

Audit Report

CITY OF WILLIS, TEXAS

Willis, Texas

FOR THE YEAR ENDED SEPTEMBER 30, 1992

CITY OF WILLIS, TEXAS

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SAULS AND PECHACEK

PUBLIC ACCOUNTANTS

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ROBERT E. SAULS, P.A.

JOHN R. PECHACEK, C.P.A.

June 15, 1993

Independent Auditor's Report

UNQUALIFIED OPINION ON GENERAL PURPOSE FINANCIAL STATEMENTS
SUBMITTED TOGETHER WITH COMBINING AND 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 77387

We have audited the accompanying general purpose financial statements of the City of Willis, Texas, as of and for the year ended September 30, 1992, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on them based on our audits.

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

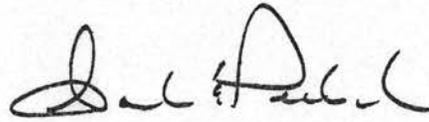
In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of City of Willis, Texas, at September 30, 1992, and the results of its operations and the cash flow of its proprietary and similar trust fund types for the year then ended in conformity with generally accepted accounting principles.

Independent Auditor's Report

UNQUALIFIED OPINION ON GENERAL PURPOSE FINANCIAL
STATEMENTS SUBMITTED TOGETHER WITH COMBINING AND
INDIVIDUAL FUND AND ACCOUNT GROUP FINANCIAL
STATEMENTS AND SUPPORTING SCHEDULES AS SUPPLEMENTARY DATA
CITY OF Willis, TEXAS

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

A handwritten signature in black ink, appearing to read "D. A. A.", is located in the lower right quadrant of the page.

Financial Statements

CITY OF WILLIS, TEXAS
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 SEPTEMBER 30, 1992

	Governmental Fund Types		
	General	Special Revenue	Debt Service
ASSETS			
Cash	\$ 18,464.84	\$ 250.00	\$ --
Temporary Investments	46,223.04	--	5,958.89
Receivables-			
Property Tax	41,916.95	--	38,938.63
Service Accounts	--	--	--
Allowance for Uncollectible Accounts	(8,383.39)	--	(7,787.73)
Accrued Interest	--	--	--
Miscellaneous	520.00	--	--
Supplies Inventory	--	--	--
Due from Other Funds	10,073.36	--	39,992.20
Property, Plant, & Equipment (Net)	--	--	--
Restricted Assets-			
Cash & Temporary Investments	--	--	--
Amounts Available for Debt Service	--	--	--
Amounts to be Provided for Debt Service	--	--	--
Total Assets	\$ <u>108,814.80</u>	\$ <u>250.00</u>	\$ <u>77,101.99</u>
LIABILITIES			
Accounts Payable	\$ 6,619.27	\$ 200.00	\$ --
Bond Interest Payable	--	--	--
Current Portion - Capital Leases	--	--	--
Current Portion - Bonded Debt	--	--	--
Due to State	7,286.11	--	--
Customer Deposits	--	--	--
Due to Other Funds	39,992.20	50.00	--
Leases Payable	--	--	--
General Obligation Bonds Payable	--	--	--
Revenue Bonds Payable	--	--	--
Deferred Revenue	33,533.56	--	31,150.90
Total Liabilities	\$ <u>87,431.14</u>	\$ <u>250.00</u>	\$ <u>31,150.90</u>
FUND EQUITY			
Contributed Capital	\$ --	\$ --	\$ --
Investment in General Fixed Assets	--	--	--
Retained Earnings-			
Reserved for Revenue Bond Retirement	--	--	--
Unreserved (Deficit)	--	--	--
Fund Balance-			
Reserved for Retirement of Bonded Debt	--	--	45,951.09
Unreserved	21,383.66	--	--
Total Fund Equity	\$ <u>21,383.66</u>	\$ <u>--</u>	\$ <u>45,951.09</u>
Total Liabilities & Fund Equity	\$ <u>108,814.80</u>	\$ <u>250.00</u>	\$ <u>77,101.99</u>

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

Proprietary Fund Types Water & Sewer Utility	Account Groups		Totals (Memorandum Only)	
	General Fixed Assets	General Long- Term Debt	1992	1991
\$ 41,718.23	\$ --	\$ --	\$ 60,433.07	\$ 11,060.71
42,000.00	--	--	94,181.93	57,636.59
--	--	--	80,855.58	103,607.05
104,730.15	--	--	104,730.15	84,114.62
(11,886.78)	--	--	(28,057.90)	(29,643.97)
--	--	--	--	309.95
--	--	--	520.00	--
8,597.10	--	--	8,597.10	7,726.42
--	--	--	50,065.56	25,870.54
2,723,162.89	1,467,301.85	--	4,190,464.74	4,265,282.69
91,112.70	--	--	91,112.70	88,851.28
--	--	45,951.09	45,951.09	34,734.92
--	--	1,494,007.04	1,494,007.04	1,571,699.91
<u>\$ 2,999,434.29</u>	<u>\$ 1,467,301.85</u>	<u>\$ 1,539,958.13</u>	<u>\$ 6,192,861.06</u>	<u>\$ 6,221,250.71</u>
\$ 8,932.02	\$ --	\$ --	\$ 15,751.29	\$ 24,463.39
1,450.82	--	--	1,450.82	1,753.34
19,407.38	--	59,810.48	79,217.86	62,242.59
30,000.00	--	65,000.00	95,000.00	90,000.00
--	--	--	7,286.11	3,899.46
28,559.36	--	--	28,559.36	26,370.50
10,023.36	--	--	50,065.56	25,870.54
27,512.31	--	785,147.65	812,659.96	831,297.27
--	--	630,000.00	630,000.00	695,000.00
115,000.00	--	--	115,000.00	145,000.00
--	--	--	64,684.46	90,831.22
<u>\$ 240,885.25</u>	<u>\$ --</u>	<u>\$ 1,539,958.13</u>	<u>\$ 1,899,675.42</u>	<u>\$ 1,996,728.31</u>
\$ 3,087,670.37	\$ --	\$ --	\$ 3,087,670.37	\$ 3,087,670.37
--	1,467,301.85	--	1,467,301.85	1,437,733.89
62,902.38	--	--	62,902.38	63,255.48
(392,023.71)	--	--	(392,023.71)	(412,386.10)
--	--	--	45,951.09	34,734.92
--	--	--	21,383.66	13,513.84
<u>\$ 2,758,549.04</u>	<u>\$ 1,467,301.85</u>	<u>\$ --</u>	<u>\$ 4,293,185.64</u>	<u>\$ 4,224,522.40</u>
<u>\$ 2,999,434.29</u>	<u>\$ 1,467,301.85</u>	<u>\$ 1,539,958.13</u>	<u>\$ 6,192,861.06</u>	<u>\$ 6,221,250.71</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, 1992

	Operating Fund	Special Revenue Fund
Revenues:		
<i>Property Taxes</i>	\$ 178,443.39	\$ --
<i>Sales Tax</i>	150,346.16	--
<i>Franchise Tax, Street Rental</i>	82,247.95	--
<i>Sanitation and Landfill</i>	167,117.26	--
<i>Fines and Court Costs</i>	33,267.95	--
<i>Permits, License and Inspection</i>	8,213.28	--
<i>Rental Income</i>	99,000.00	--
<i>Miscellaneous</i>	1,792.83	--
<i>Interest Earnings</i>	2,205.34	--
Total Revenues	\$ 722,634.16	\$ --
Expenditures:		
<i>City General</i>	\$ 75,033.60	\$ --
<i>City Office</i>	55,239.56	--
<i>Police Department</i>	295,600.46	--
<i>Sanitation/Landfill</i>	141,611.26	--
<i>Treatment Facility</i>	63,411.03	--
<i>Street Department</i>	86,252.65	--
<i>Debt Service</i>	--	--
Total Expenditures	\$ 717,148.56	\$ --
 Excess (Deficiency) of Revenues Over Expenditures	 \$ 5,485.60	 \$ --
Other Sources (Uses):		
<i>Capital Lease Principal</i>	\$ (55,546.51)	\$ --
<i>Net Interfund Transfers In (Out)</i>	--	--
<i>Capital Lease Proceeds</i>	56,680.00	--
<i>Sale of Equipment</i>	1,500.00	--
<i>Miscellaneous Revenue (Expense)</i>	(249.27)	--
Total Other Sources (Uses)	\$ 2,384.22	\$ --
 Excess (Deficiency) of Revenues and Other Resources Over Expenditures and Other Uses	 \$ 7,869.82	 \$ --
 Fund Balance, October 1	 <u>13,513.84</u>	 <u>--</u>
Fund Balance, September 30	<u><u>\$ 21,383.66</u></u>	<u><u>\$ --</u></u>

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

Debt Service Fund	Totals (Memorandum Only)	
	Year Ended September 30, 1992	Year Ended September 30, 1991
\$ 134,277.04	\$ 312,720.43	\$ 280,987.42
--	150,346.16	148,173.34
--	82,247.95	80,375.48
--	167,117.26	148,192.89
--	33,267.95	42,718.84
--	8,213.28	6,509.07
--	99,000.00	90,000.00
--	1,792.83	2,202.65
995.38	3,200.72	3,502.57
<u>\$ 135,272.42</u>	<u>\$ 857,906.58</u>	<u>\$ 802,662.26</u>
\$ --	\$ 75,033.60	\$ 95,894.12
--	55,239.56	52,554.91
--	295,600.46	240,152.60
--	141,611.26	131,789.16
--	63,411.03	923,639.49
--	86,252.65	71,627.97
124,056.25	124,056.25	122,966.00
<u>\$ 124,056.25</u>	<u>\$ 841,204.81</u>	<u>\$ 1,638,624.25</u>
\$ 11,216.17	\$ 16,701.77	\$ (835,961.99)
\$ --	\$ (55,546.51)	\$ (10,000.55)
--	--	--
--	56,680.00	838,628.49
--	1,500.00	1,150.00
--	(249.27)	--
<u>\$ --</u>	<u>\$ 2,384.22</u>	<u>\$ 829,777.94</u>
\$ 11,216.17	\$ 19,085.99	\$ (6,184.05)
34,734.92	48,248.76	54,432.81
<u>\$ 45,951.09</u>	<u>\$ 67,334.75</u>	<u>\$ 48,248.76</u>

CITY OF WILLIS, TEXAS
 STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN FUND EQUITY - ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED SEPTEMBER 30, 1992

EXHIBIT A-3

	Water and Sewer Utility Fund	
	1992	1991
OPERATING REVENUE:		
<i>Charges for Water and Sewer Service</i>	\$ 467,492.50	\$ 423,231.42
<i>Water and Sewer Connections</i>	26,554.20	12,768.09
<i>Late Payment Penalties</i>	19,299.73	16,189.75
<i>Service Charges</i>	8,402.00	7,024.00
<i>Inspection Fees</i>	410.00	450.00
Total Operating Revenue	\$ 522,158.43	\$ 459,663.26
OPERATING EXPENSE:		
<i>Personnel-Operating</i>	\$ 134,054.81	\$ 135,121.10
<i>Personnel-Administration</i>	41,808.15	40,850.71
<i>Rentals</i>	92.40	750.10
<i>Maintenance and Repairs</i>	63,603.86	66,226.78
<i>Utilities</i>	87,844.41	94,132.80
<i>Supplies, Materials and Postage</i>	13,628.60	11,150.04
<i>Vehicle Expense</i>	8,761.59	9,725.69
<i>Other Operating Expense</i>	15,651.90	24,301.68
<i>Depreciation</i>	128,104.75	127,393.31
Total Operating Expense	\$ 493,550.47	\$ 509,652.21
Operating Income (Loss)	\$ 28,607.96	\$ (49,988.95)
NON-OPERATING REVENUE (EXPENSE):		
<i>Interest Earnings</i>	\$ 4,837.26	\$ 5,715.51
<i>Miscellaneous Adjustment/Equipment Sale</i>	725.00	720.00
<i>Interest Expense</i>	(14,032.10)	(15,446.33)
<i>Bond Paying Agent Fees</i>	(128.83)	(60.00)
Total Non-operating Revenue (Expense)	\$ (8,598.67)	\$ (9,070.82)
Net Income (Loss)	\$ 20,009.29	\$ (59,059.77)
Fund Equity, October 1	2,738,539.75	2,797,599.52
Fund Equity, September 30	\$ 2,758,549.04	\$ 2,738,539.75

(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, 1992

EXHIBIT A-4

INCREASE (DECREASE) IN CASH AND INVESTMENTS:

Cash Flows from Operating Activities-		
<i>Cash Received from Utility Sales</i>	\$ 463,568.94	
<i>Cash Received from Utility Connections</i>	26,554.20	
<i>Cash Received from Services Rendered</i>	8,812.00	
<i>Cash Payments for Personnel Costs</i>	(175,862.96)	
<i>Cash Payments for Maintenance and Repair</i>	(63,603.86)	
<i>Cash Payments for Utilities</i>	(97,706.13)	
<i>Cash Payments for Vehicle Expense</i>	(8,761.59)	
<i>Cash Payments for Supplies and Postage</i>	(14,499.28)	
<i>Cash Payments for Insurance</i>	(14,595.32)	
<i>Cash Payments for Other Operating Costs</i>	(1,148.98)	
Net Cash Provided by Operating Activities		\$ 122,757.02
Cash Flows from Capital and Financing Activities-		
<i>Cash Payments for Acquisition of Capital Assets</i>	\$ (1,728.84)	
<i>Cash Payments on Capital Leases</i>	(18,076.10)	
<i>Cash Payments of Bonded Debt Principal</i>	(30,000.00)	
<i>Cash Payments of Bonded Debt Interest</i>	(10,520.00)	
<i>Cash Payments of Paying Agent Fees</i>	(128.83)	
Net Cash (Used For) Capital and Financing Activities		(60,453.77)
Cash Flows from Investing Activities-		
<i>Interest Received</i>		4,837.26
Net Increase in Cash and Investments		\$ 67,140.51
Cash and Investments, October 1, 1991		16,577.72
Cash and Investments, September 30, 1992		\$ 83,718.23

RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES:

<i>Operating Income</i>	\$ 28,607.96	
<i>Adjustments to Reconcile Operating Income to</i>		
<i>Net Cash Provided by Operating Activities-</i>		
<i>Depreciation</i>	128,104.75	
<i>Changes in Assets and Liabilities-</i>		
<i>(Increase) in Net Receivables</i>	(25,286.94)	
<i>(Increase) in Inventories</i>	(870.68)	
<i>(Increase) in Restricted Assets</i>	(2,261.42)	
<i>(Decrease) in Accounts Payable</i>	(5,536.65)	
Net Cash Provided by Operating Activities		\$ 122,757.02

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

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 1992

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 responsible for governance of the City are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and have primary accountability 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 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 two 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.

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1992

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.

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 the liability arising from issuance of 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.

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1992

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, 1992

4. Inventory

Supplies and materials for the utility funds are generally debited to inventory when purchased, and charged to expense or expenditures as used. Inventories on the balance sheet are recorded at the lower cost or replacement cost with appropriate adjustments made to the expense accounts of the affected fund or 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, 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, 1992, the City levied an ad valorem tax for general governmental services of \$.5889 per \$100 of assessed valuation which resulted in a tax levy of \$267,399.51 on the total assessed taxable valuation of \$45,406,607 for the 1991 tax year. Of the total \$.5889 per \$100 valuation rate, \$.2703 was allocated to general obligation debt retirement and \$.3186 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. 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.

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1992

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, 1992, 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. Name of bank Texas National Bank
Willis, Texas
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$500,000 Par Value
- c. Largest cash, savings and time deposit combined account balance amounted to \$356,340 and occurred during the month of March, 1992.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$300,000.00.

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.

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 1992

Temporary Investments

Statutes authorize the City to invest in obligations of the U.S. Treasury of the State of Texas, certain U.S. agencies, certificates of deposits, 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, 1992, 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 uninsured 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 tree levels of risk, all of the District's investments are classified as category 1.

Texas National Bank-	Carrying Amount	Market Value	Category
Certificates of Deposit	\$ 124,825.00	\$ 124,825.00	1
Money Market Accounts	70,469.63	70,469.63	1

D. Loans

The City had no loans issued or outstanding during the year ended September 30, 1992.

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 1992

E. Capital Leases

The City has entered into a number of capital leases for the acquisition of land, buildings, vehicles and equipment. All of these leases contain non-appropriation clauses giving the City the right to void its obligation under the 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:

<u>General Fund</u>			
<u>Year Ending Sept. 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1993	\$ 59,810.48	\$ 63,243.40	\$ 123,053.88
1994	64,442.37	58,611.51	123,053.88
1995	55,105.74	53,936.91	109,042.65
1996	51,957.35	50,042.65	102,000.00
1997	56,049.69	45,950.31	102,000.00
Subsequent	557,592.50	173,407.50	731,000.00
Total	\$ <u>844,958.13</u>	\$ <u>445,192.28</u>	\$ <u>1,290,150.41</u>

<u>Utility Fund</u>			
<u>Year Ending Sept. 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1993	\$ 19,407.38	\$ 2,923.88	\$ 22,331.26
1994	17,992.16	1,486.37	19,478.53
1995	7,941.15	408.91	8,350.06
1996	1,579.00	21.10	1,600.10
1997	--	--	--
Subsequent	--	--	--
Total	\$ <u>46,919.69</u>	\$ <u>4,840.26</u>	\$ <u>51,759.95</u>

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 1992

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, 1992:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Total</u>
Bonds Payable Oct. 1, 1991	\$ 755,000	\$ 175,000	\$ 930,000
Bonds Retired	<u>60,000</u>	<u>30,000</u>	<u>90,000</u>
Bonds Payable Sept. 30, 1992	<u>\$ 695,000</u>	<u>\$ 145,000</u>	<u>\$ 840,000</u>

Bonds payable at September 30, 1992, are comprised of the following individual issue:

General Obligation Bonds-

\$85,000 - 1991 Series, City of Willis Combination Tax and Revenue Certificates of Obligation due serially in annual installments of \$25,000 due September 1, 1992 through 1994, and \$10,000 due 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%; from September 1, 1985 to maturity at 8%.
\$ 60,000

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

	635,000

Total General Obligation Bonds	<u>\$695,000</u>
	=====

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 1992

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, 1996, 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%

\$ 65,000

\$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, 1996, and \$25,000 due August 1, 1997. This issue bears interest at an annual rate of 5.6%.

80,000

Total Revenue Bonds

\$ 145,000

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, results in lower interest requirement than the original amortization schedule.

The next five years annual debt service requirements to amortize all bonds outstanding at September 30, 1992, are as follows:

Year Ending	General Obligation		Revenue		Total
	Principal	Interest	Principal	Interest	
Sept. 30					
1993	\$ 65,000	\$ 53,550	\$ 30,000	\$ 8,705	\$ 157,255
1994	70,000	52,905	30,000	6,890	159,795
1995	75,000	46,330	30,000	5,075	156,405
1996	80,000	39,360	30,000	3,260	152,620
1997	85,000	32,222	25,000	1,445	143,667
Subsequent	320,000	50,168	--	--	370,168
Total	\$ 695,000	\$ 274,535	\$ 145,000	\$ 25,375	\$ 1,139,910

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1992

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, 1992, this reserve account contained cash and temporary investments of \$27,125.70.

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, 1992, this reserve account contained cash and temporary investments of \$30,776.68.

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, 1992, 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, 1992, are as follows:

Waterworks and Sewer System Revenue Bonds, Series 1977-	
Interest and Sinking Fund-	
Cash	\$ 5,125.70
Reserve Fund-	
Temporary Investments	22,000.00
Emergency Fund-	
Temporary Investments	5,000.00

Total	\$ 32,125.70

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 1992

Waterworks and Sewer System Junior Lien Revenue Bond, Series 1981-	
Interest and Sinking Fund-	
Cash	\$ 7,451.68
Reserve Fund-	
Temporary Investments	23,325.00

Total	\$ 30,776.68

Customer Utility Meter Deposits-	
Cash	\$ 5,710.32
Temporary Investments	22,500.00

Total	\$ 28,210.32

Total Restricted Assets	\$ 91,112.70
	=====

H. Litigation

Our City was not involved in litigation at September 30, 1992.

I. Contingent Liabilities

Our examination did not reveal the existence of unrecorded contingent liabilities as of September 30, 1992.

J. Changes in General Fixed Assets

During the year ended September 30, 1992, the following changes occurred in the City's General Fixed Assets:

Balance October 1, 1991		\$	1,437,733.89
Additions-			
Vehicles	\$	56,680.00	
Machinery & Equipment		6,375.96	63,055.96

Disposals-			
Vehicles			33,488.00

Balance September 30, 1992		\$	1,467,301.85
			=====

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1992

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, 1992.

M. Pension Plan

Plan Description

The City provides pension benefits for all its full-time employees through a nontraditional, joint contributory, defined contribution plan in the state-wide Texas Municipal Retirement System (TMRS), one of over 570 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,

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1992

that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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

Contributions

The contribution rate for the employees is 5%, and the City matching percent is currently 100%, 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 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, 1992. 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.

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1992

The City's total payroll in fiscal year 1992, was \$360,106.97, and the City's contributions were based on a payroll of \$346,312.77. Both the City and the covered employees made the required contributions, amounting to \$15,763 (4.23% of covered payroll for the months in calendar year 1991, 3.86% normal cost plus 0.37% to amortize the unfunded actuarial liability, and 4.68% for the months in calendar year 1992, 4.13% normal cost plus 0.55% to amortize the unfunded actuarial liability) for the City and \$17,290 (5%) 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 1992 by 0.27% of payroll. There were no related-party transactions.

Funding Status and Programs

Even though the substance of the City's plan is not to provide a defined benefit in some form, some additional voluntary disclosure is appropriate due to the nontraditional nature of the defined contribution plan which had an initial unfunded pension benefit obligation due to the monetary credits granted by the City for services rendered before the plan began and which can have additions to the unfunded pension benefit obligation through the periodic adoption of increases in benefit credits and benefits.

Statement No. 5 of the Governmental Accounting Standards Board (GASB 5) defines pension benefit obligation as a standardized disclosure measure of the actuarial present value of pension benefits, adjusted for the 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, 1992.

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 1992

Because of the money-purchase nature of the plan, the interest rate assumption, currently 8.5% per year, does not have as much impact on the results as it does for a defined benefit plan. Market value of assets is not determined for each city's plan, but the market value of assets for TMRS as a whole was 114.1% of book value as of December 31, 1992.

Pension Benefit Obligation

Annuitants currently receiving benefits	\$ 27,196
Terminated employees	8,878
Current employees Accumulated employee contributions including allocated invested earnings	83,126
Employer-financed vested	73,535
Employer-financed nonvested	<u>36,676</u>
Total	\$ <u>229,411</u>
<u>Net Assets Available for Benefits, at Book Value</u>	\$ <u>244,209</u>
<u>Assets in Excess of Pension Benefit Obligation</u>	\$ <u>14,798</u>

The book value of assets is amortized cost for bonds and original cost for short-term securities and stocks. The actuarial assumptions used to compute the actuarially determined City contribution rate are the same as those used to compute the pension benefit obligation. The numbers above reflect the adoption of changes in the plan since the previous actuarial valuation, which had the effect of increasing the pension benefit obligation by \$10,551.

P. Health Care Coverage

During the year ended September 30, 1992, employees of the City of Willis were covered by a health insurance plan (the plan). The City contributed the cost of employee health, life, and accidental death and dismemberment and employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to the Texas Municipal League Group Benefits Risk Pool acting on behalf of the self funded pool. The plan was authorized by Chapter 172 of the Local Government code, the Texas Political Subdivision Uniform Group Benefits Program.

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1992

The contract between the City of Willis and the Texas Municipal League Group Benefits Risk Pool was renewed October 1, 1992, 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, 1992, the overall pool reserve, plus stop-loss coverage was more than sufficient to cover all claims, both reported but unpaid and unreported claims.

Individual Financial Statements

CITY OF WILLIS, TEXAS
 GENERAL FUND
 BALANCE SHEET
 SEPTEMBER 30, 1992

EXHIBIT B-1

	1992	1991
ASSETS:		
<i>Cash</i>	\$ 18,464.84	\$ (767.01)
<i>Temporary Investments</i>	46,223.04	33,698.85
<i>Receivables-</i>		
<i>Property Tax</i>	41,916.95	52,951.53
<i>Allowance for Uncollectible Accounts</i>	(8,383.39)	(6,491.82)
<i>Miscellaneous</i>	520.00	--
<i>Due from Other Funds</i>	10,073.36	10,073.36
Total Assets	<u>\$ 108,814.80</u>	<u>\$ 89,464.91</u>
LIABILITIES:		
<i>Accounts Payable</i>	\$ 6,619.27	\$ 9,794.72
<i>Due to State</i>	7,286.11	3,899.46
<i>Due to Other Funds</i>	39,992.20	15,797.18
<i>Deferred Revenue</i>	33,533.56	46,459.71
Total Liabilities	<u>\$ 87,431.14</u>	<u>\$ 75,951.07</u>
FUND EQUITY:		
<i>Unreserved Fund Balance</i>	21,383.66	13,513.84
Total Liabilities and Fund Equity	<u>\$ 108,814.80</u>	<u>\$ 89,464.91</u>

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

CITY OF WILLIS, TEXAS

EXHIBIT B-2

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 1992

	1992		Variance- Favorable (Unfavorable)	(Memo) 1991 Actual
	Budget	Actual		
REVENUES:				
<i>Ad Valorem Tax</i>	\$ 180,000.00	\$ 178,443.39	\$ (1,556.61)	\$ 156,123.09
<i>City Sales Tax</i>	145,000.00	150,346.16	5,346.16	148,173.34
<i>Franchise Tax, Street Rental</i>	82,000.00	82,247.95	247.95	80,375.48
<i>Sanitation and Landfill</i>	167,050.00	167,117.26	67.26	148,192.89
<i>Fines and Court Costs</i>	37,215.00	33,267.95	(3,947.05)	42,718.84
<i>Permits, License and Inspection</i>	5,800.00	8,213.28	2,413.28	6,509.07
<i>Rental Income</i>	108,000.00	99,000.00	(9,000.00)	90,000.00
<i>Miscellaneous</i>	3,700.00	1,792.83	(1,907.17)	2,202.65
<i>Interest Earned</i>	1,800.00	2,205.34	405.34	1,987.21
Total Revenues	\$ 730,565.00	\$ 722,634.16	\$ (7,930.84)	\$ 676,282.57
EXPENDITURES:				
<i>City General</i>	\$ 82,977.00	\$ 75,033.60	\$ 7,943.40	\$ 95,894.12
<i>City Office</i>	58,281.00	55,239.56	3,041.44	52,554.91
<i>Police Department</i>	257,825.00	295,600.46	(37,775.46)	240,152.60
<i>Sanitation/Landfill</i>	143,870.00	141,611.26	2,258.74	131,789.16
<i>Treatment Facility</i>	102,000.00	63,411.03	38,588.97	923,639.49
<i>Street Department</i>	87,042.00	86,252.65	789.35	71,627.97
Total Expenditures	\$ 731,995.00	\$ 717,148.56	\$ 14,846.44	\$ 1,515,658.25
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,430.00)	\$ 5,485.60	\$ 6,915.60	\$ (839,375.68)
OTHER SOURCES AND (USES):				
<i>Capital Lease Principal</i>		\$ (55,546.51)		\$ (10,000.55)
<i>Interfund Transfers In (Out)</i>		--		(16,454.05)
<i>Capital Lease Proceeds</i>		56,680.00		838,628.49
<i>Sale of Equipment</i>		1,500.00		1,150.00
<i>Miscellaneous Revenue (Expense)</i>		(249.27)		--
Total Other Sources (Uses)		\$ 2,384.22		\$ 813,323.89
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses		\$ 7,869.82		\$ (26,051.79)
Fund Balance, October 1		13,513.84		39,565.63
Fund Balance, September 30		\$ 21,383.66		\$ 13,513.84

(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, 1992

	1992		Variance- Favorable (Unfavorable)	(Memo) 1991 Actual
	Budget	Actual		
CITY GENERAL:				
<i>Purchased and Contracted Services</i>	\$ 30,000.00	\$ 25,958.91	\$ 4,041.09	\$ 33,333.56
<i>Maintenance and Repairs</i>	5,000.00	2,444.31	2,555.69	2,881.21
<i>Other Operating Costs</i>	45,977.00	45,210.25	766.75	55,782.46
<i>Capital Outlay</i>	2,000.00	1,420.13	579.87	3,896.89
Total City General	\$ 82,977.00	\$ 75,033.60	\$ 7,943.40	\$ 95,894.12
CITY OFFICE:				
<i>Personnel</i>	\$ 45,381.00	\$ 44,616.56	\$ 764.44	\$ 40,993.46
<i>Maintenance and Repairs</i>	2,300.00	1,757.43	542.57	1,955.75
<i>Supplies, Materials, and Postage</i>	5,600.00	4,555.36	1,044.64	4,109.16
<i>Utilities/Telephone</i>	5,000.00	4,294.71	705.29	4,406.51
<i>Other Operating Costs</i>	--	--	--	--
<i>Capital Outlay</i>	--	--	--	998.00
<i>Debt Service & Interest</i>	--	15.50	(15.50)	92.03
Total City Office	\$ 58,281.00	\$ 55,239.56	\$ 3,041.44	\$ 52,554.91
POLICE DEPARTMENT:				
<i>Personnel</i>	\$ 194,930.00	\$ 194,226.19	\$ 703.81	\$ 188,270.08
<i>Purchased and Contracted Services</i>	4,800.00	4,750.00	50.00	1,300.00
<i>Maintenance and Repairs</i>	4,500.00	4,079.04	420.96	3,709.81
<i>Supplies, Materials, Uniforms & Postage</i>	4,126.00	3,767.43	358.57	6,440.62
<i>Vehicle Expense</i>	15,000.00	14,184.34	815.66	18,803.88
<i>Utilities/Telephone</i>	7,800.00	7,831.28	(31.28)	6,826.45
<i>Other Operating Costs</i>	2,400.00	2,356.33	43.67	771.80
<i>Capital Outlay</i>	24,269.00	61,635.83	(37,366.83)	12,213.50
<i>Debt Service - Interest</i>	--	2,770.02	(2,770.02)	1,816.46
Total Police Department	\$ 257,825.00	\$ 295,600.46	\$ (37,775.46)	\$ 240,152.60

CITY OF WILLIS, TEXAS

GENERAL FUND

STATEMENT OF EXPENDITURES WITH BUDGET COMPARISON (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 1992

EXHIBIT B-3

Page 2 of 2

	1992		Variance- Favorable (Unfavorable)	(Memo) 1991 Actual
	Budget	Actual		
SANITATION/LANDFILL:				
<i>Purchased and Contracted Services</i>	\$ 141,000.00	\$ 138,741.26	\$ 2,258.74	\$ 128,224.49
<i>Maintenance and Repairs</i>	2,870.00	2,870.00	--	3,564.67
<i>Other Operating Costs</i>	--	--	--	--
Total Landfill Department	\$ 143,870.00	\$ 141,611.26	\$ 2,258.74	\$ 131,789.16
TREATMENT FACILITY:				
<i>Other Operating Costs</i>	\$ --	\$ --	\$ --	\$ 11.00
<i>Capital Outlay</i>	--	--	--	868,709.41
<i>Debt Service-Interest</i>	102,000.00	63,411.03	38,588.97	54,919.08
Total Treatment Facility	\$ 102,000.00	\$ 63,411.03	\$ 38,588.97	\$ 923,639.49
STREET DEPARTMENT:				
<i>Personnel</i>	\$ 26,642.00	\$ 26,588.02	\$ 53.98	\$ 25,837.77
<i>Rentals</i>	--	--	--	261.58
<i>Maintenance and Repairs</i>	30,000.00	30,213.70	(213.70)	15,948.88
<i>Supplies and Materials</i>	5,500.00	5,233.21	266.79	4,505.51
<i>Vehicle Expense</i>	3,500.00	2,886.86	613.14	3,340.46
<i>Utilities</i>	21,400.00	21,330.86	69.14	21,733.77
<i>Capital Outlay</i>	--	--	--	--
Total Street Department	\$ 87,042.00	\$ 86,252.65	\$ 789.35	\$ 71,627.97
Total Expenditures	\$ 731,995.00	\$ 717,148.56	\$ 14,846.44	\$ 1,515,658.25

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

CITY OF WILLIS, TEXAS

EXHIBIT B-4

SPECIAL REVENUE FUND

TEXAS DEPARTMENT OF COMMERCE, TEXAS CAPITAL FUND, PROJECT NO. 707002

BALANCE SHEET

SEPTEMBER 30, 1992

	1992	1991
ASSETS:		
<i>Cash</i>	\$ 250.00	\$ 250.00
Total Assets	\$ 250.00	\$ 250.00
LIABILITIES:		
<i>Accounts Payable</i>	\$ 200.00	\$ 200.00
<i>Due to Other Funds</i>	50.00	50.00
Total Liabilities	\$ 250.00	\$ 250.00
FUND EQUITY:		
<i>Fund Balance</i>	--	--
Total Liabilities and Fund Equity	\$ 250.00	\$ 250.00

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 1991

	1992		Variance- Favorable (Unfavorable)	1991
	Budget	Actual		Actual
REVENUES:				
<i>Texas Capital Fund</i>	\$ --	\$ --	\$ --	\$ --
EXPENDITURES:				
<i>Storm Drainage Facilities</i>	\$ --	\$ --	\$ --	\$ --
<i>Construction</i>	--	--	--	--
<i>Machinery and Equipment</i>	--	--	--	--
<i>Engineering Fees</i>	--	--	--	--
<i>Administration</i>	--	--	--	--
Total Expenditures	\$ --	\$ --	\$ --	\$ --
Excess (Deficiency) of Revenues Over Expenditures	\$ --	\$ --	\$ --	\$ --
OTHER SOURCES AND (USES):				
<i>Interfund Transfer In (Out)</i>		--		--
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
 DEBT SERVICE FUND
 BALANCE SHEET
 SEPTEMBER 30, 1992

EXHIBIT B-5

	1992	1991
ASSETS:		
Temporary Investments	\$ 5,958.89	\$ 18,937.74
Property Tax Receivable	38,938.63	50,655.52
Allowance for Uncollectible Accounts	(7,787.73)	(6,284.01)
Due from Other Funds	39,992.20	15,797.18
Total Assets	<u>\$ 77,101.99</u>	<u>\$ 79,106.43</u>
LIABILITIES:		
Deferred Revenue	\$ 31,150.90	\$ 44,371.51
FUND EQUITY:		
Reserved for Retirement of Bonded Debt	45,951.09	34,734.92
Total Liabilities and Fund Equity	<u>\$ 77,101.99</u>	<u>\$ 79,106.43</u>

STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED SEPTEMBER 30, 1992

	1992		Variance- Favorable (Unfavorable)	(Memo) 1991 Actual
	Budget	Actual		
REVENUES:				
Ad Valorem Taxes	\$ 137,000.00	\$ 134,277.04	\$ (2,722.96)	\$ 124,864.33
Interest Earned	1,000.00	995.38	(4.62)	1,515.36
Total Revenues	<u>\$ 138,000.00</u>	<u>\$ 135,272.42</u>	<u>\$ (2,727.58)</u>	<u>\$ 126,379.69</u>
EXPENDITURES:				
Bond Principal	\$ 60,000.00	\$ 60,000.00	\$ --	\$ 55,000.00
Interest	63,307.00	63,306.25	0.75	67,212.50
Paying Agent Fees	1,000.00	750.00	250.00	753.50
Total Expenditures	<u>\$ 124,307.00</u>	<u>\$ 124,056.25</u>	<u>\$ 250.75</u>	<u>\$ 122,966.00</u>
Excess of Revenues Over Expenditures	<u>\$ 13,693.00</u>	<u>\$ 11,216.17</u>	<u>\$ (2,476.83)</u>	<u>\$ 3,413.69</u>
OTHER SOURCES AND (USES):				
Interfund Transfer In (Out)		--		16,454.05
Fund Balance, October 1		<u>34,734.92</u>		<u>14,867.18</u>
Fund Balance, September 30		<u>\$ 45,951.09</u>		<u>\$ 34,734.92</u>

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

CITY OF WILLIS, TEXAS
WATER AND SEWER UTILITY FUND
BALANCE SHEET
SEPTEMBER 30, 1992

EXHIBIT B-6

	1992	1991
ASSETS:		
<i>Current Assets-</i>		
Cash	\$ 41,718.23	\$ 11,577.72
Temporary Investments	42,000.00	5,000.00
Service Accounts Receivable	104,730.15	84,114.62
Allowance for Uncollectible Accounts	(11,886.78)	(16,868.14)
Accrued Interest	--	309.95
Supplies Inventory	8,597.10	7,726.42
Total Current Assets	<u>\$ 185,158.70</u>	<u>\$ 91,860.57</u>
<i>Property, Plant and Equipment-</i>		
Utility System in Service	\$ 4,270,158.29	\$ 4,246,439.45
Accumulated Depreciation	(1,546,995.40)	(1,418,890.65)
Total Property, Plant and Equipment	<u>\$ 2,723,162.89</u>	<u>\$ 2,827,548.80</u>
<i>Restricted Assets-</i>		
1977 Water and Sewer Revenue Bond Fund	\$ 32,125.70	\$ 32,350.91
1981 Water and Sewer Jr. Lien Revenue Bond	30,776.68	30,904.57
Meter Deposit	28,210.32	25,595.80
Total Restricted Assets	<u>\$ 91,112.70</u>	<u>\$ 88,851.28</u>
Total Assets	<u>\$ 2,999,434.29</u>	<u>\$ 3,008,260.65</u>
LIABILITIES:		
<i>Current Liabilities-</i>		
Accounts Payable	\$ 8,932.02	\$ 14,468.67
Bond Interest Payable	1,450.82	1,753.34
Customer Deposits Payable	28,559.36	26,370.50
Capital Leases Payable (Current)	19,407.38	13,447.16
Revenue Bonds Payable (Current)	30,000.00	30,000.00
Due to General Fund	10,023.36	10,023.36
Total Current Liabilities	<u>\$ 98,372.94</u>	<u>\$ 96,063.03</u>
<i>Long-Term Liabilities-</i>		
Capital Leases Payable-Future Maturities	\$ 27,512.31	\$ 28,657.87
Revenue Bonds-Future Maturities	115,000.00	145,000.00
Total Long-Term Liabilities	<u>\$ 142,512.31</u>	<u>\$ 173,657.87</u>
Total Liabilities	<u>\$ 240,885.25</u>	<u>\$ 269,720.90</u>
FUND EQUITY:		
Contributed Capital	\$ 3,087,670.37	\$ 3,087,670.37
<i>Retained Earnings-</i>		
Reserved for Retirement of Revenue Bonds	62,902.38	63,255.48
Unreserved	(392,023.71)	(412,386.10)
Total Fund Equity	<u>\$ 2,758,549.04</u>	<u>\$ 2,738,539.75</u>
Total Liabilities and Fund Equity	<u>\$ 2,999,434.29</u>	<u>\$ 3,008,260.65</u>

(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, 1992

EXHIBIT B-7

	1992			(Memo)
	Water Department	Sewer Department	Total	1991 Actual
OPERATING REVENUE:				
<i>Charges for Water and Sewer Service</i>	\$ 252,622.51	\$ 214,869.99	\$ 467,492.50	\$ 423,231.42
<i>Water and Sewer Connections</i>	17,693.35	8,860.85	26,554.20	12,768.09
<i>Late Payment Penalties</i>	10,429.15	8,870.58	19,299.73	16,189.75
<i>Service Charges</i>	4,540.00	3,862.00	8,402.00	7,024.00
<i>Inspection Fees</i>	--	410.00	410.00	450.00
Total Operating Revenue	\$ 285,285.01	\$ 236,873.42	\$ 522,158.43	\$ 459,663.26
OPERATING EXPENSE:				
<i>Personnel-Operating</i>	\$ 64,947.67	\$ 69,107.14	\$ 134,054.81	\$ 135,121.10
<i>Personnel-Administration</i>	22,592.20	19,215.95	41,808.15	40,850.71
<i>Rentals</i>	--	92.40	92.40	750.10
<i>Maintenance and Repairs</i>	21,611.54	41,992.32	63,603.86	66,226.78
<i>Utilities</i>	35,745.59	52,098.82	87,844.41	94,132.80
<i>Supplies, Materials and Postage</i>	10,466.01	3,162.59	13,628.60	11,150.04
<i>Vehicle Expense</i>	4,966.24	3,795.35	8,761.59	9,725.69
<i>Other Operating Expense</i>	8,596.05	7,055.85	15,651.90	24,301.68
<i>Depreciation</i>	64,258.77	63,845.98	128,104.75	127,393.31
Total Operating Expense	\$ 233,184.07	\$ 260,366.40	\$ 493,550.47	\$ 509,652.21
Operating Income (Loss)	\$ 52,100.94	\$ (23,492.98)	\$ 28,607.96	\$ (49,988.95)
NON-OPERATING REVENUE (EXPENSE):				
<i>Interest Earnings</i>			\$ 4,837.26	\$ 5,715.51
<i>Miscellaneous Adjustment/Equipment Sale</i>			725.00	720.00
<i>Interest Expense</i>			(14,032.10)	(15,446.33)
<i>Bond Paying Agent Fees</i>			(128.83)	(60.00)
Total Non-operating Revenue (Expense)			\$ (8,598.67)	\$ (9,070.82)
Net Income (Loss)			\$ 20,009.29	\$ (59,059.77)
Fund Equity, October 1			2,738,539.75	2,797,599.52
Fund Equity, September 30			\$ 2,758,549.04	\$ 2,738,539.75

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

SAULS AND PECHACEK

PUBLIC ACCOUNTANTS

P.O. Box 549

BELLVILLE, TEXAS 77418

409 - 865-3169

ROBERT E. SAULS, P.A.

June 15, 1993

JOHN R. PECHACEK, C.P.A.

Independent Auditor's Report

REPORT ON INTERNAL CONTROL STRUCTURE 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 City of Willis, Texas, as of and for the year ended September 30, 1992, and have issued our report thereon dated June 15, 1993.

We conducted our audit in accordance with generally accepted auditing standards and 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.

In planning and performing our audit of the financial statements of City of Willis, Texas, for the year ended September 30, 1992, we considered its internal control structure 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 structure.

The management of the City of Willis, Texas is responsible for establishing and maintaining an internal control structure. In fulfilling that responsibility, estimates and judgments by administrators are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in

Independent Auditor's Report
REPORT ON INTERNAL CONTROL STRUCTURE IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
CITY OF WILLIS, TEXAS
Page 2

any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies may deteriorate.

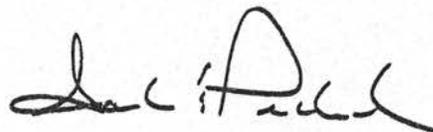
For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

Cash Receipts and Receivables
Cash Disbursements and Payables
Purchasing and Fixed Assets

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 structure and its operation that we considered to be material weaknesses as defined above.

This report is intended for the information of the Mayor, City Council, management, and appropriate state and federal agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Supplemental Information

SAULS AND PECHACEK

PUBLIC ACCOUNTANTS

P.O. Box 549

BELLVILLE, TEXAS 77418

409 - 865-3169

ROBERT E. SAULS, P.A.

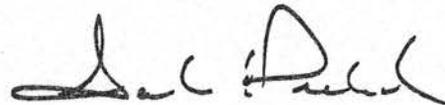
June 15, 1993

JOHN R. PECHACEK, C.P.A.

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTAL INFORMATION**

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

Our report on our audit of the basic financial statements of City of Willis for 1992 appears on pages 1-24. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The statements and schedules listed on the table of contents as Supplemental Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



CITY OF WILLIS, TEXAS

EXHIBIT C-1

ANALYSIS OF CHANGES IN PROPERTY TAXES RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 1992

Taxes Receivable, 10-1-91		\$	103,607.05
Adjustments to Delinquent Taxes			(330.51)
1991 Original Roll	\$	267,399.51	
Errors and Corrections		1,577.24	268,976.75
Total Taxes to be Accounted for			\$ 372,253.29
Tax Collections			
Current Collections	\$	247,131.46	
Delinquent Collections		44,266.25	291,397.71
Taxes Receivable, 9-30-92			\$ 80,855.58

Tax Collections, Adjustments and Balance by Year of Assessment:

Year Assessed	Beg. Balance	Adjustments	Collections	End. Balance
1991	\$ 267,399.51	\$ 1,577.24	\$ 247,131.46	\$ 21,845.29
1990	36,598.13	(330.51)	22,920.75	13,346.87
1989	20,453.38	--	10,881.12	9,572.26
1988	11,439.55	--	3,891.20	7,548.35
1987	8,948.30	--	1,922.34	7,025.96
1986	7,686.83	--	1,508.61	6,178.22
1985	4,067.70	--	776.97	3,290.73
1984	3,487.21	--	1,351.53	2,135.68
1983	2,217.63	--	313.98	1,903.65
1982 and Prior	8,708.32	--	699.75	8,008.57
Taxes Receivable, 9-30-92				\$ 80,855.58

Property Valuation:

Year of Assessment	1991	1990	1989	1988	1987
Market Value @ Jan. 1-					
Land	\$ 15,880,180	\$ 17,362,720	\$ 18,495,720	\$ 19,170,360	\$ 19,082,900
Improvements	23,148,420	22,896,320	22,771,300	23,399,850	24,434,670
Personal Property	8,938,517	9,163,096	8,424,780	9,447,459	6,582,930
Total Market Value	\$ 47,967,117	\$ 49,422,136	\$ 49,691,800	\$ 52,017,669	\$ 50,100,500
Exempt Property	1,479,020	1,182,280	848,640	616,250	526,990
Productivity Exemptions	380,850	389,660	420,530	381,990	410,120
Old Age Exemptions	667,210	730,500	705,000	675,000	--
Disabled Vet Exemptions	33,430	33,000	31,500	29,000	32,000
Net Taxable Value	\$ 45,406,607	\$ 47,086,696	\$ 47,686,130	\$ 50,315,429	\$ 49,131,390
Rate Per \$100 Value-					
Maintenance & Operation	\$ 0.3186	\$ 0.295	\$ 0.254	\$ 0.231	\$ 0.2285
Debt Service	0.2703	0.259	0.299	0.293	0.2735
Original Levy	\$ 267,399.51	\$ 260,860.84	\$ 263,704.30	\$ 263,652.85	\$ 246,639.58

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, 1992

Month	Water Usage In Gallons		Number of Customers Served	
	Pumped	Sold	Water	Sewer
October, 1991	14,999,000	11,469,500	1,079	888
November, 1991	12,757,000	11,807,980	1,068	888
December, 1991	13,244,000	9,322,090	1,065	899
January, 1992	13,481,900	12,123,740	1,063	888
February, 1992	12,327,000	10,757,890	1,063	894
March, 1992	13,466,000	10,598,060	1,069	893
April, 1992	15,504,000	9,880,680	1,089	910
May, 1992	15,180,600	13,530,280	1,097	917
June, 1992	15,120,000	12,018,830	1,106	924
July, 1992	16,911,000	14,391,700	1,086	906
August, 1992	17,924,700	13,658,340	1,093	913
September, 1992	16,564,300	13,034,430	1,107	922
Total	177,479,500	142,593,520	12,985	10,842
Average	14,789,958	11,882,793	1,082	904

CITY OF WILLIS, TEXAS
SCHEDULE OF CAPITAL LEASES
YEAR ENDED SEPTEMBER 30, 1992

Payable To, Purpose And Lawful Authority	Date Issued & Interest Rate	Maturity Schedule	Fund Payable From	Principal Balance 10-1-91	Current Year Transactions	
					Issued	Retired
<i>GTE Leasing Telephone System Public Property Finance Act</i>	10-17-89 17.23%	24 Months @ \$111.18	General	\$ 429.22	\$ --	\$ 429.22
<i>Ford Motor Credit 2 Police Sedans Public Property Finance Act</i>	02-08-90 10.00%	36 Months @ \$881.24	General	12,377.12	--	4,766.93
<i>Chicord Financial Service Rehabilitation Center Public Property Finance Act</i>	06-20-90 8.30%	168 Months @ \$8125.00	General	779,378.49	--	34,088.97
<i>T. Warren Investments Rehab Center Land Public Property Finance Act</i>	06-20-90 No Interest	168 Months @ \$375.00	General	59,250.00	--	4,500.00
<i>Ford Motor Credit 2 Police Sedans Public Property Finance Act</i>	12-24-91 8.00%	36 Months @ \$870.99	General	--	27,980.00	7,251.63
<i>Ford Motor Credit 1 Police Sedan Public Property Finance Act</i>	5-1-92 7.2%	36 Months @ \$441.75	General	--	14,350.00	2,254.88
<i>Ford Motor Credit 1 Police Sedan Public Property Finance Act</i>	5-1-92 7.2%	36 Months @ \$441.75	General	--	14,350.00	2,254.88
Subtotal General Fund				\$ 851,434.83	\$ 56,680.00	\$ 55,546.51

Principal Balance 9-30-92	Interest Year Ended 9-30-92	Annual Requirements				Interest 10-01-94 To Maturity
		Year Ending 9-30-93		Year Ending 9-30-94		
		Principal	Interest	Principal	Interest	
\$ --	\$ 15.50	\$ --	\$ --	\$ --	\$ --	\$ --
--	520.51	--	--	--	--	--
745,289.52	63,411.03	37,028.53	60,471.47	40,221.55	57,278.45	323,210.56
54,750.00	--	4,500.00	--	4,500.00	--	--
20,728.37	1,458.27	9,123.33	1,328.55	9,880.54	571.34	17.27
12,095.12	395.62	4,579.31	721.69	4,920.14	380.86	54.77
12,095.12	395.62	4,579.31	721.69	4,920.14	380.86	54.77
<u>\$ 844,958.13</u>	<u>\$ 66,196.55</u>	<u>\$ 59,810.48</u>	<u>\$ 63,243.40</u>	<u>\$ 64,442.37</u>	<u>\$ 58,611.51</u>	<u>\$ 323,337.37</u>

CITY OF WILLIS, TEXAS
 SCHEDULE OF CAPITAL LEASES (CONTINUED)
 YEAR ENDED SEPTEMBER 30, 1992

Payable To, Purpose And Lawful Authority	Date Issued & Interest Rate	Maturity Schedule	Fund Payable From	Principal Balance 10-1-91	Current Year Transactions	
					Issued	Retired
<i>Ford Motor Credit</i> <i>1 Utility Pickup</i> <i>Public Property Finance Act</i>	08-29-89 10.25%	48 Months @ \$259.34	Utility	\$ 5,394.65	--	2,682.85
<i>John Deere Leasing</i> <i>Equipment Purchase</i> <i>Public Property Finance Act</i>	10-09-89 8.00%	60 Months @ \$659.54	Utility	21,736.61	--	6,512.81
<i>FMC Corporation</i> <i>Jet Sprayer</i> <i>Public Property Finance Act</i>	10-17-89 7.00%	60 Months @ \$430.39	Utility	14,974.59	--	4,251.50
<i>Ford Motor Credit</i> <i>2 Utility Pickups</i> <i>Public Property Finance Act</i>	01-02-92 8.00%	48 Months @ \$533.28	Utility	--	21,990.00	3,729.00
Subtotal Utility Fund				\$ 42,105.85	\$ 21,990.00	\$ 17,176.16
Total				\$ 893,540.68	\$ 78,670.00	\$ 72,722.67

Principal Balance 9-30-92	Interest Year Ended 9-30-92	Annual Requirements				Interest 10-01-94 To Maturity
		Year Ending 9-30-93		Year Ending 9-30-94		
		Principal	Interest	Principal	Interest	
2,711.80	429.23	2,711.80	140.94	--	--	--
15,223.80	1,401.67	7,013.22	901.26	7,555.14	359.35	4.10
10,723.09	913.18	4,558.72	605.96	4,888.12	276.56	14.91
18,261.00	1,070.52	5,123.64	1,275.72	5,548.90	850.46	411.00
<u>\$ 46,919.69</u>	<u>\$ 3,814.60</u>	<u>\$ 19,407.38</u>	<u>\$ 2,923.88</u>	<u>\$ 17,992.16</u>	<u>\$ 1,486.37</u>	<u>\$ 430.01</u>
<u>\$ 891,877.82</u>	<u>\$ 70,011.15</u>	<u>\$ 79,217.86</u>	<u>\$ 66,167.28</u>	<u>\$ 82,434.53</u>	<u>\$ 60,097.88</u>	<u>\$ 323,767.38</u>

CITY OF WILLIS, TEXAS
ANALYSIS OF CHANGES IN DEBT
YEAR ENDED SEPTEMBER 30, 1992

Description	Date of Issue	Amount of Issue	Interest Rate	Principal Outstanding 10-1-91	Debt Issued	Debt Retired
GENERAL OBLIGATION DEBT:						
<i>Combination Tax & Revenue</i>						
<i>Certificates of Obligation</i>	09-01-81	\$ 85,000	Various	\$ 85,000	\$ --	\$ 25,000
<i>Combination Tax & Revenue</i>						
<i>Certificates of Obligation, 1986 Series</i>	05-01-86	800,000	Various	670,000	--	35,000
Total General Obligation Debt				\$ 755,000	\$ --	\$ 60,000
WATER AND SEWER UTILITY FUND DEBT:						
<i>Waterworks and Sewer System</i>						
<i>Revenue Bonds, Series 1977</i>	07-15-77	\$ 240,000	Various	\$ 80,000	\$ --	\$ 15,000
<i>Waterworks and Sewer System</i>						
<i>Revenue Bonds, Series 1981</i>	08-01-81	250,000	5.60%	95,000	--	15,000
Total Water & Sewer Utility Fund Debt				\$ 175,000	\$ --	\$ 30,000

Principal Outstanding 9-30-92	Interest Current Year	Requirements				Interest 10-1-94 To Maturity
		Year Ending 9-30-93		Year Ending 9-30-94		
		Principal	Interest	Principal	Interest	
\$ 60,000	\$ 6,800.00	\$ 25,000	\$ 4,800	\$ 25,000	\$ 2,800	\$ 800
635,000	56,506.25	40,000	53,550	45,000	40,105	167,280
<u>\$ 695,000</u>	<u>\$ 63,306.25</u>	<u>\$ 65,000</u>	<u>\$ 58,350</u>	<u>\$ 70,000</u>	<u>\$ 42,905</u>	<u>\$ 168,080</u>
\$ 65,000	\$ 5,200.00	\$ 15,000	\$ 4,225	\$ 15,000	\$ 3,250	\$ 3,900
80,000	5,320.00	15,000	4,480	15,000	3,640	5,880
<u>\$ 145,000</u>	<u>\$ 10,520.00</u>	<u>\$ 30,000</u>	<u>\$ 8,705</u>	<u>\$ 30,000</u>	<u>\$ 6,890</u>	<u>\$ 9,780</u>

CITY OF WILLIS, TEXAS

EXHIBIT C-4-1

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:

Citadel Bank

Willis, Texas

Prepayment Option:

September 1, 1986 or any interest
payment date thereafter.

CITY OF WILLIS, TEXAS

EXHIBIT C-4-2

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

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
 REFUNDING AND IMPROVEMENT BONDS

EXHIBIT C-4-3

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

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

EXHIBIT C-4-4

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	"	6,020.00	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

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
 INSURANCE COVERAGE
 SEPTEMBER 30, 1992

EXHIBIT C-5

<u>Type of Coverage</u>	<u>Policy Limits and Deductible</u>		<u>Insurer</u>
<u>Municipal Liability</u>			
General Liability	\$1,000,000 Limit/\$5000 Deductible		Texas Municipal League
Auto Liability	\$1,000,000 Limit/\$1000 Deductible		Texas Municipal League
Law Enforcement Liability	\$1,000,000 Limit/\$5000 Deductible		Texas Municipal League
Errors and Omissions	\$1,000,000 Limit/\$5000 Deductible		Texas Municipal League
<u>Municipal Property</u>			
Basic Property, All Risks	\$3,186,300 Blanket/\$2,500 Deduct. Subject to Scheduled Sub-limits		Texas Municipal League
Auto Physical Damage Coverage	Actual Cash Value/\$1000 Deductible		Texas Municipal League
Workman's Compensation	Statutory		Texas Municipal League
<u>Bonded Employee Coverage</u>			
<u>Covered Employee</u>	<u>Amount</u>	<u>Policy Period</u>	
City Secretary - Janice Wilson	\$ 5,000	2-09-92/2-09-93	Western Surety Company
Tax Assessor-Collector - Brenda Burns	\$ 5,000	3-03-92/3-03-93	Western Surety Company
Cashier - Frances A. Buller	\$ 5,000	2-03-92/2-03-93	Western Surety Company
Court Clerk - Patricia Miley	\$ 5,000	4-03-92/4-03-93	Western Surety Company
Municipal Judge - Joseph Kroll	\$ 1,000	4-05-92/4-05-93	Western Surety Company

CITY OF WILLIS, TEXAS
ELECTED OFFICIALS, ADMINISTRATIVE PERSONNEL,
AND LEGAL COUNSEL
SEPTEMBER 30, 1992

<u>Position:</u>	<u>Name/Address:</u>	<u>Term Expires:</u>
Mayor	Edgar Straughter, Sr	1993
Alderman Place No. 1	Thomas Belinoski	1994
Alderwoman Place No. 2	Ruth Castleschouldt	1994
Alderwoman Place No. 3	Josey Billnoske	1993
Alderman Place No. 4	W. L. Bilnoski	1993
Alderman Place No. 5	Bill Van Alstyne	1993
City Attorney	J. Ritchie Field P.O. Box 2804 Conroe, Texas 77305	Appointed By Council
City Secretary	Janice Wilson	Appointed By Council