

Audit Report

CITY OF WILLIS, TEXAS

Willis, Texas

FOR THE YEAR ENDED SEPTEMBER 30, 1990

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SAULS AND PECHACEK

PUBLIC ACCOUNTANTS

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ROBERT E. SAULS, P.A.

JOHN R. PECHACEK, C.P.A.

April 5, 1991

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

We have audited the general purpose financial statements of the City of Willis, Texas as of and for the year ended September 30, 1990, as listed in the table of contents. These financial statements are the responsibility of the City. Our responsibility is to express an opinion on these financial statements based on our audit.

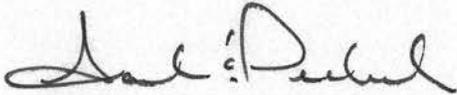
We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting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

In our opinion, the general purpose financial statements referred to above present fairly the financial position of the City of Willis, Texas, at September 30, 1990, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

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

Respectfully submitted,



SAULS AND PECHACEK

FINANCIAL STATEMENTS

CITY OF WILLIS, TEXAS
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 SEPTEMBER 30, 1990

	Governmental Fund Types		
	General	Special Revenue	Debt Service
ASSETS			
Cash	\$ 2,315.31	\$ 250.00	\$ 1,035.60
Temporary Investments	51,257.11	--	--
Receivables-			
Property Tax	52,572.86	--	53,467.05
Service Accounts	--	--	--
Allowance for Uncollectible Accounts	(5,257.29)	--	(5,346.71)
Due from State	--	--	--
Accrued Interest	181.97	--	--
Sundry Receivables	--	--	--
Supplies Inventory	--	--	--
Due from Other Funds	11,996.46	--	13,831.58
Property, Plant, & Equipment (Net)	--	--	--
Restricted Assets-			
Cash & Temporary Investments	--	--	--
Amounts Available for Debt Service	--	--	--
Amounts to be Provided for Debt Service	--	--	--
Total Assets	\$ <u>113,066.42</u>	\$ <u>250.00</u>	\$ <u>62,987.52</u>
LIABILITIES			
Accounts Payable	\$ 4,611.32	\$ 200.00	\$ --
Appearance Bonds Payable	61.50	--	--
Bond Interest Payable	--	--	--
Current Portion - Capital Leases	--	--	--
Current Portion - Bonded Debt	--	--	--
Due to State	7,680.82	--	--
Customer Deposits	--	--	--
Due to Other Funds	13,831.58	50.00	--
Leases Payable	--	--	--
General Obligation Bonds Payable	--	--	--
Revenue Bonds Payable	--	--	--
Deferred Revenue	47,315.57	--	48,120.34
Total Liabilities	\$ <u>73,500.79</u>	\$ <u>250.00</u>	\$ <u>48,120.34</u>
FUND EQUITY			
Contributed Capital	\$ --	\$ --	\$ --
Investment in General Fixed Assets	--	--	--
Retained Earnings-			
Reserved for Revenue Bond Retirement	--	--	--
Unreserved (Deficit)	--	--	--
Fund Balance-			
Reserved for Retirement of Bonded Debt	--	--	14,867.18
Reserved for Authorized Construction	--	--	--
Unreserved	39,565.63	--	--
Total Fund Equity	\$ <u>39,565.63</u>	\$ <u>--</u>	\$ <u>14,867.18</u>
Total Liabilities & Fund Equity	\$ <u>113,066.42</u>	\$ <u>250.00</u>	\$ <u>62,987.52</u>

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

Proprietary Fund Types Water & Sewer Utility	Account Groups		Totals (Memorandum Only)	
	General Fixed	General Long-	1990	1989
	Assets	Term Debt		
\$ 21,314.68	\$ --	\$ --	\$ 24,915.59	\$ 28,357.60
21,500.00	--	--	72,757.11	59,583.01
--	--	--	106,039.91	98,286.70
57,290.56	--	--	57,290.56	50,164.79
(572.91)	--	--	(11,176.91)	(10,330.32)
--	--	--	--	--
101.05	--	--	283.02	309.95
--	--	--	--	532.90
7,220.95	--	--	7,220.95	14,984.11
--	--	--	25,828.04	50.00
2,937,501.94	574,457.91	--	3,511,959.85	3,588,474.65
55,716.45	--	--	55,716.45	54,865.07
--	--	14,867.18	14,867.18	532.78
--	--	818,925.91	818,925.91	859,467.22
\$ 3,100,072.72	\$ 574,457.91	\$ 833,793.09	\$ 4,684,627.66	\$ 4,745,278.46
\$ 4,671.73	\$ --	\$ --	\$ 9,483.05	\$ 19,393.80
--	--	--	61.50	111.50
2,043.34	--	--	2,043.34	2,380.00
12,438.24	--	10,574.88	23,013.12	--
30,000.00	--	55,000.00	85,000.00	80,000.00
--	--	--	7,680.82	7,249.80
24,268.39	--	--	24,268.39	23,215.00
11,946.46	--	--	25,828.04	50.00
42,105.04	--	13,218.21	55,323.25	--
--	--	755,000.00	755,000.00	810,000.00
175,000.00	--	--	175,000.00	205,000.00
--	--	--	95,435.91	88,458.03
\$ 302,473.20	\$ --	\$ 833,793.09	\$ 1,258,137.42	\$ 1,235,858.13
\$ 3,087,670.37	\$ --	\$ --	\$ 3,087,670.37	\$ 3,087,670.37
--	574,457.91	--	574,457.91	606,404.33
55,716.45	--	--	55,716.45	54,865.07
(345,787.30)	--	--	(345,787.30)	(259,905.33)
--	--	--	14,867.18	532.78
--	--	--	--	--
--	--	--	39,565.63	19,853.11
\$ 2,797,599.52	\$ 574,457.91	\$ --	\$ 3,426,490.24	\$ 3,509,420.33
\$ 3,100,072.72	\$ 574,457.91	\$ 833,793.09	\$ 4,684,627.66	\$ 4,745,278.46

CITY OF WILLIS, TEXAS

COMBINED STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED SEPTEMBER 30, 1990

	Operating Fund	Special Revenue Fund
	<u> </u>	<u> </u>
Revenues:		
<i>Property Taxes</i>	\$ 134,755.25	\$ --
<i>Sales Tax</i>	125,550.52	--
<i>Franchise Tax, Street Rental</i>	78,504.00	--
<i>Community Development Funds</i>	--	--
<i>Sanitation and Landfill</i>	129,610.17	--
<i>Fines and Court Costs</i>	61,946.35	--
<i>Permits and License</i>	6,764.27	--
<i>Miscellaneous</i>	2,952.47	--
<i>Interest Earnings</i>	3,831.72	--
Total Revenues	\$ <u>543,914.75</u>	\$ <u> --</u>
Expenditures:		
<i>City General</i>	\$ 76,369.29	\$ --
<i>City Office</i>	57,468.38	--
<i>Police Department</i>	245,704.03	--
<i>Sanitation/Landfill</i>	101,585.41	--
<i>Street Department</i>	71,482.89	--
<i>Texas Capital Fund Grant</i>	--	--
<i>Water & Sewer Utility</i>	--	--
Total Expenditures	\$ <u>552,610.00</u>	\$ <u> --</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (8,695.25)	\$ --
Other Sources (Uses):		
<i>Net Interfund Transfers In (Out)</i>	\$ 444.72	\$ --
<i>Capital Lease Proceeds</i>	22,806.89	--
<i>Miscellaneous Revenue (Expense)</i>	5,156.16	--
Total Other Sources (Uses)	\$ <u>28,407.77</u>	\$ <u> --</u>
Excess (Deficiency) of Revenues and Other Resources Over Expenditures and Other Uses	\$ 19,712.52	\$ --
Fund Balance, October 1	<u>19,853.11</u>	<u> --</u>
Fund Balance, September 30	<u><u>\$ 39,565.63</u></u>	<u><u>\$ --</u></u>

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

Debt Service Fund	Totals (Memorandum Only)	
	Year Ended September 30, 1990	Year Ended September 30, 1989
\$ 136,200.33	\$ 270,955.58	\$ 266,568.40
--	125,550.52	123,427.34
--	78,504.00	77,646.95
--	--	--
--	129,610.17	105,175.87
--	61,946.35	65,266.50
--	6,764.27	4,742.07
--	2,952.47	1,635.21
114.29	3,946.01	2,827.22
<u>\$ 136,314.62</u>	<u>\$ 680,229.37</u>	<u>\$ 647,289.56</u>
\$ 121,980.22	\$ 198,349.51	\$ 228,377.06
--	57,468.38	60,213.56
--	245,704.03	217,321.95
--	101,585.41	79,081.02
--	71,482.89	76,472.90
--	--	--
--	--	--
<u>\$ 121,980.22</u>	<u>\$ 674,590.22</u>	<u>\$ 661,466.49</u>
\$ 14,334.40	\$ 5,639.15	\$ (14,176.93)
\$ --	\$ 444.72	\$ 12,081.40
--	22,806.89	--
--	5,156.16	--
<u>\$ --</u>	<u>\$ 28,407.77</u>	<u>\$ 12,081.40</u>
\$ 14,334.40	\$ 34,046.92	\$ (2,095.53)
532.78	20,385.89	22,481.42
<u>\$ 14,867.18</u>	<u>\$ 54,432.81</u>	<u>\$ 20,385.89</u>

CITY OF WILLIS, TEXAS
 STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN FUND EQUITY - ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED SEPTEMBER 30, 1990

EXHIBIT A-3

	Water and Sewer Utility Fund	
	1990	1989
OPERATING REVENUE:		
<i>Charges for Water and Sewer Service</i>	\$ 384,587.43	\$ 370,557.49
<i>Water and Sewer Connections</i>	13,364.68	5,600.00
<i>Late Payment Penalties</i>	16,076.80	13,521.24
<i>Service Charges</i>	6,685.00	5,213.08
<i>Inspection Fees</i>	290.00	122.00
Total Operating Revenue	\$ 421,003.91	\$ 395,013.81
OPERATING EXPENSE:		
<i>Personnel</i>	\$ 130,510.83	\$ 116,839.02
<i>Administration</i>	32,031.29	31,658.28
<i>Contracted Services</i>	--	--
<i>Maintenance and Repairs</i>	75,932.74	54,510.27
<i>Utilities</i>	82,962.41	77,669.47
<i>Supplies and Materials</i>	27,985.86	12,591.92
<i>Vehicles</i>	10,163.34	8,070.19
<i>Other Operating Expense</i>	19,001.65	1,150.50
<i>Depreciation</i>	126,869.98	124,350.21
Total Operating Expense	\$ 505,458.10	\$ 426,839.86
Operating Income (Loss)	\$ (84,454.19)	\$ (31,826.05)
NON-OPERATING REVENUE (EXPENSE):		
<i>Interest Earnings</i>	\$ 1,741.02	\$ 5,591.90
<i>Interest Earnings - Bond Sinking Funds</i>	4,426.16	3,008.03
<i>Miscellaneous Adjustment/Equipment Sale</i>	400.00	722.77
<i>Interest Expense</i>	(17,544.75)	(15,600.00)
<i>Bond Paying Agent Fees</i>	(120.00)	(120.00)
Total Non-operating Revenue (Expense)	\$ (11,097.57)	\$ (6,397.30)
Net Income (Loss)	\$ (95,551.76)	\$ (38,223.35)
<i>Fund Equity, October 1</i>	2,882,630.11	2,982,098.94
<i>Adjustment to Receivables</i>	10,965.89	(49,164.08)
<i>Transfer to General Fund</i>	(444.72)	(12,081.40)
<i>Contributed Capital - Capital Projects</i>	--	--
Fund Equity, September 30	\$ 2,797,599.52	\$ 2,882,630.11

(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, 1990

EXHIBIT A-4

Cash Flows from Operating Activities:		
<i>Net Income (Loss)</i>		\$ (95,551.76)
<i>Add (Deduct) Non-Cash Items And Changes Not Affecting Net Income-</i>		
<i>Depreciation</i>	\$ 126,869.98	
<i>Increase in Accounts Receivable (Net of Adjustment)</i>	\$ (7,125.77) <u>10,965.89</u>	3,840.12
<i>Increase in Uncollectible Accounts</i>		71.26
<i>Decrease in Sundry Receivables</i>		532.90
<i>Decrease in Interest Receivable</i>		208.90
<i>Decrease in Inventory</i>		7,763.16
<i>Increase in Restricted Assets</i>		(851.38)
<i>Increase in Accounts Payable</i>		1,100.44
<i>Increase in Customer Deposits</i>		1,053.39
<i>Decrease in Bond Interest Payable</i>		(336.66)
<i>Increase in Amount Due to/from Other Funds (Net of Interfund Transfer)</i>	\$ 11,946.46 <u>(444.72)</u>	<u>11,501.74</u>
 Total Adjustments to Net Income		 <u>151,753.85</u>
 Net Cash Provided by Operating Activities		 \$ 56,202.09
 Cash Flows from Investing Activities:		
<i>Invested in Property, Plant & Equipment</i>		(82,301.60)
 Cash Flows from Financing Activities:		
<i>Increase in Capital Leases Payable</i>	\$ 54,543.28	
<i>Retirement of Revenue Bond Principal</i>	<u>(30,000.00)</u>	<u>24,543.28</u>
 Net Increase (Decrease) in Cash		 \$ (1,556.23)
 Cash, October 1, 1989		 44,370.91
 Cash, September 30, 1990		 <u>\$ 42,814.68</u>

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

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 1990

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.

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1990

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, 1990

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, 1990, the City levied an ad valorem tax for general governmental services of \$.553 per \$100 of assessed valuation which resulted in a tax levy of \$263,704.30 on the total assessed taxable valuation of \$47,686,130 for the 1989 tax year. Of the total \$.553 per \$100 valuation rate, \$.254 was allocated to general obligation debt retirement and \$.299 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

The following is a summary of bond and long-term debt transactions of the City for the year ended September 30, 1990:

	General Obligation	Revenue	Total
	-----	-----	-----
Bonds Payable, Oct. 1, 1989	\$ 860,000	\$ 235,000	\$1,095,000
Bonds Retired	50,000	30,000	80,000
	-----	-----	-----
Bonds Payable, Sept. 30, 1990	\$ 810,000	\$ 205,000	\$1,015,000
	=====	=====	=====

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 1990

NOTE 3: (Continued)
 Bonds payable at September 30, 1990 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%. \$ 15,000

\$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%. 710,000

Total General Obligation Bonds \$810,000

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, \$15,000 August 1, 1988 through August 1, 1996, and \$5,000 August 1, 1997. This issue bears interest as follows: \$40,000 total due August 1, 1978 through 1981 @ 4.5%; \$20,000 total due August 1, 1982 and 1983 @ 5%; \$100,000 total due August 1, 1984 through 1991 @ 6%; and \$80,000 total due August 1, 1985 through 1997 @ 6.5%. \$ 95,000

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 1990

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, 1996 and \$25,000 August 1, 1997. This issue bears interest at an annual rate of 5.6%.	\$110,000 -----
Total Revenue Bonds	\$205,000 =====

* Bond Number 50 maturing August 1, 1997 was paid July 23, 1983, from surplus construction funds as required by the Texas Department of Water Resources. This \$5,000 reduction in principal outstanding results in lower interest requirements than the original amortization schedule.

The next five years annual debt service requirements to amortize all bonds outstanding at September 30, 1990 are as follows:

Year Ending <u>Sept 30</u>	<u>General Obligation</u>		<u>Revenue</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1991	55,000	67,213	30,000	12,260	164,473
1992	60,000	63,306	30,000	10,520	163,826
1993	65,000	53,550	30,000	8,705	157,255
1994	70,000	52,905	30,000	6,890	159,795
1995	75,000	46,330	30,000	5,075	156,405

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, 1990 this reserve account contained cash and temporary investments of \$23,573.92.

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, 1990 this reserve account contained cash and temporary investments of \$27,142.53.

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 1990

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, 1990 this emergency fund account contained \$5,000 in cash and temporary investments.

NOTE 5: Restricted Assets

Cash and temporary investments restricted for revenue bond reserves, emergency funds, and retirement of bonded indebtedness at September 30, 1990 are as follows:

Waterworks and Sewer System Revenue Bonds, Series 1977-			
Interest and Sinking Fund-			
Cash		\$	1,573.92
Reserve Fund-			
Temporary Investments			22,000.00
Emergency Fund-			
Temporary Investments			5,000.00

Total		\$	28,573.92

Waterworks and Sewer System Junior Lien Revenue Bond, Series 1981-			
Interest and Sinking Fund-			
Cash		\$	3,817.53
Reserve Fund-			
Temporary Investments			23,325.00

Total		\$	27,142.53

Total Restricted Assets		\$	55,716.45
			=====

NOTE 6: Pension Plan

All full time employees participate in the federal social security program and a retirement plan administered by the Texas Municipal Retirement System.

NOTE 7: Changes in General Fixed Assets

<u>Balance</u> <u>9/30/89</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/90</u>
\$ 606,404.33	\$ 32,357.65	\$ 64,304.07	\$ 574,457.91
=====	=====	=====	=====

CITY OF WILLIS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 1990

NOTE 8: Depository Pledge

As of February 21, 1990, the date of the largest combined cash and investment balance, the City had \$200,904.35 on deposit at its depository institution, Citadel Bank, Willis, Texas. The funds on deposit at Citadel Bank are secured by a combined total of \$300,000 in F.D.I.C. protection and \$200,000 in pledged securities.

NOTE 9: Miscellaneous Adjustment, Utility Fund

At September 30, 1990, the utility fund accounts receivable were adjusted to their net realizable value of \$57,290.56 which required a \$10,965.89 adjustment to retained earnings. The current allowance for bad debts is 1% of the current receivable amount.

NOTE 10: Capital Leases

On February 8, 1990, the City entered into a capital lease for two Police sedans in the amount of \$27,538. This lease will be repaid from the General Fund.

Another lease was entered into on October 17, 1989, for communications equipment in the amount of \$2,243.70. This lease is also recorded in the General Fund.

The City also entered into three leases to be repaid from the Utility Fund. A capital lease in the amount of \$21,737 for the purchase of a jet sprayer was entered into on October 17, 1989. A backhoe was acquired by lease on October 9, 1989 for \$33,161. The City also has a truck under capital lease in the amount of \$10,264.00.

The next five years annual capital lease repayment requirements are as follows:

Year Ending Sept 30	<u>General Fund</u>		<u>Utility Fund</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
1991	10,000.55	1,908.49	12,438.25	3,752.99	28,100.28
1992	10,206.46	813.14	13,447.16	2,744.08	27,210.84
1993	2,599.88	43.45	14,283.73	1,648.17	18,575.23
1994	--	--	12,443.25	635.91	13,079.16
1995	--	--	1,931.69	19.02	1,950.71

CITY OF WILLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1990

NOTE 11: Subsequent Event

On June 20, 1990, the City of Willis entered into a lease agreement with Montgomery County Department of Community Supervision for the lease of a Residential Treatment Facility. Montgomery County will operate the treatment facility beginning January of 1991 and will pay both rent and insurance to the City of Willis. The City has entered into separate agreements to lease/purchase the land and buildings of the facility site. The lease/purchase agreements are set up as monthly payments ending November 1, 2004. The total cost of the facility including principal and interest amounts to \$1,365,000.00. The property on which the facility is located will cost a total of \$65,000 (including principal and interest). Rents paid by Montgomery County will cover these costs plus insurance.

INDIVIDUAL FUND FINANCIAL STATEMENTS

CITY OF WILLIS, TEXAS
 GENERAL FUND
 BALANCE SHEET
 SEPTEMBER 30, 1990 AND 1989

EXHIBIT B-1-1

	1990	1989
ASSETS:		
<i>Cash</i>	\$ 2,315.31	\$ 14,703.91
<i>Temporary Investments</i>	51,257.11	28,083.01
<i>Receivables-</i>		
<i>Property Tax</i>	52,572.86	49,633.07
<i>Allowance for Uncollectible Accounts</i>	(5,257.29)	(4,963.31)
<i>Accrued Interest</i>	181.97	--
<i>Due from Other Funds</i>	11,996.46	50.00
Total Assets	<u>\$ 113,066.42</u>	<u>\$ 87,506.68</u>
LIABILITIES:		
<i>Accounts Payable</i>	\$ 4,611.32	\$ 15,622.51
<i>Appearance Bonds Payable</i>	61.50	111.50
<i>Due to State</i>	7,680.82	7,249.80
<i>Due to Other Funds</i>	13,831.58	--
<i>Deferred Revenue</i>	47,315.57	44,669.76
Total Liabilities	<u>\$ 73,500.79</u>	<u>\$ 67,653.57</u>
FUND EQUITY:		
<i>Unreserved Fund Balance</i>	39,565.63	19,853.11
 Total Liabilities and Fund Equity	 <u>\$ 113,066.42</u>	 <u>\$ 87,506.68</u>

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

CITY OF WILLIS, TEXAS

EXHIBIT B-1-2

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 1990

	1990			(Memo) 1989 Actual
	Budget	Actual	Variance- Favorable (Unfavorable)	
REVENUES:				
<i>Ad Valorem Tax</i>	\$ 146,711.00	\$ 134,755.25	\$ (11,955.75)	\$ 146,016.92
<i>City Sales Tax</i>	125,000.00	125,550.52	550.52	123,427.34
<i>Franchise Tax, Street Rental</i>	80,000.00	78,504.00	(1,496.00)	77,646.95
<i>Sanitation and Landfill</i>	115,000.00	129,610.17	14,610.17	105,175.87
<i>Fines and Court Costs</i>	67,000.00	61,946.35	(5,053.65)	65,266.50
<i>Permits and License</i>	4,000.00	6,764.27	2,764.27	4,742.07
<i>Miscellaneous</i>	1,500.00	2,952.47	1,452.47	1,635.21
<i>Interest Earned</i>	4,000.00	3,831.72	(168.28)	2,446.08
Total Revenues	\$ 543,211.00	\$ 543,914.75	\$ 703.75	\$ 526,356.94
EXPENDITURES:				
<i>City General</i>	\$ 80,923.00	\$ 76,369.29	\$ 4,553.71	\$ 107,487.22
<i>City Office</i>	62,600.00	57,468.38	5,131.62	60,213.56
<i>Police Department</i>	226,856.00	245,704.03	(18,848.03)	217,321.95
<i>Sanitation/Landfill</i>	112,050.00	101,585.41	10,464.59	79,081.02
<i>Street Department</i>	71,280.00	71,482.89	(202.89)	76,472.90
Total Expenditures	\$ 553,709.00	\$ 552,610.00	\$ 1,099.00	\$ 540,576.65
Excess (Deficiency) of Revenues Over Expenditures	\$ (10,498.00)	\$ (8,695.25)	\$ 1,802.75	\$ (14,219.71)
OTHER SOURCES AND (USES):				
<i>Interfund Transfers In (Out)</i>	\$ --	\$ 444.72	\$ 444.72	\$ 13,946.97
<i>Capital Lease Proceeds</i>	--	22,806.89	22,806.89	--
<i>Miscellaneous Revenue (Expense)</i>	--	5,156.16	5,156.16	--
Total Other Sources (Uses)	\$ --	\$ 28,407.77	\$ 28,407.77	\$ 13,946.97
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ (10,498.00)	\$ 19,712.52	\$ 30,210.52	\$ (272.74)
Fund Balance, October 1		19,853.11		20,125.85
Fund Balance, September 30		\$ 39,565.63		\$ 19,853.11

(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, 1990

	1990			(Memo) 1989 Actual
	Budget	Actual	Variance- Favorable (Unfavorable)	
CITY GENERAL:				
<i>Purchased and Contracted Services</i>	\$ 30,400.00	\$ 28,081.25	\$ 2,318.75	\$ 34,765.16
<i>Maintenance and Repairs</i>	4,000.00	4,050.70	(50.70)	3,101.11
<i>Other Operating Costs</i>	46,523.00	44,237.34	2,285.66	69,620.95
<i>Capital Outlay</i>	--	--	--	--
Total City General	\$ 80,923.00	\$ 76,369.29	\$ 4,553.71	\$ 107,487.22
CITY OFFICE:				
<i>Personnel</i>	\$ 46,100.00	\$ 45,281.37	\$ 818.63	\$ 46,604.86
<i>Purchased and Contracted Services</i>	--	--	--	--
<i>Maintenance and Repairs</i>	3,000.00	1,574.18	1,425.82	3,431.74
<i>Supplies and Materials</i>	6,000.00	3,779.38	2,220.62	5,534.72
<i>Utilities/Telephone</i>	7,000.00	4,364.70	2,635.30	4,142.24
<i>Other Operating Costs</i>	--	225.05	(225.05)	--
<i>Capital Outlay</i>	500.00	2,243.70	(1,743.70)	500.00
Total City Office	\$ 62,600.00	\$ 57,468.38	\$ 5,131.62	\$ 60,213.56
POLICE DEPARTMENT:				
<i>Personnel</i>	\$ 177,256.00	\$ 179,750.10	\$ (2,494.10)	\$ 177,493.12
<i>Purchased and Contracted Services</i>	1,200.00	1,200.00	--	1,000.00
<i>Maintenance and Repairs</i>	2,500.00	3,245.98	(745.98)	1,912.48
<i>Supplies and Materials</i>	8,500.00	4,232.49	4,267.51	5,659.09
<i>Vehicle Expense</i>	16,000.00	18,984.85	(2,984.85)	18,069.23
<i>Utilities/Telephone</i>	7,400.00	7,200.04	199.96	6,704.73
<i>Other Operating Costs</i>	1,000.00	725.46	274.54	704.50
<i>Capital Outlay</i>	13,000.00	28,728.95	(15,728.95)	5,778.80
<i>Debt Service</i>	--	1,636.16	(1,636.16)	--
Total Police Department	\$ 226,856.00	\$ 245,704.03	\$ (18,848.03)	\$ 217,321.95

CITY OF WILLIS, TEXAS
GENERAL FUND
STATEMENT OF EXPENDITURES WITH BUDGET COMPARISON (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 1990

	1990			(Memo) 1989 Actual
	Budget	Actual	Variance- Favorable (Unfavorable)	
SANITATION/LANDFILL:				
<i>Personnel</i>	\$ --	\$ --	\$ --	\$ 9,833.09
<i>Purchased and Contracted Services</i>	96,000.00	98,110.34	(2,110.34)	32,139.41
<i>Maintenance and Repairs</i>	13,500.00	3,465.75	10,034.25	24,666.30
<i>Utilities</i>	--	--	--	131.82
<i>Other Operating Costs</i>	1,500.00	9.32	1,490.68	2,310.40
<i>Capital Outlay</i>	1,050.00	--	1,050.00	10,000.00
Total Landfill Department	\$ 112,050.00	\$ 101,585.41	\$ 10,464.59	\$ 79,081.02
STREET DEPARTMENT:				
<i>Personnel</i>	\$ 24,880.00	\$ 28,194.98	\$ (3,314.98)	\$ 27,577.17
<i>Purchased and Contracted Services</i>	--	--	--	--
<i>Maintenance and Repairs</i>	7,400.00	9,629.12	(2,229.12)	9,875.88
<i>Supplies and Materials</i>	12,000.00	7,695.41	4,304.59	3,641.21
<i>Vehicle Expense</i>	4,500.00	3,629.41	870.59	2,779.65
<i>Utilities</i>	21,000.00	20,948.97	51.03	20,448.95
<i>Capital Outlay</i>	1,500.00	1,385.00	115.00	12,150.04
Total Street Department	\$ 71,280.00	\$ 71,482.89	\$ (202.89)	\$ 76,472.90
Total Expenditures	\$ 553,709.00	\$ 552,610.00	\$ 1,099.00	\$ 540,576.65

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

CITY OF WILLIS, TEXAS

EXHIBIT B-2

SPECIAL REVENUE FUND

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

BALANCE SHEET

SEPTEMBER 30, 1990 AND 1989

	1990	1989
ASSETS:		
Cash	\$ 250.00	\$ 250.00
Due from State	--	--
Total Assets	<u>\$ 250.00</u>	<u>\$ 250.00</u>
LIABILITIES:		
Accounts Payable	\$ 200.00	\$ 200.00
Due to Other Funds	50.00	50.00
Total Liabilities	<u>\$ 250.00</u>	<u>\$ 250.00</u>
FUND EQUITY:		
Fund Balance	--	--
Total Liabilities and Fund Equity	<u>\$ 250.00</u>	<u>\$ 250.00</u>

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 1990

	1990		Variance- Favorable (Unfavorable)	(Memo) 1989 Actual
	Budget	Actual		
REVENUES:				
Texas Capital Fund	\$ --	\$ --	\$ --	\$ --
EXPENDITURES:				
Storm Drainage Facilities	\$ --	\$ --	\$ --	\$ --
Construction	--	--	--	--
Machinery and Equipment	--	--	--	--
Engineering Fees	--	--	--	--
Administration	--	--	--	--
Total Expenditures	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
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	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Fund Balance, October 1		--		--
Fund Balance, September 30		<u>\$ --</u>		<u>\$ --</u>

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

CITY OF WILLIS, TEXAS
 DEBT SERVICE FUND
 BALANCE SHEET
 SEPTEMBER 30, 1990 AND 1989

EXHIBIT B-3

	1990	1989
ASSETS:		
<i>Cash</i>	\$ 1,035.60	\$ 532.78
<i>Property Tax Receivable</i>	53,467.05	48,653.63
<i>Allowance for Uncollectible Accounts</i>	(5,346.71)	(4,865.36)
<i>Due from Other Funds</i>	13,831.58	--
Total Assets	\$ 62,987.52	\$ 44,321.05
LIABILITIES:		
<i>Deferred Revenue</i>	\$ 48,120.34	\$ 43,788.27
FUND EQUITY:		
<i>Reserved for Retirement of Bonded Debt</i>	14,867.18	532.78
Total Liabilities and Fund Equity	\$ 62,987.52	\$ 44,321.05

STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED SEPTEMBER 30, 1990

	1990		Variance- Favorable (Unfavorable)	(Memo) 1989 Actual
	Budget	Actual		
REVENUES:				
<i>Ad Valorem Taxes</i>	\$ 122,250.00	\$ 136,200.33	\$ 13,950.33	\$ 120,551.48
<i>Interest Earned</i>	--	114.29	114.29	285.53
Total Revenues	\$ 122,250.00	\$ 136,314.62	\$ 14,064.62	\$ 120,837.01
EXPENDITURES:				
<i>Bond Principal</i>	\$ 50,000.00	\$ 50,000.00	\$ --	\$ 45,000.00
<i>Interest</i>	71,250.00	71,250.00	--	75,137.50
<i>Paying Agent Fees</i>	1,000.00	730.22	269.78	752.34
Total Expenditures	\$ 122,250.00	\$ 121,980.22	\$ 269.78	\$ 120,889.84
Excess of Revenues Over Expenditures	\$ --	\$ 14,334.40	\$ 14,334.40	\$ (52.83)
OTHER SOURCES AND (USES):				
<i>Interfund Transfer In (Out)</i>		--		--
Fund Balance, October 1		532.78		585.61
Fund Balance, September 30		\$ 14,867.18		\$ 532.78

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

CITY OF WILLIS, TEXAS
 WATER AND SEWER UTILITY FUND
 BALANCE SHEET
 SEPTEMBER 30, 1990 AND 1989

EXHIBIT B-4-1

	1990	1989
ASSETS:		
<i>Current Assets-</i>		
Cash	\$ 21,314.68	\$ 12,870.91
Temporary Investments	21,500.00	31,500.00
Service Accounts Receivable	57,290.56	50,164.79
Allowance for Uncollectible Accounts	(572.91)	(501.65)
Accrued Interest	101.05	309.95
Sundry Receivables	--	532.90
Supplies Inventory	7,220.95	14,984.11
Total Current Assets	<u>\$ 106,854.33</u>	<u>\$ 109,861.01</u>
<i>Property, Plant and Equipment-</i>		
Utility System in Service	\$ 4,228,999.28	\$ 4,148,647.68
Accumulated Depreciation	(1,291,497.34)	(1,166,577.36)
Total Property, Plant and Equipment	<u>\$ 2,937,501.94</u>	<u>\$ 2,982,070.32</u>
<i>Restricted Assets-</i>		
1977 Water and Sewer Revenue Bond Fund	\$ 28,573.92	\$ 28,070.76
1981 Water and Sewer Jr. Lien Revenue Bond Fund	27,142.53	26,794.31
Total Restricted Assets	<u>\$ 55,716.45</u>	<u>\$ 54,865.07</u>
Total Assets	<u>\$ 3,100,072.72</u>	<u>\$ 3,146,796.40</u>
LIABILITIES:		
<i>Current Liabilities-</i>		
Accounts Payable	\$ 4,671.73	\$ 3,571.29
Bond Interest Payable	2,043.34	2,380.00
Customer Deposits Payable	24,268.39	23,215.00
Capital Leases Payable (Current)	12,438.24	--
Revenue Bonds Payable (Current)	30,000.00	30,000.00
Due to General Fund	11,946.46	--
Total Current Liabilities	<u>\$ 85,368.16</u>	<u>\$ 59,166.29</u>
<i>Long-Term Liabilities-</i>		
Capital Leases Payable-Future Maturities	42,105.04	--
Revenue Bonds-Future Maturities	175,000.00	205,000.00
Total Long-Term Liabilities	<u>\$ 217,105.04</u>	<u>\$ 205,000.00</u>
Total Liabilities	<u>\$ 302,473.20</u>	<u>\$ 264,166.29</u>
FUND EQUITY:		
Contributed Capital	\$ 3,087,670.37	\$ 3,087,670.37
Retained Earnings-		
Reserved for Retirement of Revenue Bonds	55,716.45	54,865.07
Unreserved	(345,787.30)	(259,905.33)
Total Fund Equity	<u>\$ 2,797,599.52</u>	<u>\$ 2,882,630.11</u>
Total Liabilities and Fund Equity	<u>\$ 3,100,072.72</u>	<u>\$ 3,146,796.40</u>

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

CITY OF WILLIS, TEXAS
WATER AND SEWER UTILITY FUND
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 1990

EXHIBIT B-4-2

	1990			(Memo)
	Water Department	Sewer Department	Total	1989 Actual
OPERATING REVENUE:				
<i>Charges for Water and Sewer Service</i>	\$ 215,905.22	\$ 168,682.21	\$ 384,587.43	\$ 370,557.49
<i>Water and Sewer Connections</i>	8,086.33	5,278.35	13,364.68	5,600.00
<i>Late Payment Penalties</i>	8,038.40	8,038.40	16,076.80	13,521.24
<i>Service Charges</i>	3,342.50	3,342.50	6,685.00	5,213.08
<i>Inspection Fees</i>	--	290.00	290.00	122.00
Total Operating Revenue	\$ 235,372.45	\$ 185,631.46	\$ 421,003.91	\$ 395,013.81
OPERATING EXPENSE:				
<i>Personnel</i>	\$ 79,021.02	\$ 51,489.81	\$ 130,510.83	\$ 116,839.02
<i>Administration</i>	16,015.65	16,015.64	32,031.29	31,658.28
<i>Contracted Services</i>	--	--	--	--
<i>Maintenance and Repairs</i>	48,979.44	26,953.30	75,932.74	54,510.27
<i>Utilities</i>	32,345.19	50,617.22	82,962.41	77,669.47
<i>Supplies and Materials</i>	18,634.62	9,351.24	27,985.86	12,591.92
<i>Vehicle Expense</i>	6,446.75	3,716.59	10,163.34	8,070.19
<i>Other Operating Expense</i>	9,793.70	9,207.95	19,001.65	1,150.50
<i>Depreciation</i>	63,434.99	63,434.99	126,869.98	124,350.21
Total Operating Expense	\$ 274,671.36	\$ 230,786.74	\$ 505,458.10	\$ 426,839.86
Operating Income (Loss)	\$ (39,298.91)	\$ (45,155.28)	\$ (84,454.19)	\$ (31,826.05)
NON-OPERATING REVENUE (EXPENSE):				
<i>Interest Earnings</i>			\$ 1,741.02	\$ 5,591.90
<i>Interest Earnings - Bond Sinking Funds</i>			4,426.16	3,008.03
<i>Miscellaneous Adjustment/Equipment Sale</i>			400.00	722.77
<i>Interest Expense</i>			(17,544.75)	(15,600.00)
<i>Bond Paying Agent Fees</i>			(120.00)	(120.00)
Total Non-operating Revenue (Expense)			\$ (11,097.57)	\$ (6,397.30)
Net Income (Loss)			\$ (95,551.76)	\$ (38,223.35)
Fund Equity, October 1			2,882,630.11	2,982,098.94
<i>Adjustment to Receivables</i>			10,965.89	(49,164.08)
<i>Transfer to General Fund</i>			(444.72)	(12,081.40)
<i>Contributed Capital - Capital Projects</i>			--	--
Fund Equity, September 30			\$ 2,797,599.52	\$ 2,882,630.11

(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.

JOHN R. PECHACEK, C.P.A.

April 5, 1991

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, 1990, and have issued our report thereon dated April 5, 1991. Our examination was made in accordance with generally accepted auditing standards; the standards for financial and compliance audits contained in the Government Auditing Standards, 1988 Revision, 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.

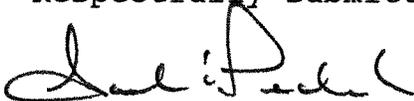
The administration of the City of Willis, Texas, is responsible for the city's compliance with laws and regulations. In connection with the examination referred to above, we selected and tested transactions and records from each federal financial assistance program.

The purpose of our testing of transactions and records from those State 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 these federal financial assistance programs disclosed no instances of noncompliance with those laws and regulations.

In our opinion, for the year ended September 30, 1990, 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, 1990

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

Program or Award Amount	Accrued or (Deferred) Revenue at 10/01/89	Receipts/ Revenue Realized	Disbursements/ Expenditures	Accrued or (Deferred) Revenue at 9/30/90
\$ 491,615.00	\$ --	\$ --	\$ --	\$ --

CITY OF WILLIS, TEXAS

EXHIBIT C-1

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, 1990

	Budget	Project Actual		Variance- Favorable (Unfavorable)
		12/10/87 to 9/30/89	10/01/89 to 9/30/90	
RECEIPTS:				
<i>Texas Capital Fund Grant</i>	\$ 491,615.00	\$ 11,879.00	\$ --	\$ (479,736.00)
DISBURSEMENTS:				
<i>Storm Drainage Facilities</i>	\$ 50,715.00	\$ --	\$ --	\$ 50,715.00
<i>Construction</i>	224,000.00	--	--	224,000.00
<i>Machinery and Equipment</i>	176,000.00	--	--	176,000.00
<i>Engineering Fees</i>	5,900.00	3,650.00	--	2,250.00
<i>Administration</i>	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, 1990

<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
Texas Department of Commerce, Texas Capital Fund Project No. 707002	On November 28, 1988, the City received permission from the Texas Department of Commerce to terminate this grant. At September 30, 1990, the Account had not been closed.	None

SAULS AND PECHACEK

PUBLIC ACCOUNTANTS

P.O. Box 549

BELLVILLE, TEXAS 77418

409 - 865-3169

ROBERT E. SAULS, P.A.

JOHN R. PECHACEK, C.P.A.

April 5, 1991

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, 1990, and have issued our report thereon dated April 5, 1991. As part of our examination, we made a study and evaluation of the internal control systems and environment, 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 audits contained in the Government Auditing Standards, 1988 Revision, 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 including those used in administering federal financial assistance programs in the following categories:

Accounting Controls

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

General Administrative Controls

Depository Contract
Competitive Bidding
Nepotism
Pecuniary Interest
Actions planned or taken on auditor's disclosures
Actions taken on prior year disclosures

Controls Used in Administering Federal Programs

General Requirements

- Political activity
- Davis-Bacon Act
- Civil rights
- Relocation assistance and real property acquisition
- Federal financial reports

Specific Requirements

- Types of services
- Eligibility
- Matching level of effort
- Reporting
- Cost allocation

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.

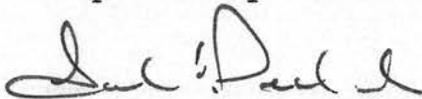
Our study included all of the applicable control categories listed above. During the year ended September 30, 1990, the City of Willis, Texas, expended none of its federal grant awards.

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. However, our study and evaluation and our examination disclosed no condition that we believe to be a material weakness in relation to a federal financial assistance program of the City of Willis, Texas.

This report is intended solely for the use of management, the State of Texas, 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, 1990

EXHIBIT D-1

Taxes Receivable, 10-1-89			\$	98,286.70
1989 Original Roll	\$	263,704.30		
Errors and Corrections		(2,188.47)		261,515.83
Total Taxes to be Accounted for			\$	359,802.53
Tax Collections				
Current Collections	\$	221,796.43		
Delinquent Collections		31,966.19		253,762.62
Taxes Receivable, 9-30-90			\$	106,039.91
Taxes Receivable by Year of Assessment				
1989	\$	39,633.62		
1988		19,324.64		
1987		13,184.55		
1986		9,416.76		
1985		5,071.47		
1984		4,235.88		
1983		2,813.04		
1982		3,535.75		
1981		2,026.61		
1980 and prior		6,797.59		
Taxes Receivable, 9-30-90			\$	106,039.91

Year of Assessment	1989	1988	1987	1986
Assessed Valuation	\$ <u>47,686,130</u>	\$ <u>50,315,429</u>	\$ <u>49,131,390</u>	\$ <u>47,534,910</u>
Tax Rate Per \$100 Valuation	\$ <u>0.553</u>	\$ <u>0.524</u>	\$ <u>0.502</u>	\$ <u>0.476</u>
Assessment	\$ <u>263,704.30</u>	\$ <u>263,652.85</u>	\$ <u>246,639.58</u>	\$ <u>226,266.17</u>

CITY OF WILLIS, TEXAS

EXHIBIT D-2

WATER AND SEWER UTILITY FUND

SCHEDULE OF WATER USAGE AND NUMBER OF CUSTOMER SERVED
FOR THE YEAR ENDED SEPTEMBER 30, 1990

Month	Water Usage In Gallons		Number of Customers Served	
	Pumped	Sold	Water	Sewer
October, 1989	14,253,000	11,977,250	1,015	856
November, 1989	12,636,000	10,299,190	1,011	856
December, 1989	14,748,000	8,959,790	1,000	845
January, 1990	12,744,900	15,896,190	1,009	853
February, 1990	11,023,800	9,671,090	1,008	855
March, 1990	12,338,000	10,521,190	1,017	864
April, 1990	12,010,600	9,878,010	1,025	872
May, 1990	14,084,900	10,896,430	1,022	864
June, 1990	17,373,000	14,872,910	1,029	866
July, 1990	14,867,200	12,346,170	1,024	859
August, 1990	16,748,900	13,062,170	1,024	859
September, 1990	15,032,100	13,986,000	1,030	858
Total	167,860,400	142,366,390	12,214	10,307
Average	13,988,367	11,863,866	1,018	859

CITY OF WILLIS, TEXAS
 SCHEDULE OF CAPITAL LEASES
 YEAR ENDED SEPTEMBER 30, 1990

<u>Purpose And Lawful Authority</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>(Terms) Maturity Schedule</u>	<u>Fund Payable From</u>	<u>Amounts Outstanding 10-1-89</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>
GENERAL FUND CAPITAL LEASES:							
<i>Equipment Purchase Public Property Finance Act</i>	10-17-89	17.23%	2 yrs.	General	\$ --	\$ 2,243.70	\$ 664.39
<i>Automobile Purchase Public Property Finance Act</i>	02-08-90	10.00%	3 yrs.	General	--	27,538.00	6,310.42
Total General Fund Leases					\$ --	\$ 29,781.70	\$ 6,974.81

UTILITY FUND CAPITAL LEASES:

<i>Equipment Purchase Public Property Finance Act</i>	08-29-89	10.25%	4 yrs.	Utility	\$ 10,004.66	\$ --	\$ 2,187.49
<i>Equipment Purchase Public Property Finance Act</i>	10-09-89	8.00%	5 yrs.	Utility	--	33,161.00	5,374.46
<i>Equipment Purchase Public Property Finance Act</i>	10-17-89	7.00%	5 yrs.	Utility	--	21,737.00	2,797.43
Total Utility Fund Leases					\$ 10,004.66	\$ 54,898.00	\$ 10,359.38

Amounts Outstanding 9-30-90	Interest Current Year	Requirements				10-1-92 To Maturity Interest
		Year Ending 9-30-91		Year Ending 9-30-92		
		Principal	Interest	Principal	Interest	
\$ 1,579.31	\$ 225.05	\$ 1,150.09	\$ 184.07	\$ 429.22	\$ 15.50	\$ --
21,227.58	1,620.74	8,850.46	1,724.42	9,777.24	797.64	43.45
<u>\$ 22,806.89</u>	<u>\$ 1,845.79</u>	<u>\$ 10,000.55</u>	<u>\$ 1,908.49</u>	<u>\$ 10,206.46</u>	<u>\$ 813.14</u>	<u>\$ 43.45</u>
\$ 7,817.17	\$ 924.59	\$ 2,422.52	\$ 689.56	\$ 2,682.85	\$ 429.23	\$ 140.94
27,786.54	1,880.48	6,050.73	1,863.75	6,512.81	1,401.67	1,264.70
18,939.57	1,076.08	3,965.00	1,199.68	4,251.50	913.18	897.46
<u>\$ 54,543.28</u>	<u>\$ 3,881.15</u>	<u>\$ 12,438.25</u>	<u>\$ 3,752.99</u>	<u>\$ 13,447.16</u>	<u>\$ 2,744.08</u>	<u>\$ 2,303.10</u>

CITY OF WILLIS, TEXAS
ANALYSIS OF CHANGES IN DEBT
YEAR ENDED SEPTEMBER 30, 1990

Description	Date of Issue	Amount of Issue	Interest Rate	Principal Outstanding 10-1-89	Debt Issued	Debt Retired
GENERAL OBLIGATION DEBT:						
<i>General Obligation Bonds</i>	07-01-75	\$ 220,000	Various	\$ 30,000	\$ --	\$ 15,000
<i>Combination Tax & Revenue Certificates of Obligation</i>	09-01-81	85,000	Various	85,000	--	--
<i>Combination Tax & Revenue Certificates of Obligation, 1986 Series</i>	05-01-86	800,000	Various	745,000	--	35,000
Total General Obligation Debt				\$ 860,000	\$ --	\$ 50,000
WATER AND SEWER UTILITY FUND DEBT:						
<i>Waterworks and Sewer System Revenue Bonds, Series 1977</i>	07-15-77	\$ 240,000	Various	\$ 110,000	\$ --	\$ 15,000
<i>Waterworks and Sewer System Revenue Bonds, Series 1981</i>	08-01-81	250,000	5.60%	125,000	--	15,000
Total Water & Sewer Utility Fund Debt				\$ 235,000	\$ --	\$ 30,000

Principal Outstanding 9-30-90	Interest Current Year	Requirements				Interest 10-1-92 To Maturity
		Year Ending 9-30-91		Year Ending 9-30-92		
		Principal	Interest	Principal	Interest	
\$ 15,000	\$ 2,100	\$ 15,000	\$ 1,050.00	\$ --	\$ --	\$ --
85,000	6,800	--	6,800.00	25,000	6,800.00	8,400
710,000	62,350	40,000	59,362.50	35,000	56,506.25	270,935
<u>\$ 810,000</u>	<u>\$ 71,250</u>	<u>\$ 55,000</u>	<u>\$ 67,212.50</u>	<u>\$ 60,000</u>	<u>\$ 63,306.25</u>	<u>\$ 279,335</u>
\$ 95,000	\$ 7,000	\$ 15,000	\$ 6,100	\$ 15,000	\$ 5,200	\$ 11,375
110,000	7,000	15,000	6,160	15,000	5,320	14,000
<u>\$ 205,000</u>	<u>\$ 14,000</u>	<u>\$ 30,000</u>	<u>\$ 12,260</u>	<u>\$ 30,000</u>	<u>\$ 10,520</u>	<u>\$ 25,375</u>

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: Citadel Bank
 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

EXHIBIT D-4-2

REPAYMENT SCHEDULE - 1981 SERIES

COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION

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

Total Amount of Issue:

\$ 85,000.00

Paying Agent:

Citadel Bank
Willis, Texas

Prepayment Option:

September 1, 1986 or any interest
payment date thereafter.

CITY OF WILLIS, TEXAS

EXHIBIT D-4-3

REPAYMENT SCHEDULE - 1986 SERIES

COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION

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

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

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

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

EXHIBIT D-4-4

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

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

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

EXHIBIT D-4-5

Fiscal Year Ending Sept. 30	Bond Numbers	Interest Rate	Semi-Annual Interest Due		Annual Principal Due	Total Annual Requirements
			February 1	August 1	August 1	
1982	1-3	5.60%	\$ 7,000.00	\$ 7,000.00	\$ 15,000.00	\$ 29,000.00
1983	4-6	"	6,580.00	6,580.00	15,000.00	28,160.00
1984	7-9	"	6,160.00	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. This prepayment altered the repayment schedule above. A revised repayment schedule is presented in the following exhibit.

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

EXHIBIT D-4-6

Fiscal Year Ending Sept. 30	Bond Numbers	Interest Rate	Semi-Annual Interest Due		Annual Principal Due	Total Annual Requirements
			February 1	August 1	August 1	
1990	25-27	5.60%	\$ 3,500.00	\$ 3,500.00	\$ 15,000.00	\$ 22,000.00
1991	28-30	"	3,080.00	3,080.00	15,000.00	21,160.00
1992	31-33	"	2,660.00	2,660.00	15,000.00	20,320.00
1993	34-36	"	2,240.00	2,240.00	15,000.00	19,480.00
1994	37-39	"	1,820.00	1,820.00	15,000.00	18,640.00
1995	40-42	"	1,400.00	1,400.00	15,000.00	17,800.00
1996	43-45	"	980.00	980.00	15,000.00	16,960.00
1997	46-49	"	560.00	560.00	20,000.00	21,120.00
	Total		\$ 16,240.00	\$ 16,240.00	\$ 125,000.00	\$ 157,480.00

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. This revised schedule reflects this prepayment.

CITY OF WILLIS, TEXAS
 INSURANCE COVERAGE
 SEPTEMBER 30, 1990

EXHIBIT D-5

<u>Type of Coverage</u>	<u>Policy Limits and Deductible</u>		<u>Insurer</u>
<u>Municipal Liability</u>			
General Liability	\$1,000,000 Limit/\$1000 Deductible		Texas Municipal League
Auto Liability	\$1,000,000 Limit/\$1000 Deductible		Texas Municipal League
Law Enforcement Liability	\$1,000,000 Limit/\$1000 Deductible		Texas Municipal League
Errors and Omissions	\$1,000,000 Limit/\$1000 Deductible		Texas Municipal League
<u>Municipal Property</u>			
Basic Property, All Risks	\$2,521,300 Blanket/\$2,500 Deduct. Subject to Scheduled Sub-limits		Texas Municipal League
Auto Physical Damage Coverage	Actual Cash Value/\$1000 Deductible		Texas Municipal League
Workman's Compensation	Statutory		Texas Municipal League
<u>Bonded Employee Coverage</u>			
<u>Covered Employee</u>	<u>Amount</u>	<u>Policy Period</u>	
Chief of Police	\$ 5,000	6-22-90/6-22-91	Western Surety Company
City Secretary	\$ 5,000	2-09-90/2-09-91	Western Surety Company
Tax Assessor-Collector	\$ 5,000	3-03-90/3-03-91	Western Surety Company
Cashier	\$ 5,000	2-03-90/2-03-91	Western Surety Company
Court Clerk	\$ 5,000	4-03-90/4-03-91	Western Surety Company
Municipal Judge	\$ 1,000	4-05-90/4-05-91	Western Surety Company

CITY OF WILLIS, TEXAS
 ELECTED OFFICIALS, ADMINISTRATIVE PERSONNEL,
 AND LEGAL COUNSEL
 SEPTEMBER 30, 1990

<u>Position:</u>	<u>Name/Address:</u>	<u>Term Expires:</u>
Mayor	Edgar Straughter, Sr.	1991
Alderman Place No. 1	Thomas Belinoski	1992
Alderman Place No. 2	Ruth Castleschouldt	1992
Alderman Place No. 3	Josey Billnoske	1991
Alderman Place No. 4 (Mayor Pro-Tem)	W. L. Bilnoski	1991
Alderman Place No. 5	Bill Van Alstyne	1991
City Attorney	J. Ritchie Field P.O. Box 2804 Conroe, Texas 77305	Appointed By Council
City Administrator	M. C. Parmley	Appointed By Council
City Secretary	Janice Wilson	Appointed By Council