

Annual Report

CITY OF WILLIS
Willis, Texas

All Funds
For the Year Ended
September 30, 1987

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SAULS AND PECHACEK

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March 31, 1988

JOHN R. PECHACEK, C.P.A.

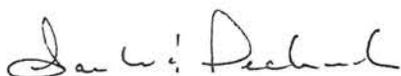
Honorable Mayor and Members of
the City Council
City of Willis, Texas

We have examined the combined financial statements of the City of Willis, Texas as of September 30, 1987 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, 1987 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, 1987 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, 1987

	Governmental Fund Types			
	General	Revenue Sharing	T.C.D.P. Grant	Debt Service
ASSETS				
Cash	\$ 30,865.59	\$ --	\$ 49.60	\$ 732.36
Temporary Investments	65,000.00	--	--	--
Receivables-				
Property Tax	84,555.20	--	--	--
Service Accounts	--	--	--	--
Allowance for Doubtful Accounts	(8,455.52)	--	--	--
Due from State	--	--	--	--
Accrued Interest	713.09	--	--	--
Due from Other Funds	14,201.94	--	--	7,743.06
Property, Plant, & Equipment (Net)	--	--	--	--
Restricted Assets-				
Cash & Temporary Investments	--	--	--	--
Amounts Available for Debt Service	--	--	--	--
Amounts to be Provided for Debt Service	--	--	--	--
Total Assets	\$ 186,880.30	\$ --	\$ 49.60	\$ 8,475.42
LIABILITIES				
Accounts Payable	\$ 13,091.70	\$ --	\$ --	\$ --
Appearance Bonds Payable	28.50	--	--	--
Bond Interest Payable	--	--	--	--
Due to State	2,103.72	--	--	--
Customer Deposits	--	--	--	--
Due to Other Funds	--	--	49.60	--
General Obligation Bonds Payable	--	--	--	--
Revenue Bonds Payable	--	--	--	--
Deferred Revenue	76,099.68	--	--	--
Total Liabilities	\$ 91,323.60	\$ --	\$ 49.60	\$ --
FUND EQUITY				
Contributed Capital	\$ --	\$ --	\$ --	\$ --
Investment in General Fixed Assets	--	--	--	--
Retained Earnings-				
Reserve for Revenue Bond Retirement	--	--	--	--
Unreserved (Deficit)	--	--	--	--
Fund Balance-				
Reserved for Retirement of Bonded Debt	--	--	--	8,475.42
Reserve for Authorized Construction	--	--	--	--
Unreserved (Deficit)	95,556.70	--	--	--
Total Fund Equity	\$ 95,556.70	\$ --	\$ --	\$ 8,475.42
Total Liabilities & Fund Equity	\$ 186,880.30	\$ --	\$ 49.60	\$ 8,475.42

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

Governmental Fund Types	Proprietary Fund Type	Account Groups		Totals (Memorandum Only)	
		General Fixed Assets	General Long- Term Debt	1987	1986
Capital Projects	Water & Sewer Utility				
\$ 5,660.60	\$ 10,184.22	\$ --	\$ --	\$ 47,492.37	\$ 25,781.74
175,000.00	14,500.00	--	--	254,500.00	652,452.42
--	--	--	--	84,555.20	66,819.49
--	85,615.42	--	--	85,615.42	77,696.98
--	(3,000.00)	--	--	(11,455.52)	(9,681.95)
--	--	--	--	--	115,808.40
779.11	356.74	--	--	1,848.94	2,579.30
--	49.60	--	--	21,994.60	58,465.23
--	3,205,589.78	404,894.63	--	3,610,484.41	3,359,775.49
--	75,028.71	--	--	75,028.71	79,016.52
--	--	--	8,475.42	8,475.42	13,107.66
--	--	--	936,524.58	936,524.58	946,892.34
\$ 181,439.71	\$ 3,388,324.47	\$ 404,894.63	\$ 945,000.00	\$ 5,115,064.13	\$ 5,388,713.62
-----	-----	-----	-----	-----	-----
\$ --	\$ 7,880.73	\$ --	\$ --	\$ 20,972.43	\$ 156,372.01
--	--	--	--	28.50	695.00
--	2,960.00	--	--	2,960.00	3,200.00
--	--	--	--	2,103.72	2,473.22
--	23,399.37	--	--	23,399.37	21,272.18
7,743.06	14,201.94	--	--	21,994.60	58,465.23
--	--	--	945,000.00	945,000.00	960,000.00
--	295,000.00	--	--	295,000.00	330,000.00
--	--	--	--	76,099.68	60,137.54
\$ 7,743.06	\$ 343,442.04	\$ --	\$ 945,000.00	\$ 1,387,558.30	\$ 1,592,615.18
-----	-----	-----	-----	-----	-----
\$ --	\$ 3,070,558.25	\$ --	\$ --	\$ 3,070,558.25	\$ 2,749,308.35
--	--	404,894.63	--	404,894.63	380,428.43
--	75,028.71	--	--	75,028.71	79,016.52
--	(100,704.53)	--	--	(100,704.53)	(75,954.21)
--	--	--	--	8,475.42	13,107.66
173,696.65	--	--	--	173,696.65	527,100.86
--	--	--	--	95,556.70	123,090.83
\$ 173,696.65	\$ 3,044,882.43	\$ 404,894.63	\$ --	\$ 3,727,505.83	\$ 3,796,098.44
-----	-----	-----	-----	-----	-----
\$ 181,439.71	\$ 3,388,324.47	\$ 404,894.63	\$ 945,000.00	\$ 5,115,064.13	\$ 5,388,713.62
=====	=====	=====	=====	=====	=====

CITY OF WILLIS, TEXAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE-ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED SEPTEMBER 30, 1987

	General -----	Revenue Sharing -----	T.C.D.P. Grant -----
REVENUES:			
Ad Valorem Tax	\$ 107,159.62	\$ --	\$ --
City Sales Tax	108,778.91	--	--
Franchise Tax, Street Rental	77,713.74	--	--
Revenue Sharing Entitlement	--	420.00	--
T.C.D.P. Grant	--	--	157,301.60
Sanitation and Landfill	71,814.75	--	--
Fines and Court Costs	53,822.60	--	--
Permits and License	6,970.52	--	--
Industrial Development Corporation	--	--	--
Miscellaneous	1,393.14	--	--
Interest Earned	6,285.79	--	--
	-----	-----	-----
Total Revenues	\$ 433,939.07	\$ 420.00	\$ 157,301.60
	-----	-----	-----
EXPENDITURES:			
City General	\$ 101,637.94	\$ --	\$ --
City Office	83,043.31	--	--
Police Department	178,801.96	1,553.25	--
Sanitation	27,848.72	--	--
Landfill	27,711.44	--	--
Street Department	92,722.88	--	--
Water & Sewer Utility	--	568.61	212,462.20
	-----	-----	-----
Total Expenditures	\$ 511,766.25	\$ 2,121.86	\$ 212,462.20
	-----	-----	-----
Excess (Deficiency) of Revenues Over Expenditures	\$ (77,827.18)	\$ (1,701.86)	\$ (55,160.60)
	-----	-----	-----
OTHER SOURCES AND (USES):			
Sale of Bonds	\$ --	\$ --	\$ --
Interfund Transfers In (Out)	60,271.93	(8,277.02)	55,160.60
Miscellaneous Adjustments	--	--	--
	-----	-----	-----
Total Other Sources and (Uses)	\$ 60,271.93	\$ --	\$ 55,160.60
	-----	-----	-----
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ (17,555.25)	\$ (9,978.88)	\$ --
	-----	-----	-----
Fund Balance, October 1	113,111.95	9,978.88	--
	-----	-----	-----
Fund Balance, September 30	\$ 95,556.70	\$ --	\$ --
	=====	=====	=====

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

Debt Service	Capital Projects	Totals (Memorandum Only)	
		1987	1986
\$ 106,462.05	\$ --	\$ 213,621.67	\$ 134,322.18
--	--	108,778.91	130,507.93
--	--	77,713.74	87,658.93
--	--	420.00	28,261.00
--	--	157,301.60	179,138.40
--	--	71,814.75	69,446.09
--	--	53,822.60	38,347.70
--	--	6,970.52	10,377.49
--	--	--	--
--	--	1,393.14	1,469.86
398.04	16,374.96	23,058.79	18,687.10
-----	-----	-----	-----
\$ 106,860.09	\$ 16,374.96	\$ 714,895.72	\$ 698,216.68
-----	-----	-----	-----
\$ 113,034.38	\$ 36,503.00	\$ 251,175.32	\$ 144,951.32
--	--	83,043.31	87,190.10
--	--	180,355.21	148,323.55
--	--	27,848.72	19,146.83
--	--	27,711.44	15,992.29
--	206,878.32	299,601.20	326,673.84
--	--	213,030.81	230,697.22
-----	-----	-----	-----
\$ 113,034.38	\$ 243,381.32	\$ 1,082,766.01	\$ 972,975.15
-----	-----	-----	-----
\$ (6,174.29)	\$ (227,006.36)	\$ (367,870.29)	\$ (274,758.47)
-----	-----	-----	-----
\$ --	\$ --	\$ --	\$ 783,393.06
1,542.05	(126,397.85)	(17,700.29)	--
--	--	--	204.30
-----	-----	-----	-----
\$ 1,542.05	\$ (126,397.85)	\$ (17,700.29)	\$ 783,597.36
-----	-----	-----	-----
\$ (4,632.24)	\$ (353,404.21)	\$ (385,570.58)	\$ 508,838.89
-----	-----	-----	-----
13,107.66	527,100.86	663,299.35	154,460.46
-----	-----	-----	-----
\$ 8,475.42	\$ 173,696.65	\$ 277,728.77	\$ 663,299.35
=====	=====	=====	=====

CITY OF WILLIS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND EQUITY - PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1987

	Water and Sewer Utility Fund	
	1987	1986
	-----	-----
OPERATING REVENUE:		
Charges for Water and Sewer Service	\$ 306,326.12	\$ 288,590.16
Water and Sewer Connections	24,914.47	15,175.81
Late Payment Penalties	11,110.56	11,172.42
Service Charges	3,530.00	4,790.00
Inspection Fees	430.00	1,150.00
	-----	-----
Total Operating Revenue	\$ 346,311.15	\$ 320,878.39
	-----	-----
OPERATING EXPENSE:		
Personnel	\$ 109,481.58	\$ 74,308.37
Contracted Services	1,657.56	3,768.63
Maintenance and Repairs	32,406.12	39,524.00
Utilities	62,655.45	46,390.69
Supplies and Materials	25,652.35	26,787.40
Vehicles	9,132.28	11,997.85
Other Operating Expense	7,940.14	9,116.25
Depreciation	113,528.02	106,962.64
	-----	-----
Total Operating Expense	\$ 362,453.50	\$ 318,855.83
	-----	-----
Operating Income (Loss)	\$ (16,142.35)	\$ 2,022.56
	-----	-----
NON-OPERATING REVENUE (EXPENSE):		
Interest Earnings - Deposits	\$ 1,538.55	\$ 1,444.64
Interest Earnings - Bond Sinking Funds	4,955.67	5,575.08
Miscellaneous Adjustment	--	110.87
Interest Expense	(18,980.00)	(21,530.00)
Bond Paying Agent Fees	(110.00)	(100.00)
	-----	-----
Total Non-operating Revenue (Expense)	\$ (12,595.78)	\$ (14,499.41)
	-----	-----
Net Income	\$ (28,738.13)	\$ (12,476.85)
	-----	-----
Fund Equity, October 1	2,752,370.66	2,532,977.31
Contributed Capital - T.C.D.P. Grant	320,681.29	150,010.00
Contributed Capital - Revenue Sharing	568.61	13,024.40
Contributed Capital - Capital Projects	--	68,835.80
	-----	-----
Fund Equity, September 30	\$ 3,044,882.43	\$ 2,752,370.66
	=====	=====

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

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 1987

NOTE 1: Summary of Significant Accounting Policies:

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

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

Fund Accounting-

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

Governmental Funds-

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

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

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

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

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1987

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, 1987

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, 1987, the City levied an ad valorem tax for general governmental services of \$.476 per \$100 of assessed valuation which resulted in a tax levy of \$226,266.17 on the total assessed taxable valuation of \$ 47,534,910 for the 1986 tax year. Of the total \$.476 per \$100 valuation rate, \$.237 was allocated to general obligation debt retirement and \$.239 was allocated to general governmental services. State statutes allow the City to levy taxes up to a maximum of \$1.50 per \$100 of assessed valuation for general governmental services. Additionally, the City can levy taxes sufficient to meet the current general obligation debt service requirement.

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, 1987:

	General Obligation	Revenue	Total
	-----	-----	-----
Bonds Payable, Oct. 1, 1986	\$ 960,000	\$ 330,000	\$1,290,000
Bonds Retired	(15,000)	(35,000)	(50,000)
	-----	-----	-----
Bonds Payable, Sept. 30, 1987	\$ 945,000	\$ 295,000	\$1,240,000
	=====	=====	=====

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 1987

NOTE 3: (Continued)

Bonds payable at September 30, 1987 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%. \$ 60,000

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

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

Total General Obligation Bonds \$945,000
 =====

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%. \$140,000

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 1987

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%.	\$155,000

Total Revenue Bonds	\$295,000
	=====

The next five years annual debt service requirements to amortize all bonds outstanding at September 30, 1987 are as follows:

Year Ending Sept 30	General Obligation		Revenue		Total
	Principal	Interest	Principal	Interest	
1988	40,000	78,663	30,000	17,480	166,143
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

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, 1987 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, 1987 this reserve account contained cash and temporary investments of \$23,734.77.

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, 1987 this emergency fund account contained \$5,963.75 in cash and temporary investments.

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 1987

NOTE 5: Restricted Assets
 Cash and temporary investments restricted for revenue bond reserves, emergency funds, and retirement of bonded indebtedness at September 30, 1987 are as follows:

Waterworks and Sewer System Revenue Bonds, Series 1977-	
Interest and Sinking Fund-	
Cash	\$ 9,348.88
Reserve Fund-	
Temporary Investments	22,000.00
Emergency Fund-	
Temporary Investments	5,963.75

Total	\$ 37,312.63

Waterworks and Sewer System Junior Lien Revenue Bond, Series 1981-	
Interest and Sinking Fund-	
Cash	\$ 13,981.31
Reserve Fund-	
Temporary Investments	23,734.77

Total	\$ 37,716.08

Total Restricted Assets	\$ 75,028.71
	=====

CITY OF WILLIS, TEXAS
GENERAL FUND
BALANCE SHEET
SEPTEMBER 30, 1987

	1987	1986
	-----	-----
ASSETS:		
Cash	\$ 30,865.59	\$ (326.51)
Temporary Investments	65,000.00	81,133.87
Receivables-		
Accrued Interest	713.09	729.28
Property Tax	84,555.20	66,819.49
Allowance for Uncollectible Tax	(8,455.52)	(6,681.95)
Due from Other Funds-		
Water and Sewer Utility	14,201.94	46,728.59
Capital Projects	--	100.00
	-----	-----
Total Assets	\$ 186,880.30	\$ 188,502.77
	=====	=====
LIABILITIES:		
Accounts Payable	\$ 13,091.70	\$ 8,141.08
Due to State	2,103.72	2,473.22
Appearance Bonds Payable	28.50	695.00
Due to Other Funds	--	3,943.98
Deferred Revenue	76,099.68	60,137.54
	-----	-----
Total Liabilities	\$ 91,323.60	\$ 75,390.82
FUND EQUITY:		
Unreserved Fund Balance	95,556.70	113,111.95
	-----	-----
Total Liabilities and Fund Equity	\$ 186,880.30	\$ 188,502.77
	=====	=====

(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, 1987

	1987			(Memo)
	Budget	Actual	Variance- Favorable Unfavorable	1986 Actual
REVENUES:				
Ad Valorem Tax	\$ 107,911.00	\$ 107,159.62	\$ (751.38)	\$ 107,457.74
City Sales Tax	120,000.00	108,778.91	(11,221.09)	130,507.93
Franchise Tax, Street Rental	80,000.00	77,713.74	(2,286.26)	87,658.93
Sanitation and Landfill	73,000.00	71,814.75	(1,185.25)	69,446.09
Fines and Court Costs	56,000.00	53,822.60	(2,177.40)	38,347.70
Permits and License	9,300.00	6,970.52	(2,329.48)	10,377.49
Industrial Development Corporation	--	--	--	--
Miscellaneous	900.00	1,393.14	493.14	1,469.86
Interest Earned	4,000.00	6,285.79	2,285.79	6,442.72
Total Revenues	\$ 451,111.00	\$ 433,939.07	\$ (17,171.93)	\$ 451,708.46
EXPENDITURES:				
City General	\$ 88,600.00	\$ 101,637.94	\$ (13,037.94)	\$ 80,533.96
City Office	68,441.00	83,043.31	(14,602.31)	78,774.60
Police Department	186,576.00	178,801.96	7,774.04	148,323.55
Sanitation	32,622.00	27,848.72	4,773.28	19,146.83
Landfill	33,500.00	27,711.44	5,788.56	15,992.29
Street Department	410,176.00	92,722.88	317,453.12	140,128.95
Total Expenditures	\$ 819,915.00	\$ 511,766.25	\$ 308,148.75	\$ 482,900.18
Excess (Deficiency) of Revenues Over Expenditures	\$ (368,804.00)	\$ (77,827.18)	\$ 290,976.82	\$ (31,191.72)
OTHER SOURCES AND (USES):				
Interfund Transfers In (Out)		60,271.93		(802.30)
Miscellaneous Adjustments		--		204.30
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses		\$ (17,555.25)		\$ (31,789.72)
Fund Balance, October 1		113,111.95		144,901.67
Fund Balance, September 30		\$ 95,556.70		\$ 113,111.95

(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, 1987

	1987			(Memo)
	Budget	Actual	Variance- Favorable (Unfavorable)	1986 Actual
CITY GENERAL:				
Purchased and Contracted Services	\$ 25,800.00	\$ 32,168.58	\$ (6,368.58)	\$ 24,984.21
Maintenance and Repairs	6,000.00	4,029.56	1,970.44	5,773.47
Other Operating Costs	56,800.00	63,619.80	(6,819.80)	48,621.19
Capital Outlay	--	1,820.00	(1,820.00)	--
Total City General	\$ 88,600.00	\$ 101,637.94	\$ (13,037.94)	\$ 79,378.87
CITY OFFICE:				
Personnel	\$ 37,141.00	\$ 52,946.66	\$ (15,805.66)	\$ 48,769.87
Purchased and Contracted Services	4,000.00	6,211.10	(2,211.10)	3,330.66
Maintenance and Repairs	2,000.00	1,605.85	394.15	937.18
Supplies and Materials	7,500.00	3,667.06	3,832.94	6,805.38
Utilities	7,000.00	6,594.40	405.60	6,617.48
Other Operating Costs	7,800.00	11,600.00	(3,800.00)	10,800.00
Capital Outlay	3,000.00	418.24	2,581.76	7,983.80
Total City Office	\$ 68,441.00	\$ 83,043.31	\$ (14,602.31)	\$ 85,244.37
POLICE DEPARTMENT:				
Personnel	\$ 131,876.00	\$ 129,011.63	\$ 2,864.37	\$ 110,272.52
Purchased and Contracted Services	1,200.00	1,200.00	--	1,300.00
Vehicles	15,000.00	17,323.29	(2,323.29)	16,465.29
Supplies and Materials	6,000.00	5,251.98	748.02	5,019.17
Telephone	4,200.00	3,303.62	896.38	4,936.94
Other Operating Costs	8,300.00	6,598.19	1,701.81	6,016.61
Capital Outlay	20,000.00	16,113.25	3,886.75	4,744.41
Total Police Department	\$ 186,576.00	\$ 178,801.96	\$ 7,774.04	\$ 148,754.94
SANITATION DEPARTMENT:				
Personnel	\$ 14,622.00	\$ 15,519.83	\$ (897.83)	\$ 5,732.18
Purchased and Contracted Services	9,000.00	6,326.90	2,673.10	8,276.22
Vehicles	8,000.00	5,378.02	2,621.98	5,098.05
Maintenance and Repairs	1,000.00	623.97	376.03	46.59
Total Sanitation Department	\$ 32,622.00	\$ 27,848.72	\$ 4,773.28	\$ 19,153.04
LANDFILL:				
Purchased and Contracted Services	\$ 8,000.00	\$ 6,109.06	\$ 1,890.94	\$ 5,994.07
Maintenance and Repairs	5,000.00	4,050.47	949.53	1,821.28
Utilities	500.00	128.84	371.16	125.40
Other Operating Costs	20,000.00	17,423.07	2,576.93	8,634.27
Total Landfill Department	\$ 33,500.00	\$ 27,711.44	\$ 5,788.56	\$ 16,575.02

CITY OF WILLIS, TEXAS
GENERAL FUND
STATEMENT OF EXPENDITURES WITH BUDGET COMPARISON (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 1987

	1987			(Memo) 1986 Actual
	Budget	Actual	Variance- Favorable (Unfavorable)	
STREET DEPARTMENT:				
Personnel	\$ 50,176.00	\$ 35,132.74	\$ 15,043.26	\$ 35,603.47
Purchased and Contracted Services	--	--	--	6,936.29
Vehicles	5,000.00	4,467.89	532.11	2,470.07
Maintenance and Repairs	10,000.00	4,322.86	5,677.14	3,415.60
Supplies and Materials	40,000.00	23,071.77	16,928.23	12,995.07
Utilities	25,000.00	20,115.91	4,884.09	20,365.59
Other Operating Costs	--	--	--	1,800.00
Capital Outlay	280,000.00	5,611.71	274,388.29	54,510.82
Total Street Department	\$ 410,176.00	\$ 92,722.88	\$ 317,453.12	\$ 138,096.91
Total Expenditures	\$ 819,915.00	\$ 511,766.25	\$ 308,148.75	\$ 487,203.15

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

CITY OF WILLIS, TEXAS
SPECIAL REVENUE FUND
FEDERAL REVENUE SHARING
BALANCE SHEET
SEPTEMBER 30, 1987

	1987	1986
	-----	-----
ASSETS:		
Cash	\$ --	\$ 9,978.88
	=====	=====
FUND EQUITY:		
Fund Balance	\$ --	\$ 9,978.88
	=====	=====

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 1987

	1987			
	-----	-----	-----	-----
	Budget	Actual	Variance- Favorable (Unfavorable)	(Memo) 1986 Actual
	-----	-----	-----	-----
REVENUES:				
Federal Revenue Sharing	\$ 5,800.00	\$ 420.00	\$ (5,380.00)	\$ 28,261.00
	-----	-----	-----	-----
EXPENDITURES:				
Capital Outlay-				
Administrative/City Office	\$ --	\$ --	\$ --	\$ 8,415.50
Police Department	--	1,553.25	(1,553.25)	--
Water & Sewer Utility	5,900.00	568.61	5,331.39	13,024.40
	-----	-----	-----	-----
Total Expenditures	\$ 5,900.00	\$ 2,121.86	\$ 3,778.14	\$ 21,439.90
	-----	-----	-----	-----
Excess of Revenues Over Expenditures	\$ (100.00)	\$ (1,701.86)	\$ (1,601.86)	\$ 6,821.10
	=====	=====	=====	-----
Interfund Transfer In (Out)		(8,277.02)		--
Fund Balance, October 1		9,978.88		3,157.78
		-----		-----
Fund Balance, September 30		\$ --		\$ 9,978.88
		=====		=====

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

CITY OF WILLIS, TEXAS
SPECIAL REVENUE FUND
T.C.D.P. GRANT - CONTRACT NO. S705999
BALANCE SHEET
SEPTEMBER 30, 1987

	1987	1986
	-----	-----
ASSETS:		
Cash	\$ 49.60	\$ 3,058.30
Due from State	--	115,808.40
	-----	-----
Total Assets	\$ 49.60	\$ 118,866.70
	=====	=====
LIABILITIES:		
Accounts Payable	\$ --	\$ 118,817.10
Due to Other Funds	49.60	49.60
	-----	-----
Total Liabilities	\$ 49.60	\$ 118,866.70
FUND EQUITY:		
Fund Balance	--	--
	-----	-----
Total Liabilities and Fund Equity	\$ 49.60	\$ 118,866.70
	=====	=====

T.C.D.P. GRANT - CONTRACT NO. S705999
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 1987

	1987			(Memo) 1986
	Budget	Actual	Variance- Favorable (Unfavorable)	Actual
	-----	-----	-----	-----
REVENUES:				
T.C.D.P. Grant	\$ 157,302.00	\$ 157,301.60	\$ (.40)	\$ 160,038.40
	-----	-----	-----	-----
EXPENDITURES:				
Water & Sewer Facilities-Grant	\$ 143,770.00	\$ 143,770.40	\$ (.40)	\$ 130,269.60
Water & Sewer Facilities-Local	44,578.00	46,693.50	(2,115.50)	35,422.50
Engineering Fees-Grant	7,757.00	7,506.20	250.80	20,542.70
Engineering Fees-Local	--	6,092.10	(6,092.10)	--
Administration-Grant	5,774.00	6,025.00	(251.00)	9,226.10
Administration-Local	4,198.00	2,375.00	1,823.00	802.30
	-----	-----	-----	-----
Total Expenditures	\$ 206,077.00	\$ 212,462.20	\$ (6,385.20)	\$ 196,263.20
	-----	-----	-----	-----
Excess (Deficiency) of Revenues Over Expenditures	\$ (48,775.00)	\$ (55,160.60)	\$ (6,385.60)	\$ (36,224.80)
OTHER SOURCES AND (USES):				
Interfund Transfer In (Out)	48,775.00	55,160.60	6,385.60	36,224.80
	-----	-----	-----	-----
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, 1987

	1987	1986
	-----	-----
ASSETS:		
Cash	\$ 732.36	\$ 1,520.62
Due from Other Funds	7,743.06	11,587.04
	-----	-----
Total Assets	\$ 8,475.42	\$ 13,107.66
	=====	=====
FUND BALANCE:		
Reserved for Retirement of Bonded Debt	\$ 8,475.42	\$ 13,107.66
	=====	=====

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

	1987			
	-----	-----	-----	-----
	Budget	Actual	Variance- Favorable (Unfavorable)	(Memo) 1986 Actual
	-----	-----	-----	-----
REVENUES:				
Ad Valorem Taxes	\$ 116,500.00	\$ 106,462.05	\$ (10,037.95)	\$ 26,864.44
Interest Earned	--	398.04	398.04	299.15
	-----	-----	-----	-----
Total Revenues	\$ 116,500.00	\$ 106,860.09	\$ (9,639.91)	\$ 27,163.59
	-----	-----	-----	-----
EXPENDITURES:				
Bond Principal	\$ 15,000.00	\$ 15,000.00	\$ --	\$ 15,000.00
Interest	98,035.00	98,034.38	.62	13,100.00
	-----	-----	-----	-----
Total Expenditures	\$ 113,035.00	\$ 113,034.38	\$.62	\$ 28,100.00
	-----	-----	-----	-----
Excess of Revenues Over Expenditures	\$ 3,465.00	\$ (6,174.29)	\$ (9,639.29)	\$ (936.41)
	=====	=====	=====	-----
OTHER SOURCES AND (USES):				
Sale of Bonds		--		7,643.06
Interfund Transfer In (Out)		1,542.05		--
		-----		-----
Fund Balance, October 1		13,107.66		6,401.01
		-----		-----
Fund Balance, September 30		\$ 8,475.42		\$ 13,107.66
		=====		=====

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

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

	1987	1986
	-----	-----
ASSETS:		
Cash	\$ 5,660.60	\$ 571.40
Temporary Investments	175,000.00	556,818.55
Interest Receivable	779.11	1,850.02
	-----	-----
Total Assets	\$ 181,439.71	\$ 559,239.97
	=====	=====
LIABILITIES:		
Accounts Payable	\$ --	\$ 24,396.05
Due to Other Funds	7,743.06	7,743.06
	-----	-----
Total Liabilities	\$ 7,743.06	\$ 32,139.11
FUND EQUITY:		
Reserve for Authorized Construction	173,696.65	527,100.86
	-----	-----
Total Liabilities and Fund Equity	\$ 181,439.71	\$ 559,239.97
	=====	=====

STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED SEPTEMBER 30, 1987

	1987			
	-----	-----	-----	-----
	Budget	Actual	Variance- Favorable (Unfavorable)	(Memo) 1986 Actual
	-----	-----	-----	-----
REVENUES:				
Sale of Bonds	\$ --	\$ --	\$ --	\$ 775,750.00
Interest Earned	4,000.00	16,374.96	12,374.96	11,945.23
	-----	-----	-----	-----
Total Revenues	\$ 4,000.00	\$ 16,374.96	\$ 12,374.96	\$ 787,695.23
	-----	-----	-----	-----
EXPENDITURES:				
City General	\$ 150,000.00	\$ 36,503.00	\$ 113,497.00	\$ --
Street Improvements	280,000.00	206,878.32	73,121.68	186,544.89
Municipal Sewer System	30,000.00	--	30,000.00	31,438.02
Municipal Sewer System-Grant	30,000.00	--	30,000.00	--
Bond Issuance Costs	--	--	--	7,188.96
	-----	-----	-----	-----
Total Expenditures	\$ 490,000.00	\$ 243,381.32	\$ 246,618.68	\$ 225,171.87
	-----	-----	-----	-----
Excess of Revenues Over Expenditures	\$ (486,000.00)	\$ (227,006.36)	\$ 258,993.64	\$ 562,523.36
	=====	-----	=====	-----
OTHER SOURCES AND (USES):				
Interfund Transfer In (Out)		(126,397.85)		(35,422.50)
Fund Balance, October 1		527,100.86		--
		-----		-----
Fund Balance, September 30		\$ 173,696.65		\$ 527,100.86
		=====		=====

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

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

	1987	1986
	-----	-----
ASSETS:		
Current Assets-		
Cash	\$ 10,184.22	\$ 10,979.05
Temporary Investments	14,500.00	14,500.00
Service Accounts Receivable	85,241.91	77,173.50
Returned Checks	373.51	523.48
Allowance for Uncollectible Accounts	(3,000.00)	(3,000.00)
Accrued Interest Receivable	356.74	--
Due from Grant Fund	49.60	49.60
	-----	-----
Total Current Assets	\$ 107,705.98	\$ 100,225.63
	-----	-----
Property, Plant and Equipment-		
Utility System in Service	\$ 4,124,037.94	\$ 3,784,267.20
Accumulated Depreciation	(918,448.16)	(804,920.14)
	-----	-----
Total Property, Plant and Equipment	\$ 3,205,589.78	\$ 2,979,347.06
	-----	-----
Restricted Assets-		
1977 Water and Sewer Revenue Bond Fund	\$ 37,312.63	\$ 46,949.71
1981 Water and Sewer Jr. Lien Revenue Bond Fund	37,716.08	32,066.81
	-----	-----
Total Restricted Assets	\$ 75,028.71	\$ 79,016.52
	-----	-----
Total Assets	\$ 3,388,324.47	\$ 3,158,589.21
	=====	=====
LIABILITIES:		
Current Liabilities-		
Accounts Payable	\$ 7,880.73	\$ 5,017.78
Bond Interest Payable	2,960.00	3,200.00
Customer Deposits Payable	23,399.37	21,272.18
Revenue Bonds Payable (Current)	30,000.00	35,000.00
Due to General Fund	14,201.94	46,728.59
	-----	-----
Total Current Liabilities	\$ 78,442.04	\$ 111,218.55
	-----	-----
Long-Term Liabilities-		
Revenue Bonds-Future Maturities	265,000.00	295,000.00
	-----	-----
Total Liabilities	\$ 343,442.04	\$ 406,218.55
	-----	-----
FUND EQUITY:		
Contributed Capital	\$ 3,070,558.25	\$ 2,749,308.35
	-----	-----
Retained Earnings-		
Reserved for Retirement of Revenue Bonds	75,028.71	79,016.52
Unreserved	(100,704.53)	(75,954.21)
	-----	-----
Total Fund Equity	\$ 3,044,882.43	\$ 2,752,370.66
	-----	-----
Total Liabilities and Fund Equity	\$ 3,388,324.47	\$ 3,158,589.21
	=====	=====

(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, 1987

	1987			(Memo) 1986 Actual
	Water Department	Sewer Department	Total	
OPERATING REVENUE:				
Charges for Water and Sewer Service	\$ 170,958.50	\$ 135,367.62	\$ 306,326.12	\$ 288,590.16
Water and Sewer Connections	8,250.32	16,664.15	24,914.47	15,175.81
Late Payment Penalties	6,200.73	4,909.83	11,110.56	11,172.42
Service Charges	1,765.00	1,765.00	3,530.00	4,790.00
Inspection Fees	--	430.00	430.00	1,150.00
Total Operating Revenue	\$ 187,174.55	\$ 159,136.60	\$ 346,311.15	\$ 320,878.39
OPERATING EXPENSE:				
Personnel	\$ 54,325.95	\$ 55,155.63	\$ 109,481.58	\$ 74,308.37
Contracted Services	558.92	1,098.64	1,657.56	3,768.63
Maintenance and Repairs	10,797.82	21,608.30	32,406.12	39,524.00
Utilities	25,894.17	36,761.28	62,655.45	46,390.69
Supplies and Materials	19,968.46	5,683.89	25,652.35	26,787.40
Vehicles	3,393.41	5,738.87	9,132.28	11,997.85
Other Operating Expense	2,702.10	5,238.04	7,940.14	9,116.25
Depreciation	56,764.01	56,764.01	113,528.02	106,962.64
Total Operating Expense	\$ 174,404.84	\$ 188,048.66	\$ 362,453.50	\$ 318,855.83
Operating Income (Loss)	\$ 12,769.71	\$ (28,912.06)	\$ (16,142.35)	\$ 2,022.56
NON-OPERATING REVENUE (EXPENSE):				
Interest Earnings			\$ 1,538.55	\$ 1,444.64
Interest Earnings - Bond Sinking Funds			4,955.67	5,575.08
Miscellaneous Adjustment			--	110.87
Interest Expense			(18,980.00)	(21,530.00)
Bond Paying Agent Fees			(110.00)	(100.00)
Total Non-operating Revenue (Expense)			\$ (12,595.78)	\$ (14,499.41)
Net Income			\$ (28,738.13)	\$ (12,476.85)
Fund Equity, October 1			2,752,370.66	2,532,977.31
Contributed Capital - T.C.D.P. Grant			320,681.29	150,010.00
Contributed Capital - Revenue Sharing			568.61	13,024.40
Contributed Capital - Capital Projects			--	68,835.80
Fund Equity, September 30			\$ 3,044,882.43	\$ 2,752,370.66

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

CITY OF WILLIS, TEXAS
WATER AND SEWER UTILITY FUND
STATEMENT OF CHANGES IN FINANCIAL POSITION - CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 1987

Cash, October 1, 1986 \$ 25,479.05

Sources of Cash:

Net Income	\$ (46,460.34)	
Add (Deduct) Non-Cash Items			
And Changes Not Affecting Net Income-			
Depreciation		113,528.02	
Increase in Accounts Receivable	(7,918.44)	
Increase in Interest Receivable	(356.74)	
Decrease in Restricted Assets		3,987.81	
Increase in Accounts Payable		2,862.95	
Increase in Customer Deposits		2,127.19	
Decrease in Bond Interest Payable	(240.00)	

Total Sources of Cash	\$		67,530.45

Application of Cash:

Invested in Property, Plant & Equipment	\$	798.63	
Decrease in Amount Due to General Fund		32,526.65	
Retirement of Revenue Bond Principal		35,000.00	

Total Application of Cash			68,325.28

Net Increase in Cash (794.83)

Cash, September 30, 1987 \$ 24,684.22
=====

(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.

March 31, 1988

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, 1987, and have issued our report thereon dated March 31, 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 tests 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.

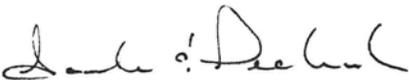
The administration of the City of Willis, Texas, is responsible for the city's compliance with laws and regulations. In connection with the examination referred to above, we selected and tested transactions and records from each federal financial assistance program. The purpose of our testing of transactions 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.

Our testing of transactions and records selected from federal financial assistance programs disclosed no instances of noncompliance with those laws and regulations.

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

In our opinion, for the year ended September 30, 1987, 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, 1987

Federal Grantor/Pass-Through Grantor/ Program Title -----	Federal CFDA Number -----	Pass-Through Grantor's Number -----
U.S. TREASURY DEPARTMENT -----		
Federal Revenue Sharing	24.300	44-217-0002
 U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT -----		
Passed Through Texas Department of Community Affairs	14.219	S705999
 TOTAL FEDERAL ASSISTANCE		

Program or Award Amount	Accrued or (Deferred) Revenue at 10/01/86	Receipts/ Revenue Realized	Disbursements/ Expenditures	Accrued or (Deferred) Revenue at 9/30/87
-----	-----	-----	-----	-----
\$ 420.00	\$ (9,978.88)	\$ 420.00	\$ 10,398.88	\$ --
317,340.00	(3,008.70)	273,110.00	276,118.70	--
-----	-----	-----	-----	-----
\$ 317,760.00	\$ (12,987.58)	\$ 273,530.00	\$ 286,517.58	\$ --
=====	=====	=====	=====	=====

CITY OF WILLIS, TEXAS
SPECIAL REVENUE FUND
T.C.D.P. SEWER IMPROVEMENT GRANT - CONTRACT NO. S705999
COMPARISON OF BUDGET WITH ACTUAL RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1987

	Budget	Project Actual		Total Project Actual	Variance-Favorable (Unfavorable)
		11-15-85 to 9-30-86	10-01-86 to 9-30-87		
RECEIPTS:					
T.C.D.P. Grant	\$ 317,340.00	\$ 44,230.00	\$ 273,110.00	\$ 317,340.00	\$ --
Local Sources	85,000.00	802.30	90,583.10	91,385.40	6,385.40
Total Receipts	\$ 402,340.00	\$ 45,032.30	\$ 363,693.10	\$ 408,725.40	\$ 6,385.40
DISBURSEMENTS - T.C.D.P. GRANT:					
Water and Sewer Facilities	\$ 274,040.00	\$ 17,752.50	\$ 256,287.50	\$ 274,040.00	\$ --
Engineering Fees	28,300.00	20,542.70	7,506.20	28,048.90	251.10
Administration	15,000.00	2,926.10	12,325.00	15,251.10	(251.10)
Total Grant Disbursements	\$ 317,340.00	\$ 41,221.30	\$ 276,118.70	\$ 317,340.00	\$ --
DISBURSEMENTS - LOCAL SOURCES:					
Water and Sewer Facilities	\$ 80,000.00	\$ --	\$ 82,116.00	\$ 82,116.00	\$ (2,116.00)
Engineering Fees	--	--	6,092.10	6,092.10	(6,092.10)
Administration	5,000.00	802.30	2,375.00	3,177.30	1,822.70
Total Local Disbursements	\$ 85,000.00	\$ 802.30	\$ 90,583.10	\$ 91,385.40	\$ (6,385.40)
Total Project Disbursements	\$ 402,340.00	\$ 42,023.60	\$ 366,701.80	\$ 408,725.40	\$ (6,385.40)
Excess (Deficiency) of Receipts Over Disbursements	\$ --	\$ 3,008.70	\$ (3,008.70)	\$ --	\$ --
Project Balance, October 1		--	3,008.70		
Project Balance, September 30		\$ 3,008.70	\$ --		

(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, 1987

<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
T.C.D.A. Grant No. S705999	None	None

SAULS AND PECHACEK

PUBLIC ACCOUNTANTS

P.O. Box 549

BELLVILLE, TEXAS 77418

409 - 865-3169

ROBERT E. SAULS, P.A.

March 31, 1988

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, 1987, and have issued our report thereon dated March 31, 1988. 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.

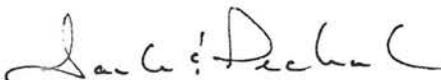
Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject 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 Community Affairs, 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, 1987

Taxes Receivable, 10-1-86		\$	66,819.49
1986 Original Roll	\$	226,266.17	
Errors and Corrections	(3,573.11)	222,693.06
		-----	-----
Total Taxes to be Accounted for		\$	289,512.55
Tax Collections			
1986	\$	192,017.59	
1985		6,258.51	
1984		2,233.14	
1983		1,696.00	
1982 and prior		2,752.11	204,957.35
		-----	-----
Taxes Receivable, 9-30-87		\$	84,555.20
			=====
Taxes Receivable by Year of Assessment			
1986	\$	36,240.99	
1985		12,693.66	
1984		8,596.21	
1983		5,656.14	
1982 and prior		21,368.20	

Taxes Receivable, 9-30-87		\$	84,555.20
			=====

Year of Assessment	1986	1985	1984	1983
	-----	-----	-----	-----
Assessed Valuation	\$ 47,534,910	\$ 42,853,950	\$ 34,658,020	\$ 31,916,600
	=====	=====	=====	=====
Tax Rate Per \$100 Valuation	\$.476	\$.30	\$.38	\$.37
	=====	=====	=====	=====
Assessment	\$ 226,266.17	\$ 128,561.85	\$ 131,700.48	\$ 118,091.42
	=====	=====	=====	=====

CITY OF WILLIS, TEXAS
 WATER AND SEWER UTILITY FUND
 SCHEDULE OF WATER USAGE AND NUMBER OF CUSTOMER SERVED
 FOR THE YEAR ENDED SEPTEMBER 30, 1987

Month	Water Usage In Gallons		Number of Customers Served	
	Pumped	Sold	Water	Sewer
October, 1986	11,551,700	9,407,650	960	854
November, 1986	10,351,000	8,413,910	984	876
December, 1986	11,083,100	7,573,440	1,017	874
January, 1987	10,759,400	8,163,160	1,006	873
February, 1987	9,780,600	9,616,460	1,016	879
March, 1987	11,531,600	7,817,900	1,005	878
April, 1987	13,803,300	9,310,710	1,016	875
May, 1987	12,821,200	10,819,550	1,037	891
June, 1987	11,846,400	9,506,150	1,037	893
July, 1987	13,716,200	10,883,930	1,037	894
August, 1987	18,545,200	11,797,510	1,043	897
September, 1987	12,968,300	12,257,620	1,043	882
Total	148,758,000	115,567,990		
Average	12,396,500	9,630,666	1,017	881

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, 1987

Type of Coverage -----	Policy Limits and Deductible -----		Insurer -----
Municipal Liability -----			
General Liability	\$1,000,000 Limit/\$500 Deductible		Texas Municipal League
Auto Liability	\$1,000,000 Limit/\$500 Deductible		Texas Municipal League
Law Enforcement Liability	\$1,000,000 Limit/\$1000 Deductible		Texas Municipal League
Errors and Omissions	\$ 500,000 Limit/\$1000 Deductible		Texas Municipal League
Municipal Property -----			
Basic Property, All Risks	\$2,223,360 Blanket/\$37,500 Deduct.		Texas Municipal League
Auto Physical Damage Coverage	Actual Cash Value/\$500 Deductible		Texas Municipal League
Workman's Compensation	Statutory		Texas Municipal League
Bonded Employee Coverage -----			
Covered Employee -----	Amount -----	Policy Period -----	
Chief of Police	\$ 5,000	6-22-87/6-22-88	Western Surety Company
City Secretary	\$ 5,000	2-09-87/2-09-88	Reliance Insurance Company
Tax Assessor-Collector	\$ 5,000	3-03-87/3-03-88	Reliance Insurance Company

CITY OF WILLIS, TEXAS
ELECTED OFFICIALS, ADMINISTRATIVE PERSONNEL,
AND LEGAL COUNSEL
SEPTEMBER 30, 1987

<u>Position:</u>	<u>Name/Address:</u>	<u>Term of Office:</u>
Mayor	Carl Kleimann	April, 1987/ April, 1989
Alderman Place No. 1	Walter Barnes	April, 1987/ April, 1989
Alderman Place No. 2	Ruth Castleschouldt	April, 1986/ April, 1988
Alderman Place No. 3	Josey Billnoske	April, 1987/ April, 1989
Alderman Place No. 4	W. L. Bilnoski	April, 1987/ April, 1989
Alderman Place No. 5	Bill Van Alstyne	April, 1987/ April, 1989
City Attorney	J. Ritchie Field 513 N. Main St. Suite 219 Conroe, Texas 77301	Appointed By Council
City Secretary	Janice Wilson Willis City Hall P.O. Box 436 Willis, Texas 77378	Appointed By Council