

Audit Report

CITY OF WILLIS, TEXAS

Willis, Texas

FOR THE YEAR ENDED SEPTEMBER 30, 1994

CITY OF WILLIS, TEXAS

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SAULS AND PECHACEK

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ROBERT E. SAULS, P.A.

JOHN R. PECHACEK, C.P.A.

January 17, 1995

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 77378

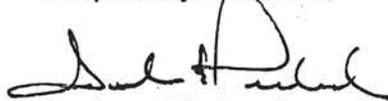
We have audited the accompanying general purpose financial statements of the City of Willis, Texas, as of and for the year ended September 30, 1994, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on them based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Willis, Texas, at September 30, 1994, and the results of its operations and the cash flow of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements 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.

Respectfully Submitted,



Sauls and Pechacek

General Purpose Financial Statements

CITY OF WILLIS, TEXAS
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 SEPTEMBER 30, 1994

	Governmental Fund Types		
	General	Special Revenue	Debt Service
ASSETS			
Cash	\$ 4,231.34	\$ 46,122.36	\$ --
Temporary Investments	122,579.22	--	30,868.80
Receivables-			
Property Tax	56,540.55	--	45,296.43
Service Accounts	22,452.27	--	--
Allowance for Uncollectible Accounts	(11,308.11)	--	(9,059.29)
Miscellaneous	112.56	--	--
Supplies Inventory	--	--	--
Due from Other Funds	3,666.63	153.98	4,978.96
Property, Plant, & Equipment (Net)	--	--	--
Restricted Assets-			
Cash & Temporary Investments	--	--	--
Amounts Available for Debt Service	--	--	--
Amounts to be Provided for Debt Service	--	--	--
Total Assets	\$ 198,274.46	\$ 46,276.34	\$ 72,084.90
LIABILITIES			
Accounts Payable	\$ 25,455.90	\$ 203.58	\$ --
Bond Interest Payable	--	--	--
Current Portion - Capital Leases	--	--	--
Current Portion - Bonded Debt	--	--	--
Due to State	9,128.74	--	--
Customer Deposits	--	--	--
Due to Other Funds	4,978.96	--	--
Leases Payable-Future Maturities	--	--	--
General Obligation Bonds Payable	--	--	--
Revenue Bonds Payable	--	--	--
Deferred Revenue	45,232.44	46,072.76	36,237.14
Total Liabilities	\$ 84,796.04	\$ 46,276.34	\$ 36,237.14
FUND EQUITY			
Contributed Capital	\$ --	\$ --	\$ --
Investment in General Fixed Assets	--	--	--
Retained Earnings-			
Reserved for Revenue Bond Retirement	--	--	--
Unreserved (Deficit)	--	--	--
Fund Balance-			
Reserved for Police Activity	291.47	--	--
Reserved for Retirement of Bonded Debt	--	--	35,847.76
Unreserved	113,186.95	--	--
Total Fund Equity	\$ 113,478.42	\$ --	\$ 35,847.76
Total Liabilities & Fund Equity	\$ 198,274.46	\$ 46,276.34	\$ 72,084.90

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals			
		Water & Sewer Utility	Payroll Clearing	General Fixed Assets	General Long- Term Debt	(Memorandum Only)	
						1994	1993
\$ 27,466.05	\$ 1,654.89	\$ --	\$ --	\$ 79,474.64	\$ 18,506.71		
127,000.00	--	--	--	280,448.02	191,315.83		
--	--	--	--	101,836.98	89,784.83		
61,604.54	--	--	--	84,056.81	115,786.52		
(6,160.45)	--	--	--	(26,527.85)	(27,259.32)		
--	--	--	--	112.56	--		
14,600.29	--	--	--	14,600.29	16,827.17		
--	--	--	--	8,799.57	5,205.74		
2,924,396.43	--	1,508,168.11	--	4,432,564.54	4,435,999.78		
102,180.00	--	--	--	102,180.00	97,879.19		
--	--	--	35,847.76	35,847.76	40,009.07		
--	--	--	1,269,268.02	1,269,268.02	1,392,238.61		
<u>\$ 3,251,086.86</u>	<u>\$ 1,654.89</u>	<u>\$ 1,508,168.11</u>	<u>\$ 1,305,115.78</u>	<u>\$ 6,382,661.34</u>	<u>\$ 6,376,294.13</u>		
\$ 10,723.09	\$ 1,654.89	\$ --	\$ --	\$ 38,037.46	\$ 8,203.30		
845.84	--	--	--	845.84	1,148.32		
15,764.28	--	--	66,399.44	82,163.72	95,685.01		
30,000.00	--	--	75,000.00	105,000.00	100,000.00		
--	--	--	--	9,128.74	5,144.97		
32,458.60	--	--	--	32,458.60	30,108.85		
3,820.61	--	--	--	8,799.57	5,205.74		
8,465.08	--	--	678,716.34	687,181.42	756,152.86		
--	--	--	485,000.00	485,000.00	560,000.00		
55,000.00	--	--	--	55,000.00	85,000.00		
--	--	--	--	127,542.34	71,827.87		
<u>\$ 157,077.50</u>	<u>\$ 1,654.89</u>	<u>\$ --</u>	<u>\$ 1,305,115.78</u>	<u>\$ 1,631,157.69</u>	<u>\$ 1,718,476.92</u>		
\$ 3,504,726.44	\$ --	\$ --	\$ --	\$ 3,504,726.44	\$ 3,432,513.44		
--	--	1,508,168.11	--	1,508,168.11	1,485,130.36		
70,070.44	--	--	--	70,070.44	68,119.38		
(480,787.52)	--	--	--	(480,787.52)	(465,775.42)		
--	--	--	--	291.47	284.75		
--	--	--	--	35,847.76	40,009.07		
--	--	--	--	113,186.95	97,535.63		
<u>\$ 3,094,009.36</u>	<u>\$ --</u>	<u>\$ 1,508,168.11</u>	<u>\$ --</u>	<u>\$ 4,751,503.65</u>	<u>\$ 4,657,817.21</u>		
<u>\$ 3,251,086.86</u>	<u>\$ 1,654.89</u>	<u>\$ 1,508,168.11</u>	<u>\$ 1,305,115.78</u>	<u>\$ 6,382,661.34</u>	<u>\$ 6,376,294.13</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, 1994

	Operating Fund	Special Revenue Fund
Revenues:		
<i>Property Taxes</i>	\$ 176,284.99	\$ --
<i>Sales Tax</i>	191,671.04	--
<i>Franchise Tax, Street Rental</i>	94,528.39	--
<i>Sanitation and Landfill</i>	195,511.38	--
<i>Fines and Court Costs</i>	44,323.62	--
<i>Permits, License and Inspection</i>	9,424.85	--
<i>Rental Income</i>	108,000.00	--
<i>Miscellaneous</i>	1,488.56	--
<i>Interest Earnings</i>	2,298.00	--
<i>Grants Revenue</i>	--	81,036.93
Total Revenues	\$ 823,530.83	\$ 81,036.93
Expenditures:		
<i>City General</i>	\$ 80,469.87	\$ --
<i>City Office</i>	53,367.63	--
<i>Police Department</i>	242,533.56	--
<i>Sanitation/Landfill</i>	193,107.49	--
<i>Treatment Facility</i>	57,278.45	--
<i>Street Department</i>	90,732.70	--
<i>Municipal Court</i>	33,001.19	--
<i>Grant Expenditures</i>	--	91,455.82
<i>Debt Service</i>	--	--
Total Expenditures	\$ 750,490.89	\$ 91,455.82
 Excess (Deficiency) of Revenues Over Expenditures	 \$ 73,039.94	 \$ (10,418.89)
Other Sources (Uses):		
<i>Capital Lease Principal</i>	\$ (72,807.20)	\$ --
<i>Capital Lease Proceeds</i>	15,675.30	--
<i>Local Matching Grant Revenue(Expend.)</i>	(250.00)	10,418.89
<i>Miscellaneous Revenue (Expense)</i>	--	--
Total Other Sources (Uses)	\$ (57,381.90)	\$ 10,418.89
 Excess (Deficiency) of Revenues and Other Resources Over Expenditures and Other Uses	 \$ 15,658.04	 \$ --
 Fund Balance, October 1	 <u>97,820.38</u>	 <u>--</u>
Fund Balance, September 30	<u>\$ 113,478.42</u>	<u>\$ --</u>

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

EXHIBIT A-2

Debt Service Fund	(Memorandum Only)	
	Year Ended September 30, 1994	Year Ended September 30, 1993
\$ 117,895.58	\$ 294,180.57	\$ 285,958.25
--	191,671.04	158,190.42
--	94,528.39	86,436.68
--	195,511.38	206,122.99
--	44,323.62	47,348.90
--	9,424.85	8,753.21
--	108,000.00	108,000.00
--	1,488.56	1,963.16
1,625.53	3,923.53	2,355.78
--	81,036.93	362,343.07
<u>\$ 119,521.11</u>	<u>\$ 1,024,088.87</u>	<u>\$ 1,267,472.46</u>
\$ --	\$ 80,469.87	\$ 70,286.19
--	53,367.63	57,029.15
--	242,533.56	236,654.45
--	193,107.49	162,373.81
--	57,278.45	60,471.47
--	90,732.70	49,547.00
--	33,001.19	31,061.97
--	91,455.82	362,343.07
123,682.42	123,682.42	124,508.91
<u>\$ 123,682.42</u>	<u>\$ 965,629.13</u>	<u>\$ 1,154,276.02</u>
\$ (4,161.31)	\$ 58,459.74	\$ 113,196.44
\$ --	\$ (72,807.20)	\$ (61,320.95)
--	15,675.30	18,610.50
--	10,168.89	--
--	--	8.71
<u>\$ --</u>	<u>\$ (46,963.01)</u>	<u>\$ (42,701.74)</u>
\$ (4,161.31)	\$ 11,496.73	\$ 70,494.70
40,009.07	137,829.45	67,334.75
<u>\$ 35,847.76</u>	<u>\$ 149,326.18</u>	<u>\$ 137,829.45</u>

CITY OF WILLIS, TEXAS
COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1994

EXHIBIT A-3

	Water and Sewer Utility Fund	
	1994	1993
OPERATING REVENUE:		
<i>Charges for Water and Sewer Service</i>	\$ 529,532.10	\$ 478,161.10
<i>Water and Sewer Connections</i>	29,190.46	28,519.28
<i>Late Payment Penalties</i>	22,845.89	22,725.98
<i>Service Charges</i>	11,843.69	5,700.67
<i>Inspection Fees</i>	1,672.50	1,195.00
Total Operating Revenue	\$ 595,084.64	\$ 536,302.03
OPERATING EXPENSE:		
<i>Personnel-Operating</i>	\$ 161,926.51	\$ 150,012.49
<i>Personnel-Administration</i>	38,956.38	44,634.20
<i>Professional Fees</i>	3,702.81	151.27
<i>Rentals</i>	--	303.60
<i>Maintenance and Repairs</i>	82,801.28	121,617.08
<i>Utilities</i>	97,474.76	98,169.86
<i>Supplies, Materials and Postage</i>	9,184.73	15,613.18
<i>Vehicle Expense</i>	6,003.75	8,419.06
<i>Other Operating Expense</i>	13,716.39	12,524.38
<i>Depreciation</i>	133,630.96	128,352.67
Total Operating Expense	\$ 547,397.57	\$ 579,797.79
Operating Income (Loss)	\$ 47,687.07	\$ (43,495.76)
NON-OPERATING REVENUE (EXPENSE):		
<i>Grant Expense (Local Matching)</i>	\$ (56,645.23)	\$ (6,675.58)
<i>Interest Earnings</i>	5,211.22	4,609.37
<i>Miscellaneous Adjustment/Equipment Sale</i>	4.00	(11,413.00)
<i>Interest Expense</i>	(9,198.10)	(11,439.74)
<i>Bond Paying Agent Fees</i>	(120.00)	(120.00)
Total Non-operating Revenue (Expense)	\$ (60,748.11)	\$ (25,038.95)
Net Income (Loss)	\$ (13,061.04)	\$ (68,534.71)
Retained Earnings (Deficit), October 1	(397,656.04)	(329,121.33)
Retained Earnings (Deficit), September 30	\$ (410,717.08)	\$ (397,656.04)

(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, 1994

EXHIBIT A-4

INCREASE (DECREASE) IN CASH AND INVESTMENTS:

Cash Flows from Operating Activities-

<i>Cash Received from Utility Sales</i>	\$ 571,786.05	
<i>Cash Received from Utility Connections</i>	29,190.46	
<i>Cash Received from Services Rendered</i>	13,516.19	
<i>Cash Payments for Personnel Costs</i>	(200,882.89)	
<i>Cash Payments for Maintenance and Repair</i>	(83,117.03)	
<i>Cash Payments for Utilities</i>	(90,019.67)	
<i>Cash Payments for Vehicle Expense</i>	(6,559.62)	
<i>Cash Payments for Supplies and Postage</i>	(9,967.99)	
<i>Cash Payments for Insurance</i>	(13,181.39)	
<i>Cash Payments for Other Operating Costs</i>	<u>(610.00)</u>	
Net Cash Provided by Operating Activities		\$ 210,154.11

Cash Flows from Capital and Financing Activities-

<i>Cash Payments for Acquisition of Capital Assets</i>	\$ (34,369.76)	
<i>Cash Payments on Capital Leases</i>	(25,360.83)	
<i>Cash Payments of Bonded Debt Principal</i>	(30,000.00)	
<i>Cash Payments of Bonded Debt Interest</i>	(6,890.00)	
<i>Cash Payments of Paying Agent Fees</i>	(120.00)	
<i>Cash Payments to Other Funds</i>	<u>(56,395.23)</u>	
Net Cash (Used For) Capital and Financing Activities		(153,135.82)

Cash Flows from Investing Activities-

<i>Interest Received</i>		<u>5,211.22</u>
--------------------------	--	-----------------

Net Increase in Cash and Investments \$ 62,229.51

Cash and Investments, October 1, 1993 92,236.54

Cash and Investments, September 30, 1994 \$ 154,466.05

RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES:

<i>Operating Income (Loss)</i>	\$ 47,687.07	
<i>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities-</i>		
<i>Depreciation</i>	133,630.96	
<i>Changes in Assets and Liabilities-</i>		
<i>Decrease in Net Receivables</i>	28,277.10	
<i>Decrease in Inventories</i>	2,226.88	
<i>(Increase) in Restricted Assets</i>	(4,300.81)	
<i>Increase in Liabilities</i>	<u>2,632.91</u>	
Net Cash Provided by Operating Activities		<u>\$ 210,154.11</u>

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

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 1994

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.

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 1994

B. Summary of Significant Accounting Policies (Continued)

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.

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.

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 1994

3. Budgets and Budgetary Accounting (Continued)

- 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.

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, 1994, the City levied an ad valorem tax of \$.6298 per \$100 of assessed valuation which resulted in a levy of \$291,786 on the net assessed taxable valuation of \$46,329,992 for the 1993 tax year. Of the total \$.6298 per \$100 valuation rate, \$.26528 was allocated to general obligation debt retirement and \$.36452 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.

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 1994

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, 1994, 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, \$535,650 Market Value.
- c. Largest cash, savings and time deposit combined account balance amounted to \$543,674 and occurred during the month of September, 1994.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$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, 1994, 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.

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 SEPTEMBER 30, 1994

Temporary Investments (Continued)

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.

	Carrying Amount	Market Value	Category
Texas National Bank –			
Certificate of Deposit	\$ 248,825	\$ 248,825	1
Money Market Accounts	123,193	123,193	1

D. Loans

The City had no loans issued or outstanding during the year ended September 30, 1994.

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:

General Fund				
Year Ending September 30	Interest Rate	Principal	Interest	Total
1995	6.0% – 8.3%	\$ 66,399.44	\$ 55,137.25	\$ 121,536.69
1996	6.0% – 8.3%	62,270.30	50,527.92	112,798.22
1997	6.0% – 8.3%	58,853.64	46,001.24	104,854.88
1998	8.3%	60,494.86	41,505.14	102,000.00
1999	8.3%	65,323.40	36,676.60	102,000.00
Subsequent	8.3%	431,774.14	95,225.76	526,999.90
Total		\$ 745,115.78	\$ 325,073.91	\$ 1,070,189.69

Utility Fund				
Year Ending September 30	Interest Rate	Principal	Interest	Total
1995	6.0% – 8.0%	\$ 15,764.28	\$ 1,078.66	\$ 16,842.94
1996	6.0% – 8.0%	8,465.08	211.87	8,676.95
1997	--	--	--	--
1998	--	--	--	--
Subsequent	--	--	--	--
Total		\$ 24,229.36	\$ 1,290.53	\$ 25,519.89

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 SEPTEMBER 30, 1994

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, 1994:

	General Obligation	Revenue	Total
Bonds Payable, October 1, 1993	\$ 630,000	\$ 115,000	\$ 745,000
Bonds Retired	70,000	30,000	100,000
Bonds Payable, September 30, 1994	<u>\$ 560,000</u>	<u>\$ 85,000</u>	<u>\$ 645,000</u>

Bonds payable at September 30, 1994, are comprised of the following individual issue:

General Obligation Bonds –

\$85,000 – 1981 Series, City of Willis Combination Tax and Revenue Certificates of Obligation due serially in annual installments of \$25,000 due September 1, 1992 through 1995, 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, 1982 @ 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%.

\$ 10,000

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

	<u>550,000</u>
Total General Obligation Bonds	\$ <u>560,000</u>

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%.

\$ 35,000

\$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%.

	<u>50,000</u>
Total Revenue Bonds	\$ <u>85,000</u>

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 SEPTEMBER 30, 1994

F. Changes in Long-Term Debt (Continued)

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, 1994, are as follows:

General Obligation Bonds			
<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1995	\$ 75,000	\$ 46,330	\$ 121,330
1996	80,000	39,360	119,360
1997	85,000	32,222	117,222
1998	90,000	24,565	114,565
1999	95,000	16,378	111,378
Subsequent	135,000	9,225	144,225
Total	\$ 560,000	\$ 168,080	\$ 728,080

Revenue Bonds			
<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1995	\$ 30,000	\$ 5,075	\$ 35,075
1996	30,000	3,260	33,260
1997	25,000	1,445	26,445
Subsequent	--	--	--
Total	\$ 85,000	\$ 9,780	\$ 94,780

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, 1994, this reserve account contained cash and temporary investments of \$30,560.54.

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, 1994, this reserve account contained cash and temporary investments of \$34,509.90.

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, 1994, this emergency fund account contained \$5,000 in cash and temporary investments.

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 SEPTEMBER 30, 1994

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, 1994, are as follows:

Waterworks and Sewer System Revenue Bonds, Series 1977 –	
Interest and Sinking Fund –	
Cash	\$ 8,560.54
Reserve Fund –	
Temporary Investments	22,000.00
Emergency Fund –	
Temporary Investments	<u>5,000.00</u>
Total	<u>\$ 35,560.54</u>
Waterworks and Sewer System Junior Lien Revenue Bonds, Series 1981 –	
Interest and Sinking Fund –	
Cash	\$ 11,184.90
Reserve Fund –	
Temporary Investments	<u>23,325.00</u>
Total	<u>\$ 34,509.90</u>
Customer Utility Meter Deposits –	
Cash	\$ 10,609.56
Temporary Investments	<u>21,500.00</u>
Total	<u>\$ 32,109.56</u>
Total Restricted Assets	<u>\$ 102,180.00</u>

H. Litigation

The City was not involved in litigation at September 30, 1994.

I. Contingent Liabilities

Our examination did not reveal the existence of unrecorded contingent liabilities as of September 30, 1994.

J. Changes in General Fixed Assets

During the year ended September 30, 1994, the following changes occurred in the City's General Fixed Assets:

Balance October 1, 1993	\$ 1,485,130.36
Additions –	
Vehicles	15,675.30
Equipment	<u>7,362.45</u>
Balance September 30, 1994	<u>\$ 1,508,168.11</u>

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 SEPTEMBER 30, 1994

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, 1994.

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 613 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, 1994

M. Pension Plan (Continued)

Contributions –

The contribution rate for the employees is 5%, 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 of 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, 1993. The unit credit actuarial cost method is used for determining the City's contribution rate. Contributions are made monthly by both the employee 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 1994, was \$402,017, and the City's contributions were based on a payroll of \$362,606. Both the City and the covered employees made the required contributions, amounting to \$11,754 (2.98% of covered payroll for the months in calendar year 1993, 3.35% normal cost plus -.37% to amortize the unfunded actuarial liability, and 3.33% for the months in calendar year 1994, 3.91% normal cost plus -.58% to amortize the unfunded actuarial liability) for the City and \$18,133 (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 1994 by .05% 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 plan.

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, 1993. Because of the money-purchase nature of the plan, the interest rate

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 SEPTEMBER 30, 1994

M. Pension Plan (Continued)

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 118.0% of book value as of December 31, 1993.

Pension Benefit Obligation

Annuitants currently receiving benefits	\$	30,496
Terminated employees		9,582
Current employees Accumulated employee contributions including allocated invested earnings		117,150
Employer-financed vested		132,047
Employer-financed nonvested		43,273
Total	\$	<u>332,548</u>
<u>Net Assets Available for Benefits, at Book Value</u>	\$	<u>348,689</u>
<u>Assets in Excess of Pension Benefit Obligation</u>	\$	<u>16,141</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 \$1,630.

N. Health Care Coverage

During the year ended September 30, 1994, 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 Benefit Program.

The contract between the City of Willis and the Texas Municipal League Group Benefits Risk Pool was renewed October 1, 1994, 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, 1994, the overall pool reserve, plus stop-loss coverage was more than sufficient to cover all claims, both reported but unpaid and unreported claims.

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 1994

O. Deficit Retained Earnings

The City's Unreserved Retained Earnings account for the Utility Fund reflects a deficit of \$480,787.52. This deficit is the result of the City's failure to totally fund depreciation expense.

Combining And Individual Fund Financial Statements

CITY OF WILLIS, TEXAS
 GENERAL FUND
 BALANCE SHEET
 SEPTEMBER 30, 1994

EXHIBIT B-1

	1994	1993
ASSETS:		
<i>Cash</i>	\$ 4,231.34	\$ 18,020.17
<i>Temporary Investments</i>	122,579.22	59,348.48
<i>Receivables-</i>		
<i>Garbage Service</i>	22,452.27	22,762.97
<i>Property Tax</i>	56,540.55	50,949.66
<i>Allowance for Uncollectible Taxes</i>	(11,308.11)	(10,189.93)
<i>Miscellaneous</i>	112.56	--
<i>Due from Other Funds</i>	3,666.63	5,164.02
Total Assets	\$ 198,274.46	\$ 146,055.37
LIABILITIES:		
<i>Accounts Payable</i>	\$ 25,455.90	\$ 2,814.15
<i>Due to State</i>	9,128.74	4,619.39
<i>Due to Other Funds</i>	4,978.96	41.72
<i>Deferred Revenue</i>	45,232.44	40,759.73
Total Liabilities	\$ 84,796.04	\$ 48,234.99
FUND EQUITY:		
<i>Reserved for Police Activity</i>	\$ 291.47	\$ 284.75
<i>Unreserved Fund Balance</i>	113,186.95	97,535.63
Total Equity	\$ 113,478.42	\$ 97,820.38
Total Liabilities and Fund Equity	\$ 198,274.46	\$ 146,055.37

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

CITY OF WILLIS, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 1994

EXHIBIT B-2

	1994			1993 Actual
	Budget	Actual	Variance- Favorable (Unfavorable)	
REVENUES:				
<i>Ad Valorem Tax</i>	\$ 181,994	\$ 176,284.99	\$ (5,709.01)	\$ 168,193.84
<i>City Sales Tax</i>	168,000	191,671.04	23,671.04	158,190.42
<i>Franchise Tax, Street Rental</i>	90,000	94,528.39	4,528.39	86,436.68
<i>Sanitation and Landfill</i>	200,050	195,511.38	(4,538.62)	206,122.99
<i>Fines and Court Costs</i>	53,000	44,323.62	(8,676.38)	47,348.90
<i>Permits, License and Inspection</i>	8,700	9,424.85	724.85	8,753.21
<i>Rental Income</i>	108,000	108,000.00	--	108,000.00
<i>Miscellaneous</i>	2,000	1,488.56	(511.44)	1,963.16
<i>Interest Earned</i>	1,300	2,298.00	998.00	1,553.30
Total Revenues	\$ 813,044	\$ 823,530.83	\$ 10,486.83	\$ 786,562.50
EXPENDITURES:				
<i>City General</i>	\$ 74,900	\$ 80,469.87	\$ (5,569.87)	\$ 70,286.19
<i>City Office</i>	66,784	53,367.63	13,416.37	57,029.15
<i>Police Department</i>	263,703	242,533.56	21,169.44	236,654.45
<i>Sanitation/Landfill</i>	183,000	193,107.49	(10,107.49)	162,373.81
<i>Treatment Facility</i>	102,000	57,278.45	44,721.55	60,471.47
<i>Street Department</i>	76,978	90,732.70	(13,754.70)	49,547.00
<i>Municipal Court</i>	34,857	33,001.19	1,855.81	31,061.97
Total Expenditures	\$ 802,222	\$ 750,490.89	\$ 51,731.11	\$ 667,424.04
Excess (Deficiency) of Revenues Over Expenditures	\$ 10,822	\$ 73,039.94	\$ 62,217.94	\$ 119,138.46
OTHER SOURCES AND (USES):				
<i>Capital Lease Principal</i>		\$ (72,807.20)		\$ (61,320.95)
<i>Capital Lease Proceeds</i>		15,675.30		18,610.50
<i>Grant Expense</i>		(250.00)		--
<i>Miscellaneous Revenue (Expense)</i>		--		8.71
Total Other Sources (Uses)		\$ (57,381.90)		\$ (42,701.74)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses		\$ 15,658.04		\$ 76,436.72
Fund Balance, October 1		97,820.38		21,383.66
Fund Balance, September 30		\$ 113,478.42		\$ 97,820.38

(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, 1994

EXHIBIT B-3
 Page 1 of 2

	1994			1993 Actual
	Budget	Actual	Variance- Favorable (Unfavorable)	
CITY GENERAL:				
<i>Purchased and Contracted Services</i>	\$ 33,500	\$ 42,456.25	\$ (8,956.25)	\$ 28,937.26
<i>Maintenance and Repairs</i>	4,000	3,813.56	186.44	2,590.58
<i>Other Operating Costs</i>	36,900	33,346.20	3,553.80	38,708.93
<i>Capital Outlay</i>	500	853.86	(353.86)	49.42
Total City General	\$ 74,900	\$ 80,469.87	\$ (5,569.87)	\$ 70,286.19
CITY OFFICE:				
<i>Personnel</i>	\$ 49,784	\$ 38,221.59	\$ 11,562.41	\$ 48,192.54
<i>Maintenance and Repairs</i>	2,500	1,141.84	1,358.16	958.00
<i>Supplies, Materials, and Postage</i>	3,900	2,538.77	1,361.23	3,312.09
<i>Utilities/Telephone</i>	4,600	4,956.84	(356.84)	4,566.52
<i>Capital Outlay</i>	6,000	6,508.59	(508.59)	--
Total City Office	\$ 66,784	\$ 53,367.63	\$ 13,416.37	\$ 57,029.15
POLICE DEPARTMENT:				
<i>Personnel</i>	\$ 189,003	\$ 186,202.23	\$ 2,800.77	\$ 179,356.28
<i>Purchased and Contracted Services</i>	8,000	600.00	7,400.00	3,975.00
<i>Maintenance and Repairs</i>	3,500	3,965.44	(465.44)	3,263.65
<i>Supplies, Materials, Uniforms & Postage</i>	6,900	10,361.56	(3,461.56)	3,839.00
<i>Vehicle Expense</i>	20,000	13,456.00	6,544.00	15,259.09
<i>Utilities/Telephone</i>	8,300	8,407.26	(107.26)	8,004.29
<i>Other Operating Costs</i>	3,000	1,258.54	1,741.46	2,220.60
<i>Capital Outlay</i>	25,000	15,675.30	9,324.70	17,779.09
<i>Debt Service - Interest</i>	--	2,607.23	(2,607.23)	2,957.45
Total Police Department	\$ 263,703	\$ 242,533.56	\$ 21,169.44	\$ 236,654.45
SANITATION/LANDFILL:				
<i>Purchased and Contracted Services</i>	\$ 182,000	\$ 193,107.49	\$ (11,107.49)	\$ 162,330.78
<i>Maintenance and Repairs</i>	1,000	--	1,000.00	43.03
Total Landfill Department	\$ 183,000	\$ 193,107.49	\$ (10,107.49)	\$ 162,373.81

STATEMENT OF EXPENDITURES WITH BUDGET COMPARISON (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 1993

	1994			1993 Actual
	Budget	Actual	Variance- Favorable (Unfavorable)	
TREATMENT FACILITY:				
<i>Other Operating Costs</i>	\$ --	\$ --	\$ --	\$ --
<i>Capital Outlay</i>	--	--	--	--
<i>Debt Service-Interest</i>	102,000	57,278.45	44,721.55	60,471.47
Total Treatment Facility	\$ 102,000	\$ 57,278.45	\$ 44,721.55	\$ 60,471.47
STREET DEPARTMENT:				
<i>Personnel</i>	\$ 28,578	\$ 27,731.05	\$ 846.95	\$ 16,530.07
<i>Rentals</i>	400	--	400.00	170.30
<i>Maintenance and Repairs</i>	20,000	39,478.16	(19,478.16)	7,583.90
<i>Supplies and Materials</i>	2,000	1,406.57	593.43	1,228.84
<i>Vehicle Expense</i>	3,500	861.80	2,638.20	2,365.09
<i>Utilities</i>	22,500	21,255.12	1,244.88	21,668.80
<i>Capital Outlay</i>	--	--	--	--
Total Street Department	\$ 76,978	\$ 90,732.70	\$ (13,754.70)	\$ 49,547.00
MUNICIPAL COURT:				
<i>Personnel</i>	\$ 29,857	\$ 28,939.45	\$ 917.55	\$ 27,234.85
<i>Purchases and Contracted Services</i>	1,800	1,650.00	150.00	1,336.00
<i>Maintenance and Repairs</i>	900	701.50	198.50	592.89
<i>Supplies, Materials Uniforms & Postage</i>	2,200	1,658.05	541.95	1,759.26
<i>Other Operating Costs</i>	100	52.19	47.81	138.97
Total Municipal Court	\$ 34,857	\$ 33,001.19	\$ 1,855.81	\$ 31,061.97
Total Expenditures	\$ 802,222	\$ 750,490.89	\$ 51,731.11	\$ 667,424.04

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

CITY OF WILLIS, TEXAS
 SPECIAL REVENUE FUND
 COMBINING BALANCE SHEET
 SEPTEMBER 30, 1994

EXHIBIT B-4

	HOME Program	Economic Development Program	Planning & Capacity Bldg. Fund Program	Community Development Program	Totals	
					9-30-94	9-30-93
ASSETS						
<i>Cash</i>	\$ --	\$ 49.60	\$ --	\$ 46,072.76	\$ 46,122.36	\$ 250.00
<i>Due From Other Funds</i>	--	153.98	--	--	153.98	--
Total Assets	\$ --	\$ 203.58	\$ --	\$ 46,072.76	\$ 46,276.34	\$ 250.00
LIABILITIES						
<i>Accounts Payable</i>	\$ --	\$ 203.58	\$ --	\$ --	\$ 203.58	\$ 200.00
<i>Due To Other Funds</i>	--	--	--	--	--	50.00
<i>Deferred Revenue</i>	--	--	--	46,072.76	46,072.76	--
Total Liabilities	\$ --	\$ 203.58	\$ --	\$ 46,072.76	\$ 46,276.34	\$ 250.00
FUND EQUITY						
<i>Fund Balance</i>	--	--	--	--	--	--
Total Liab. & Fund Equity	\$ --	\$ 203.58	\$ --	\$ 46,072.76	\$ 46,276.34	\$ 250.00

(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, 1994

EXHIBIT B-5

	HOME Program	Economic Development Program	Planning & Capacity Bldg. Fund Program	Community Development Program	Totals	
					9-30-94	9-30-93
Revenues:						
<i>Local Sources</i>	\$ --	\$ 3,741.65	\$ --	\$ 6,677.24	\$ 10,418.89	\$ --
<i>State Sources</i>	--	--	--	--	--	--
<i>Federal Sources</i>	--	81,036.93	--	--	81,036.93	362,343.07
<i>Total Revenues</i>	\$ --	\$ 84,778.58	\$ --	\$ 6,677.24	\$ 91,455.82	\$ 362,343.07
Expenditures:						
<i>Easement Acquisition</i>	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 1,346.28
<i>Utility Construction</i>	--	72,213.00	--	--	72,213.00	282,206.79
<i>Engineering Fees</i>	--	6,362.00	--	--	6,362.00	34,240.00
<i>Administration</i>	--	6,203.58	--	6,677.24	12,880.82	27,050.00
<i>Rural Development</i>	--	--	--	--	--	17,500.00
<i>Total Expenditures</i>	\$ --	\$ 84,778.58	\$ --	\$ 6,677.24	\$ 91,455.82	\$ 362,343.07
Excess (Deficit) Revenues						
Over Expenditures	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Fund Balance, October 1						
Fund Balance, Sept. 30	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

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

CITY OF WILLIS, TEXAS
 DEBT SERVICE FUND
 BALANCE SHEET
 SEPTEMBER 30, 1994

EXHIBIT B-6

	1994	1993
ASSETS:		
<i>Temporary Investments</i>	\$ 30,868.80	\$ 39,967.35
<i>Property Tax Receivable</i>	45,296.43	38,835.17
<i>Allowance for Uncollectible Accounts</i>	(9,059.29)	(7,767.03)
<i>Due from Other Funds</i>	4,978.96	41.72
Total Assets	\$ 72,084.90	\$ 71,077.21
LIABILITIES:		
<i>Deferred Revenue</i>	\$ 36,237.14	\$ 31,068.14
FUND EQUITY:		
<i>Reserved for Retirement of Bonded Debt</i>	35,847.76	40,009.07
Total Liabilities and Fund Equity	\$ 72,084.90	\$ 71,077.21

STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED SEPTEMBER 30, 1994

	1994			1993 Actual
	Budget	Actual	Variance- Favorable (Unfavorable)	
REVENUES:				
<i>Ad Valorem Taxes</i>	\$ 133,905	\$ 117,895.58	\$ (16,009.42)	\$ 117,764.41
<i>Interest Earned</i>	700	1,625.53	925.53	802.48
Total Revenues	\$ 134,605	\$ 119,521.11	\$ (15,083.89)	\$ 118,566.89
EXPENDITURES:				
<i>Bond Principal</i>	\$ 70,000	\$ 70,000.00	\$ --	\$ 65,000.00
<i>Bond Interest</i>	52,905	52,905.00	--	58,350.00
<i>Paying Agent Fees</i>	1,200	777.42	422.58	1,158.91
Total Expenditures	\$ 124,105	\$ 123,682.42	\$ 422.58	\$ 124,508.91
Excess of Revenues Over Expenditures	\$ 10,500	\$ (4,161.31)	\$ (14,661.31)	\$ (5,942.02)
OTHER SOURCES AND (USES)				
Fund Balance, October 1		40,009.07		45,951.09
Fund Balance, September 30		\$ 35,847.76		\$ 40,009.07

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

CITY OF WILLIS, TEXAS
 WATER AND SEWER UTILITY FUND
 BALANCE SHEET
 SEPTEMBER 30, 1994

EXHIBIT B-7

	1994	1993
ASSETS:		
<i>Current Assets-</i>		
Cash	\$ 27,466.05	\$ 236.54
Temporary Investments	127,000.00	92,000.00
Service Accounts Receivable	61,604.54	93,023.55
Allowance for Uncollectible Accounts	(6,160.45)	(9,302.36)
Supplies Inventory	14,600.29	16,827.17
Total Current Assets	<u>\$ 224,510.43</u>	<u>\$ 192,784.90</u>
<i>Property, Plant and Equipment-</i>		
Utility System in Service	\$ 4,730,423.46	\$ 4,278,422.42
Accumulated Depreciation	(1,806,027.03)	(1,672,396.07)
Construction in Progress	--	344,843.07
Total Property, Plant and Equipment	<u>\$ 2,924,396.43</u>	<u>\$ 2,950,869.42</u>
<i>Restricted Assets-</i>		
1977 Water and Sewer Revenue Bond Fund	\$ 35,560.54	\$ 34,660.47
1981 Water and Sewer Jr. Lien Revenue Bond	34,509.90	33,458.91
Meter Deposit	32,109.56	29,759.81
Total Restricted Assets	<u>\$ 102,180.00</u>	<u>\$ 97,879.19</u>
Total Assets	<u>\$ 3,251,086.86</u>	<u>\$ 3,241,533.51</u>
LIABILITIES:		
<i>Current Liabilities-</i>		
Accounts Payable	\$ 10,723.09	\$ 5,714.73
Bond Interest Payable	845.84	1,148.32
Customer Deposits Payable	32,458.60	30,108.85
Capital Leases Payable (Current)	15,764.28	25,360.83
Revenue Bonds Payable (Current)	30,000.00	30,000.00
Due to Other Funds	3,820.61	5,114.02
Total Current Liabilities	<u>\$ 93,612.42</u>	<u>\$ 97,446.75</u>
<i>Long-Term Liabilities-</i>		
Capital Leases Payable-Future Maturities	\$ 8,465.08	\$ 24,229.36
Revenue Bonds-Future Maturities	55,000.00	85,000.00
Total Long-Term Liabilities	<u>\$ 63,465.08</u>	<u>\$ 109,229.36</u>
Total Liabilities	<u>\$ 157,077.50</u>	<u>\$ 206,676.11</u>
FUND EQUITY:		
Contributed Capital	\$ 3,504,726.44	\$ 3,432,513.44
Retained Earnings-		
Reserved for Retirement of Revenue Bonds	70,070.44	68,119.38
Unreserved	(480,787.52)	(465,775.42)
Total Fund Equity	<u>\$ 3,094,009.36</u>	<u>\$ 3,034,857.40</u>
Total Liabilities and Fund Equity	<u>\$ 3,251,086.86</u>	<u>\$ 3,241,533.51</u>

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

CITY OF WILLIS, TEXAS
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED SEPTEMBER 30, 1994

EXHIBIT B-8

	Water and Sewer Utility Fund	
	1994	1993
OPERATING REVENUE:		
<i>Charges for Water and Sewer Service</i>	\$ 529,532.10	\$ 478,161.10
<i>Water and Sewer Connections</i>	29,190.46	28,519.28
<i>Late Payment Penalties</i>	22,845.89	22,725.98
<i>Service Charges</i>	11,843.69	5,700.67
<i>Inspection Fees</i>	1,672.50	1,195.00
Total Operating Revenue	\$ 595,084.64	\$ 536,302.03
OPERATING EXPENSE:		
<i>Personnel-Operating</i>	\$ 161,926.51	\$ 150,012.49
<i>Personnel-Administration</i>	38,956.38	44,634.20
<i>Professional Fees</i>	3,702.81	151.27
<i>Rentals</i>	--	303.60
<i>Maintenance and Repairs</i>	82,801.28	121,617.08
<i>Utilities</i>	97,474.76	98,169.86
<i>Supplies, Materials and Postage</i>	9,184.73	15,613.18
<i>Vehicle Expense</i>	6,003.75	8,419.06
<i>Other Operating Expense</i>	13,716.39	12,524.38
<i>Depreciation</i>	133,630.96	128,352.67
Total Operating Expense	\$ 547,397.57	\$ 579,797.79
Operating Income (Loss)	\$ 47,687.07	\$ (43,495.76)
NON-OPERATING REVENUE (EXPENSE):		
<i>Grant Expense (Local Matching)</i>	\$ (56,645.23)	\$ (6,675.58)
<i>Interest Earnings</i>	5,211.22	4,609.37
<i>Miscellaneous Adjustment/Equipment Sale</i>	4.00	(11,413.00)
<i>Interest Expense</i>	(9,198.10)	(11,439.74)
<i>Bond Paying Agent Fees</i>	(120.00)	(120.00)
Total Non-operating Revenue (Expense)	\$ (60,748.11)	\$ (25,038.95)
Net Income (Loss)	\$ (13,061.04)	\$ (68,534.71)
Retained Earnings (Deficit), October 1	(397,656.04)	(329,121.33)
Retained Earnings (Deficit), September 30	\$ (410,717.08)	\$ (397,656.04)

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

Supplemental Information

SAULS AND PECHACEK

PUBLIC ACCOUNTANTS

P.O. Box 549

BELLVILLE, TEXAS 77418

409 - 865-3169

ROBERT E. SAULS, P.A.

JOHN R. PECHACEK, C.P.A.

January 17, 1995

Independent Auditor's Report

Report on Supplemental Information

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

Our report on our audit of the basic financial statements of City of Willis, Texas, for 1994, appears on pages 1-19. 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.

Respectfully submitted,



Sauls and Pechacek

CITY OF WILLIS, TEXAS
ANALYSIS OF CHANGES IN AD VALOREM TAXES RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 1994

EXHIBIT C-1

Taxes Receivable, 10-1-93		\$	89,784.83
Adjustments to Delinquent Taxes			(40.47)
1993 Original Roll	\$	291,786.29	
Errors and Corrections		222.10	292,008.39
Total Taxes to be Accounted for			\$ 381,752.75
Tax Collections			
Current Collections	\$	258,059.59	
Delinquent Collections		21,859.18	279,915.77
Taxes Receivable, 9-30-94			\$ 101,836.98

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>
1993	\$ 291,786.29	\$ 222.10	\$ 258,056.59	\$ 33,951.80
1992	32,767.68	(3.13)	13,761.07	19,003.48
1991	13,090.19	(14.84)	4,059.89	9,015.46
1990	8,554.96	--	1,267.83	7,287.13
1989	6,477.21	--	863.28	5,613.93
1988	5,899.47	--	581.48	5,317.99
1987	5,125.49	--	358.53	4,766.96
1986	4,839.55	--	226.71	4,612.84
1985	2,552.94	--	161.13	2,391.81
1984 and Prior	10,477.34	(22.50)	579.26	9,875.58
Taxes Receivable, 9-30-93				\$ 101,836.98

Property Valuation:

Year of Assessment	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>	<u>1989</u>
Market Value @ Jan. 1-					
Land	\$ 15,340,110	\$ 15,709,590	\$ 15,880,180	\$ 17,362,720	\$ 18,495,720
Improvements	25,186,371	24,315,501	23,148,420	22,896,320	22,771,300
Personal Property	9,970,079	8,577,935	8,938,517	9,163,096	8,424,780
Total Market Value	\$ 50,496,560	\$ 48,603,026	\$ 47,967,117	\$ 49,422,136	\$ 49,691,800
Exempt Property	3,109,458	2,642,306	1,479,020	1,182,280	848,640
Productivity Exemptions	371,760	310,930	380,850	389,660	420,530
Old Age Exemptions	652,210	672,210	667,210	730,500	705,000
Disabled Vet Exemptions	33,140	33,430	33,430	33,000	31,500
Net Taxable Value	\$ 46,329,992	\$ 44,944,150	\$ 45,406,607	\$ 47,086,696	\$ 47,686,130
Rate Per \$100 Value-					
Maintenance & Operation	\$ 0.36452	\$ 0.35475	\$ 0.3186	\$ 0.2950	\$ 0.254
Debt Service	0.26528	0.27040	0.2703	0.2590	0.299
Original Levy	\$ 291,786.29	\$ 280,968.35	\$ 267,399.51	\$ 260,860.84	\$ 263,704.30

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, 1994

Month	Water Usage In Gallons		Number of Customers Served	
	Pumped	Sold	Water	Sewer
October, 1993	15,927,700	15,115,100	1,183	998
November, 1993	13,711,600	10,825,340	1,184	984
December, 1993	14,500,400	11,107,770	1,196	959
January, 1994	14,271,000	13,854,200	1,199	1,022
February, 1994	11,545,000	10,931,000	1,263	1,024
March, 1994	14,509,700	11,307,500	1,199	1,018
April, 1994	14,603,300	13,213,500	1,201	1,021
May, 1994	17,936,700	16,249,600	1,210	1,028
June, 1994	18,293,600	17,125,500	1,218	1,036
July, 1994	18,888,500	16,673,800	1,235	1,050
August, 1994	20,636,000	19,610,600	1,248	1,059
September, 1994	18,340,000	17,775,000	1,236	1,051
Totals	193,163,500	173,788,910		
Average	16,096,958	14,482,409	1,214	1,021

CITY OF WILLIS, TEXAS
 SCHEDULE OF CAPITAL LEASES PAYABLE
 YEAR ENDED SEPTEMBER 30, 1994

Payable To, Purpose And Lawful Authority	Date Issued & Interest Rate	Maturity Schedule	Fund Payable From	Principal Balance 10-1-93	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	\$ 708,260.99	\$ --	\$ 40,221.55
T. Warren Investments <i>Rehab Center Land Public Property Finance Act</i>	06-20-90 No Interest	168 Months @ \$375.00	General	50,250.00	--	4,500.00
Ford Motor Credit <i>2 Police Sedans Public Property Finance Act</i>	12-24-91 8.00%	36 Months @ \$870.99	General	11,605.04	--	9,880.54
Ford Motor Credit <i>1 Police Sedan Public Property Finance Act</i>	5-1-92 7.2%	36 Months @ \$441.75	General	7,515.81	--	4,920.14
Ford Motor Credit <i>1 Police Sedan Public Property Finance Act</i>	5-1-92 7.2%	36 Months @ \$441.75	General	7,515.81	--	4,920.14
Ford Motor Credit <i>1 Police Sedan Public Property Finance Act</i>	7-22-93 6.0%	36 Months @ \$565.33	General	17,100.03	--	5,881.81
Ford Motor Credit <i>1 Police Sedan Public Property Finance Act</i>	4-12-94 6.2%	36 Months @ \$475.84	General	--	15,675.30	2,483.02
Subtotal General Fund				\$ 802,247.68	\$ 15,675.30	\$ 72,807.20

Principal Balance 9-30-94	Interest Year Ended 9-30-94	Annual Requirements				Interest 10-01-96 To Maturity
		Year Ending 9-30-95		Year Ending 9-30-96		
		Principal	Interest	Principal	Interest	
\$ 668,039.44	\$ 57,278.45	\$ 43,689.90	\$ 53,810.10	\$ 47,457.45	\$ 50,042.55	\$ 219,357.91
45,750.00	--	4,500.00	--	4,500.00	--	--
1,724.50	571.34	1,724.50	17.27	--	--	--
2,595.67	380.86	2,595.67	54.77	--	--	--
2,595.67	380.86	2,595.67	54.77	--	--	--
11,218.22	902.15	6,260.11	523.85	4,958.11	130.01	--
13,192.28	372.02	5,033.59	676.49	5,354.74	355.36	50.93
\$ 745,115.78	\$ 59,885.68	\$ 66,399.44	\$ 55,137.25	\$ 62,270.30	\$ 50,527.92	\$ 219,408.84

CITY OF WILLIS, TEXAS
 SCHEDULE OF CAPITAL LEASES PAYABLE (CONTINUED)
 YEAR ENDED SEPTEMBER 30, 1994

Payable To, Purpose And Lawful Authority	Date Issued & Interest Rate	Maturity Schedule	Fund Payable From	Principal Balance 10-1-93	Current Year Transactions	
					Issued	Retired
UTILITY FUND:						
<i>John Deere Leasing Equipment Purchase Public Property Finance Act</i>	10-09-89 8.00%	60 Months @ \$659.54	Utility	\$ 8,210.58	\$ --	\$ 7,555.14
<i>FMC Corporation Jet Sprayer Public Property Finance Act</i>	10-17-89 7.00%	60 Months @ \$430.39	Utility	6,164.37	--	4,888.12
<i>Ford Motor Credit 2 Utility Pickups Public Property Finance Act</i>	01-02-92 8.00%	48 Months @ \$533.28	Utility	13,137.36	--	5,548.90
<i>Ford Motor Credit 2 Utility Pickups Public Property Finance Act</i>	08-03-93 6.00%	36 Months @ \$707.74	Utility	22,077.88	--	7,368.67
Subtotal Utility Fund				\$ 49,590.19	\$ --	\$ 25,360.83
Total				\$ 851,837.87	\$ 15,675.30	\$ 98,168.03

Principal Balance 9-30-94	Interest Year Ended 9-30-94	Annual Requirements				Interest 10-01-96 To Maturity
		Year Ending 9-30-95		Year Ending 9-30-96		
		Principal	Interest	Principal	Interest	
\$ 655.44	\$ 359.35	\$ 655.44	\$ 4.10	\$ --	\$ --	\$ --
1,276.25	276.56	1,276.25	14.91	--	--	--
7,588.46	850.46	6,009.46	389.90	1,579.00	21.10	--
14,709.21	1,124.21	7,823.13	669.75	6,886.08	190.77	--
<u>\$ 24,229.36</u>	<u>\$ 2,610.58</u>	<u>\$ 15,764.28</u>	<u>\$ 1,078.66</u>	<u>\$ 8,465.08</u>	<u>\$ 211.87</u>	<u>\$ --</u>
<u>\$ 769,345.14</u>	<u>\$ 62,496.26</u>	<u>\$ 82,163.72</u>	<u>\$ 56,215.91</u>	<u>\$ 70,735.38</u>	<u>\$ 50,739.79</u>	<u>\$ 219,408.84</u>

CITY OF WILLIS, TEXAS
ANALYSIS OF CHANGES IN DEBT
YEAR ENDED SEPTEMBER 30, 1994

Description	Date of Issue	Amount of Issue	Interest Rate	Principal Outstanding 10-1-93	Debt Issued	Debt Retired
GENERAL OBLIGATION DEBT:						
<i>Combination Tax & Revenue Certificates of Obligation</i>	09-01-81	\$ 85,000	8%	\$ 35,000	\$ --	\$ 25,000
<i>Combination Tax & Revenue Certificates of Obligation, 1986 Series</i>	05-01-86	800,000	7.5-9.0%	595,000	--	45,000
Total General Obligation Debt				\$ 630,000	\$ --	\$ 70,000

WATER AND SEWER UTILITY FUND DEBT:

<i>Waterworks and Sewer System Revenue Bonds, Series 1977</i>	07-15-77	\$ 240,000	6.5%	\$ 50,000	\$ --	\$ 15,000
<i>Waterworks and Sewer System Revenue Bonds, Series 1981</i>	08-01-81	250,000	5.60%	65,000	--	15,000
Total Water & Sewer Utility Fund Debt				\$ 115,000	\$ --	\$ 30,000

Principal Outstanding 9-30-94	Interest Current Year	Requirements				Interest 10-1-96 To Maturity
		Year Ending 9-30-95		Year Ending 9-30-96		
		Principal	Interest	Principal	Interest	
\$ 10,000	\$ 2,800	\$ 10,000	\$ 800	\$ --	\$ --	\$ --
550,000	50,105	65,000	45,530	80,000	39,360	82,390
<u>\$ 560,000</u>	<u>\$ 52,905</u>	<u>\$ 75,000</u>	<u>\$ 46,330</u>	<u>\$ 80,000</u>	<u>\$ 39,360</u>	<u>\$ 82,390</u>
\$ 35,000	\$ 3,250	\$ 15,000	\$ 2,275	\$ 15,000	\$ 1,300	\$ 325
50,000	3,640	15,000	2,800	15,000	1,960	1,120
<u>\$ 85,000</u>	<u>\$ 6,890</u>	<u>\$ 30,000</u>	<u>\$ 5,075</u>	<u>\$ 30,000</u>	<u>\$ 3,260</u>	<u>\$ 1,445</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
 REPAYMENT SCHEDULE - 1986 SERIES
 COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION

EXHIBIT C-4-2

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

Total Amount of Issue: \$240,000.00
 Date of Issue: July 15, 1977
 Paying Agent: 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	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

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.

<u>Type of Coverage</u>	<u>Policy Limits and Deductible</u>	<u>Insurer</u>
<u>Municipal Liability</u>		
General Liability	\$1,000,000 Occurrence/\$5,000 Deductible \$2,000,000 Annual Aggregate	Texas Municipal League
Auto Liability	\$1,000,000 Occurrence/\$1,000 Deductible \$ 25,000 Medical Payments Per Person	Texas Municipal League
Law Enforcement Liability	\$1,000,000 Occurrence/\$5,000 Deductible \$2,000,000 Annual Aggregate	Texas Municipal League
Errors and Omissions	\$1,000,000 Occurrence/\$5,000 Deductible \$2,000,000 Annual Aggregate	Texas Municipal League
Workman's Compensation	Statutory	Texas Municipal League
Mobile Equipment	\$115,440 Blanket/\$2,500 Deductible	Texas Municipal League
<u>Municipal Property</u>		
Real & Personal Property, All Risks	Replacement Cost \$3,111,000 Blanket/\$2,500 Deduct. Subject to Scheduled Sub-limits	Texas Municipal League
Auto Physical Damage Coverage	Actual Cash Value/(\$90,177 Total Coverage) \$ 1,000 Deductible Per Vehicle \$10,000 Deductible Per Occurrence	Texas Municipal League
<u>Bonded Employee Coverage</u>		
<u>Covered Employee</u>	<u>Amount</u> <u>Policy Period</u>	
City Secretary - Brenda Burns	\$ 5,000 9-01-94/9-01-95	Western Surety Company
Tax Assessor-Collector - Brenda Burns	\$ 5,000 3-03-94/3-03-95	Western Surety Company
Cashier - Frances A. Buller	\$ 5,000 2-03-94/2-03-95	Western Surety Company
Court Clerk - Patricia Miley	\$ 5,000 4-03-94/4-03-95	Western Surety Company
Municipal Judge - Joseph Kroll	\$ 1,000 4-05-94/4-05-95	Western Surety Company

Overall Compliance and Internal Control Section

SAULS AND PECHACEK

PUBLIC ACCOUNTANTS

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BELLVILLE, TEXAS 77418

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FAX 409-865-9829

ROBERT E. SAULS, P.A.

JOHN R. PECHACEK, C.P.A.

January 17, 1995

Independent Auditor's Report

Single Audit Report on the Internal Control Structure
Used in Administering Federal Financial Assistance Programs

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

We have audited the general purpose financial statements of the City of Willis, Texas, as of and for the year ended September 30, 1994, and have issued our report thereon dated January 17, 1995. We have also audited the City of Willis, Texas' compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated January 17, 1995.

We conducted our audit in accordance with generally accepted auditing standards; GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, AUDITS OF STATE AND LOCAL GOVERNMENTS. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement and about whether the City of Willis, Texas, complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit for the year ended September 30, 1994, we considered the internal control structure of the City of Willis, Texas, in order to determine our auditing procedures for the purpose of expressing our opinions on the City of Willis, Texas' general purpose financial statements and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the general purpose financial statements in a separate report dated January 17, 1995.

The administration of the City of Willis, Texas, is responsible for establishing and maintaining an internal control structure. In fulfilling this 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, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance 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 and procedures may deteriorate.

Independent Auditor's Report
Single Audit Report on the Internal Control Structure
Used in Administering Federal Financial Assistance Programs

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

a. General Requirements

- Political Activity
- Davis–Bacon Act
- Civil Rights
- Cash Management
- Real Property Acquisition
- Federal Financial Reports
- Allowable Costs/Cost Principles
- Drug Free Workplace
- Administration Requirements

b. Specific Requirements

- Types of Services
- Eligibility
- Matching, Level of Effort
- Reporting
- Cost Allocation
- Special Requirements

c. Claims for Advance and Reimbursements

d. Amounts Claimed or Used for Matching

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

During the year ended September 30, 1994, the City of Willis, Texas had no major federal financial assistance programs and expended 100% of its total federal financial assistance under the following non major federal financial assistance programs:

- Community Development
- Economic Development

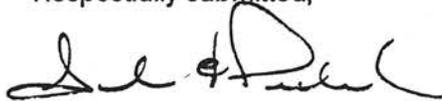
We performed tests of controls, as required by OMB Circular A–128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the afore mentioned non major programs. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Independent Auditor's Report
Single Audit Report on the Internal Control Structure
Used in Administering Federal Financial Assistance Programs

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 condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk of noncompliance with laws and regulations that would be material to a federal financial assistance program 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 operations that we consider to be material weaknesses as defined above.

This report is intended for the information of the City of Willis, Texas' Mayor and Council, 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

SAULS AND PECHACEK

PUBLIC ACCOUNTANTS

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JOHN R. PECHACEK, C.P.A.

ROBERT E. SAULS, P.A.

January 17, 1995

Independent Auditor's Report

Report on the Internal Control Structure Based on an Audit
of General Purpose 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 general purpose financial statements of the City of Willis, Texas, as of and for the year ended September 30, 1994, and have issued our report thereon dated January 17, 1995.

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 general purpose financial statements of the City of Willis, Texas, for the year ended September 30, 1994, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

The administration of the City of Willis, Texas, is responsible for establishing and maintaining an internal control structure. In fulfilling this 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 general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in 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 and procedures may deteriorate.

Independent Auditor's Report

**Report on the Internal Control Structure Based on an Audit
of General Purpose Financial Statements Performed in
Accordance with Government Auditing Standards**

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

Cash and Cash Equivalents
Receivables
Property and Equipment
Payables and Accrued Liabilities
Fund Balance

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions or material weaknesses under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the City's ability to administer federal financial assistance programs in accordance with applicable loans and regulations. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the general purpose 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 operations that we consider to be reportable conditions or material weaknesses as defined above.

This report is intended for the information of the City of Willis, Texas' Mayor and Council, and 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

CITY OF WILLIS, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 1994

<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
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	None	
--	------	--

Federal Financial Assistance Section

SAULS AND PECHACEK

PUBLIC ACCOUNTANTS

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JOHN R. PECHACEK, C.P.A.

ROBERT E. SAULS, P.A.

January 17, 1995

Independent Auditor's Report

Single Audit Report on Compliance with the General
Requirements for Federal Financial Assistance Programs

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

We have audited the general purpose financial statements of the City of Willis, Texas, as of and for the year ended September 30, 1994, and have issued our report thereon dated January 17, 1995.

We have applied procedures to test the City of Willis, Texas, compliance with the following requirements applicable to each of its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the year ended September 30, 1994: political activity, Davis-Bacon Act, civil rights, cash management, real property acquisition, federal financial reports, allowable costs/cost principles, drug free workplace, and administrative requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Single Audits of State and Local Governments". Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City of Willis, Texas, compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the City of Willis, Texas, had not complied, in all material respects, with those requirements.

This report is intended for the information of the City of Willis, Texas' Mayor and Council, 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

SAULS AND PECHACEK

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JOHN R. PECHACEK, C.P.A.

ROBERT E. SAULS, P.A.

January 17, 1995

Independent Auditor's Report

Single Audit Report on Compliance with Specific Requirements
Applicable to Nonmajor Federal Financial Assistance Programs Transactions

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

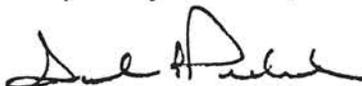
We have audited the general purpose financial statements of the City of Willis, Texas, as of and for the year ended September 30, 1994, and have issued our report thereon dated January 17, 1995.

In connection with our audit of the 1994 general purpose financial statements of the City of Willis, Texas, and with our consideration of the City of Willis, Texas, control structure used to administer federal financial assistance programs, as required by Office of Management and Budget Circular A-128, "AUDITS OF STATE AND LOCAL GOVERNMENTS", we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended September 30, 1994. As required by OMB Circular A-128, we performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed, eligibility, matching, level of effort, reporting, reimbursements, amounts claimed or used for matching that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City of Willis, Texas, compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the City of Willis, Texas, had not complied, in all material respects, with those requirements.

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

Respectfully submitted,



Sauls and Pechacek

SAULS AND PECHACEK

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ROBERT E. SAULS, P.A.

JOHN R. PECHACEK, C.P.A.

January 17, 1995

Independent Auditor's Report

Report on Supplementary
Schedule of Federal Financial Assistance

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

We have audited the general purpose financial statements of the City of Willis, Texas, for the year ended September 30, 1994, and have issued our report thereon dated January 17, 1995. These general purpose financial statements are the responsibility of the City of Willis, Texas' administration. 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 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made 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 Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule 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.

Respectfully submitted,



Sauls and Pechacek

CITY OF WILLIS, TEXAS
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED SEPTEMBER 30, 1994

<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 10-1-93</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed Through The Texas Department of Housing and Community Affairs				
533033	HOME Program	14.239	\$ 208,000.00	\$ --
702102	Economic Development	14.228	420,600.00	--
702709	Economic Development	14.228	318,217.00	--
703244	Planning and Capacity Building Fund Program	14.228	33,450.00	--
703969	Community Development	14.228	<u>350,000.00</u>	<u>--</u>
	Totals		\$ <u>1,330,267.00</u>	\$ <u>--</u>

Exhibit D

Federal Audit Period Transactions		Accrued or (Deferred) Revenue At 9-30-94	Memo Cumulative Local Matching
Receipts	Expenditures		
\$ --	\$ --	\$ --	\$ --
75,756.93	75,756.93	--	1,169,909.07
5,280.00	5,280.00	--	6,203.58
--	--	--	--
--	--	--	6,677.24
<u>\$ 81,036.93</u>	<u>\$ 81,036.93</u>	<u>\$ --</u>	<u>\$ 1,182,789.89</u>

CITY OF WILLIS, TEXAS
 COMMUNITY DEVELOPMENT BLOCK GRANT
 FEDERAL PROGRAM PROJECT SCHEDULE
 FISCAL YEAR ENDED SEPTEMBER 30, 1994

EXHIBIT D-1

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

	<u>Budget</u>	<u>Federal</u>		<u>State</u>	<u>Total</u>	<u>Variance- Favorable (Unfavorable)</u>
		<u>Prior</u>	<u>Current</u>			
Revenue:						
<i>Federal</i>	\$ 178,994.00	\$ --	\$ --	\$ --	\$ --	\$ (178,994.00)
<i>State</i>	29,006.00	--	--	--	--	(29,006.00)
<i>Total</i>	<u>\$ 208,000.00</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (208,000.00)</u>
Expenditures:						
<i>Federal-</i>						
<i>Owner Occupied Rehab/ Reconstruction</i>	\$ 170,994.00	\$ --	\$ --	\$ --	\$ --	\$ 170,994.00
<i>Administration</i>	8,000.00	--	--	--	--	8,000.00
<i>State-</i>						
<i>Owner Occupied Rehab/ Reconstruction</i>	29,006.00	--	--	--	--	29,006.00
<i>Total</i>	<u>\$ 208,000.00</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 208,000.00</u>
Excess(Deficit) Revenue 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, 1994

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: 702102
 Contract Period: October 29, 1992-April 28, 1994

	<u>Budget</u>	<u>Federal</u>		<u>Local</u>	<u>Total</u>	<u>Variance- Favorable (Unfavorable)</u>
		<u>Prior</u>	<u>Current</u>			
Revenue:						
<i>Federal</i>	\$ 420,600.00	\$ 344,843.07	\$ 75,756.93	\$ --	\$ 420,600.00	\$ --
<i>State</i>	<u>1,166,421.00</u>	<u>--</u>	<u>--</u>	<u>116,909.07</u>	<u>1,169,909.07</u>	<u>3,488.07</u>
<i>Total</i>	\$ <u>1,587,021.00</u>	\$ <u>344,843.07</u>	\$ <u>75,756.93</u>	\$ <u>116,909.07</u>	\$ <u>1,590,509.07</u>	\$ <u>3,488.07</u>
Expenditures:						
Federal-						
<i>Acquisition</i>	\$ 1,346.28	\$ 1,346.28	\$ --	\$ --	\$ 1,346.28	\$ --
<i>Public Facilities & Improv.</i>						
Water	67,334.41	67,334.41	--	--	67,334.41	--
Sewer	214,872.38	214,872.38	--	--	214,872.38	--
Wastewater	68,724.93	--	68,724.93	3,488.07	72,213.00	(3,488.07)
Engineering	35,322.00	34,240.00	1,082.00	--	35,322.00	--
General Administration	33,000.00	27,050.00	5,950.00	--	33,000.00	--
Local-						
<i>Construction</i>	636,421.00	--	--	636,421.00	636,421.00	--
<i>Mach./Equip.</i>	370,000.00	--	--	370,000.00	370,000.00	--
<i>Working Capital</i>	<u>160,000.00</u>	<u>--</u>	<u>--</u>	<u>160,000.00</u>	<u>160,000.00</u>	<u>--</u>
<i>Total</i>	\$ <u>1,587,021.00</u>	\$ <u>344,843.07</u>	\$ <u>75,756.93</u>	\$ <u>1,169,909.07</u>	\$ <u>1,590,509.07</u>	\$ <u>(3,488.07)</u>
Excess(Deficit) Revenue Over Expenditures						
	\$ <u><u>--</u></u>	\$ <u><u>--</u></u>	\$ <u><u>--</u></u>	\$ <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, 1994

EXHIBIT D-3

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-April 30, 1995

	Budget	Federal		Local	Total	Variance- Favorable (Unfavorable)
		Prior	Current			
Revenue:						
<i>Federal</i>	\$ 318,217.00	\$ --	\$ 5,280.00	\$ --	\$ 5,280.00	\$ (312,937.00)
<i>Local</i>	47,733.00	--	--	6,203.58	6,203.58	(41,529.42)
<i>Total</i>	\$ 365,950.00	\$ --	\$ 5,280.00	\$ 6,203.58	\$ 11,483.58	\$ (354,466.42)
Expenditures:						
Federal-						
<i>Public Facilities & Improv.-</i>						
<i>Water</i>	\$ 9,550.00	\$ --	\$ --	\$ --	\$ --	\$ 9,550.00
<i>Sewer</i>	281,267.00	--	--	--	--	281,267.00
<i>Engineering</i>	27,400.00	--	5,280.00	--	5,280.00	22,120.00
Local-						
<i>General Administration</i>	25,000.00	--	--	6,203.58	6,203.58	18,796.42
<i>Public Facilities & Improv.-</i>						
<i>Sewer</i>	22,733.00	--	--	--	--	22,733.00
<i>Total</i>	\$ 365,950.00	\$ --	\$ 5,280.00	\$ 6,203.58	\$ 11,483.58	\$ 354,466.42
Excess (Deficit) Revenue						
Over Expenditures	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

CITY OF WILLIS, TEXAS
 COMMUNITY DEVELOPMENT BLOCK GRANT
 FEDERAL PROGRAM PROJECT SCHEDULE
 FISCAL YEAR ENDED SEPTEMBER 30, 1994

Federal Financial Assistance Program: Planning and Capacity Building Fund 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: 703244
 Contract Period: April 11, 1994–October 31, 1995

	Budget	Federal		Local	Total	Variance- Favorable (Unfavorable)
		Prior	Current			
Revenue:						
<i>Federal</i>	\$ 33,450.00	\$ --	\$ --	\$ --	\$ --	\$ 33,450.00
<i>Local</i>	5,018.00	--	--	--	--	5,018.00
<i>Total</i>	\$ 38,468.00	\$ --	\$ --	\$ --	\$ --	\$ 38,468.00
Expenditures:						
Federal-						
<i>Basic Planning Act.</i>	\$ 6,750.00	\$ --	\$ --	\$ --	\$ --	\$ 6,750.00
<i>Economic Development</i>	2,700.00	--	--	--	--	2,700.00
<i>Street System</i>	2,600.00	--	--	--	--	2,600.00
<i>Major & Coll. Street Sys.</i>	2,500.00	--	--	--	--	2,500.00
<i>Storm Drainage System</i>	5,000.00	--	--	--	--	5,000.00
<i>Water System</i>	5,000.00	--	--	--	--	5,000.00
<i>Wastewater System</i>	5,000.00	--	--	--	--	5,000.00
<i>Cap. Improvement Prog.</i>	1,900.00	--	--	--	--	1,900.00
<i>Subdivision Ordinance</i>	2,000.00	--	--	--	--	2,000.00
Local-						
<i>Basic Planning Act.</i>	558.00	--	--	--	--	558.00
<i>Economic Development</i>	558.00	--	--	--	--	558.00
<i>Street System</i>	558.00	--	--	--	--	558.00
<i>Major & Coll. Street Sys.</i>	558.00	--	--	--	--	558.00
<i>Storm Drainage System</i>	558.00	--	--	--	--	558.00
<i>Water</i>	558.00	--	--	--	--	558.00
<i>Wastewater System</i>	558.00	--	--	--	--	558.00
<i>Cap. Improvement Prog.</i>	558.00	--	--	--	--	558.00
<i>Subdivision Ordinance</i>	554.00	--	--	--	--	554.00
Total	\$ 38,468.00	\$ --	\$ --	\$ --	\$ --	\$ 38,468.00
Excess (Deficit) Revenue Over Expenditure	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

CITY OF WILLIS, TEXAS
COMMUNITY DEVELOPMENT BLOCK GRANT
FEDERAL PROGRAM PROJECT SCHEDULE
FISCAL YEAR ENDED SEPTEMBER 30, 1994

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	Federal		Local	Total	Variance- Favorable (Unfavorable)
		Prior	Current			
Revenue:						
<i>Federal</i>	\$ 350,000.00	\$ --	\$ --	\$ --	\$ --	\$ (350,000.00)
<i>Local</i>	52,500.00	--	--	52,500.00	52,500.00	--
<i>Total</i>	\$ 402,500.00	\$ --	\$ --	\$ 52,500.00	\$ 52,500.00	\$ (350,000.00)
Expenditures:						
Federal-						
<i>Public Facilities & Imprvts.-</i>						
<i>Water</i>	\$ 233,000.00	\$ --	\$ --	\$ --	\$ --	\$ 233,000.00
<i>Sewer</i>	79,000.00	--	--	--	--	79,000.00
<i>Engineering</i>	38,000.00	--	--	--	--	38,000.00
Local-						
<i>Public Facilities & Imprvts.-</i>						
<i>Water</i>	27,500.00	--	--	--	--	27,500.00
<i>General Administration</i>	25,000.00	--	--	6,677.24	6,677.24	18,322.76
Total	\$ 402,500.00	\$ --	\$ --	\$ 6,677.24	\$ 6,677.24	\$ 395,822.76
Excess(Deficit) Revenue Over Expenditure	\$ --	\$ --	\$ --	\$ 45,822.76	\$ 45,822.76	\$ 45,822.76

CITY OF WILLIS, TEXAS
 ELECTED OFFICIALS, ADMINISTRATIVE PERSONNEL,
 AND LEGAL COUNSEL
 SEPTEMBER 30, 1994

<u>Position:</u>	<u>Name/Address:</u>	<u>Term Expires:</u>
Mayor	Ruth Castleschouldt	1995
Alderman Place No. 1	Thomas Belinoski	1996
Alderman Place No. 2	Ronnie Martin	1996
Alderman Place No. 3	Josey Billnoske	1995
Alderman Place No. 4	W. L. Bilnoski	1995
Alderman Place No. 5	Bill Van Alstyne	1995
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