

Annual Report

CITY OF WILLIS
Willis, Texas

All Funds
For the Year Ended
September 30, 1988

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SAULS AND PECHACEK

PUBLIC ACCOUNTANTS

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ROBERT E. SAULS, P.A.

February 28, 1989

JOHN R. PECHACEK, C.P.A.

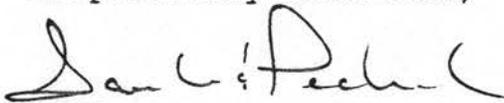
Honorable Mayor and Members of
the City Council
City of Willis, Texas

We have examined the combined financial statements of the City of Willis, Texas as of September 30, 1988 and for the year then ended, as listed in the accompanying table of contents. Our examination was made in accordance with generally accepted auditing standards and, accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the combined financial statements referred to above present fairly the financial position of the City of Willis, Texas as of September 30, 1988 and the results of its operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the individual fund financial statements referred to above, present fairly the financial position of the individual funds of the City of Willis, Texas at September 30, 1988 and the results of their operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

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

Respectfully submitted,


SAULS AND PECHACEK

FINANCIAL STATEMENTS

CITY OF WILLIS, TEXAS
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 SEPTEMBER 30, 1988

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS				
Cash	\$ 12,988.22	\$ 250.00	\$ 580.11	\$ 257.30
Temporary Investments	15,386.35	--	--	1,500.00
Receivables-				
Property Tax	49,555.17	--	43,889.61	--
Service Accounts	--	--	--	--
Allowance for Uncollectible Accounts	(4,955.52)	--	(4,388.96)	--
Due from State	--	--	--	--
Accrued Interest	--	--	--	12.66
Sundry Receivables	--	--	5.50	--
Supplies Inventory	--	--	--	--
Due from Other Funds	10,783.81	--	--	--
Property, Plant, & Equipment (Net)	--	--	--	--
Restricted Assets-				
Cash & Temporary Investments	--	--	--	--
Amounts Available for Debt Service	--	--	--	--
Amounts to be Provided for Debt Service	--	--	--	--
Total Assets	\$ 83,758.03	\$ 250.00	\$ 40,086.26	\$ 1,769.96
LIABILITIES				
Accounts Payable	\$ 10,003.14	\$ 200.00	\$ --	\$ --
Appearance Bonds Payable	1,265.00	--	--	--
Bond Interest Payable	--	--	--	--
Due to State	7,764.39	--	--	--
Customer Deposits	--	--	--	--
Due to Other Funds	--	50.00	--	--
General Obligation Bonds Payable	--	--	--	--
Revenue Bonds Payable	--	--	--	--
Deferred Revenue	44,599.65	--	39,500.65	--
Total Liabilities	\$ 63,632.18	\$ 250.00	\$ 39,500.65	\$ --
FUND EQUITY				
Contributed Capital	\$ --	\$ --	\$ --	\$ --
Investment in General Fixed Assets	--	--	--	--
Retained Earnings-				
Reserved for Revenue Bond Retirement	--	--	--	--
Unreserved (Deficit)	--	--	--	--
Fund Balance-				
Reserved for Retirement of Bonded Debt	--	--	585.61	--
Reserved for Authorized Construction	--	--	--	1,769.96
Unreserved	20,125.85	--	--	--
Total Fund Equity	\$ 20,125.85	\$ --	\$ 585.61	\$ 1,769.96
Total Liabilities & Fund Equity	\$ 83,758.03	\$ 250.00	\$ 40,086.26	\$ 1,769.96

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

Proprietary Fund Types	Account Groups		Totals (Memorandum Only)	
	Water & Sewer Utility	General Fixed Assets	General Long- Term Debt	1988
\$ 14,789.88	\$ --	\$ --	\$ 28,865.51	\$ 25,781.74
14,500.00	--	--	31,386.35	652,452.42
--	--	--	93,444.78	66,819.49
84,135.85	--	--	84,135.85	77,696.98
(3,000.00)	--	--	(12,344.48)	(9,681.95)
--	--	--	--	115,808.40
356.74	--	--	369.40	2,579.30
1,118.16	--	--	1,123.66	--
14,635.72	--	--	14,635.72	--
--	--	--	10,783.81	58,465.23
3,102,779.73	586,757.81	--	3,689,537.54	3,359,775.49
58,548.03	--	--	58,548.03	79,016.52
--	--	585.61	585.61	13,107.66
--	--	904,414.39	904,414.39	946,892.34
-----	-----	-----	-----	-----
\$ 3,287,864.11	\$ 586,757.81	\$ 905,000.00	\$ 4,905,486.17	\$ 5,388,713.62
=====	=====	=====	=====	=====
\$ 4,287.12	\$ --	\$ --	\$ 14,490.26	\$ 156,372.01
--	--	--	1,265.00	695.00
2,670.00	--	--	2,670.00	3,200.00
--	--	--	7,764.39	2,473.22
23,074.24	--	--	23,074.24	21,272.18
10,733.81	--	--	10,783.81	58,465.23
--	--	905,000.00	905,000.00	960,000.00
265,000.00	--	--	265,000.00	330,000.00
--	--	--	84,100.30	60,137.54
-----	-----	-----	-----	-----
\$ 305,765.17	\$ --	\$ 905,000.00	\$ 1,314,148.00	\$ 1,592,615.18
-----	-----	-----	-----	-----
\$ 3,087,670.37	\$ --	\$ --	\$ 3,087,670.37	\$ 2,749,308.35
--	586,757.81	--	586,757.81	380,428.43
58,548.03	--	--	58,548.03	79,016.52
(164,119.46)	--	--	(164,119.46)	(75,954.21)
--	--	--	585.61	13,107.66
--	--	--	1,769.96	527,100.86
--	--	--	20,125.85	123,090.83
-----	-----	-----	-----	-----
\$ 2,982,098.94	\$ 586,757.81	\$ --	\$ 3,591,338.17	\$ 3,796,098.44
-----	-----	-----	-----	-----
\$ 3,287,864.11	\$ 586,757.81	\$ 905,000.00	\$ 4,905,486.17	\$ 5,388,713.62
=====	=====	=====	=====	=====

CITY OF WILLIS, TEXAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED SEPTEMBER 30, 1988

	Operating Fund	Special Revenue Fund	Debt Service Fund
	-----	-----	-----
Revenues:			
Property Taxes	\$ 146,284.75	\$ --	\$ 111,405.06
Sales Tax	121,203.14	--	--
Franchise Tax, Street Rental	77,353.96	--	--
Revenue Sharing Entitlement	--	--	--
Community Development Funds	--	11,879.00	--
Sanitation and Landfill	78,541.09	--	--
Fines and Court Costs	72,089.60	--	--
Permits and License	4,226.28	--	--
Miscellaneous	1,252.12	--	--
Interest Earnings	3,021.84	--	215.25
	-----	-----	-----
Total Revenues	\$ 503,972.78	\$ 11,879.00	\$ 111,620.31
	-----	-----	-----
Expenditures:			
City General	\$ 107,419.64	\$ --	\$ 119,510.12
City Office	87,453.43	--	--
Police Department	204,430.67	--	--
Sanitation	35,135.00	--	--
Landfill	54,326.77	--	--
Street Department	82,895.06	--	--
Texas Capital Fund Grant	--	11,879.00	--
Water & Sewer Utility	--	--	--
	-----	-----	-----
Total Expenditures	\$ 571,660.57	\$ 11,879.00	\$ 119,510.12
	-----	-----	-----
Excess (Deficiency) of Revenues Over Expenditures	\$ (67,687.79)	\$ --	\$ (7,889.81)
	-----	-----	-----
Other Sources (Uses):			
Net Interfund Transfers In (Out)	(7,743.06)	--	--
Fund Balance, October 1	95,556.70	--	8,475.42
	-----	-----	-----
Fund Balance, September 30	\$ 20,125.85	\$ --	\$ 585.61
	=====	=====	=====

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

Totals

(Memorandum Only)

Capital Projects Fund	Year Ended September 30, 1988	Year Ended September 30, 1987
\$ --	\$ 257,689.81 [✓]	\$ 213,621.67 [✓]
--	121,203.14	108,778.91 [✓]
--	77,353.96	77,713.74 [✓]
--	--	420.00
--	11,879.00	157,301.60 [✓]
--	78,541.09	71,814.75 [✓]
--	72,089.60	53,822.60 [✓]
--	4,226.28	6,970.52 [✓]
--	1,252.12	1,393.14 [✓]
3,296.02	6,533.11	23,058.79 [✓]
-----	-----	-----
\$ 3,296.02	\$ 630,768.11	\$ 714,895.72
-----	-----	-----
\$ 165,853.65	\$ 392,783.41	\$ 251,175.32
--	87,453.43	83,043.31
--	204,430.67	180,355.21
--	35,135.00	27,848.72
--	54,326.77	27,711.44
--	82,895.06	299,601.20
--	11,879.00	--
17,112.12	17,112.12	213,030.81
-----	-----	-----
\$ 182,965.77	\$ 886,015.46	\$ 1,082,766.01
-----	-----	-----
\$ (179,669.75)	\$ (255,247.35)	\$ (367,870.29)
7,743.06	--	(17,700.29)
173,696.65	277,728.77	663,299.35
-----	-----	-----
\$ 1,769.96	\$ 22,481.42	\$ 277,728.77
=====	=====	=====

CITY OF WILLIS, TEXAS
 STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN FUND EQUITY - ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED SEPTEMBER 30, 1988

	Water and Sewer Utility Fund	
	1988	1987
	-----	-----
OPERATING REVENUE:		
Charges for Water and Sewer Service	\$ 322,679.14	\$ 306,326.12
Water and Sewer Connections	4,166.34	24,914.47
Late Payment Penalties	11,732.97	11,110.56
Service Charges	3,650.00	3,530.00
Inspection Fees	220.00	430.00
	-----	-----
Total Operating Revenue	\$ 342,448.45	\$ 346,311.15
	-----	-----
OPERATING EXPENSE:		
Personnel	\$ 120,174.16	\$ 109,481.58
Contracted Services	893.08	1,657.56
Maintenance and Repairs	70,408.49	32,406.12
Utilities	82,364.16	62,655.45
Supplies and Materials	8,500.22	25,652.35
Vehicles	8,944.23	9,132.28
Other Operating Expense	446.00	7,940.14
Depreciation	123,778.99	113,528.02
	-----	-----
Total Operating Expense	\$ 415,509.33	\$ 362,453.50
	-----	-----
Operating Income (Loss)	\$ (73,060.88)	\$ (16,142.35)
	-----	-----
NON-OPERATING REVENUE (EXPENSE):		
Interest Earnings - Deposits	\$ 1,063.21	\$ 1,538.55
Interest Earnings - Bond Sinking Funds	5,793.22	4,955.67
Miscellaneous Adjustment	2,353.84	--
Interest Expense	(15,925.00)	(18,980.00)
Bond Paying Agent Fees	(120.00)	(110.00)
	-----	-----
Total Non-operating Revenue (Expense)	\$ (6,834.73)	\$ (12,595.78)
	-----	-----
Net Income	\$ (79,895.61)	\$ (28,738.13)
	-----	-----
Fund Equity, October 1	3,044,882.43	2,752,370.66
Contributed Capital - T.C.D.P. Grant	--	320,681.29
Contributed Capital - Revenue Sharing	--	568.61
Contributed Capital - Capital Projects	17,112.12	--
	-----	-----
Fund Equity, September 30	\$ 2,982,098.94	\$ 3,044,882.43
	=====	=====

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

CITY OF WILLIS, TEXAS
 STATEMENT OF CASH FLOWS (INDIRECT METHOD) -
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED SEPTEMBER 30, 1988

Cash Flows from Operating Activities:		
Net Income		\$ (79,895.61)
Add (Deduct) Non-Cash Items		
And Changes Not Affecting Net Income-		
Depreciation	\$ 123,778.99	
Decrease in Accounts Receivable	1,106.06	
Increase in Sundry Receivables	(744.65)	
Increase in Inventory	(14,635.72)	
Decrease in Restricted Assets	16,480.68	
Decrease in Accounts Payable	(3,593.61)	
Decrease in Customer Deposits	(325.13)	
Decrease in Bond Interest Payable	(290.00)	
Decrease in Amount Due to/from Other Funds	(3,418.53)	

Total Adjustments to Net Income		118,358.09

Net Cash Provided by Operating Activities		\$ 38,462.48
Cash Flows from Investing Activities:		
Invested in Property, Plant & Equipment		(3,856.82)
Cash Flows from Financing Activities:		
Retirement of Revenue Bond Principal		(30,000.00)

Net Increase (Decrease) in Cash		\$ 4,605.66
Cash, October 1, 1987		24,684.22

Cash, September 30, 1988		\$ 29,289.88
		=====

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

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 1988

NOTE 1: Summary of Significant Accounting Policies:

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

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

Fund Accounting-

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

Governmental Funds-

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

Special Revenue Fund- This fund is used to account for resources received under Special Programs which are legally restricted to expenditures for specified purposes.

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

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

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1988

NOTE 1: (Continued)

Proprietary Funds-

Water and Sewer Utility Fund- This fund is used to account for utility (water and sanitary sewer) 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.

Account Groups-

General Fixed Assets- This account group is used to account for property, plant, and equipment used in the general operation 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- This account group is used to account for the liability for long-term debt which will be repaid from governmental funds, together with the offsetting provision for the allocation of future resources to these obligations.

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.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized as revenue when they become measurable and available as net current assets, and expenditures are generally recognized as such when the actual liability is incurred.

All proprietary funds are accounted for using the full accrual basis of accounting, that is, revenues are recognized when earned and expenses recognized when the actual liability is incurred.

Property, Plant, and Equipment-

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

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 1988

NOTE 1: (Continued)

Memorandum Totals-

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

NOTE 2: Ad Valorem Property Taxes:

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

During the year ended September 30, 1988, the City levied an ad valorem tax for general governmental services of \$.502 per \$100 of assessed valuation which resulted in a tax levy of \$246,639.58 on the total assessed taxable valuation of \$ 49,131,390 for the 1987 tax year. Of the total \$.502 per \$100 valuation rate, \$.2735 was allocated to general obligation debt retirement and \$.2285 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 sufficient to meet the current general obligation debt service requirement.

NOTE 3: Changes in Long-Term Debt

Following is a summary of bond and long-term debt transactions of the City for the year ended September 30, 1988:

	General Obligation	Revenue	Total
	-----	-----	-----
Bonds Payable, Oct. 1, 1987	\$ 945,000	\$ 295,000	\$1,240,000
Bonds Retired	40,000	30,000	70,000
	-----	-----	-----
Bonds Payable, Sept. 30, 1988	\$ 905,000	\$ 265,000	\$1,170,000
	=====	=====	=====

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 1988

NOTE 3: (Continued)

Bonds payable at September 30, 1988 are comprised of the following individual issues:

General Obligation Bonds-

\$220,000, 1975 Series, City of Willis General Obligation Bonds due serially in annual installments of \$5,000 July 1, 1976, \$10,000 July 1, 1977, and 1978, and \$15,000 July 1, 1979 through 1991. This issue bears interest as follows: \$15,000 total due July 1, 1976 and 1977 @ 6%; \$25,000 total due July 1, 1978 and 1979 @ 6.5%; and \$180,000 total due July 1, 1980 through 1991 @ 7%. \$ 45,000

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

\$800,000, 1986 Series, City of Willis Combination Tax and Revenue Certificates of Obligation due serially in annual installments beginning February 1, 1988. The annual principal amount due each year varies with a final installment of \$35,000 due February 1, 2001. The total issue bears interest of between 7.50% and 9.00%. 775,000

Total General Obligation Bonds \$905,000

Revenue Bonds-

\$240,000, 1977 Series, City of Willis Waterworks and Sewer System Revenue Refunding and Improvement Bonds due serially in annual installments of \$10,000 August 1, 1978 through August 1, 1987 and \$15,000 August 1, 1988 through August 1, 1997. This issue bears interest as follows: \$40,000 total due August 1, 1978 through 1981 @ 4.5%; \$20,000 total due August 1, 1982 and 1983 @ 5%; \$100,000 total due August 1, 1984 through 1991 @ 6%; and \$80,000 total due August 1, 1985 through 1997 @ 6.5%. \$125,000

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 1988

NOTE 3: (Continued)

\$250,000 1981 Series, City of Willis Waterworks and Sewer System Junior Lien Revenue Bonds due serially in annual installments of \$15,000 August 1, 1982 through August 1, 1966 and \$25,000 August 1, 1977. This issue bears interest at an annual rate of 5.6%.	\$135,000 -----
Total Revenue Bonds	\$265,000 =====

The next five years annual debt service requirements to amortize all bonds outstanding at September 30, 1988 are as follows:

Year Ending Sept 30	<u>General Obligation</u>		<u>Revenue</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
1989	45,000	75,138	30,000	16,020	166,158
1990	50,000	71,250	30,000	14,280	165,530
1991	55,000	67,213	30,000	12,540	164,753
1992	60,000	63,306	30,000	10,800	164,106
1993	65,000	53,550	30,000	8,985	157,535

NOTE 4: Significant Bond Resolution and Legal Requirements

Reserve Requirements-

The Waterworks and Sewer System Revenue Bond Series 1977 bond resolution requires the establishment of a reserve fund with an initial deposit of \$10,000. On or before the 20th day of each month thereafter, a minimum of \$300 shall be deposited until this account contains at least \$22,000. As of September 30, 1988 this reserve account contained cash and temporary investments of \$22,000.

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, 1988 this reserve account contained cash and temporary investments of \$24,398.17.

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, 1988 this emergency fund account contained \$5,000.00 in cash and temporary investments.

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 1988

NOTE 5: Restricted Assets

Cash and temporary investments restricted for revenue bond reserves, emergency funds, and retirement of bonded indebtedness at September 30, 1988 are as follows:

Waterworks and Sewer System Revenue Bonds, Series 1977-	
Interest and Sinking Fund-	
Cash	\$ 2,011.05
Reserve Fund-	
Temporary Investments	22,000.00
Emergency Fund-	
Temporary Investments	5,000.00

Total	\$ 29,011.05

Waterworks and Sewer System Junior Lien Revenue Bond, Series 1981-	
Interest and Sinking Fund-	
Cash	\$ 5,138.81
Reserve Fund-	
Temporary Investments	24,398.17

Total	\$ 29,536.98

Total Restricted Assets	\$ 58,548.03
	=====

CITY OF WILLIS, TEXAS
 GENERAL FUND
 BALANCE SHEET
 SEPTEMBER 30, 1988

	1988 -----	1987 -----
ASSETS:		
Cash	\$ 12,988.22	\$ 30,865.59
Temporary Investments	15,386.35	65,000.00
Receivables-		
Accrued Interest	--	713.09
Property Tax	49,555.17	48,182.90
Allowance for Uncollectible Accounts	(4,955.52)	(4,818.29)
Due from Other Funds	10,783.81	14,201.94
	-----	-----
Total Assets	\$ 83,758.03	\$ 154,145.23
	=====	=====
LIABILITIES:		
Accounts Payable	\$ 10,003.14	\$ 13,091.70
Appearance Bonds Payable	1,265.00	28.50
Due to State	7,764.39	2,103.72
Deferred Revenue	44,599.65	43,364.61
	-----	-----
Total Liabilities	\$ 63,632.18	\$ 58,588.53
FUND EQUITY:		
Unreserved Fund Balance	20,125.85	95,556.70
	-----	-----
Total Liabilities and Fund Equity	\$ 83,758.03	\$ 154,145.23
	=====	=====

(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, 1988

1988

	Budget	Actual	Variance- Favorable (Unfavorable)	1987 Actual
REVENUES:				
Ad Valorem Tax	\$ 126,822.00	\$ 146,284.75	\$ 19,462.75	\$ 107,159.62
City Sales Tax	130,000.00	121,203.14	(8,796.86)	108,778.91
Franchise Tax, Street Rental	80,000.00	77,353.96	(2,646.04)	77,713.74
Sanitation and Landfill	80,000.00	78,541.09	(1,458.91)	71,814.75
Fines and Court Costs	81,200.00	72,089.60	(9,110.40)	53,822.60
Permits and License	6,600.00	4,226.28	(2,373.72)	6,970.52
Miscellaneous	1,300.00	1,252.12	(47.88)	1,393.14
Interest Earned	12,000.00	3,021.84	(8,978.16)	6,285.79
Total Revenues	\$ 517,922.00	\$ 503,972.78	\$ (13,949.22)	\$ 433,939.07
EXPENDITURES:				
City General	\$ 96,100.00	\$ 107,419.64	\$ (11,319.64)	\$ 101,637.94
City Office	66,524.00	87,453.43	(20,929.43)	83,043.31
Police Department	216,740.00	204,430.67	12,309.33	178,801.96
Sanitation	45,385.00	35,135.00	10,250.00	27,848.72
Landfill	38,500.00	54,326.77	(15,826.77)	27,711.44
Street Department	131,550.00	82,895.06	48,654.94	92,722.88
Total Expenditures	\$ 594,799.00	\$ 571,660.57	\$ 23,138.43	\$ 511,766.25
Excess (Deficiency) of Revenues Over Expenditures	\$ (76,877.00)	\$ (67,687.79)	\$ 9,189.21	\$ (77,827.18)
OTHER SOURCES AND (USES):				
Interfund Transfers In (Out)	--	(7,743.06)	(7,743.06)	60,271.93
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ (76,877.00)	\$ (75,430.85)	\$ 1,446.15	\$ (17,555.25)
Fund Balance, October 1		95,556.70		113,111.95
Fund Balance, September 30		\$ 20,125.85		\$ 95,556.70

CITY OF WILLIS, TEXAS
 GENERAL FUND
 STATEMENT OF EXPENDITURES WITH BUDGET COMPARISON
 FOR THE YEAR ENDED SEPTEMBER 30, 1988

	1988		Variance- Favorable (Unfavorable)	(Memo) 1987 Actual
	Budget	Actual		
CITY GENERAL:				
Purchased and Contracted Services	\$ 30,800.00	\$ 29,745.87	\$ 1,054.13	\$ 32,168.58
Maintenance and Repairs	5,000.00	5,409.64	(409.64)	4,029.56
Other Operating Costs	60,300.00	68,682.78	(8,382.78)	63,619.80
Capital Outlay	--	3,581.35	(3,581.35)	1,820.00
Total City General	\$ 96,100.00	\$ 107,419.64	\$ (11,319.64)	\$ 101,637.94
CITY OFFICE:				
Personnel	\$ 41,024.00	\$ 62,217.86	\$ (21,193.86)	\$ 52,946.66
Purchased and Contracted Services	6,000.00	5,113.00	887.00	6,211.10
Maintenance and Repairs	2,000.00	3,033.57	(1,033.57)	1,605.85
Supplies and Materials	6,500.00	5,618.53	881.47	3,667.06
Utilities	8,000.00	6,645.61	1,354.39	6,594.40
Other Operating Costs	--	--	--	11,600.00
Capital Outlay	3,000.00	4,824.86	(1,824.86)	418.24
Total City Office	\$ 66,524.00	\$ 87,453.43	\$ (20,929.43)	\$ 83,043.31
POLICE DEPARTMENT:				
Personnel	\$ 177,640.00	\$ 175,551.76	\$ 2,088.24	\$ 129,011.63
Purchased and Contracted Services	1,500.00	1,200.00	300.00	1,200.00
Vehicles	15,000.00	16,191.79	(1,191.79)	17,323.29
Supplies and Materials	4,000.00	5,592.90	(1,592.90)	5,251.98
Telephone	9,200.00	5,527.41	3,672.59	3,303.62
Other Operating Costs	1,000.00	366.81	633.19	6,598.19
Capital Outlay	8,400.00	--	8,400.00	16,113.25
Total Police Department	\$ 216,740.00	\$ 204,430.67	\$ 12,309.33	\$ 178,801.96

CITY OF WILLIS, TEXAS
 GENERAL FUND
 STATEMENT OF EXPENDITURES WITH BUDGET COMPARISON (Continued)
 FOR THE YEAR ENDED SEPTEMBER 30, 1988

	1988			(Memo) 1987 Actual
	Budget	Actual	Variance- Favorable (Unfavorable)	
SANITATION DEPARTMENT:				
Personnel	\$ 19,385.00	\$ 19,369.53	\$ 15.47	\$ 15,519.83
Purchased and Contracted Services	8,000.00	6,330.00	1,670.00	6,326.90
Vehicles	7,000.00	7,274.18	(274.18)	5,378.02
Maintenance and Repairs	1,000.00	2,161.29	(1,161.29)	623.97
Capital Outlay	10,000.00	--	10,000.00	--
Total Sanitation Department	\$ 45,385.00	\$ 35,135.00	\$ 10,250.00	\$ 27,848.72
LANDFILL:				
Purchased and Contracted Services	\$ 7,000.00	\$ 16,025.85	\$ (9,025.85)	\$ 6,109.06
Maintenance and Repairs	5,000.00	12,892.24	(7,892.24)	4,050.47
Utilities	500.00	150.32	349.68	128.84
Other Operating Costs	16,000.00	15,258.36	741.64	17,423.07
Capital Outlay	10,000.00	10,000.00	--	--
Total Landfill Department	\$ 38,500.00	\$ 54,326.77	\$ (15,826.77)	\$ 27,711.44
STREET DEPARTMENT:				
Personnel	\$ 47,950.00	\$ 35,600.35	\$ 12,349.65	\$ 35,132.74
Purchased and Contracted Services	800.00	--	800.00	--
Vehicles	4,000.00	4,617.43	(617.43)	4,467.89
Maintenance and Repairs	8,000.00	4,268.98	3,731.02	4,322.86
Supplies and Materials	33,000.00	9,184.03	23,815.97	23,071.77
Utilities	30,000.00	21,620.95	8,379.05	20,115.91
Capital Outlay	7,800.00	7,603.32	196.68	5,611.71
Total Street Department	\$ 131,550.00	\$ 82,895.06	\$ 48,654.94	\$ 92,722.88
Total Expenditures	\$ 594,799.00	\$ 571,660.57	\$ 23,138.43	\$ 511,766.25

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

CITY OF WILLIS, TEXAS
SPECIAL REVENUE FUND
TEXAS DEPARTMENT OF COMMERCE, TEXAS CAPITAL FUND, PROJECT NO. 707002
BALANCE SHEET
SEPTEMBER 30, 1988 and 1987

	1988	1987
	-----	-----
ASSETS:		
Cash	\$ 250.00	\$ --
Due from State	--	--
	-----	-----
Total Assets	\$ 250.00	\$ --
	=====	=====
LIABILITIES:		
Accounts Payable	\$ 200.00	\$ --
Due to Other Funds	50.00	--
	-----	-----
Total Liabilities	\$ 250.00	\$ --
FUND EQUITY:		
Fund Balance	--	--
	-----	-----
Total Liabilities and Fund Equity	\$ 250.00	\$ --
	=====	=====

TEXAS DEPARTMENT OF COMMERCE, TEXAS CAPITAL FUND, PROJECT NO. 707002
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 1988

	1988			(Memo)
	-----	-----	-----	-----
	Budget	Actual	Variance- Favorable (Unfavorable)	1987 Actual
	-----	-----	-----	-----
REVENUES:				
Texas Capital Fund	\$ 491,615.00	\$ 11,879.00	\$ (479,736.00)	\$ --
	-----	-----	-----	-----
EXPENDITURES:				
Storm Drainage Facilities	\$ 50,715.00	\$ --	\$ 50,715.00	\$ --
Construction	224,000.00	--	224,000.00	--
Machinery and Equipment	176,000.00	--	176,000.00	--
Engineering Fees	5,900.00	3,650.00	2,250.00	--
Administration	35,000.00	8,229.00	26,771.00	--
	-----	-----	-----	-----
Total Expenditures	\$ 491,615.00	\$ 11,879.00	\$ 479,736.00	\$ --
	-----	-----	-----	-----
Excess (Deficiency) of Revenues Over Expenditures	\$ --	\$ --	\$ --	\$ --
OTHER SOURCES AND (USES):				
Interfund Transfer In (Out)	--	--	--	--
	-----	-----	-----	-----
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ --	\$ --	\$ --	\$ --
	=====	=====	=====	=====
Fund Balance, October 1		--		--
		-----		-----
Fund Balance, September 30		\$ --		\$ --
		=====		=====

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

CITY OF WILLIS, TEXAS
DEBT SERVICE FUND
BALANCE SHEET
SEPTEMBER 30, 1988 and 1987

	1988	1987
	-----	-----
ASSETS:		
Cash	\$ 580.11	\$ 732.36
Property Tax Receivable	43,889.61	36,372.30
Allowance for Uncollectible Accounts	(4,388.96)	(3,637.23)
Sundry Receivable	5.50	--
Due from Other Funds	--	7,743.06
	-----	-----
Total Assets	\$ 40,086.26	\$ 41,210.49
	=====	=====
LIABILITIES:		
Deferred Revenue	\$ 39,500.65	\$ 32,735.07
FUND EQUITY:		
Reserved for Retirement of Bonded Debt	585.61	8,475.42
	-----	-----
Total Liabilities and Fund Equity	\$ 40,086.26	\$ 41,210.49
	=====	=====

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 1988

	1988			(Memo)
	Budget	Actual	Variance- Favorable (Unfavorable)	1987 Actual
	-----	-----	-----	-----
REVENUES:				
Ad Valorem Taxes	\$ 118,663.00	\$ 111,405.06	\$ (7,257.94)	\$ 106,462.05
Interest Earned	1,000.00	215.25	(784.75)	398.04
	-----	-----	-----	-----
Total Revenues	\$ 119,663.00	\$ 111,620.31	\$ (8,042.69)	\$ 106,860.09
EXPENDITURES:				
Bond Principal	\$ 40,000.00	\$ 40,000.00	\$ --	\$ 15,000.00
Interest	78,663.00	78,662.50	.50	98,034.38
Paying Agent Fees	1,000.00	847.62	152.38	--
	-----	-----	-----	-----
Total Expenditures	\$ 119,663.00	\$ 119,510.12	\$ 152.88	\$ 113,034.38
	-----	-----	-----	-----
Excess of Revenues Over Expenditures	\$ --	\$ (7,889.81)	\$ (7,889.81)	\$ (6,174.29)
	=====	=====	=====	=====
OTHER SOURCES AND (USES):				
Interfund Transfer In (Out)		--		1,542.05
Fund Balance, October 1		8,475.42		13,107.66
		-----		-----
Fund Balance, September 30		\$ 585.61		\$ 8,475.42
		=====		=====

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

CITY OF WILLIS, TEXAS
 CAPITAL PROJECTS FUND
 BALANCE SHEET
 SEPTEMBER 30, 1988 and 1987

	1988	1987
	-----	-----
ASSETS:		
Cash	\$ 257.30	\$ 5,660.60
Temporary Investments	1,500.00	175,000.00
Interest Receivable	12.66	779.11
	-----	-----
Total Assets	\$ 1,769.96	\$ 181,439.71
	=====	=====
LIABILITIES:		
Accounts Payable	\$ --	\$ --
Due to Other Funds	--	7,743.06
	-----	-----
Total Liabilities	\$ --	\$ 7,743.06
	=====	=====
FUND EQUITY:		
Reserved for Authorized Construction	1,769.96	173,696.65
	-----	-----
Total Liabilities and Fund Equity	\$ 1,769.96	\$ 181,439.71
	=====	=====

STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED SEPTEMBER 30, 1988

	1988			
	-----	-----	-----	-----
	Budget	Actual	Variance- Favorable (Unfavorable)	(Memo) 1987 Actual
	-----	-----	-----	-----
REVENUES:				
Sale of Bonds	\$ --	\$ --	\$ --	\$ --
Interest Earned	--	3,296.02	3,296.02	16,374.96
	-----	-----	-----	-----
Total Revenues	\$ --	\$ 3,296.02	\$ 3,296.02	\$ 16,374.96
	-----	-----	-----	-----
EXPENDITURES:				
City General	\$ 175,000.00	\$ 165,853.65	\$ 9,146.35	\$ 36,503.00
Street Improvements	--	--	--	206,878.32
Municipal Sewer System	--	17,112.12	(17,112.12)	--
	-----	-----	-----	-----
Total Expenditures	\$ 175,000.00	\$ 182,965.77	\$ (7,965.77)	\$ 243,381.32
	-----	-----	-----	-----
Excess of Revenues Over Expenditures	\$ (175,000.00)	\$ (179,669.75)	\$ (4,669.75)	\$ (227,006.36)
	=====	=====	=====	-----
OTHER SOURCES AND (USES):				
Interfund Transfer In (Out)		7,743.06		(126,397.85)
		-----		-----
Fund Balance, October 1		173,696.65		527,100.86
		-----		-----
Fund Balance, September 30		\$ 1,769.96		\$ 173,696.65
		=====		=====

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

CITY OF WILLIS, TEXAS
WATER AND SEWER UTILITY FUND
BALANCE SHEET
SEPTEMBER 30, 1988 AND 1987

	1988	1987
	-----	-----
ASSETS:		
Current Assets-		
Cash	\$ 14,789.88	\$ 10,184.22
Temporary Investments	14,500.00	14,500.00
Service Accounts Receivable	84,135.85	85,241.91
Allowance for Uncollectible Accounts	(3,000.00)	(3,000.00)
Sundry Receivables	1,118.16	373.51
Accrued Interest Receivable	356.74	356.74
Supplies Inventory	14,635.72	--
Due from Other Funds	--	49.60
	-----	-----
Total Current Assets	\$ 126,536.35	\$ 107,705.98
	-----	-----
Property, Plant and Equipment-		
Utility System in Service	\$ 4,145,006.88	\$ 4,124,037.94
Accumulated Depreciation	(1,042,227.15)	(918,448.16)
	-----	-----
Total Property, Plant and Equipment	\$ 3,102,779.73	\$ 3,205,589.78
	-----	-----
Restricted Assets-		
1977 Water and Sewer Revenue Bond Fund	\$ 29,011.05	\$ 37,312.63
1981 Water and Sewer Jr. Lien Revenue Bond Fund	29,536.98	37,716.08
	-----	-----
Total Restricted Assets	\$ 58,548.03	\$ 75,028.71
	-----	-----
Total Assets	\$ 3,287,864.11	\$ 3,388,324.47
	=====	=====
LIABILITIES:		
Current Liabilities-		
Accounts Payable	\$ 4,287.12	\$ 7,880.73
Bond Interest Payable	2,670.00	2,960.00
Customer Deposits Payable	23,074.24	23,399.37
Revenue Bonds Payable (Current)	30,000.00	30,000.00
Due to General Fund	10,733.81	14,201.94
	-----	-----
Total Current Liabilities	\$ 70,765.17	\$ 78,442.04
	-----	-----
Long-Term Liabilities-		
Revenue Bonds-Future Maturities	235,000.00	265,000.00
	-----	-----
Total Liabilities	\$ 305,765.17	\$ 343,442.04
	-----	-----
FUND EQUITY:		
Contributed Capital		
	\$ 3,087,670.37	\$ 3,070,558.25
Retained Earnings-		
Reserved for Retirement of Revenue Bonds	58,548.03	75,028.71
Unreserved	(164,119.46)	(100,704.53)
	-----	-----
Total Fund Equity	\$ 2,982,098.94	\$ 3,044,882.43
	-----	-----
Total Liabilities and Fund Equity	\$ 3,287,864.11	\$ 3,388,324.47
	=====	=====

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

CITY OF WILLIS, TEXAS
WATER AND SEWER UTILITY FUND
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 1988

	1988			(Memo) 1987 Actual
	Water Department	Sewer Department	Total	
OPERATING REVENUE:				
Charges for Water and Sewer Service	\$ 182,076.72	\$ 140,602.42	\$ 322,679.14	\$ 306,326.12
Water and Sewer Connections	2,780.00	1,386.34	4,166.34	24,914.47
Late Payment Penalties	5,866.49	5,866.48	11,732.97	11,110.56
Service Charges	1,825.00	1,825.00	3,650.00	3,530.00
Inspection Fees	--	220.00	220.00	430.00
Total Operating Revenue	\$ 192,548.21	\$ 149,900.24	\$ 342,448.45	\$ 346,311.15
OPERATING EXPENSE:				
Personnel	\$ 64,855.54	\$ 55,318.62	\$ 120,174.16	\$ 109,481.58
Contracted Services	700.00	193.08	893.08	1,657.56
Maintenance and Repairs	25,672.94	44,735.55	70,408.49	32,406.12
Utilities	31,653.99	50,710.17	82,364.16	62,655.45
Supplies and Materials	6,560.16	1,940.06	8,500.22	25,652.35
Vehicles	4,097.95	4,846.28	8,944.23	9,132.28
Other Operating Expense	401.00	45.00	446.00	7,940.14
Depreciation	61,889.50	61,889.49	123,778.99	113,528.02
Total Operating Expense	\$ 195,831.08	\$ 219,678.25	\$ 415,509.33	\$ 362,453.50
Operating Income (Loss)	\$ (3,282.87)	\$ (69,778.01)	\$ (73,060.88)	\$ (16,142.35)
NON-OPERATING REVENUE (EXPENSE):				
Interest Earnings			\$ 1,063.21	\$ 1,538.55
Interest Earnings - Bond Sinking Funds			5,793.22	4,955.67
Miscellaneous Adjustment			2,303.84	--
Interest Expense			(15,925.00)	(18,980.00)
Bond Paying Agent Fees			(120.00)	(110.00)
Total Non-operating Revenue (Expense)			\$ (6,884.73)	\$ (12,595.78)
Net Income			\$ (79,945.61)	\$ (28,738.13)
Fund Equity, October 1			3,044,882.43	2,752,370.66
Contributed Capital - T.C.D.P. Grant			--	320,681.29
Contributed Capital - Revenue Sharing			--	568.61
Contributed Capital - Capital Projects			17,112.12	--
Fund Equity, September 30			\$ 2,982,048.94	\$ 3,044,882.43

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

FEDERAL FINANCIAL ASSISTANCE SECTION

SAULS AND PECHACEK

PUBLIC ACCOUNTANTS

P.O. Box 549

BELLVILLE, TEXAS 77418

409 - 865-3169

ROBERT E. SAULS, P.A.

February 28, 1989

JOHN R. PECHACEK, C.P.A.

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

We have examined the general purpose financial statements of the City of Willis, Texas, for the year ended September 30, 1988, and have issued our report thereon dated February 28, 1988. Our examination was made in accordance with generally accepted auditing standards; the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office; the Single Audit Act of 1984; and the provisions of OMB Circular A-128, Audits of State and Local Governments and, accordingly, included such test of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Our examination was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Federal Financial Assistance and Federal Program Project Schedules are presented for purposes of additional analysis and are not required parts of the general purpose financial statements. The information on those schedules has been subjected to the auditing procedures applied in the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

The administration of the City of Willis, Texas, is responsible for the city's compliance with laws and regulations. In connection with the examination referred to above, we selected and tested transactions and records from each federal financial assistance program. The purpose of our testing of transactions and records from those federal financial assistance programs was to obtain reasonable assurance that the City of Willis, Texas, had, in all material respects, administered programs, in compliance with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

Honorable Mayor and Members of
the City Council
City of Willis, Texas
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Our testing of transactions and records selected from federal financial assistance programs disclosed no instances of noncompliance with those laws and regulations.

In our opinion, for the year ended September 30, 1988, the City of Willis, Texas, administered each of its federal financial assistance programs in compliance, in all material respects, with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

Respectfully Submitted,



SAULS AND PECHACEK

CITY OF WILLIS, TEXAS
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED, SEPTEMBER 30, 1988

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	14.219	707002
Passed Through Texas Department of Commerce		

Program or Award Amount	Accrued or (Deferred) Revenue at 10/01/87	Receipts/ Revenue Realized	Disbursements/ Expenditures	Accrued or (Deferred) Revenue at 9/30/88
\$ 491,615.00	\$ --	\$ 11,879.00	\$ 11,879.00	\$ --

CITY OF WILLIS, TEXAS
SPECIAL REVENUE FUND
TEXAS DEPARTMENT OF COMMERCE, TEXAS CAPITAL FUND, PROJECT NO. 707002
COMPARISON OF BUDGET WITH ACTUAL RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1988

	Budget	Project Actual 12/10/87 to 9/30/88	Variance- Favorable (Unfavorable)
RECEIPTS:			
Texas Capital Fund Grant	\$ 491,615.00	\$ 11,879.00	\$ (479,736.00)
DISBURSEMENTS:			
Storm Drainage Facilities	\$ 50,715.00	\$ --	\$ 50,715.00
Construction	224,000.00	--	224,000.00
Machinery and Equipment	176,000.00	--	176,000.00
Engineering Fees	5,900.00	3,650.00	2,250.00
Administration	35,000.00	8,229.00	26,771.00
Total Grant Disbursements	\$ 491,615.00	\$ 11,879.00	\$ 479,736.00
Excess (Deficiency) of Receipts Over Disbursements	\$ --	\$ --	\$ --
Project Balance, October 1		--	
Project Balance, September 30		\$ --	

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

CITY OF WILLIS, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 1988

<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
Texas Department of Commerce, Texas Capital Fund Project No. 707002	None	None

SAULS AND PECHACEK

PUBLIC ACCOUNTANTS

P.O. Box 549

BELLVILLE, TEXAS 77418

409 - 865-3169

ROBERT E. SAULS, P.A.

February 28, 1989

JOHN R. PECHACEK, C.P.A.

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

We have examined the general purpose financial statements of the City of Willis, Texas for the year ended September 30, 1988, and have issued our report thereon dated February 28, 1989. As part of our examination, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office; the Single Audit Act of 1984; and the provisions of OMB Circular A-128, Audits of State and Local Governments. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories:

Accounting Controls

Cash and cash equivalents
Receivables
Property and equipment
Payables and accrued liabilities
Debt
Fund balance

Controls Used in Administering Federal Programs

General Requirements
Political activity
Davis-Bacon Act
Civil rights
Federal financial reports

Specific Requirements
Types of services
Eligibility
Matching level of effort
Reporting
Cost allocation

Honorable Mayor and Members of
the City Council
City of Willis, Texas
Page 2

The management of the City of Willis, Texas is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports.

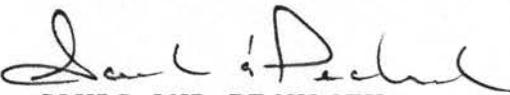
Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

With respect to internal control systems used in administering these federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of the City of Willis, Texas. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of the City of Willis, Texas.

This report is intended solely for the use of management, the Texas Department of Commerce, and appropriate federal agencies, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the City of Willis, Texas, is a matter of public record.

Respectfully submitted,


SAULS AND PECHACEK

SUPPLEMENTAL INFORMATION

CITY OF WILLIS, TEXAS
 ANALYSIS OF CHANGES IN PROPERTY TAXES RECEIVABLE
 FOR THE YEAR ENDED SEPTEMBER 30, 1988

Taxes Receivable, 10-1-87		\$	84,555.20
1987 Original Roll	\$	246,639.58	
Errors and Corrections		4,502.62	251,142.20
		-----	-----
Total Taxes to be Accounted for		\$	335,697.40
Tax Collections			
Current Collections	\$	215,692.68	
Delinquent Collections		26,559.94	242,252.62
		-----	-----
Taxes Receivable, 9-30-88		\$	93,444.78
			=====
Taxes Receivable by Year of Assessment			
1987	\$	35,244.96	
1986		20,999.22	
1985		9,292.35	
1984		6,121.76	
1983		4,207.71	
1982		4,871.02	
1981		2,644.65	
1980		2,311.94	
1979		1,793.51	
1978 and prior		5,957.66	

Taxes Receivable, 9-30-88		\$	93,444.78
			=====

Year of Assessment	1987	1986	1985	1984
	-----	-----	-----	-----
Assessed Valuation	\$ 49,131,390	\$ 47,534,910	\$ 42,853,950	\$ 34,658,020
	=====	=====	=====	=====
Tax Rate Per \$100 Valuation	\$.502	\$.476	\$.30	\$.38
	=====	=====	=====	=====
Assessment	\$ 246,639.58	\$ 226,266.17	\$ 128,561.85	\$ 131,700.48
	=====	=====	=====	=====

CITY OF WILLIS, TEXAS
 WATER AND SEWER UTILITY FUND
 SCHEDULE OF WATER USAGE AND NUMBER OF CUSTOMER SERVED
 FOR THE YEAR ENDED SEPTEMBER 30, 1988

Month	Water Usage In Gallons		Number of Customers Served	
	Pumped	Sold	Water	Sewer
October, 1987	13,280,100	10,025,790	1,040	883
November, 1987	13,748,000	10,184,100	1,031	870
December, 1987	15,474,200	6,863,030	1,024	878
January, 1988	15,791,600	15,297,390	1,022	866
February, 1988	11,309,790	7,043,440	1,012	865
March, 1988	13,016,000	8,751,410	1,007	861
April, 1988	14,071,000	10,988,150	1,019	863
May, 1988	16,849,000	11,173,150	1,021	865
June, 1988	16,011,000	11,224,670	1,025	858
July, 1988	17,172,000	13,776,560	1,031	865
August, 1988	17,924,000	12,236,020	1,028	862
September, 1988	16,154,000	11,909,400	1,035	862
Total	180,800,690	129,473,110		
Average	15,066,724	10,789,426	1,025	867

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

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

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

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

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

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

CITY OF WILLIS, TEXAS
 REPAYMENT SCHEDULE - 1986 SERIES
 COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION

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

Total Amount of Issue: \$ 800,000.00
 Date of Issue: May 1, 1986
 Paying Agent: Texas Commerce Bank, N.A.
 Houston, Texas

Prepayment Option: Bonds maturing February 1, 1997 through February 1, 2001, inclusive, are callable for prior redemption on February 1, 1996 or any interest payment thereafter at par.

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

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

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

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

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

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

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

CITY OF WILLIS, TEXAS
 INSURANCE COVERAGE
 SEPTEMBER 30, 1988

Type of Coverage	Policy Limits and Deductible		Insurer
-----	-----	-----	-----
Municipal Liability			

General Liability	\$1,000,000 Limit/\$500 Deductible		Texas Municipal League
Auto Liability	\$1,000,000 Limit/\$500 Deductible		Texas Municipal League
Law Enforcement Liability	\$1,000,000 Limit/\$1000 Deductible		Texas Municipal League
Errors and Omissions	\$ 500,000 Limit/\$1000 Deductible		Texas Municipal League
Municipal Property			

Basic Property, All Risks	\$2,326,300 Blanket/\$2,500 Deduct. Subject to Scheduled Sub-limits		Texas Municipal League
Auto Physical Damage Coverage	Actual Cash Value/\$1000 Deductible		Texas Municipal League
Workman's Compensation	Statutory		Texas Municipal League
Bonded Employee Coverage			

Covered Employee	Amount	Policy Period	
-----	-----	-----	
Chief of Police	\$ 5,000	4-03-88/4-03-89	Western Surety Company
City Secretary	\$ 5,000	2-09-88/2-09-89	Western Surety Company
Tax Assessor-Collector	\$ 5,000	3-03-88/3-03-89	Western Surety Company
Cashier	\$ 5,000	4-03-88/4-03-89	Western Surety Company
Court Clerk	\$ 5,000	4-03-88/4-03-89	Western Surety Company
Municipal Judge	\$ 5,000	4-05-88/4-05-89	Western Surety Company

CITY OF WILLIS, TEXAS
ELECTED OFFICIALS, ADMINISTRATIVE PERSONNEL,
AND LEGAL COUNSEL
SEPTEMBER 30, 1988

<u>Position:</u>	<u>Name/Address:</u>	<u>Term Expires:</u>
Mayor	Carl Kleimann	1989
Alderman Place No. 1	Walter Barnes	1990
Alderman Place No. 2	Ruth Castleschouldt	1990
Alderman Place No. 3	Josey Billnoske	1989
Alderman Place No. 4	W. L. Bilnoski	1989
Alderman Place No. 5	Bill Van Alstyne	1989
City Attorney	J. Ritchie Field P.O. Box 2807 Conroe, Texas 77301	Appointed By Council
City Administrator	M. C. Parmley	Appointed By Council
City Secretary	Janice Wilson	Appointed By Council