,000	\$ --	\$ 85,000
WATER AND SEWER UTILITY FUND DEBT:						
<i>Waterworks and Sewer System Revenue Bonds, Series 1977</i>	07-15-77	\$ 240,000	6.5%	\$ 5,000	\$ --	\$ 5,000
<i>Waterworks and Sewer System Revenue Bonds, Series 1981</i>	08-01-81	250,000	5.60%	20,000	--	20,000
<i>Waterworks and Sewer System Revenue Bonds, Series 1995-A</i>	11-01-95	110,000	3.7% to 5.4%	110,000	--	5,000
<i>Waterworks and Sewer System Revenue Bonds, Series 1995-B</i>	11-01-95	1,170,000	4.25% to 5.95%	1,170,000	--	5,000
Total Water & Sewer Utility Fund Debt				\$ 1,305,000	\$ --	\$ 35,000

Principal Outstanding 9-30-97	Interest Current Year	Requirements				Interest 10-1-99 To Maturity
		Year Ending 9-30-98		Year Ending 9-30-99		
		Principal	Interest	Principal	Interest	
\$ 320,000	\$ 32,223	\$ 90,000	\$ 24,565	\$ 95,000	\$ 16,377	\$ 9,225
<u>\$ 320,000</u>	<u>\$ 32,223</u>	<u>\$ 90,000</u>	<u>\$ 24,565</u>	<u>\$ 95,000</u>	<u>\$ 16,377</u>	<u>\$ 9,225</u>
\$ --	\$ 325	\$ --	\$ --	\$ --	\$ --	\$ --
--	1,120	--	--	--	--	--
105,000	5,256	5,000	4,510	5,000	4,436	46,214
1,165,000	44,076	5,000	44,758	5,000	46,300	556,439
<u>\$ 1,270,000</u>	<u>\$ 50,777</u>	<u>\$ 10,000</u>	<u>\$ 49,268</u>	<u>\$ 10,000</u>	<u>\$ 50,736</u>	<u>\$ 602,653</u>

CITY OF WILLIS, TEXAS

EXHIBIT C-4-1

REPAYMENT SCHEDULE – 1986 SERIES

COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION

Fiscal Year Ending Sept. 30	Interest Rate	Semi-Annual Interest Due		Annual Principal Due February 1	Total Annual Requirements
		February 1	August 1		
1987	--	\$ 51,590.63	\$ 34,393.75	\$ --	\$ 85,984.38
1988	9.00%	34,393.75	33,268.75	25,000.00	92,662.50
1989	9.00%	33,268.75	31,918.75	30,000.00	95,187.50
1990	8.50%	31,918.75	30,431.25	35,000.00	97,350.00
1991	7.50%	30,431.25	28,931.25	40,000.00	99,362.50
1992	7.75%	28,931.25	27,575.00	35,000.00	91,506.25
1993	8.00%	27,575.00	25,975.00	40,000.00	93,550.00
1994	8.20%	25,975.00	24,130.00	45,000.00	95,105.00
1995	8.40%	24,130.00	21,400.00	65,000.00	110,530.00
1996	8.60%	21,400.00	17,960.00	80,000.00	119,360.00
1997	8.70%	17,960.00	14,262.50	85,000.00	117,222.50
1998	8.80%	14,262.50	10,302.50	90,000.00	114,565.00
1999	8.90%	10,302.50	6,075.00	95,000.00	111,377.50
2000	9.00%	6,075.00	1,575.00	100,000.00	107,650.00
2001	9.00%	1,575.00	--	35,000.00	36,575.00
Total		\$ 359,789.38	\$ 308,198.75	\$ 800,000.00	\$ 1,467,988.13
Retired Prior to Oct. 1, 1996		309,614.38	275,983.75	395,000.00	980,598.13
Retired in 1996-97		17,960.00	14,262.50	85,000.00	117,222.50
Balance Sept. 30, 1997		\$ 32,215.00	\$ 17,952.50	\$ 320,000.00	\$ 370,167.50

Total Amount of Issue \$ 800,000.00
 Date of Issue: May 1, 1986
 Paying Agent: Texas Commerce Bank, N.A.
 Houston, Texas
 Prepayment Option: Bonds maturing February 1, 1997
 through February 1, 2001, inclusive,
 are callable for prior redemption
 on February 1, 1996 or any interest
 payment thereafter at par.

CITY OF WILLIS, TEXAS
REPAYMENT SCHEDULE – 1977 SERIES
WATERWORKS AND SEWER SYSTEM REVENUE BONDS

EXHIBIT C-4-2

Fiscal Year Ending Sept. 30	Bond Numbers	Interest Rate	Semi-Annual Interest Due		Annual Principal Due	Total Annual Requirements
			February 1	August 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
	Retired Prior to Oct. 1, 1996		82,847.22	82,225.00	235,000.00	400,072.22
	Retired in 1996-97		162.50	162.50	5,000.00	5,325.00
	Balance Sept. 30, 1997		\$ --	\$ --	\$ --	\$ --

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

CITY OF WILLIS, TEXAS

EXHIBIT C-4-3

REPAYMENT SCHEDULE - 1981 SERIES (REVISED)
 WATERWORKS AND SEWER SYSTEM
 JUNIOR LIEN REVENUE BONDS

Fiscal Year Ending Sept. 30	Bond Numbers	Interest Rate	Semi-Annual Interest Due		Annual Principal Due	Total Annual Requirements
			February 1	August 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	"	6,020.00	6,020.00	15,000.00	27,040.00
1985	10-12	"	5,600.00	5,600.00	15,000.00	26,200.00
1986	13-15	"	5,180.00	5,180.00	15,000.00	25,360.00
1987	16-18	"	4,760.00	4,760.00	15,000.00	24,520.00
1988	19-21	"	4,340.00	4,340.00	15,000.00	23,680.00
1989	22-24	"	3,920.00	3,920.00	15,000.00	22,840.00
1990	25-27	"	3,500.00	3,500.00	15,000.00	22,000.00
1991	28-30	"	3,080.00	3,080.00	15,000.00	21,160.00
1992	31-33	"	2,660.00	2,660.00	15,000.00	20,320.00
1993	34-36	"	2,240.00	2,240.00	15,000.00	19,480.00
1994	37-39	"	1,820.00	1,820.00	15,000.00	18,640.00
1995	40-42	"	1,400.00	1,400.00	15,000.00	17,800.00
1996	43-45	"	980.00	980.00	15,000.00	16,960.00
1997	46-50	"	560.00	560.00	20,000.00*	21,120.00
Total			\$ 59,640.00	\$ 59,640.00	\$ 245,000.00	\$ 364,280.00
Retired Prior to Oct. 1, 1995			59,080.00	59,080.00	225,000.00	343,160.00
Retired in 1995-96			560.00	560.00	20,000.00	21,120.00
Balance Sept 30, 1996			\$ --	\$ --	\$ --	\$ --

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. The above schedule has been revised to reflect this prepayment.

CITY OF WILLIS, TEXAS

EXHIBIT C-4-4

*REPAYMENT SCHEDULE – SERIES 1995–A
WATERWORKS AND SEWER SYSTEM REVENUE BONDS*

Fiscal Year Ending Sept. 30	Interest Rate	Semi-Annual Interest Due		Annual Principal Due August 1	Total Annual Requirements
		February 1	August 1		
1997	4.25%	\$ 3,025.00	\$ 2,231.00	\$ 5,000.00	\$ 10,256.00
1998	4.40%	2,310.00	2,200.00	5,000.00	9,510.00
1999	4.55%	2,275.00	2,161.00	5,000.00	9,436.00
2000	4.65%	2,209.00	2,093.00	5,000.00	9,302.00
2001	4.80%	2,160.00	2,040.00	5,000.00	9,200.00
2002	4.90%	2,083.00	1,960.00	5,000.00	9,043.00
2003	5.00%	2,000.00	1,875.00	5,000.00	8,875.00
2004	5.10%	1,913.00	1,785.00	5,000.00	8,698.00
2005	5.20%	1,820.00	1,690.00	5,000.00	8,510.00
2006	5.30%	1,723.00	1,590.00	5,000.00	8,313.00
2007	5.40%	1,620.00	1,485.00	5,000.00	8,105.00
2008	5.50%	1,513.00	1,375.00	5,000.00	7,888.00
2009	5.60%	1,400.00	1,260.00	5,000.00	7,660.00
2010	5.70%	1,283.00	1,140.00	5,000.00	7,423.00
2011	5.80%	1,160.00	1,015.00	5,000.00	7,175.00
2012	5.85%	1,024.00	878.00	5,000.00	6,902.00
2013	"	878.00	731.00	5,000.00	6,609.00
2014	5.90%	738.00	590.00	5,000.00	6,328.00
2015	"	590.00	295.00	10,000.00	10,885.00
2016	5.95%	298.00	--	10,000.00	10,298.00
Total		\$ 32,022.00	\$ 28,394.00	\$ 110,000.00	\$ 170,416.00
Retired Prior to Oct. 1, 1996		--	--	--	--
Retired in 1996-97		3,025.00	2,231.00	5,000.00	10,256.00
Balance Sept. 30, 1997		\$ 28,997.00	\$ 26,163.00	\$ 105,000.00	\$ 160,160.00

Total Amount of Issue: \$ 110,000
 Date of Issue: November 1, 1995
 Paying Agent: First Interstate Bank, Willis, Texas

CITY OF WILLIS, TEXAS

EXHIBIT C-4-5

REPAYMENT SCHEDULE – SERIES 1995-B

WATERWORKS AND SEWER SYSTEM REVENUE BONDS

Fiscal Year Ending Sept. 30	Interest Rate	Semi-Annual Interest Due		Annual Principal Due August 1	Total Annual Requirements
		February 1	August 1		
1997	3.70%	\$ 22,523.00	\$ 21,553.00	\$ 5,000.00	\$ 49,076.00
1998	3.85%	22,428.00	22,330.00	5,000.00	49,758.00
1999	4.00%	23,200.00	23,100.00	5,000.00	51,300.00
2000	4.10%	23,678.00	23,575.00	5,000.00	52,253.00
2001	4.25%	24,438.00	24,119.00	15,000.00	63,557.00
2002	4.35%	24,686.00	23,816.00	40,000.00	88,502.00
2003	4.45%	24,364.00	23,140.00	55,000.00	102,504.00
2004	4.55%	23,660.00	22,295.00	60,000.00	105,955.00
2005	4.65%	22,785.00	21,390.00	60,000.00	104,175.00
2006	4.75%	21,850.00	20,306.00	65,000.00	107,156.00
2007	4.85%	20,734.00	19,158.00	65,000.00	104,892.00
2008	4.95%	19,553.00	17,696.00	75,000.00	112,249.00
2009	5.05%	18,054.00	16,160.00	75,000.00	109,214.00
2010	5.15%	16,480.00	14,420.00	80,000.00	110,900.00
2011	5.25%	14,700.00	12,338.00	90,000.00	117,038.00
2012	5.30%	12,455.00	10,070.00	90,000.00	112,525.00
2013	"	10,070.00	7,553.00	95,000.00	112,623.00
2014	5.35%	7,624.00	5,083.00	95,000.00	107,707.00
2015	"	5,083.00	2,541.00	95,000.00	102,624.00
2016	5.40%	2,565.00	--	95,000.00	97,565.00
Total		\$ 360,930.00	\$ 330,643.00	\$ 1,170,000.00	\$ 1,861,573.00
Retired Prior to Oct. 1, 1996		--	--	--	--
Retired in 1996-97		22,523.00	21,553.00	5,000.00	49,076.00
Balance Sept. 30, 1997		<u>\$ 338,407.00</u>	<u>\$ 309,090.00</u>	<u>\$ 1,165,000.00</u>	<u>\$ 1,812,497.00</u>

Total Amount of Issue: \$ 1,170,000

Date of Issue: November 1, 1995

Paying Agent: First Interstate Bank, Willis, Texas

***OVERALL COMPLIANCE
AND INTERNAL CONTROLS SECTION***

SAULS & PECHACEK

P.O. Box 549
Bellville, Texas 77418

Independent Auditor's Report

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

Honorable Mayor and Members of the City Council
City of Willis, Texas
P.O. Box 436
Willis, Texas 77378

We have audited the financial statements of the City of Willis, Texas as of and for the year ended September 30, 1997, and have issued our report thereon dated May 15, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

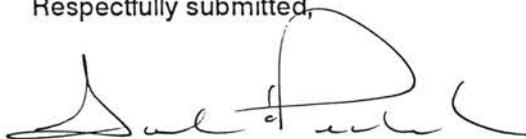
As part of obtaining reasonable assurance about whether the City of Willis, Texas' financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material 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 Willis, Texas' internal control over financial reporting in order to determine our auditing procedures for the purpose 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 considered to be material weaknesses.

This report is intended for the information of the City of Willis, Texas' Mayor and Council, the Texas Water Development Board, the Texas Department of Housing and Community Affairs and appropriate state and federal agencies. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,



Sauls and Pechacek

May 15, 1998

CITY OF WILLIS, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 1997

<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
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	<u>None</u>	
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FEDERAL FINANCIAL ASSISTANCE SECTION

SAULS & PECHACEK
P.O. Box 549
Bellville, Texas 77418

Independent Auditor's Report

Report on Compliance with Requirements Applicable
To each Major Program and Internal Control over Compliance
In Accordance With OMB Circular A-133

Honorable Mayor and Members of the City Council
City of Willis, Texas
P.O. Box 436
Willis, Texas 77378

Members of the City Council:

Compliance

We have audited the compliance of the City of Willis, Texas with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 1997. The City of Willis's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Willis's management. Our responsibility is to express an opinion on the City of Willis's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Willis's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Willis's compliance with those requirements.

In our opinion, the City of Willis complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 1997.

Internal Control Over Compliance

The management of the City of Willis is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Willis's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

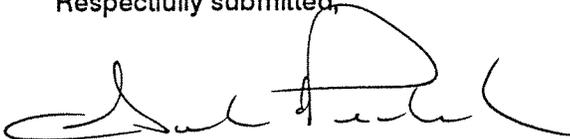
Independent Auditor's Report

Report on Compliance with Requirements Applicable
To each Major Program and Internal Control over Compliance
In Accordance With OMB Circular A-133

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we considered to be material weaknesses.

This report is intended for the information of the City Council, management, the Texas Department of Housing and Community Affairs, and appropriate federal agencies. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,



Sauls and Pechacek

May 15, 1998

CITY OF WILLIS, TEXAS
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 1997

<u>Pass-Through Grantor's Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Accrued or (Deferred) Revenue at 10-1-96</u>
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed Through The Texas Department of Housing and Community Affairs			
533033	HÖME Program	14.239	\$ 208,000	\$ (116.00)
702709	Economic Development	14.228	318,217	0.00
714929	Community Development	14.228	350,000	0.00
703969	Community Development	14.228	<u>350,000</u>	<u>0.00</u>
	Totals		\$ <u>1,226,217</u>	\$ <u>(116.00)</u>

Reconciliation With Special Revenue Fund –

Receipt of Federal Funds (per above)	\$ 749,441.20
Deferred Federal Revenue (per above)	(314.21)
Prior Year Deferred Revenue	<u>116.00</u>
Revenue from Federal Sources (per Exhibit B-4, Combining Statement of Revenue, Expenditures, and Changes in Fund Balance, Special Revenue Fund)	\$ <u>749,242.99</u>

Exhibit D

Federal Audit Period Transactions		Accrued or (Deferred) Revenue at 9-30-97	Memo Cumulative Local Matching
<u>Receipts</u>	<u>Expenditures</u>	<u> </u>	<u> </u>
\$ 104,074.10	\$ 103,875.89	\$ (314.21)	\$ --
54,436.00	54,436.00	--	24,349.03
347,982.35	347,982.35	--	46,567.50
<u>242,948.75</u>	<u>242,948.75</u>	<u>--</u>	<u>38,064.05</u>
<u>\$ 749,441.20</u>	<u>\$ 749,242.99</u>	<u>\$ (314.21)</u>	<u>\$ 108,980.58</u>

CITY OF WILLIS, TEXAS

EXHIBIT D-1

COMMUNITY DEVELOPMENT BLOCK GRANT
 FEDERAL PROGRAM PROJECT SCHEDULE
 FISCAL YEAR ENDED SEPTEMBER 30, 1997

Federal Financial Assistance Program: HOME Program
 Federal Grantor: U. S. Department of Housing and Urban Development
 Pass Through Grantor: Texas Department of Housing and Community Affairs
 CFDA Number: 14.239
 Project Number: 533033
 Contract Period: July 1, 1994 – June 30, 1997

	Budget	Current		Cumulative		Variance— Favorable (Unfavorable)
		Federal	State	Federal	State	
Revenue:						
<i>Federal</i>	\$ 178,994	\$ 104,074.10	\$ --	\$ 204,419.10	\$ --	\$ 25,425.10
<i>Local</i>	29,006	--	--	--	--	(29,006.00)
<i>Total</i>	<u>\$ 208,000</u>	<u>\$ 104,074.10</u>	<u>\$ --</u>	<u>\$ 204,419.10</u>	<u>\$ --</u>	<u>\$ (3,580.90)</u>
Expenditures:						
Federal—						
<i>Owner Occupied Rehab/ Reconstruction</i>	\$ 170,994	\$ 99,954.00	\$ --	\$ 195,983.00	\$ --	\$ (24,989.00)
<i>Administration</i>	8,000	3,921.89	--	8,121.89	--	(121.89)
Local—						
<i>Owner Occupied Rehab/ Reconstruction</i>	29,006	--	--	--	--	29,006.00
Total	<u>\$ 208,000</u>	<u>\$ 103,875.89</u>	<u>\$ --</u>	<u>\$ 204,104.89</u>	<u>\$ --</u>	<u>\$ 3,895.11</u>
Excess (Deficit) of Revenues Over Expenditures	<u>\$ --</u>	<u>\$ 198.21</u>	<u>\$ --</u>	<u>\$ 314.21</u>	<u>\$ --</u>	<u>\$ 314.21</u>

CITY OF WILLIS, TEXAS
COMMUNITY DEVELOPMENT BLOCK GRANT
FEDERAL PROGRAM PROJECT SCHEDULE
FISCAL YEAR ENDED SEPTEMBER 30, 1997

EXHIBIT D-2

Federal Financial Assistance Program: Economic Development Program
 Federal Grantor: U. S. Department of Housing and Urban Development
 Pass Through Grantor: Texas Department of Housing and Community Affairs
 CFDA Number: 14.228
 Project Number: 702709
 Contract Period: May 1, 1993 – June 30, 1997

	<u>Budget</u>	<u>Current</u>		<u>Cumulative</u>		<u>Variance— Favorable (Unfavorable)</u>
		<u>Federal</u>	<u>Local</u>	<u>Federal</u>	<u>Local</u>	
Revenue:						
<i>Federal</i>	\$ 318,217	\$ 54,436.00	\$ --	\$ 318,217.00	\$ --	\$ --
<i>Local</i>	47,733	--	3,600.00	--	24,349.03	(23,383.97)
<i>Total</i>	<u>\$ 365,950</u>	<u>\$ 54,436.00</u>	<u>\$ 3,600.00</u>	<u>\$ 318,217.00</u>	<u>\$ 24,349.03</u>	<u>\$ (23,383.97)</u>
Expenditures:						
Federal—						
<i>Administration</i>	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
<i>Engineering</i>	27,400	--	--	27,400.00	--	--
<i>Construction</i>	290,817	54,436.00	--	290,817.00	--	--
Local—						
<i>Administration</i>	25,000	--	3,600.00	--	24,349.03	650.97
<i>Construction</i>	<u>22,733</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>22,733.00</u>
Total	<u>\$ 365,950</u>	<u>\$ 54,436.00</u>	<u>\$ 3,600.00</u>	<u>\$ 318,217.00</u>	<u>\$ 24,349.03</u>	<u>\$ 23,383.97</u>
Excess (Deficit) of Revenues Over Expenditures	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

CITY OF WILLIS, TEXAS

*COMMUNITY DEVELOPMENT BLOCK GRANT
FEDERAL PROGRAM PROJECT SCHEDULE
FISCAL YEAR ENDED SEPTEMBER 30, 1997*

Federal Financial Assistance Program: Community Development Program
 Federal Grantor: U. S. Department of Housing and Urban Development
 Pass Through Grantor: Texas Department of Housing and Community Affairs
 CFDA Number: 14.228
 Project Number: 714929
 Contract Period: May 1, 1995 – July 31, 1997

	<u>Budget</u>	<u>Current</u>		<u>Cumulative</u>		<u>Variance— Favorable (Unfavorable)</u>
		<u>Federal</u>	<u>Local</u>	<u>Federal</u>	<u>Local</u>	
Revenue:						
<i>Federal</i>	\$ 350,000	\$ 347,982.35	\$ --	\$ 347,982.35	\$ --	\$ (2,017.65)
<i>Local</i>	52,500	--	10,862.50	--	46,567.50	(5,932.50)
<i>Total</i>	<u>\$ 402,500</u>	<u>\$ 347,982.35</u>	<u>\$ 10,862.50</u>	<u>\$ 347,982.35</u>	<u>\$ 46,567.50</u>	<u>\$ (7,950.15)</u>
Expenditures:						
Federal—						
<i>Administration</i>	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
<i>Engineering</i>	--	--	--	--	--	--
<i>Construction</i>	350,000	347,982.35	--	347,982.35	--	2,017.65
Local—						
<i>Administration</i>	25,000	--	5,500.00	--	19,480.00	5,520.00
<i>Engineering</i>	27,500	--	5,362.50	--	27,087.50	412.50
<i>Construction</i>	--	--	--	--	--	--
<i>Total</i>	<u>\$ 402,500</u>	<u>\$ 347,982.35</u>	<u>\$ 10,862.50</u>	<u>\$ 347,982.35</u>	<u>\$ 46,567.50</u>	<u>\$ 7,950.15</u>
Excess (Deficit) of Revenues Over Expenditures	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

CITY OF WILLIS, TEXAS
COMMUNITY DEVELOPMENT BLOCK GRANT
FEDERAL PROGRAM PROJECT SCHEDULE
FISCAL YEAR ENDED SEPTEMBER 30, 1997

Federal Financial Assistance Program: Community Development Program
 Federal Grantor: U. S. Department of Housing and Urban Development
 Pass Through Grantor: Texas Department of Housing and Community Affairs
 CFDA Number: 14.228
 Project Number: 703969
 Contract Period: April 11, 1994 – April 10, 1996

	Budget	Current		Cumulative		Variance— Favorable (Unfavorable)
		Federal	Local	Federal	Local	
Revenue:						
<i>Federal</i>	\$ 350,000	\$ 242,948.75	\$ --	\$ 349,420.00	\$ --	\$ (580.00)
<i>Local</i>	52,500	--	21,634.05	--	52,500.00	--
<i>Total</i>	<u>\$ 402,500</u>	<u>\$ 242,948.75</u>	<u>\$ 21,634.05</u>	<u>\$ 349,420.00</u>	<u>\$ 52,500.00</u>	<u>\$ (580.00)</u>
Expenditures:						
Federal—						
<i>Public Fac. & Impvts.—</i>						
<i>Water</i>	\$ 233,000	\$ 235,448.75	\$ --	\$ 235,448.75	\$ --	\$ (2,448.75)
<i>Sewer</i>	79,000	--	--	76,551.25	--	2,448.75
<i>Engineering</i>	38,000	7,500.00	--	37,420.00	--	580.00
Local—						
<i>General Admin.</i>	25,000	--	6,925.00	--	23,355.00	1,645.00
<i>Public Fac. & Impvts.—</i>						
<i>Water</i>	<u>27,500</u>	<u>--</u>	<u>14,709.05</u>	<u>--</u>	<u>14,709.05</u>	<u>12,790.95</u>
Total	<u>\$ 402,500</u>	<u>\$ 242,948.75</u>	<u>\$ 21,634.05</u>	<u>\$ 349,420.00</u>	<u>\$ 38,064.05</u>	<u>\$ 15,015.95</u>
Excess (Deficit) of Revenues						
Over Expenditures	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 14,435.95</u>	<u>\$ 14,435.95</u>

CITY OF WILLIS, TEXAS
ELECTED OFFICIALS, ADMINISTRATIVE PERSONNEL,
AND LEGAL COUNSEL
SEPTEMBER 30, 1997

<u>Position:</u>	<u>Name/Address:</u>	<u>Term Expires:</u>
Mayor	Ruth Castleschouldt	1999
Alderman Place No. 1	Thomas Belinoski	1998 <i>2000</i>
Alderman Place No. 2	Robert Hill	1998
Alderwoman Place No. 3	Josey Billnoske	1999
Alderman Place No. 4	W. L. Bilnoski	1999
Alderman Place No. 5	Bill Van Alstyne	1999
City Attorney	J. Ritchie Field P.O. Box 2804 Conroe, Texas 77305	Appointed By Council
City Secretary	Brenda Burns	Appointed By Council
City Coordinator/ Police Chief	Michael Arthur	Appointed By Council