

**CITY OF WILLIS, TEXAS**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

**CITY OF WILLIS, TEXAS**

**Table of Contents**

**September 30, 2004**

	<u>Page</u>
List of Officials	-
Management's Discussion and Analysis	1-6
Independent Auditors' Report	-
Financial Statements:	
Government Wide Financial Statements	
Statement of Net Assets	7
Statement of Activities	8
Governmental Funds	
Balance Sheet	9
Statement of Revenues, Expenditures, and Changes in Fund Balance	10
Reconciliation of Total Fund Balance to Net Assets of Governmental Activities	11
Reconciliation of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds	12
Proprietary Funds	
Balance Sheet	13
Statement of Revenues, Expenses, and Changes in Fund Net Assets	14
Statement of Cash Flows	15
Notes to the Financial Statements	16-25
Supplemental Information:	
Budgetary Comparison Schedule	26
Statement of Expenses - General Fund	27
Statement of Expenses - Special Revenue Funds	28
Statement of Expenses - Utility Fund	29
Ad Valorem Tax Data	30
Schedule of Water Usage and Customers	31
Pension Plan Schedule of Actuarial Liabilities and Funding Progress	32
Schedule of Capital Leases	33
Combination Tax & Revenue Bond - General Fund	34
Waterworks & Sewer System Revenue Bonds - Proprietary Fund	35-36
Combination Tax & Revenue Bonds - Proprietary Fund	37-38

**CITY OF WILLIS, TEXAS**  
**List of Officials**

Mayor	Leonard Reed
Councilwoman	Josey Billnoske
Councilman	W.L. Bilnoski
Councilman	Bill Van Alstyne
Councilman	John Lovelady
Councilman	Richard Matheson
City Administrator	Jim McAlister
City Secretary	Brenda Burns
City Attorney	Larry Foerster
Public Works Director	Jerry Humphreys
Police Chief	James Nowak

**CITY OF WILLIS, TEXAS**  
**Management's Discussion and Analysis**

Our discussion and analysis of the City of Willis, Texas' financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2004. Please read it in conjunction with the City's financial statements, which begin on page 7.

**FINANCIAL HIGHLIGHTS**

The City's assets increased by approximately \$838,000 mostly as a result of water & sewer projects in progress. Long term debt increased by \$242,000 due, in part, to the scheduled principal payments on the City's outstanding bonds and \$565,000 in new bond issues.

During the year, the City had general expenses that were \$18,443 less than the prior year. Total general revenues were \$93,802 higher than in fiscal 2003.

In the City's business-type activities, revenues, which included grant funds of \$111,974, increased by \$385,468 (or 33 percent) while expenses decreased by 10.1 percent or \$11,639.

The General Fund reported a decrease in net assets this year of \$12,200 while the Water & Sewer Fund reported an increase in net assets of \$401,115.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements are also presented. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

**Reporting the City as a Whole**

One of the most important questions asked about the City's finances is, "Is the City of Willis, Texas improved as a whole as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets—the difference between assets and liabilities—as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities we divide the City into two kinds of activities:

**Governmental activities**—Most of the City's basic services are reported here, including the police, parks departments, and general administration. Property taxes, sales taxes, franchise fees, and traffic fines finance most of these activities.

**Business-type activities**—The City charges a fee to customers to help it cover all or most of the cost of services it provides. The City's water and sewer system is reported here.

### **Reporting the City's Most Significant Funds**

The fund financial statements begin on page 9 and provide detailed information about the most significant funds—not the City as a whole.

#### Governmental Funds

Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities reported in the Statement of Net Assets and the Statement of Activities and governmental funds in reconciliation at the bottom of the fund financial statements.

#### Proprietary Funds

When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail.

## THE CITY AS A WHOLE

The City's combined assets increased by \$838,579. General assets increased by \$143,098 and business type assets increased by \$695,481. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

Table 1 - Net Assets  
Governmental and Business Type Activities

	Governmental Activities		Business Type Activities		Total Primary Government	
	2003	2004	2003	2004	2003	2004
Current & Other Assets	\$1,215,621	\$1,445,963	\$1,551,925	\$1,983,280	\$2,767,546	\$3,429,243
Due from Other Funds	57,219	55,955	594,810	793,860	652,029	849,815
Capital Assets	881,728	795,748	4,274,201	4,339,277	5,155,929	5,135,025
Total Assets	2,154,568	2,297,666	6,420,936	7,116,417	8,575,504	9,414,083
Long-Term Debt	1,048,290	988,383	1,364,419	1,666,947	2,412,709	2,655,330
Due to Other Funds	652,030	849,815	-	-	652,030	849,815
Other Liabilities	93,226	110,646	76,153	68,093	169,379	178,739
Total Liabilities	1,793,546	1,948,844	1,440,572	1,735,040	3,234,118	3,683,884
Net Assets:						
Invested in Capital						
Assets-Net of Debt	(166,562)	(192,635)	2,909,782	2,672,330	2,743,220	2,479,695
Restricted	921,301	1,109,731	-	-	921,301	1,109,731
Unrestricted	(393,717)	(568,274)	2,070,480	2,709,047	1,676,763	2,140,773
Total Net Assets	\$ 361,022	\$ 348,822	\$4,980,262	\$5,381,377	\$5,341,284	\$ 5,730,199

Net assets of the City's governmental activities increased by three percent. (\$348,822 compared to \$361,022). Unrestricted net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements changed from a negative \$393,171 at September 2003 to a negative \$568,274 at the end of this year.

The net assets of our business-type activities increased by eight percent. (\$5,381,377 compared to \$4,980,262) Unrestricted net assets increased from \$2,070,480 at September 2003 to \$2,709,047 in 2004.

Table 2 - Changes in Net Assets  
Governmental and Business Type Activities

	Governmental Activities		Business Type Activities		Total Primary Government	
	2003	2004	2003	2004	2003	2004
<b>Revenues</b>						
Program	\$ 380,297	\$ 399,201	\$1,139,006	\$1,414,772	\$1,519,303	\$1,813,973
Grants	-	-	-	111,974	-	111,974
Franchise tax	113,777	137,335	-	-	113,777	137,335
Sales tax	776,609	877,309	-	-	776,609	877,309
Fines	170,926	118,211	-	-	170,926	118,211
Ad valorem tax	543,847	562,224	-	-	543,847	562,224
Other	79,766	64,744	19,187	16,915	98,953	81,659
<b>Total Revenues</b>	<b>2,065,222</b>	<b>2,159,024</b>	<b>1,158,193</b>	<b>1,543,661</b>	<b>3,223,415</b>	<b>3,702,685</b>
<b>Program Expenses</b>						
General	443,268	408,291	1,094,037	1,079,951	1,537,305	1,488,242
Garbage	317,745	382,418	-	-	317,745	382,418
Streets	140,276	89,388	-	-	140,276	89,388
Special revenue	201,590	307,627	-	-	201,590	307,627
Court	81,920	83,516	-	-	81,920	83,516
Public safety	968,275	863,361	-	-	968,275	863,361
Bond interest	36,593	36,623	60,148	62,595	96,741	99,218
<b>Total Program Expenses</b>	<b>2,189,667</b>	<b>2,171,224</b>	<b>1,154,185</b>	<b>1,142,546</b>	<b>3,343,852</b>	<b>3,313,770</b>
<b>Increase in Net Assets</b>	<b>\$ (124,445)</b>	<b>\$ (12,200)</b>	<b>\$ 4,008</b>	<b>\$ 401,115</b>	<b>\$ (120,437)</b>	<b>\$ 388,915</b>

### Governmental Activities

Revenues for the City's governmental activities increased by five percent, while expenses decreased one percent. A majority of the revenue increase was due to higher sales tax revenues.

### Business-Type Activities

Water and sewer revenues of the City's business-type activities increased by 24 percent and expenses decreased by one percent. Depreciation expense, which is a non-cash outlay, was \$221,000 for fiscal year 2004.

### GENERAL FUND BUDGETARY HIGHLIGHTS

General fund revenues, which include debt service and special revenue funds, were \$7,224 lower than budgeted. Expenses were \$175,022 below the budget amount. Most of the expense variance was due to under spending in the street department and the special revenue funds.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of September 2004, the City had \$5,135,025, net of accumulated depreciation, invested in a broad range of capital assets, including police equipment, buildings, park facilities, roads, and water and sewer facilities. This amount represents a net decrease of \$20,903, or less than one percent, from last year. The current year asset acquisitions were offset by total depreciation expense of \$324,995.

Table 3 - Capital Assets at Year-end  
Governmental and Business Type Activities

	Governmental Activities		Business Type Activities		Total Primary Government	
	2003	2004	2003	2004	2003	2004
Land & buildings	\$ 888,391	\$ 894,891	\$ -	\$ -	\$ 888,391	\$ 894,891
Vehicles & equipment	253,566	253,566	53,950	53,950	307,516	307,516
Equipment	238,039	249,554	60,595	60,595	298,634	310,149
Water system	-	-	2,815,295	2,815,295	2,815,295	2,815,295
Sewer system	-	-	4,396,003	4,396,003	4,396,003	4,396,003
Construction in progress	-	-	184,091	470,168	184,091	470,168
Less depreciation	(498,268)	(602,263)	(3,235,734)	(3,456,734)	(3,734,002)	(4,058,997)
Total Assets	\$ 881,728	\$ 795,748	\$4,274,200	\$4,339,277	\$5,155,928	\$ 5,135,025

The City's fiscal year 2005 capital budget does not call for any major asset acquisitions.

## Debt

At September 2004, the City of Willis, Texas had \$2,655,329 in bonds outstanding. This was an increase of \$242,219 from 2003. \$535,000 from the Series 2003-A bonds were issued and \$30,000 was issued from the Series 2003 bonds. Other regularly scheduled payments were made. \$70,000 in principal, plus interest, was paid from two of the special revenue funds.

Table 4 - Outstanding Debt at Year-end  
Governmental and Business Type Activities

	Governmental Activities		Business Type Activities		Total Primary Government	
	2003	2004	2003	2004	2003	2004
Capital leases	\$ 78,290	\$ 53,383	\$ 39,520	\$ 26,947	\$ 117,810	\$ 80,330
Bonds-Series 2001	970,000	935,000	-	-	970,000	935,000
Bonds-Series 1995-A	-	-	75,000	70,000	75,000	70,000
Bonds-Series 1995-B	-	-	1,040,000	980,000	1,040,000	980,000
Bonds-Series 2003-A	-	-	-	430,000	-	430,000
Bonds-Series 2003	-	-	210,000	160,000	210,000	160,000
	<u>\$1,048,290</u>	<u>\$ 988,383</u>	<u>\$1,364,520</u>	<u>\$1,666,947</u>	<u>\$2,412,810</u>	<u>\$2,655,330</u>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's elected and appointed officials and citizens considered many factors when setting the 2005 fiscal year budget. The economy, employment growth, traffic patterns and other factors were all a part of the factors used. The general fund revenues were budgeted at an eight percent decrease below the prior budget and the water fund revenues were anticipated to decrease four percent.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall at 200 N. Bell, Willis, Texas or visit the City's website at [www.ci.willis.tx.us](http://www.ci.willis.tx.us).



VANWASSEHNOVA AND ASSOCIATES  
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

The Honorable Leonard Reed, Mayor  
Members of City Council  
City of Willis, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willis, Texas (the "City"), as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willis, Texas, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in the notes to the financial statements, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, statements *Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of September 30, 2004.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*VanWassehnova & Associates*

VanWassehnova & Associates  
January 20, 2005

**CITY OF WILLIS, TEXAS**  
**Statement of Net Assets**  
**September 30, 2004**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,362,038	\$ 1,724,164	\$ 3,086,202
Receivables (net)	83,925	241,701	325,626
Inventory	-	17,415	17,415
Interfund receivable	55,955	793,860	849,815
Capital assets, net	795,748	4,339,277	5,135,025
Total assets	<u>2,297,666</u>	<u>7,116,417</u>	<u>9,414,083</u>
<b>Liabilities</b>			
Accounts payable	26,721	-	26,721
Customer deposits	-	68,093	68,093
Interfund payable	849,815	-	849,815
Deferred revenue	83,925	-	83,925
Noncurrent liabilities:			
Due within one year	61,079	268,164	329,243
Due in more than one year	927,304	1,398,783	2,326,087
Total liabilities	<u>1,948,844</u>	<u>1,735,040</u>	<u>3,683,884</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	(192,635)	2,672,330	2,479,695
Contributed capital	-	4,275,107	4,275,107
Retained earnings (deficit)	-	(1,566,060)	(1,566,060)
Restricted for:			
Debt service	63,167	-	63,167
Economic development	516,523	-	516,523
Community development	438,027	-	438,027
Hotel tax fund	92,014	-	92,014
Unrestricted	(568,274)	-	(568,274)
Total net assets	<u>\$ 348,822</u>	<u>\$ 5,381,377</u>	<u>\$ 5,730,199</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF WILLIS, TEXAS**  
**Statement of Activities**  
**For the year ended September 30, 2004**

<b>Function/programs</b>	<b>Expenses</b>	<b>Program Revenues &amp; Charges for Services</b>	<b>Grant Revenues</b>
Primary government:			
Governmental activities:			
City general	\$ 213,141	\$ 15,358	\$ -
Office	195,150	-	-
Garbage collection	382,418	383,843	-
Streets	89,388	-	-
Police	863,361	-	-
Special revenue funds	307,627	-	-
Court	83,516	-	-
Bond interest & fees	36,623	-	-
Total governmental activities	<u>2,171,224</u>	<u>399,201</u>	<u>-</u>
Business-type activities:			
Utility fund	1,079,951	1,414,772	111,974
Bond interest & fees	62,595	-	-
Total business-type activities	<u>1,142,546</u>	<u>1,414,772</u>	<u>111,974</u>
Total primary government	<u>\$ 3,251,175</u>	<u>\$ 1,813,973</u>	<u>\$ 111,974</u>

The accompanying notes are an integral part of the financial statements

Net (Expense) Revenue and  
Changes in Net Assets

	Governmental Activities	Business-type Activities	Total
Primary government:			
Governmental activities:			
City general	\$ (197,783)	\$ -	\$ (197,783)
Office	(195,150)	-	(195,150)
Garbage collection	1,425	-	1,425
Streets	(89,388)	-	(89,388)
Police	(863,361)	-	(863,361)
Special revenue funds	(307,627)	-	(307,627)
Court	(83,516)	-	(83,516)
Bond interest & fees	(36,623)	-	(36,623)
Total governmental activities	<u>(1,772,023)</u>	-	<u>(1,772,023)</u>
Business-type activities:			
Utility fund	-	446,795	446,795
Bond interest & fees	-	(62,595)	(62,595)
Total business-type activities	<u>-</u>	<u>384,200</u>	<u>384,200</u>
Total primary government	<u>(1,772,023)</u>	384,200	<u>(1,387,823)</u>
General revenues:			
Ad valorem tax	562,224	-	562,224
Sales tax	877,309	-	877,309
Franchise tax	137,335	-	137,335
Fines & warrant fees	118,211	-	118,211
Penalties & interest	16,595	-	16,595
Investment earnings	14,708	16,915	31,623
Miscellaneous	33,441	-	33,441
Total general revenues and transfers	<u>1,759,823</u>	<u>16,915</u>	<u>1,776,738</u>
Revenues over (under) expenses	(12,200)	401,115	388,915
Net assets-beginning	<u>361,022</u>	<u>4,980,262</u>	<u>5,341,284</u>
<b>Net assets-ending</b>	<u><u>\$ 348,822</u></u>	<u><u>\$ 5,381,377</u></u>	<u><u>\$ 5,730,199</u></u>

**CITY OF WILLIS, TEXAS**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2004**

	Governmental Fund Types		
	General	Debt Service	Economic Development
<b>Assets</b>			
Cash on hand and in bank	\$ 22,762	\$ 7,212	\$ 57,255
Certificates of deposit/investments	285,500	-	459,268
Receivables, net of uncollectibles:			
Delinquent taxes	66,023	17,902	-
Other funds	-	55,955	-
	<u>\$ 374,285</u>	<u>\$ 81,069</u>	<u>\$ 516,523</u>
Total assets	<u>\$ 374,285</u>	<u>\$ 81,069</u>	<u>\$ 516,523</u>
<b>Liabilities</b>			
Accounts payable	\$ 26,721	\$ -	-
Due other funds	849,815	-	-
Deferred revenues	66,023	17,902	-
	<u>942,559</u>	<u>17,902</u>	<u>-</u>
Total liabilities	<u>942,559</u>	<u>17,902</u>	<u>-</u>
<b>Fund balance</b>			
Fund balance - reserved	-	63,167	516,523
Fund balance - unreserved	(568,274)	-	-
	<u>(568,274)</u>	<u>63,167</u>	<u>516,523</u>
Total liabilities and fund balances	<u>\$ 374,285</u>	<u>\$ 81,069</u>	<u>\$ 516,523</u>

The accompanying notes are an integral part of the financial statements.

Governmental Fund Types

	<u>Community Development</u>	<u>Hotel Tax Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash on hand and in bank	\$ 46,181	\$ 92,014	\$ 225,424
Certificates of deposit/investments	391,846	-	1,136,614
Receivables, net of uncollectibles:			
Delinquent taxes	-	-	83,925
Other funds	-	-	55,955
	<u>438,027</u>	<u>92,014</u>	<u>1,501,918</u>
Total assets	<u>\$ 438,027</u>	<u>\$ 92,014</u>	<u>\$ 1,501,918</u>
<b>Liabilities</b>			
Accounts payable	-	-	26,721
Due other funds	-	-	849,815
Deferred revenues	-	-	83,925
	<u>-</u>	<u>-</u>	<u>960,461</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>960,461</u>
<b>Fund balance</b>			
Fund balance - reserved	438,027	92,014	1,109,731
Fund balance - unreserved	-	-	(568,274)
	<u>438,027</u>	<u>92,014</u>	<u>541,457</u>
Total fund balance	<u>438,027</u>	<u>92,014</u>	<u>541,457</u>
<b>Total liabilities and fund balances</b>	<u>\$ 438,027</u>	<u>\$ 92,014</u>	<u>\$ 1,501,918</u>

**CITY OF WILLIS, TEXAS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended September 30, 2004**

	General Fund	Debt Service	Economic Development
<b>Revenues</b>			
Ad valorem taxes	\$ 488,690	\$ 73,534	\$ -
Franchise taxes	115,348	-	-
Fines & warrant fees	118,211	-	-
Garbage collection	383,843	-	-
Sales taxes	438,655	-	219,327
Penalty & interest	13,334	3,261	-
Building permits	15,358	-	-
Investment earnings	3,991	102	6,376
Miscellaneous	33,292	-	149
Total revenues	1,610,722	76,897	225,852
<b>Expenditures</b>			
City general	173,592	1,000	-
Office	195,150	-	-
Garbage collection	382,418	-	-
Streets	89,388	-	-
Police	835,337	-	-
Special revenue funds	-	-	131,357
Court	83,516	-	-
Bond interest	-	35,000	-
Bond principal	-	35,623	-
Total expenditures	1,759,401	71,623	131,357
Revenues over (under) expenditures	(148,679)	5,274	94,495
Fund balances-beginning	(419,595)	57,893	422,028
Fund balances-ending	\$ (568,274)	\$ 63,167	\$ 516,523

The accompanying notes are an integral part of the financial statements.

	<u>Community Development</u>	<u>Hotel Tax Fund</u>	<u>Total</u>
<b>Revenues</b>			
Ad valorem taxes	\$ -	\$ -	\$ 562,224
Franchise taxes	-	21,987	137,335
Fines & warrant fees	-	-	118,211
Garbage collection	-	-	383,843
Sales taxes	219,327	-	877,309
Penalty & interest	-	-	16,595
Building permits	-	-	15,358
Investment earnings	4,239	-	14,708
Miscellaneous	-	-	33,441
	<u>223,566</u>	<u>21,987</u>	<u>2,159,024</u>
<b>Expenditures</b>			
City general	-	-	174,592
Office	-	-	195,150
Garbage collection	-	-	382,418
Streets	-	-	89,388
Police	-	-	835,337
Special revenue funds	170,436	12,334	314,127
Court	-	-	83,516
Bond interest	-	-	35,000
Bond principal	-	-	35,623
	<u>170,436</u>	<u>12,334</u>	<u>2,145,151</u>
Revenues over (under) expenditures	53,130	9,653	13,873
Fund balances-beginning	<u>384,897</u>	<u>82,361</u>	<u>527,584</u>
Fund balances-ending	<u>\$ 438,027</u>	<u>\$ 92,014</u>	<u>\$ 541,457</u>

**CITY OF WILLIS, TEXAS**  
**Reconciliation of Total Governmental Fund Balance**  
**to Net Assets of Governmental Activities**  
**September 30, 2004**

Total Governmental Fund Balances	\$ 541,457
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore not reported in governmental funds	795,748
Long-term liabilities are not reported as liabilities in the governmental funds	<u>(988,383)</u>
Net Assets of Governmental Activities	<u><u>\$ 348,822</u></u>

The accompanying notes are an integral part of the financial statements.

**CITY OF WILLIS, TEXAS**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended September 30, 2004**

Net change in fund balances-total governmental funds	\$ 13,873
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation for the year.	(103,995)
This is the amount of capital expenditures for the year.	18,015
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of current year repayments.	
	<u>59,907</u>
Change in net assets of governmental activities	<u>\$ (12,200)</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF WILLIS, TEXAS**  
**Balance Sheet**  
**Proprietary Funds**  
**September 30, 2004**

**Assets**

Cash on hand and in bank	\$ 488,003
Certificates of deposit/investments	1,236,161
Inventory	17,415
Receivables, net of uncollectibles:	
Accounts & other	241,701
Due from other funds	793,860
Fixed assets, net of accumulated depreciation	<u>4,339,277</u>
 Total assets	 <u><u>\$ 7,116,417</u></u>

**Liabilities**

Customer deposits	\$ 68,093
Leases payable	26,947
Bonds payable	<u>1,640,000</u>
 Total liabilities	 <u>1,735,040</u>

**Fund equity**

Contributed capital	4,275,107
Retained earnings	<u>1,106,270</u>
 Total fund equity	 <u>5,381,377</u>

<b>Total liabilities and fund equity</b>	<u><u>\$ 7,116,417</u></u>
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The accompanying notes are an integral part of the financial statements.

**CITY OF WILLIS, TEXAS**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds-Utility Fund**  
**For the year ended September 30, 2004**

<b>Operating revenues</b>	
Charges for services-water	\$ 685,095
Charges for services-sewer	631,445
Other	10,238
Tap fees	21,215
Penalties & service charges	<u>66,779</u>
Total operating revenues	1,414,772
<b>Operating expenses</b>	<u>1,079,951</u>
Operating income	<u>334,821</u>
Nonoperating revenue (expense)	
Grant revenues	111,974
Interest expense	(62,595)
Interest and investment revenue	<u>16,915</u>
Total nonoperating revenue	<u>66,294</u>
Net income	401,115
Fund equity-beginning	<u>4,980,262</u>
<b>Fund equity-ending</b>	<u><u>\$ 5,381,377</u></u>

The accompanying notes are an integral part of the financial statements.

**CITY OF WILLIS, TEXAS**  
**Statement of Cash Flows**  
**Proprietary Funds-Water Fund**  
**For the year ended September 30, 2004**

<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 1,400,038
Payments to suppliers	(342,135)
Payments to employees	(346,157)
Other receipts (payments)	(178,921)
Net cash provided by operating activities	532,825
<b>Cash flows from noncapital financing activities</b>	
Transfers to other funds	(199,048)
Grants received	111,974
Net cash provided by noncapital financing activities	(87,074)
<b>Cash flows from capital and related financing activities</b>	
Purchases of capital assets	(286,077)
<b>Cash flows from investing activities</b>	
Proceeds of debt	565,000
Payment on debt	(262,573)
Interest received	16,915
Interest paid	(62,595)
Net cash provided by investing activities	256,747
Net increase in cash and cash equivalents	416,421
Cash & cash equivalents-beginning of the year	1,307,743
<b>Cash &amp; cash equivalents-end of the year</b>	<b>\$ 1,724,164</b>
Reconciliation of operating income to net cash provided	
(used) by operating activities:	
Operating income	\$ 334,821
Adjustments to reconcile operating income to net cash provided	
(used) by operating activities:	
Depreciation expense	221,000
Change in net assets and liabilities:	
Receivables, net	(15,805)
Inventory	870
Accounts payable	(9,132)
Customer deposits	1,071
Net cash provided by operating activities	<b>\$ 532,825</b>

The accompanying notes are an integral part of the financial statements.

**CITY OF WILLIS, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2004**

**(1) Summary of Significant Accounting Policies**

A. History & General Statement

Willis became a community when the Great Northern Railroad decided to run a track from Houston to Chicago, and the Willis brothers donated their land in 1870 to the railroad. Willis grew in population after the trains began to travel through the town. There were hotels, dry good stores, and many other successful businesses in the 1870's and 1880's. The tobacco industry played a vital role in Willis' growth and development during that time. Other cash crops of cotton, watermelons, and tomatoes were an important part of the economy through the years. The timber industry, which still plays a role in Willis' economic growth, has been its most stable economic engine for over one hundred years.

Since the 1980's, Willis has seen its economic base change from agriculture to services, retail, and manufacturing. It is the gateway to Lake Conroe. Interstate 45 bisects the community. One mile east, U.S. Highway 75 and the Atchison, Topeka and Santa Fe rail services run parallel to Interstate 45. The George Bush Intercontinental Airport is 35 miles south of Willis. The Montgomery County Airport is 10 miles east of Willis.

The City operates under a Mayor-Alderman-City Administrator form of government and provides the following services as authorized by its charter: public safety (police), streets & roads, sanitation, water & sewer, culture-recreation, public improvements and administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB).

B. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth by the GASB, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on this criteria, the City of Willis, Texas has no component units.

### C. Basis of Presentation

The government-wide financial statements report information on all of the activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

#### Fund Financial Statements:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund - The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Special Revenue Fund – The Special Revenue Fund is used to account for financial transactions and resources received from specific sources. The City has three special revenue funds:

- The Willis Community Development Corporation receives a one half of one percent sales tax. The mission of the Willis Community Development Corporation is to provide leadership in developing and maintaining a quality living and working environment for residents of the local area, which is defined as land within the City limits and within one mile outside the City limits. Its goals are to:
  - Develop and maintain an aesthetically pleasing living environment.
  - Provide opportunities for community activities by developing appropriately related public facilities.
  - Promote or develop new or expanded business enterprises.
  - Assemble and maintain a marketing package for the local area.
  - Provide park improvements to neighborhood parks throughout the area inside the City Limits of Willis.

- The Willis Economic Development Corporation also receives a one half of one percent sales tax. The mission of the Willis Economic Development Corporation is to enhance and strengthen the local economy of Willis through the support and expansion of local businesses and the attraction of new businesses that will increase the tax basis of the local area, which is defined as land within the City limits and within one mile outside the City limits. This mission will be accomplished through (a) providing financial assistance as may be required, and permissible, to promote business opportunities and to provide expeditious assistance for expansion and entry into the Willis economy and (b) providing and supporting programs that enhance the quality of life for all Willis citizens. Its goals are to:
  - Seek to retain and expand existing employers.
  - Communicate educational needs of local employees to local educational institutions.
  - Work with the Greater Conroe Economic Development Council for the mutual economic benefit of North Montgomery County.
  - Assemble and maintain a marketing package for the local area.
  - Assist existing and potential employers with site acquisition and development.
  - Assist existing and potential employers with employee training.
  - Maintain a list of key suppliers to industry in Montgomery County located outside the local area with the goal of relocating them in the local area.
  
- The Hotel Tax fund receives taxes from hotels in the City limits. Expenditures from this fund provide publicity for the City in general.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of operating income and changes in net assets, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary funds:

Water & Sewer Fund - The Water & Sewer Fund is used to account for the provision of water & sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### D. Property Taxes

Property taxes are levied on October 1 and are payable on or before January 31. They attach as an enforceable lien on January 1.

#### E. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter (30 days) to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

The revenues susceptible to accrual are franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other Governmental Fund Type revenues are recognized when received.

#### F. Budgetary Control

The City of Willis, Texas has established its fiscal year as the twelve-month period beginning October 1. The departments submit to the Mayor a budget of estimated expenditures for the ensuing fiscal year after which the Mayor subsequently submits a budget of estimated expenditures and revenues to the City Council.

The budget is then legally enacted through passage of an ordinance. The Mayor is authorized to transfer budgeted amounts between line items and departments within any fund, however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original adopted appropriations.

The City of Willis, Texas prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the City's method (budget basis) in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual to provide a meaningful comparison of actual results with the budget. The major difference between budget and GAAP basis in the General Fund is that depreciation, since it is not a cash expense, is not budgeted. Depreciation for the general fund for the year ending September 30, 2004 was \$103,995.

G. Statement of Cash Flows

For the purpose of the Statement of Cash Flows, the Enterprise Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. Statement No. 9 of the Governmental Accounting Standards Board Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting requires that investments having maturity a date over three months, not be defined as cash equivalents.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. Interfund Receivables and Payables

Short-term amounts owed between funds are classified as “interfund receivable/payable”. As of September 30, 2004, the Governmental Activities Funds owed the Proprietary Fund a total of \$793,860.

J. Capital Assets

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Depreciation has been calculated on each class of depreciable property using the straight-line method.

Estimated useful lives are as follows:

Buildings	30 Years
Water System	30 Years
Machinery and Equipment	5-10 Years

## K. Compensated Absences

The City's policy provides employees with 8 hours of sick leave for each full month employed. A maximum amount of 360 hours of sick leave may be carried over from the previous year. Upon termination with the City, employees will not be paid for accumulated sick leave. Vacation time is accrued as follows:

Less than 10 years of service	6.67 hours per month
11 to 15 years of service	10.00 hours per month
16-20 years of service	13.34 hours per month
More than 20 years of service	16.67 hours per month

Employees may carryover 180 hours of vacation to the next year. Upon termination with the City, employees will be paid for unused vacation time for that year.

## L. Net Assets

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

## M. Implementation of New Accounting Principles

For fiscal year 2004, the City has implemented GASB Statement No. 33 (GASB 33), "Accounting and Financial Reporting for Nonexchange Transactions", GASB Statement No. 34 (GASB 34), "Basic Financial Statements—Management's Discussion and Analysis—for State and Local Governments", GASB Statement No. 37 (GASB 37), "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus" and GASB Statement No. 38 (GASB 38), "Certain Financial Statement Disclosures". At September 30, 2003, there was no effect on fund balance as a result of implementing GASB 33, GASB 37 and GASB 38.

GASB 34 creates new basic financial statements for reporting on the City's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type.

GASB 34 also includes certain transition treatments in regards to infrastructure. Since the City is a Phase 3 government with annual revenues of less than \$10,000,000, they have elected not to retroactively report major general infrastructure assets.

The government-wide financial statements split the City programs between governmental and business-type activities. The beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental activities reflects fund balance for governmental funds at September 30, 2003 adjusted for the conversion to the accrual basis of accounting and the consolidation of the internal service fund's net assets.

As a result of implementing GASB 34, the previously reported governmental fund balance reconciles to net assets of the governmental activities as follows:

General fund balance-original	\$ 527,584
September 2003 long-term debt	(1,048,290)
September 2003 general fixed assets	1,379,996
Prior depreciation of fixed assets	<u>(498,268)</u>
General net assets restated	<u>\$ 361,022</u>

**(2) Employees Pension Plan:**

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, defined contribution plan in the statewide Texas Municipal Retirement System (TMRS). It is one of 794 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the city-financed monetary credits, with interest. At the date the plan began, the city granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150% or 200%) of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

The contribution rate for the employees is 6%, and the city matching percent is currently 1.5 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective.

The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2003 valuation is effective for rates beginning January, 2005).

### **(3) Deposits & Investments**

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the city's agent bank approved pledged securities in an amount sufficient to protect City funds on a day to day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. City funds and taxes collected were adequately secured at all times during the year.

The City's deposits held at financial institutions can be categorized according to three levels of risk. All of the City's deposits are classified as Category 1 and the three levels of risk are:

Category 1 - Investments that are insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 - Deposits which are not collateralized.

#### (4) Long-Term Debt

The following is a summary of notes payable transactions for the year ended September 30, 2004:

	<u>Balance 9-30-03</u>	<u>Changes</u>	<u>Balance 9-30-04</u>
<b>General Fund</b>			
Capital Leases-Ford Motor Credit	\$ 78,290	\$ (24,907)	\$ 53,383
Tax & Revenue Bonds-Series 2001	970,000	(35,000)	935,000
	<u>1,048,290</u>	<u>(59,907)</u>	<u>988,383</u>
<b>Proprietary Fund</b>			
Capital Leases-Ford Motor Credit	39,520	(12,573)	26,947
Revenue Bonds-Series 1995-A	75,000	(5,000)	70,000
Revenue Bonds-Series 1995-B	1,040,000	(60,000)	980,000
Certificates of Obligation-Series 2003-A	-	430,000	430,000
Certificates of Obligation-Series 2003	210,000	(50,000)	160,000
	<u>1,364,520</u>	<u>302,427</u>	<u>1,666,947</u>
Total	<u>\$ 2,412,810</u>	<u>\$ 242,520</u>	<u>\$2,655,330</u>

Total Long-Term Debt requirements are as follows:

<u>Year Ending</u>	<u>Principal Payment</u>	<u>Interest</u>	<u>Total</u>
September 2005	\$ 329,243	\$ 109,011	\$ 438,254
September 2006	331,087	97,034	428,121
September 2007	210,000	88,438	298,438
September 2008	235,000	80,542	315,542
September 2009	120,000	71,484	191,484
September 2010 & Thereafter	1,430,000	387,697	1,817,697
	<u>\$ 2,655,330</u>	<u>\$ 834,206</u>	<u>\$3,489,536</u>

**(5) Changes in General Fixed Assets**

A Summary of changes in general fixed assets follows:

	Balance 9-30-03	Changes	Balance 9-30-04
<b>General Fund</b>			
Land & buildings	\$ 888,391	\$ 6,500	\$ 894,891
Vehicles & equipment	253,566	-	253,566
Equipment	238,039	11,515	249,554
	<u>\$ 1,379,996</u>	<u>\$ 18,015</u>	<u>\$1,398,011</u>
Less Accumulated Depreciation	(498,268)	(103,995)	(602,263)
Net Property & Equipment	<u>\$ 881,728</u>	<u>\$ (85,980)</u>	<u>\$ 795,748</u>
<b>Proprietary Fund</b>			
Water system	\$ 2,815,295	\$ -	\$2,815,295
Sewer system	4,396,003	-	4,396,003
Equipment	60,595	-	60,595
Vehicles	53,950	-	53,950
Construction in progress	184,091	286,077	470,168
	<u>7,509,934</u>	<u>286,077</u>	<u>7,796,011</u>
Less Accumulated Depreciation	(3,235,734)	(221,000)	(3,456,734)
Net Property & Equipment	<u>\$ 4,274,200</u>	<u>\$ 65,077</u>	<u>\$4,339,277</u>

**SUPPLEMENTAL INFORMATION**

**CITY OF WILLIS, TEXAS**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual (Budgetary Basis)**  
**Governmental Funds**  
**For the year ended September 30, 2004**

	Budgeted Amounts	Actual Amounts	Variance
<b>Revenues</b>			
Ad valorem taxes	\$ 553,223	\$ 562,224	\$ 9,001
Penalty & interest	19,000	16,595	(2,405)
Franchise taxes	140,000	137,335	(2,665)
Sales taxes	790,000	877,309	87,309
Fees and fines	195,000	118,211	(76,789)
Garbage collection	395,000	383,843	(11,157)
Building permits	15,000	15,358	358
Investment earnings	21,400	14,708	(6,692)
Miscellaneous	37,625	33,441	(4,184)
Total revenues	<u>2,166,248</u>	<u>2,159,024</u>	<u>(7,224)</u>
<b>Expenditures</b>			
City general	144,000	174,592	(30,592)
Office	234,400	195,150	39,250
Garbage collection	383,000	382,418	582
Streets	232,750	89,388	143,362
Police	773,200	835,337	(62,137)
Special revenue funds	400,100	314,127	85,973
Court	82,100	83,516	(1,416)
Bond principal and interest	70,623	70,623	-
Total expenditures	<u>2,320,173</u>	<u>2,145,151</u>	<u>175,022</u>
Excess of revenues over expenditures	(153,925)	13,873	<u>\$ 167,798</u>
Fund balance-beginning	<u>527,583</u>	<u>527,583</u>	
Fund balance-ending	<u>\$ 373,658</u>	<u>\$ 541,456</u>	

Note-original budget not amended

**CITY OF WILLIS, TEXAS**  
**Statement of Expenses**  
**General Fund**  
**For the Year Ended September 30, 2004**

	City General	Office	Streets
Salaries	\$ -	\$ 138,712	\$ 15,945
Health insurance	-	12,763	3,413
Professional services	63,755	6,584	-
Maintenance & repairs	11,767	-	36,559
Vehicle	-	-	3,799
Payroll taxes	-	10,487	1,442
Utilities	-	11,146	26,511
Capital outlay	11,514	-	-
Capital lease interest	-	-	-
Capital lease principal	-	-	-
Insurance	40,019	-	-
Employees retirement fund	-	7,064	868
Contract services	-	-	-
Dues, fees & training	12,696	-	-
Supplies	-	6,389	45
Travel & allowances	15,020	-	-
Public notices	5,469	-	-
Tax assessor	5,005	-	-
Postage	-	2,005	-
Miscellaneous	3,826	-	-
Uniforms	-	-	806
Code enforcement	3,405	-	-
Elections	1,116	-	-
	<hr/>	<hr/>	<hr/>
Total General Fund Expenses	173,592	195,150	89,388
Adjustments to the Statement of Activities:			
Depreciation	51,063	-	-
Capital lease principal	-	-	-
Capital outlay	(11,514)	-	-
	<hr/>	<hr/>	<hr/>
Total Primary Government Expenses	<u>\$ 213,141</u>	<u>\$ 195,150</u>	<u>\$ 89,388</u>

	<u>Police</u>	<u>Court</u>	<u>Total</u>
Salaries	\$ 544,281	\$ 44,408	\$ 743,346
Health insurance	78,346	4,603	99,125
Professional services	-	5,100	75,439
Maintenance & repairs	18,003	228	66,557
Vehicle	55,938	-	59,737
Payroll taxes	43,721	3,733	59,383
Utilities	18,569	-	56,226
Capital outlay	-	-	11,514
Capital lease interest	3,680	-	3,680
Capital lease principal	24,908	-	24,908
Insurance	-	-	40,019
Employees retirement fund	29,272	1,882	39,086
Contract services	-	20,560	20,560
Dues, fees & training	6,677	409	19,782
Supplies	7,828	1,401	15,663
Travel & allowances	-	-	15,020
Public notices	-	-	5,469
Tax assessor	-	-	5,005
Postage	1,498	1,192	4,695
Miscellaneous	-	-	3,826
Uniforms	2,616	-	3,422
Code enforcement	-	-	3,405
Elections	-	-	1,116
	<u>835,337</u>	<u>83,516</u>	<u>1,376,983</u>
Adjustments to the Statement of Activities:			
Depreciation	52,932	-	103,995
Capital lease principal	(24,908)	-	(24,908)
Capital outlay	-	-	(11,514)
Total Primary Government Expenses	<u>\$ 863,361</u>	<u>\$ 83,516</u>	<u>\$1,444,556</u>

**CITY OF WILLIS, TEXAS**  
**Statement of Expenses**  
**General Fund-Special Revenue Funds**  
**For the Year Ended September 30, 2004**

	<u>Economic Development</u>	<u>Community Development</u>	<u>Hotel Tax Fund</u>
Professional services	20,480	23,761	-
Land purchase	-	6,500	-
Clearing & demolition	-	8,500	-
Capital outlay	49,126	72,793	-
Job program partnership	9,999	-	-
Public notices	-	400	-
Contract services	3,000	3,000	-
Bond principal for utility fund	35,000	35,000	-
Bond interest for utility fund	4,331	4,331	-
Dues, fees & training	826	1,691	-
Supplies	142	277	-
Publicity	1,964	14,183	12,334
Recycling	6,489	-	-
	<hr/>	<hr/>	<hr/>
Total General Fund Expenses	131,357	170,436	12,334
Adjustments to the Statement of Activities:			
Capital outlay	-	(6,500)	-
	<hr/>	<hr/>	<hr/>
Total Primary Government Expenses	<u>\$ 131,357</u>	<u>\$ 163,936</u>	<u>\$ 12,334</u>

**CITY OF WILLIS, TEXAS**  
**Statement of Expenses - Utility Fund**  
**For the Year Ended September 30, 2004**

**Administrative**

Salaries	\$ 346,157
Depreciation	221,000
Maintenance & repairs	159,272
Utilities	157,183
Health insurance	61,590
Payroll tax	27,431
Employees retirement fund	19,328
Professional fees	18,239
Insurance	17,897
Vehicle	14,812
Lone Star Conservation District	13,053
Postage	7,783
Supplies	4,365
Dues, fees & training	3,746
Uniforms	3,223
Documentation fees	3,015
Capital outlay	1,857
	<hr/>
	\$ 1,079,951
	<hr/> <hr/>

**CITY OF WILLIS, TEXAS**  
**Ad Valorem Tax Data**

<u>Year</u> <u>September</u>	<u>General</u> <u>Fund</u>	<u>Debt</u> <u>Service</u>	<u>Total</u>	<u>Valuation</u>	<u>Levy</u>
1998	.4641	.1808	.64490	62,204,151	401,194
1999	.4641	.1808	.64490	66,950,842	420,451
2000	.4742	.0501	.52430	74,911,024	392,758
2001	.4840	.047	.53100	77,685,534	412,510
2002	.4931	.0716	.56470	93,648,498	528,754
2003	.5048	.0736	.5784	97,246,449	562,473

Analysis of Changes in Property Taxes Receivable

Receivable, Beginning of Year	\$ 84,519
2003 Adjusted Tax Roll	562,473
Changes and Corrections	<u>(843)</u>
Total to be Accounted For	646,149
Tax Collections	<u>(562,224)</u>
Receivable, End of Year	<u><u>\$ 83,925</u></u>

Receivables, by years:

1994 and prior	\$ 5,511
1995	1,054
1996	1,482
1997	1,788
1998	4,359
1999	7,592
2000	9,159
2001	7,285
2002	14,710
2003	<u>30,985</u>
	<u><u>\$ 83,925</u></u>

**CITY OF WILLIS, TEXAS**  
**Schedule of Water Usage and Customers**  
**For the Year Ended September 30, 2004**

<u>Month</u>	<u>Water Usage in Gallons</u>		<u>Number of Customers Served</u>	
	<u>Pumped</u>	<u>Sold</u>	<u>Water</u>	<u>Sewer</u>
October 2003	17,495,100	12,292,600	1,716	1,516
November 2003	17,079,900	13,731,900	1,721	1,518
December 2003	17,903,000	11,782,100	1,724	1,504
January 2004	15,728,400	12,925,100	1,712	1,514
February 2004	17,483,000	11,102,500	1,716	1,515
March 2004	17,265,700	13,033,300	1,725	1,529
April 2004	16,999,000	11,844,400	1,728	1,536
May 2004	17,678,900	13,048,600	1,747	1,529
June 2004	16,980,800	16,356,200	1,748	1,552
July 2004	16,645,700	14,990,400	1,751	1,541
August 2004	20,655,400	16,133,200	1,755	1,554
September 2004	<u>18,178,600</u>	<u>14,949,500</u>	<u>1,751</u>	<u>1,551</u>
Total for Year	<u>210,093,500</u>	<u>162,189,800</u>	-	-
Average for Year	<u>17,507,792</u>	<u>12,428,433</u>	<u>1,733</u>	<u>1,530</u>

**CITY OF WILLIS, TEXAS**  
**Pension Plan**  
**Schedule of Actuarial Liabilities and Funding Progress**

Fiscal Year End - September	1999	2000	2001	2002	2003	2004
Actuarial Valuation Date	12-31-98	12-31-99	12-31-00	12-31-01	12-31-02	12-31-03
Actuarial Value of Assets	\$ 615,365	\$ 738,648	\$ 875,473	\$ 1,016,541	\$ 1,164,230	\$ 1,342,666
Actuarial Accrued Liability	619,105	768,698	920,921	1,065,606	1,174,112	1,376,634
Percentage Funded	99.4%	96.1%	95.1%	95.4%	99.2%	97.5%
Under (Over) Funded Actuarial Accrued Liability (UAAL)	3,740	30,050	45,448	49,065	9,882	33,698
Annual Covered Payroll	712,748	838,158	854,526	922,824	926,616	983,320
UAAL as a Percentage of Covered Payroll	0.5%	3.6%	5.3%	5.3%	1.1%	3.4%
Net Pension Obligation (NPO) at Beginning of Period	-	-	-	-	-	-
Annual Pension Cost - Annual Required Contribution (ARC)	30,139	37,906	43,043	48,929	55,087	55,938
Total Pension Cost	30,139	37,906	43,043	48,929	55,087	55,938
Contributions Made	30,139	37,906	43,043	48,929	55,087	55,938
Increase in NPO	-	-	-	-	-	-
NPE at End of Period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**CITY OF WILLIS, TEXAS**  
**Capital Leases**

**General Fund**

FYE September	Interest Rate	Interest November 21	Principal November 21	Total
2003	4.70	\$ -	\$ 28,587	\$ 28,587
2004	4.70	3,680	24,908	28,588
2005	4.70	2,509	26,079	28,588
2006	4.70	1,283	27,304	28,587
Total Due		7,472	106,878	114,350
Retired through 2004		3,680	53,495	57,175
Balance September 2004		<u>\$ 3,792</u>	<u>\$ 53,383</u>	<u>\$ 57,175</u>

**Proprietary Fund**

FYE September	Interest Rate	Interest November 21	Principal November 21	Total
2003	4.70	\$ -	\$ 14,430	\$ 14,430
2004	4.70	1,857	12,573	14,430
2005	4.70	1,266	13,164	14,430
2006	4.70	648	13,783	14,431
Total Due		3,771	53,950	57,721
Retired through 2004		1,857	27,003	28,860
Balance September 2004		<u>\$ 1,914</u>	<u>\$ 26,947</u>	<u>\$ 28,861</u>

**CITY OF WILLIS, TEXAS**  
**Combination Tax & Revenue Certificates of Obligation, Series 2001**  
**General Fund**

<u>FYE</u> <u>September</u>	<u>Interest</u> <u>Rate</u>	<u>Interest Due</u>		<u>Principal</u> <u>August 1</u>	<u>Total</u>
		<u>February 1</u>	<u>August 1</u>		
2003	1.65	\$ 18,059	\$ 18,059	\$ 30,000	\$ 66,118
2004	2.05	17,811	17,811	35,000	70,622
2005	2.35	17,453	17,453	35,000	69,906
2006	2.60	17,041	17,041	35,000	69,082
2007	2.80	16,586	16,586	40,000	73,172
2008	3.05	16,026	16,026	40,000	72,052
2009	3.15	15,416	15,416	40,000	70,832
2010	3.25	14,786	14,786	45,000	74,572
2011	3.35	14,055	14,055	45,000	73,110
2012	3.55	13,301	13,301	50,000	76,602
2013	3.65	12,414	12,414	50,000	74,828
2014	3.75	11,501	11,501	50,000	73,002
2015	3.90	10,564	10,564	55,000	76,128
2016	4.00	9,492	9,492	55,000	73,984
2017	4.10	8,392	8,392	60,000	76,784
2018	4.15	7,161	7,161	60,000	74,322
2019	4.20	5,916	5,916	65,000	76,832
2020	4.30	4,551	4,551	65,000	74,102
2021	4.35	3,154	3,154	70,000	76,308
2022	4.35	1,631	1,631	75,000	78,262
Total Due		235,310	235,310	1,000,000	1,470,620
Retired through 2004		35,870	35,870	65,000	136,740
Balance September 2004		<u>\$ 199,440</u>	<u>\$ 199,440</u>	<u>\$ 935,000</u>	<u>\$ 1,333,880</u>

**CITY OF WILLIS, TEXAS**  
**Waterworks & Sewer System Revenue Bonds, Series 1995-A**  
**Proprietary Fund**

<u>FYE</u> <u>September</u>	<u>Interest</u> <u>Rate</u>	<u>Interest Due</u>		<u>Principal</u> <u>August 1</u>	<u>Total</u>
		<u>February 1</u>	<u>August 1</u>		
1997	4.25	\$ 2,936	\$ 2,936	\$ 5,000	\$ 10,872
1998	4.40	2,830	2,830	5,000	10,660
1999	4.55	2,720	2,720	5,000	10,440
2000	4.65	2,606	2,606	5,000	10,212
2001	4.80	2,490	2,490	5,000	9,980
2002	4.90	2,370	2,370	5,000	9,740
2003	5.00	2,248	2,248	5,000	9,496
2004	5.10	2,123	2,123	5,000	9,246
2005	5.20	1,995	1,995	5,000	8,990
2006	5.30	1,865	1,865	5,000	8,730
2007	5.40	1,733	1,733	5,000	8,466
2008	5.50	1,597	1,597	5,000	8,194
2009	5.60	1,460	1,460	5,000	7,920
2010	5.70	1,320	1,320	5,000	7,640
2011	5.80	1,177	1,177	5,000	7,354
2012	5.85	1,032	1,032	5,000	7,064
2013	5.85	886	886	5,000	6,772
2014	5.90	740	740	5,000	6,480
2015	5.90	593	593	10,000	11,186
2016	5.95	298	298	10,000	10,596
Total Due		35,019	35,019	110,000	180,038
Retired through 2004		20,323	20,323	40,000	80,646
Balance September 2004		\$ 14,696	\$ 14,696	\$ 70,000	\$ 99,392

**CITY OF WILLIS, TEXAS**  
**Waterworks & Sewer System Revenue Bonds, Series 1995-B**  
**Proprietary Fund**

FYE September	Interest Rate	Interest Due		Principal August 1	Total
		February 1	August 1		
1997	3.70	\$ 29,406	\$ 29,406	\$ 5,000	\$ 63,812
1998	3.85	29,314	29,314	5,000	63,628
1999	4.00	29,218	29,218	5,000	63,436
2000	4.10	29,118	29,118	5,000	63,236
2001	4.25	29,015	29,015	15,000	73,030
2002	4.35	28,696	28,696	40,000	97,392
2003	4.45	27,826	27,826	55,000	110,652
2004	4.55	26,603	26,603	60,000	113,206
2005	4.65	25,237	25,237	60,000	110,474
2006	4.75	23,842	23,842	65,000	112,684
2007	4.85	22,299	22,299	65,000	109,598
2008	4.95	20,722	20,722	75,000	116,444
2009	5.05	18,866	18,866	75,000	112,732
2010	5.15	16,973	16,973	80,000	113,946
2011	5.25	14,912	14,912	90,000	119,824
2012	5.30	12,550	12,550	90,000	115,100
2013	5.30	10,165	10,165	95,000	115,330
2014	5.35	7,648	7,648	95,000	110,296
2015	5.35	5,106	5,106	95,000	105,212
2016	5.40	2,565	2,565	95,000	100,130
Total Due		410,081	410,081	1,170,000	1,990,162
Retired through 2004		229,196	229,196	190,000	648,392
Balance September 2004		<u>\$ 180,885</u>	<u>\$ 180,885</u>	<u>\$ 980,000</u>	<u>\$ 1,341,770</u>

**CITY OF WILLIS, TEXAS**  
**Combination Tax & Revenue Certificates of Obligation, Series 2003-A**  
**Proprietary Fund**

FYE September	Interest Rate	Interest Due		Principal August 1	Total
		February 1	August 1		
2004	3.35	\$ 4,033	\$ 8,961	\$ 105,000	\$ 117,994
2005	3.35	7,202	7,203	105,000	119,405
2006	3.35	5,444	5,444	110,000	120,888
2007	3.35	3,601	3,601	100,000	107,202
2008	3.35	1,926	1,926	115,000	118,852
Total Due		22,206	27,135	535,000	584,341
Retired through 2004		4,033	8,961	105,000	117,994
Balance September 2004		<u>\$ 18,173</u>	<u>\$ 18,174</u>	<u>\$ 430,000</u>	<u>\$ 466,347</u>

**CITY OF WILLIS, TEXAS**  
**Combination Tax & Revenue Certificates of Obligation, Series 2003**  
**Proprietary Fund**

<u>FYE</u> <u>September</u>	<u>Interest</u> <u>Rate</u>	<u>Interest Due</u>		<u>Principal</u> <u>August 1</u>	<u>Total</u>
		<u>February 1</u>	<u>August 1</u>		
2004	0.15	\$ 315	\$ 499	\$ 80,000	\$ 80,814
2005	0.40	495	966	85,000	86,461
2006	0.75	325	325	75,000	75,650
2007	1.20	-	-	-	-
2008	1.60	-	-	-	-
2009	2.00	-	-	-	-
2010	2.30	-	-	-	-
2011	2.50	-	-	-	-
2012	2.70	-	-	-	-
2013	2.80	-	-	-	-
2014	2.95	-	-	-	-
2015	3.05	-	-	-	-
2016	3.15	-	-	-	-
2017	3.25	-	-	-	-
2018	3.35	-	-	-	-
2019	3.45	-	-	-	-
2020	3.55	-	-	-	-
2021	3.65	-	-	-	-
2022	3.70	-	-	-	-
2023	3.80	-	-	-	-
		<u>1,135</u>	<u>1,790</u>	<u>240,000</u>	<u>242,925</u>
Total Due		1,135	1,790	240,000	242,925
Retired through 2004		<u>315</u>	<u>499</u>	<u>80,000</u>	<u>80,814</u>
		<u>\$ 820</u>	<u>\$ 1,291</u>	<u>\$ 160,000</u>	<u>\$ 162,111</u>
Balance September 2004		\$ 820	\$ 1,291	\$ 160,000	\$ 162,111
Total authorized		<u>\$ 3,245,000</u>			