

CITY OF WILLIS, TEXAS
FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

CITY OF WILLIS, TEXAS

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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, 2005. Please read it in conjunction with the City's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

The City's assets increased by approximately \$1,424,000 mostly as a result of water & sewer projects in progress and an increase in the utility fund's net assets of \$601,000. Long term debt increased by \$691,000 due, in part, to the funding of two certificates of obligation totaling over \$1,000,000.

During the year, the City had governmental expenses that were \$14,589 less than the prior year. Total governmental revenues were \$154,113 higher than in fiscal 2004.

In the City's business-type activities, revenues, which included grant funds of \$159,461, increased by \$112,346 (or 7.3 percent) while expenses decreased by 7.8 percent or \$88,202.

Governmental activities reported an increase in net assets this year of \$156,502 while the business-type activities (water & sewer utility fund) reported an increase in net assets of \$601,663.

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 10 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 \$1,423,944. General assets increased by \$66,324 and business-type assets increased by \$1,357,620. 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	
	2004	2005	2004	2005	2004	2005
Current & Other Assets	\$1,445,963	\$1,878,797	\$1,983,280	\$2,309,968	\$3,429,243	\$4,188,765
Internal Balances	(793,860)	(1,124,434)	793,860	1,124,434	-	-
Capital Assets	795,748	759,812	4,339,277	5,039,635	5,135,025	5,799,447
Total Assets	1,447,851	1,514,175	7,116,417	8,474,037	8,564,268	9,988,212
Long-Term Debt	988,383	927,304	1,666,947	2,418,783	2,655,330	3,346,087
Other Liabilities	110,646	81,547	68,093	72,214	178,739	153,761
Total Liabilities	1,099,029	1,008,851	1,735,040	2,490,997	2,834,069	3,499,848
Net Assets:						
Invested in Capital						
Assets-Net of Debt	(192,635)	(167,492)	2,672,330	2,620,852	2,479,695	2,453,360
Restricted	1,109,731	1,307,107	-	-	1,109,731	1,307,107
Unrestricted	(568,274)	(634,291)	2,709,047	3,362,188	2,140,773	2,727,897
Total Net Assets	\$ 348,822	\$ 505,324	\$5,381,377	\$5,983,040	\$5,730,199	\$6,488,364

Net assets of the City's governmental activities increased by 45 percent. (\$505,324 compared to \$348,822). 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 \$568,274 at September 2004 to a negative \$634,291 at the end of this year.

The net assets of our business-type activities increased by 11 percent. (\$5,983,040 compared to \$5,381,377) Unrestricted net assets increased from \$2,709,047 at September 2004 to \$3,362,188 in 2005.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2005	2004	2005	2004	2005
Revenues						
Program	\$ 399,201	\$ 391,658	\$1,414,772	\$1,465,432	\$1,813,973	\$1,857,090
Grants	-	-	111,974	159,461	111,974	159,461
Franchise tax	137,335	137,097	-	-	137,335	137,097
Sales tax	877,309	936,031	-	-	877,309	936,031
Fines	118,211	170,592	-	-	118,211	170,592
Ad valorem tax	562,224	565,355	-	-	562,224	565,355
Other	64,744	112,404	16,915	31,114	81,659	143,518
Total Revenues	2,159,024	2,313,137	1,543,661	1,656,007	3,702,685	3,969,144
Program Expenses						
Admin/Operations	408,291	312,062	1,079,951	1,063,289	1,488,242	1,375,351
Code enforcement	-	48,541	-	-	-	48,541
Garbage	382,418	374,079	-	-	382,418	374,079
Streets	89,388	169,166	-	-	89,388	169,166
Special revenue	307,627	173,898	-	-	307,627	173,898
Court	83,516	93,622	-	-	83,516	93,622
Public safety	863,361	869,758	-	-	863,361	869,758
Bond interest	36,623	35,905	62,595	70,659	99,218	106,564
Transfers	-	79,604	-	(79,604)	-	-
Total Program Expenses	2,171,224	2,156,635	1,142,546	1,054,344	3,313,770	3,210,979
Change in Net Assets	\$ (12,200)	\$ 156,502	\$ 401,115	\$ 601,663	\$ 388,915	\$ 758,165

Governmental Activities

Revenues for the City's governmental activities increased by seven percent, while expenses decreased less than 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 seven percent and expenses decreased by almost eight percent. Depreciation expense, which is a non-cash outlay, was \$253,186 for fiscal year 2005.

THE CITY'S FUNDS

Governmental Funds - The purpose of the City's governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the City completed the year, its governmental funds (as presented in the balance sheet on page 10) reported an combined fund balance of \$672,816. This is 24 percent higher than last years balance of \$541,457. The City had a reserved fund balance of \$1,307,107 and an unreserved fund balance of (\$634,291).

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Utility Fund at year end were \$3,362,188. This represents an increase of \$601,663. Other factors concerning the finances of the Utility Fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

General fund revenues and transfers were \$22,311 higher than budgeted. Expenses were \$1,328 above the budget amount. This resulted in a positive variance of \$20,983. Debt service revenues were \$5,072 under budget and expenses were \$500 over the budget. The result was a negative variance of \$5,572. Community Development revenues were \$35,122 higher than expected while its expenses were \$57,410 under budget. This resulted in a positive variance of \$92,532. Economic Development revenues were \$35,477 over budget and expenses were \$83,758 below budget. The result was a positive variance of \$119,205. The Hotel Tax Fund was \$5,266 below its revenue estimate and expenses were \$11,531 under budget. This resulted in a positive variance of \$6,265. The overall general fund budget showed a positive variance of \$233,413.

	Actual		Budget		Total Variance
	Revenue	Expense	Revenue	Expense	
General Fund	\$1,731,801	\$1,797,818	\$1,709,490	\$1,796,490	\$ 20,983
Debt Service	72,533	70,905	77,605	70,405	(5,572)
Community Development	243,622	173,344	208,500	230,754	92,532
Economic Development	245,447	126,242	210,000	210,000	119,205
Hotel Tax Fund	19,734	13,469	25,000	25,000	6,265
	<u>\$2,313,137</u>	<u>\$2,181,778</u>	<u>\$2,230,595</u>	<u>\$2,332,649</u>	<u>\$ 233,413</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of September 2005, the City had \$5,799,447, 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 increase of \$664,422, or 13%, from last year. The current year depreciation expense was \$348,675.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2005	2004	2005	2004	2005
Land & buildings	\$ 894,891	\$ 954,444	\$ -	\$ -	\$ 894,891	\$ 954,444
Vehicles & equipment	253,566	253,566	53,950	53,950	307,516	307,516
Equipment	249,554	249,554	60,595	60,595	310,149	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	-	-	470,168	1,423,712	470,168	1,423,712
Less depreciation	(602,263)	(697,752)	(3,456,734)	(3,709,920)	(4,058,997)	(4,407,672)
Total Assets	\$ 795,748	\$ 759,812	\$4,339,277	\$5,039,635	\$5,135,025	\$5,799,447

Debt

At September 2005, the City of Willis, Texas had \$3,346,087 in bonds outstanding. This was an increase of \$690,757 from 2004. \$420,000 from the Series 2003 bonds were issued and \$600,000 was issued from the Series 2005 bonds. Other regularly scheduled payments were made. \$70,000 in principal, plus interest, was paid from two of the special revenue funds and was recorded as transfers.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2005	2004	2005	2004	2005
Capital leases	\$ 53,383	\$ 27,304	\$ 26,947	\$ 13,783	\$ 80,330	\$ 41,087
Bonds-Series 2001	935,000	900,000	-	-	935,000	900,000
Bonds-Series 1995-A	-	-	70,000	65,000	70,000	65,000
Bonds-Series 1995-B	-	-	980,000	920,000	980,000	920,000
Bonds-Series 2003-A	-	-	430,000	325,000	430,000	325,000
Bonds-Series 2003	-	-	160,000	495,000	160,000	495,000
Bonds-Series 2005	-	-	-	600,000	-	600,000
	\$ 988,383	\$ 927,304	\$1,666,947	\$2,418,783	\$2,655,330	\$3,346,087

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 a 9.5% increase and expenditures are up 13.25%. The Utility Fund revenues are budgeted to remain stable and expenses are budgeted to increase 5.5%.

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.



VANWASSEHNOVA AND ASSOCIATES
Certified Public Accountants

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, 2005, 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, 2005, 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.

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
December 19, 2005

CITY OF WILLIS, TEXAS
Statement of Net Assets
September 30, 2005

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,796,158	\$ 2,023,003	\$ 3,819,161
Receivables (net)	82,639	269,550	352,189
Inventory	-	17,415	17,415
Internal balances	(1,124,434)	1,124,434	-
Capital assets, net	759,812	5,039,635	5,799,447
Total assets	<u>1,514,175</u>	<u>8,474,037</u>	<u>9,988,212</u>
Liabilities			
Customer deposits	-	72,214	72,214
Deferred revenue	81,547	-	81,547
Noncurrent liabilities:			
Due within one year	62,304	303,783	366,087
Due in more than one year	865,000	2,115,000	2,980,000
Total liabilities	<u>1,008,851</u>	<u>2,490,997</u>	<u>3,499,848</u>
Net Assets			
Invested in capital assets, net of related debt	(167,492)	2,620,852	2,453,360
Restricted for:			
Debt service	64,795	-	64,795
Economic development	635,728	-	635,728
Community development	508,305	-	508,305
Hotel tax fund	98,279	-	98,279
Unrestricted	(634,291)	3,362,188	2,727,897
Total net assets	<u>\$ 505,324</u>	<u>\$ 5,983,040</u>	<u>\$ 6,488,364</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, 2005

Function/programs	Program Revenues		
	Expenses	Charges for Services	Grant Revenues
Primary government:			
Governmental activities:			
Administration	\$ 312,062	\$ 32,139	\$ -
Code enforcement	48,541	-	-
Garbage collection	374,079	391,658	-
Streets	169,166	-	-
Police	869,758	-	-
Special revenue funds	173,898	-	-
Court	93,622	-	-
Bond interest & fees	35,905	-	-
Total governmental activities	2,077,031	423,797	-
Business-type activities:			
Utility fund	1,063,289	1,465,432	159,461
Bond interest & fees	70,659	-	-
Total business-type activities	1,133,948	1,465,432	159,461
 Total primary government	 \$ 3,140,320	 \$ 1,889,229	 \$ 159,461

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:			
Administration	\$ (279,923)	\$ -	\$ (279,923)
Code enforcement	(48,541)	-	(48,541)
Garbage collection	17,579	-	17,579
Streets	(169,166)	-	(169,166)
Police	(869,758)	-	(869,758)
Special revenue funds	(173,898)	-	(173,898)
Court	(93,622)	-	(93,622)
Bond interest & fees	(35,905)	-	(35,905)
Total governmental activities	(1,653,234)	-	(1,653,234)
Business-type activities:			
Utility fund	-	561,604	561,604
Bond interest & fees	-	(70,659)	(70,659)
Total business-type activities	-	490,945	490,945
Total primary government	(1,653,234)	490,945	(1,162,289)
General revenues:			
Ad valorem tax	565,355	-	565,355
Sales tax	936,031	-	936,031
Franchise tax	137,097	-	137,097
Fines & warrant fees	170,592	-	170,592
Penalties & interest	15,695	-	15,695
Investment earnings	24,078	31,114	55,192
Miscellaneous	40,492	-	40,492
Transfers	(79,604)	79,604	-
Total general revenues and transfers	1,809,736	110,718	1,920,454
Change in net assets	156,502	601,663	758,165
Net assets-beginning	348,822	5,381,377	5,730,199
Net assets-ending	\$ 505,324	\$ 5,983,040	\$ 6,488,364

CITY OF WILLIS, TEXAS
Balance Sheet
Governmental Funds
September 30, 2005

	Governmental Fund Types		
	General	Debt Service	Economic Development
Assets			
Cash on hand and in bank	\$ 263,110	\$ 684	\$ 76,750
Certificates of deposit/investments	285,156	-	558,978
Receivables, net of uncollectibles:			
Delinquent taxes	70,295	11,252	-
Due from other funds	53,484	64,111	-
Other	1,092	-	-
	<u>\$ 673,137</u>	<u>\$ 76,047</u>	<u>\$ 635,728</u>
Liabilities			
Due to other funds	\$ 1,237,133	\$ -	\$ -
Deferred revenues	70,295	11,252	-
	<u>1,307,428</u>	<u>11,252</u>	<u>-</u>
Fund balances			
Fund balance - reserved	-	64,795	635,728
Fund balance - unreserved	(634,291)	-	-
	<u>(634,291)</u>	<u>64,795</u>	<u>635,728</u>
Total liabilities and fund balances	<u>\$ 673,137</u>	<u>\$ 76,047</u>	<u>\$ 635,728</u>

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

	<u>Governmental Fund Types</u>		
	<u>Community Development</u>	<u>Hotel Tax Fund</u>	<u>Total</u>
Assets			
Cash on hand and in bank	\$ 16,460	\$ 103,175	\$ 460,179
Certificates of deposit/investments	491,845	-	1,335,979
Receivables, net of uncollectibles:			
Delinquent taxes	-	-	81,547
Due from other funds	-	-	117,595
Other	-	-	1,092
	<u>508,305</u>	<u>103,175</u>	<u>1,996,392</u>
Total assets	<u>\$ 508,305</u>	<u>\$ 103,175</u>	<u>\$ 1,996,392</u>
Liabilities			
Due to other funds	\$ -	\$ 4,896	\$ 1,242,029
Deferred revenues	-	-	81,547
	<u>-</u>	<u>4,896</u>	<u>1,323,576</u>
Total liabilities	<u>-</u>	<u>4,896</u>	<u>1,323,576</u>
Fund balances			
Fund balance - reserved	508,305	98,279	1,307,107
Fund balance - unreserved	-	-	(634,291)
	<u>508,305</u>	<u>98,279</u>	<u>672,816</u>
Total fund balance	<u>508,305</u>	<u>98,279</u>	<u>672,816</u>
Total liabilities and fund balances	<u>\$ 508,305</u>	<u>\$ 103,175</u>	<u>\$ 1,996,392</u>

CITY OF WILLIS, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2005

	General Fund	Debt Service	Economic Development
Revenues			
Ad valorem taxes	\$ 495,039	\$ 70,316	\$ -
Building permits	32,139	-	-
Fines & warrant fees	170,592	-	-
Franchise taxes	117,363	-	-
Garbage collection	391,658	-	-
Investment earnings	3,797	154	10,513
Miscellaneous	39,566	-	926
Penalty & interest	13,632	2,063	-
Sales taxes	468,015	-	234,008
Total revenues	<u>1,731,801</u>	<u>72,533</u>	<u>245,447</u>
Expenditures			
Administration	258,713	1,000	-
Code enforcement	48,541	-	-
Garbage collection	374,079	-	-
Streets	169,166	-	-
Police	853,697	-	-
Special revenue funds	-	-	86,440
Court	93,622	-	-
Bond interest	-	34,905	-
Bond principal	-	35,000	-
Total expenditures	<u>1,797,818</u>	<u>70,905</u>	<u>86,440</u>
Excess (deficiency) of revenues over expenditures	(66,017)	1,628	159,007
Other financing uses			
Transfers out	<u>-</u>	<u>-</u>	<u>(39,802)</u>
Net change in fund balances	(66,017)	1,628	119,205
Fund balances-beginning	<u>(568,274)</u>	<u>63,167</u>	<u>516,523</u>
Fund balances-ending	<u>\$ (634,291)</u>	<u>\$ 64,795</u>	<u>\$ 635,728</u>

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

	<u>Community Development</u>	<u>Hotel Tax Fund</u>	<u>Total</u>
Revenues			
Ad valorem taxes	\$ -	\$ -	\$ 565,355
Building permits	-	-	32,139
Fines & warrant fees	-	-	170,592
Franchise taxes	-	19,734	137,097
Garbage collection	-	-	391,658
Investment earnings	9,614	-	24,078
Miscellaneous	-	-	40,492
Penalty & interest	-	-	15,695
Sales taxes	234,008	-	936,031
	<u>243,622</u>	<u>19,734</u>	<u>2,313,137</u>
Expenditures			
Administration	-	-	259,713
Code enforcement	-	-	48,541
Garbage collection	-	-	374,079
Streets	-	-	169,166
Police	-	-	853,697
Special revenue funds	133,542	13,469	233,451
Court	-	-	93,622
Bond interest	-	-	34,905
Bond principal	-	-	35,000
	<u>133,542</u>	<u>13,469</u>	<u>2,102,174</u>
Excess (deficiency) of revenues over expenditures	110,080	6,265	210,963
Other financing uses			
Transfers out	<u>(39,802)</u>	<u>-</u>	<u>(79,604)</u>
Net change in fund balances	70,278	6,265	131,359
Fund balances-beginning	<u>438,027</u>	<u>92,014</u>	<u>541,457</u>
Fund balances-ending	<u>\$ 508,305</u>	<u>\$ 98,279</u>	<u>\$ 672,816</u>

CITY OF WILLIS, TEXAS
Reconciliation of Total Governmental Fund Balance
to Net Assets of Governmental Activities
September 30, 2005

Total governmental fund balances	\$ 672,816
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	759,812
Long-term liabilities are not reported as liabilities in the governmental funds	<u>(927,304)</u>
Net assets of governmental activities	<u><u>\$ 505,324</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, 2005

Net change in fund balances-total governmental funds	\$ 131,359
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.	(95,489)
This is the amount of capital expenditures for the year.	59,553
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>61,079</u>
Change in net assets of governmental activities	<u><u>\$ 156,502</u></u>

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

CITY OF WILLIS, TEXAS
Statement of Net Assets
Proprietary Funds
September 30, 2005

Assets	<u>Utility Fund</u>
Current assets	
Cash on hand and in bank	\$ 837,220
Certificates of deposit/investments	1,185,783
Inventory	17,415
Receivables, net of uncollectibles:	
Accounts & other	269,550
Due from other funds	<u>1,124,434</u>
Total current assets	3,434,402
Noncurrent assets	
Fixed assets, net of accumulated depreciation	<u>5,039,635</u>
Total assets	<u><u>\$ 8,474,037</u></u>
Liabilities	
Current liabilities	
Customer deposits	\$ 72,214
Leases payable	13,783
Bonds payable	<u>290,000</u>
Total current liabilities	<u>375,997</u>
Noncurrent liabilities	
Bonds payable	<u>2,115,000</u>
Total liabilities	2,490,997
Net Assets	
Invested in capital assets, net	2,620,852
Unrestricted net assets	<u>3,362,188</u>
Total net assets	<u>5,983,040</u>
Total Net Assets and Liabilities	<u><u>\$ 8,474,037</u></u>

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

CITY OF WILLIS, TEXAS
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended September 30, 2005

	Utility Fund
Operating revenues	
Charges for services-water	\$ 721,068
Charges for services-sewer	626,913
Penalties & service charges	73,500
Tap fees	31,094
Other	12,857
Total operating revenues	1,465,432
Operating expenses	1,063,289
Operating income	402,143
Nonoperating revenue (expense)	
Grant revenues	159,461
Interest expense	(70,659)
Interest and investment revenue	31,114
Total nonoperating revenue	119,916
Net income before transfers	522,059
Transfer in	79,604
Change in net assets	601,663
Total net assets-beginning	5,381,377
Total net assets-ending	\$ 5,983,040

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

CITY OF WILLIS, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2005

	<u>Utility Fund</u>
Cash flows from operating activities	
Receipts from customers	\$ 1,428,847
Payments to suppliers	(300,224)
Payments to employees	(275,039)
Other receipts (payments)	(221,983)
Net cash provided by operating activities	631,601
Cash flows from noncapital financing activities	
Transfers to other funds	(250,970)
Grants received	159,461
Net cash used by noncapital financing activities	(91,509)
Cash flows from capital and related financing activities	
Purchases of capital assets	(953,544)
Cash flows from investing activities	
Proceeds of debt	1,020,000
Payment on debt	(268,164)
Interest received	31,114
Interest paid	(70,659)
Net cash provided by investing activities	712,291
Net increase in cash and cash equivalents	298,839
Cash & cash equivalents-beginning of the year	1,724,164
Cash & cash equivalents-end of the year	\$ 2,023,003
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income	\$ 402,143
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	253,186
Change in net assets and liabilities:	
Receivables, net	(27,849)
Customer deposits	4,121
Net cash provided by operating activities	\$ 631,601

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

CITY OF WILLIS, TEXAS
Notes to Financial Statements
September 30, 2005

Note 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. Basic Financial Statements – Government-Wide Statements

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.

D. Basic Financial Statements – 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:

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:

1. 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.
2. Debt Service Fund – The Debt Service Fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.
3. Special Revenue Funds – The Special Revenue Funds are used to account for financial transactions and resources received from specific sources. The City has three special revenue funds:
 - a. Willis Community Development Corporation - 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.
- b. Willis Economic Development Corporation – 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.
- c. Hotel Tax Fund – 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:

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:

Utility Fund - The Utility 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 personnel 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.

E. 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.

F. 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.

G. 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, 2005 was \$95,489.

H. Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Utility 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.

I. 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.

J. Interfund Receivables and Payables

Short-term amounts owed between funds are classified as "Due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statements as "internal balances". As of September 30, 2005, the Governmental Activities owed the Business-Type Activities a total of \$1,124,434.

K. 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

L. 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 to 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. At September 30, 2005, management believes that the total liability is not material to the financial statements.

M. 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.

Note 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's contribution rate is currently 5.86%, 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, 2004 valuation is effective for rates beginning January, 2005). See "Schedule of Actuarial Liabilities and Funding Progress" in the required supplemental information section.

Note 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.

At the year-end, the carrying amount of the City's deposits was \$3,819,161 and the bank balance was \$3,976,776. Of the bank balance, \$200,000 was insured by the Federal Deposit Insurance Corporation (FDIC) insurance and \$3,776,776 was covered by pledged securities.

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 – Deposits and investments that are insured or collateralized with securities held by the entity or by its agent in the entity's name.

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

Category 3 – Deposits and investments which are not collateralized.

A schedule of cash, savings and CD's follows:

General Fund	Checking	\$ 86,999	
	Savings	184,267	
	CD's	<u>277,000</u>	\$ 548,266
Economic Development	Checking	76,750	
	CD's	<u>558,978</u>	635,728
Community Development	Checking	16,460	
	CD's	<u>491,845</u>	508,305
Hotel Tax Fund	Savings	<u>103,175</u>	103,175
Debt Service	Savings	<u>684</u>	684
Utility Fund	TWDB-Series 2001		
	Checking	147,766	
	Escrow	683,200	
	TWDB-Series 2003		
	Escrow	16,477	
	Savings	83,542	
	CDW-Series 2003-A		
	Checking	101,072	
	Savings	10,636	
	EDC Hwy 75-Series 2005		
	Checking	571,892	
	Waste water/sewer bond funds	127,353	
	Savings	100,469	
	CD's	159,096	
Meter deposits	<u>21,500</u>	<u>2,023,003</u>	
Total cash, savings and CD's		<u>\$ 3,819,161</u>	

Note 4 - Long-Term Debt

The following is a summary of notes payable transactions for the year ended September 30, 2005:

	Balance 9-30-04	Additions	Reductions	Balance 9-30-05
Governmental Activities				
Capital Leases-Ford Motor Credit	\$ 53,383	\$ -	\$ (26,079)	\$ 27,304
Tax & Revenue Bonds-Series 2001	935,000	-	(35,000)	900,000
Total Governmental Activities	<u>988,383</u>	<u>-</u>	<u>(61,079)</u>	<u>927,304</u>
Business-Type Activities				
Capital Leases-Ford Motor Credit	26,947	-	(13,164)	13,783
Revenue Bonds-Series 1995-A	70,000	-	(5,000)	65,000
Revenue Bonds-Series 1995-B	980,000	-	(60,000)	920,000
Certificates of Obligation-Series 2003-A	430,000	-	(105,000)	325,000
Certificates of Obligation-Series 2003	160,000	420,000	(85,000)	495,000
Certificates of Obligation-Series 2005	-	600,000	-	600,000
Total Business-Type Activities	<u>1,666,947</u>	<u>1,020,000</u>	<u>(268,164)</u>	<u>2,418,783</u>
Total	<u><u>\$2,655,330</u></u>	<u><u>\$1,020,000</u></u>	<u><u>\$ (329,243)</u></u>	<u><u>\$3,346,087</u></u>

Total Long-Term Debt requirements are as follows:

Year Ending	Principal Payment	Interest	Total
September 2006	\$ 366,087	\$ 137,143	\$ 503,230
September 2007	325,000	125,543	450,543
September 2008	345,000	115,482	460,482
September 2009	240,000	103,959	343,959
September 2010	250,000	95,608	345,608
September 2011 & Thereafter	<u>1,820,000</u>	<u>546,890</u>	<u>2,366,890</u>
	<u><u>\$3,346,087</u></u>	<u><u>\$1,124,625</u></u>	<u><u>\$4,470,712</u></u>

Note 5 - Changes in Capital Assets

A summary of changes in capital assets follows:

	Balance 9-30-04	Increases	Decreases	Balance 9-30-05
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 399,416	\$ -	\$ -	\$ 399,416
Capital assets being depreciated:				
Buildings	495,475	-	-	495,475
Vehicles & equipment	253,566	-	-	253,566
Equipment	249,554	-	-	249,554
Park improvements	-	59,553	-	59,553
Total capital assets being depreciated	998,595	59,553	-	1,058,148
Less accumulated depreciation				
Buildings	(206,455)	(17,655)	-	(224,110)
Vehicles & equipment	(212,283)	(38,302)	-	(250,585)
Equipment	(183,525)	(37,547)	-	(221,072)
Park improvements	-	(1,985)	-	(1,985)
Total accumulated depreciation	(602,263)	(95,489)	-	(697,752)
Total capital assets being depreciated, net	396,332	(35,936)	-	360,396
Governmental Activities Capital Assets, net	<u>\$ 795,748</u>	<u>\$ (35,936)</u>	<u>\$ -</u>	<u>\$ 759,812</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 53,349
Police	42,140
Total governmental activities depreciation expense	<u>\$ 95,489</u>

Note 5 - Changes in Capital Assets, Continued

	Balance 9-30-04	Increases	Decreases	Balance 9-30-05
Business-Type Activities				
Capital assets not being depreciated:				
Construction in progress	\$ 470,168	\$ 953,544	\$ -	\$1,423,712
Capital assets being depreciated:				
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
Total capital assets being depreciated	7,325,843	-	-	7,325,843
Less accumulated depreciation:				
Water system	(1,580,667)	(93,843)	-	(1,674,510)
Sewer system	(1,872,826)	(146,533)	-	(2,019,359)
Equipment	(1,718)	(2,020)	-	(3,738)
Construction in progress	(1,523)	(10,790)	-	(12,313)
Total accumulated depreciation	(3,456,734)	(253,186)	-	(3,709,920)
Total capital assets being depreciated, net	3,869,109	(253,186)	-	3,615,923
Business-Type Activities Capital Assets, net	<u>\$4,339,277</u>	<u>\$ 700,358</u>	<u>\$ -</u>	<u>\$5,039,635</u>

All depreciation was charged to the utility fund.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF WILLIS, TEXAS
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 491,000	\$ 491,000	\$ 495,039	\$ 4,039
Building permits	10,000	10,000	32,139	22,139
Fines and warrant fees	137,000	137,000	170,592	33,592
Franchise taxes	120,000	120,000	117,363	(2,637)
Garbage collection	433,700	433,700	391,658	(42,042)
Investment earnings	5,000	5,000	3,797	(1,203)
Miscellaneous	29,500	29,500	39,566	10,066
Penalty & interest	14,000	14,000	13,632	(368)
Sales taxes	440,000	440,000	468,015	28,015
Total revenues	<u>1,680,200</u>	<u>1,680,200</u>	<u>1,731,801</u>	<u>51,601</u>
Expenditures				
Administration	260,327	260,327	258,713	1,614
Code enforcement	63,958	63,958	48,541	15,417
Garbage collection	405,150	405,150	374,079	31,071
Streets	170,147	170,147	169,166	981
Police	802,563	802,563	853,697	(51,134)
Court	94,345	94,345	93,622	723
Total expenditures	<u>1,796,490</u>	<u>1,796,490</u>	<u>1,797,818</u>	<u>(1,328)</u>
Excess of revenues over (under) expenditures before transfers	(116,290)	(116,290)	(66,017)	50,273
Other financing sources				
Transfers	<u>29,290</u>	<u>29,290</u>	<u>-</u>	<u>(29,290)</u>
Net change in fund balance	(87,000)	(87,000)	(66,017)	<u>\$ 20,983</u>
Fund balance-beginning	<u>(568,274)</u>	<u>(568,274)</u>	<u>(568,274)</u>	
Fund balance-ending	<u>(684,564)</u>	<u>\$ (684,564)</u>	<u>\$ (634,291)</u>	

CITY OF WILLIS, TEXAS
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budgetary Basis)
Debt Service Fund
For the Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 75,405	\$ 75,405	\$ 70,316	\$ (5,089)
Investment earnings	200	200	154	(46)
Penalty & interest	2,000	2,000	2,063	63
Total revenues	<u>77,605</u>	<u>77,605</u>	<u>72,533</u>	<u>(5,072)</u>
Expenditures				
City general	500	500	1,000	(500)
Bond interest	34,905	34,905	34,905	-
Bond principal	35,000	35,000	35,000	-
Total expenditures	<u>70,405</u>	<u>70,405</u>	<u>70,905</u>	<u>(500)</u>
Excess of revenues over expenditures	7,200	7,200	1,628	<u>\$ (5,572)</u>
Fund balance-beginning	<u>63,167</u>	<u>63,167</u>	<u>63,167</u>	
Fund balance-ending	<u>\$ 70,367</u>	<u>\$ 70,367</u>	<u>\$ 64,795</u>	

CITY OF WILLIS, TEXAS
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budgetary Basis)
Special Revenue Funds - Community Development
For the Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Sales taxes	\$ 205,000	\$ 205,000	\$ 234,008	\$ 29,008
Investment earnings	3,500	3,500	9,614	6,114
Total revenues	<u>208,500</u>	<u>208,500</u>	<u>243,622</u>	<u>35,122</u>
Expenditures				
Special revenue funds	<u>230,754</u>	<u>230,754</u>	<u>133,542</u>	<u>97,212</u>
Excess of revenues over expenditures before transfers	(22,254)	(22,254)	110,080	132,334
Other financing uses				
Transfers out	<u>-</u>	<u>-</u>	<u>(39,802)</u>	<u>(39,802)</u>
Net change in fund balance	(22,254)	(22,254)	70,278	<u>\$ 92,532</u>
Fund balance-beginning	<u>438,027</u>	<u>438,027</u>	<u>438,027</u>	
Fund balance-ending	<u>415,773</u>	<u>\$ 415,773</u>	<u>\$ 508,305</u>	

CITY OF WILLIS, TEXAS
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budgetary Basis)
Special Revenue Funds - Economic Development
For the Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Sales taxes	\$ 205,000	\$ 205,000	\$ 234,008	\$ 29,008
Investment earnings	5,000	5,000	10,513	5,513
Miscellaneous	-	-	926	926
Total revenues	<u>210,000</u>	<u>210,000</u>	<u>245,447</u>	<u>35,447</u>
Expenditures				
Special revenue funds	<u>210,000</u>	<u>210,000</u>	<u>86,440</u>	<u>123,560</u>
Excess of revenues over expenditures before transfers	-	-	159,007	159,007
Other financing uses				
Transfers out	-	-	(39,802)	(39,802)
Net change in fund balance	-	-	119,205	<u>\$ 119,205</u>
Fund balance-beginning	<u>438,027</u>	<u>438,027</u>	<u>516,523</u>	
Fund balance-ending	<u>\$ 438,027</u>	<u>\$ 438,027</u>	<u>\$ 635,728</u>	

CITY OF WILLIS, TEXAS
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budgetary Basis)
Special Revenue Funds - Hotel Tax Fund
For the Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Franchise taxes	\$ 25,000	\$ 25,000	\$ 19,734	\$ (5,266)
Expenditures				
Hotel tax fund	25,000	25,000	13,469	11,531
Excess of revenues over expenditures	-	-	6,265	<u>\$ 6,265</u>
Fund balance-beginning	92,014	92,014	92,014	
Fund balance-ending	<u>\$ 92,014</u>	<u>\$ 92,014</u>	<u>\$ 98,279</u>	

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

Fiscal Year End - September	1999	2000	2001
Actuarial Valuation Date	12-31-98	12-31-99	12-31-00
Actuarial Value of Assets	\$ 615,365	\$ 738,648	\$ 875,473
Actuarial Accrued Liability	619,105	768,698	920,921
Percentage Funded	99.4%	96.1%	95.1%
Under (Over) Funded Actuarial Accrued Liability (UAAL)	3,740	30,050	45,448
Annual Covered Payroll	712,748	838,158	854,526
UAAL as a Percentage of Covered Payroll	0.5%	3.6%	5.3%
Net Pension Obligation (NPO) at Beginning of Period	-	-	-
Annual Pension Cost - Annual Required Contribution (ARC)	30,139	37,906	43,043
Total Pension Cost	30,139	37,906	43,043
Contributions Made	30,139	37,906	43,043
Increase in NPO	-	-	-
NPE at End of Period	\$ -	\$ -	\$ -

Fiscal Year End - September	2002	2003	2004
Actuarial Valuation Date	12-31-01	12-31-02	12-31-03
Actuarial Value of Assets	\$ 1,016,541	\$ 1,164,230	\$ 1,342,666
Actuarial Accrued Liability	1,065,606	1,174,112	1,376,634
Percentage Funded	95.4%	99.2%	97.5%
Under (Over) Funded Actuarial Accrued Liability (UAAL)	49,065	9,882	33,698
Annual Covered Payroll	922,824	926,616	983,320
UAAL as a Percentage of Covered Payroll	5.3%	1.1%	3.4%
Net Pension Obligation (NPO) at Beginning of Period	-	-	-
Annual Pension Cost - Annual Required Contribution (ARC)	48,929	55,087	55,938
Total Pension Cost	48,929	55,087	55,938
Contributions Made	48,929	55,087	55,938
Increase in NPO	-	-	-
NPE at End of Period	\$ -	\$ -	\$ -

OTHER SUPPLEMENTAL INFORMATION

CITY OF WILLIS, TEXAS
Statement of Expenses
General Fund
For the Year Ended September 30, 2005

	Code		
	Admin	Enforcement	Streets
Salaries	\$ 107,971	\$ 23,284	\$ 81,435
Health insurance	18,030	5,115	18,098
Payroll taxes	8,105	1,979	14,374
Vehicle	8,520	1,096	4,125
Supplies	13,306	2,300	14,361
Utilities	8,721	268	27,944
Miscellaneous	6,722	7,318	3,021
Professional services	35,263	2,632	-
Employees retirement fund	6,278	1,349	4,734
Capital lease principal	-	-	-
Buildings & structures	7,481	-	-
Meetings & conferences	11,819	3,147	-
Insurance	4,957	-	-
Interlocal government	4,937	-	-
Uniforms	-	-	1,074
Charter commission	5,729	-	-
Postage	2,419	-	-
Public notices	4,155	-	-
Dues, fees & training	2,655	53	-
Capital lease interest	-	-	-
Elections	1,645	-	-
	<hr/>	<hr/>	<hr/>
Total General Fund Expenses	258,713	48,541	169,166
Adjustments to the Statement of Activities:			
Depreciation	53,349	-	-
Capital lease principal	-	-	-
Capital outlay	-	-	-
	<hr/>	<hr/>	<hr/>
Total Primary Government Expenses	<u>\$ 312,062</u>	<u>\$ 48,541</u>	<u>\$ 169,166</u>

	Police	Court	Total
Salaries	\$ 495,815	\$ 41,534	\$ 750,039
Health insurance	87,354	4,494	133,091
Payroll taxes	54,317	3,498	82,273
Vehicle	61,896	-	75,637
Supplies	21,937	5,976	57,880
Utilities	15,043	463	52,439
Miscellaneous	4,003	29,771	50,835
Professional services	646	4,600	43,141
Employees retirement fund	28,821	1,844	43,026
Capital lease principal	26,079	-	26,079
Buildings & structures	18,298	-	25,779
Meetings & conferences	7,238	366	22,570
Insurance	15,276	-	20,233
Interlocal government	7,746	-	12,683
Uniforms	5,582	-	6,656
Charter commission	-	-	5,729
Postage	900	1,006	4,325
Public notices	-	-	4,155
Dues, fees & training	237	70	3,015
Capital lease interest	2,509	-	2,509
Elections	-	-	1,645
Total General Fund Expenses	853,697	93,622	1,423,739
Adjustments to the Statement of Activities:			
Depreciation	42,140	-	95,489
Capital lease principal	(26,079)	-	(26,079)
Capital outlay	-	-	-
Total Primary Government Expenses	\$ 869,758	\$ 93,622	\$1,493,149

CITY OF WILLIS, TEXAS
Statement of Expenses
Special Revenue Funds
For the Year Ended September 30, 2005

	<u>Economic Development</u>	<u>Community Development</u>	<u>Hotel Tax Fund</u>	<u>Total</u>
Capital outlay	\$ 42,595	\$ 89,483	\$ -	\$ 132,078
Professional services	21,148	22,370	-	43,518
Publicity	685	16,684	11,806	29,175
Job program partnership	10,000	-	-	10,000
Recycling	8,101	-	-	8,101
Contract services	3,000	3,000	-	6,000
Dues, fees & training	774	1,580	-	2,354
Festival	-	-	1,663	1,663
Public notices	-	396	-	396
Supplies	137	29	-	166
	<hr/>	<hr/>	<hr/>	<hr/>
Total General Fund Expenses	86,440	133,542	13,469	233,451
Adjustments to the Statement of Activities:				
Capital outlay	-	(59,553)	-	(59,553)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Primary Government Expenses	<u>\$ 86,440</u>	<u>\$ 73,989</u>	<u>\$ 13,469</u>	<u>\$ 173,898</u>

CITY OF WILLIS, TEXAS
Statement of Expenses
Utility Fund
For the Year Ended September 30, 2005

Operating Expenses

Salaries	\$ 275,039
Depreciation	253,186
Utilities	160,704
Health insurance	56,786
Miscellaneous	41,399
Pumps and motors	29,437
Construction	28,778
Utility lines	22,765
Professional fees	22,324
Insurance	19,786
Payroll tax	19,732
Fuel	16,613
Employees retirement fund	15,984
Equipment	14,296
Chemicals	13,733
Radio and cell phones	11,880
Interlocal government	11,202
Solid waste	10,015
Contractual	9,222
Operations	6,878
Vehicle	5,323
Drainage ditches	4,970
Building and structures	4,609
Issuance costs	4,045
Office expense	1,729
Travel, meetings and conferences	1,546
Postage	1,308
	<hr/>
Total Operating Expenses	<u><u>\$ 1,063,289</u></u>

STATISTICAL INFORMATION

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	.6449	62,204,151	401,194
1999	.4641	.1808	.6449	66,950,842	420,451
2000	.4742	.0501	.5243	74,911,024	392,758
2001	.4840	.047	.5310	77,685,534	412,510
2002	.4931	.0716	.5647	93,648,498	528,754
2003	.5048	.0736	.5784	97,246,449	562,473
2004	.5171	.0732	.5903	96,638,210	570,455

Analysis of Changes in Property Taxes Receivable

Receivable, Beginning of Year	\$ 83,925
2004 Adjusted Tax Roll	570,455
Changes and Corrections	<u>(1,154)</u>
Total to be Accounted For	653,226
Tax Collections	<u>(565,355)</u>
Receivable, End of Year	<u><u>\$ 87,871</u></u>
Receivables, by years:	
1995 and prior	\$ 4,549
1996	1,266
1997	1,517
1998	3,885
1999	7,101
2000	8,156
2001	5,945
2002	10,751
2003	16,822
2004	<u>27,879</u>
	87,871
Less Doubtful Accounts	<u>(6,324)</u>
	<u><u>\$ 81,547</u></u>

CITY OF WILLIS, TEXAS
Schedule of Water Usage and Customers
For the Year Ended September 30, 2005

<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 2004	18,670,800	15,230,200	1,779	1,566
November 2004	17,352,800	15,009,100	1,778	1,565
December 2004	17,349,300	13,608,300	1,765	1,553
January 2005	16,289,800	14,403,000	1,767	1,555
February 2005	14,607,500	13,092,900	1,788	1,573
March 2005	17,038,100	13,269,500	1,788	1,573
April 2005	17,653,300	12,670,900	1,798	1,582
May 2005	20,340,900	17,105,200	1,825	1,606
June 2005	23,139,900	17,081,300	1,818	1,600
July 2005	20,566,700	18,026,500	1,829	1,610
August 2005	20,070,300	17,122,400	1,832	1,612
September 2005	<u>19,357,900</u>	<u>18,161,700</u>	<u>1,833</u>	<u>1,613</u>
Total for Year	<u>222,437,300</u>	<u>184,781,000</u>		
Average for Year	<u>18,536,442</u>	<u>15,398,417</u>	<u>1,800</u>	<u>1,584</u>

CITY OF WILLIS, TEXAS
Capital Leases

Governmental Activities

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 2005		6,189	79,574	85,763
Balance September 2005		<u>\$ 1,283</u>	<u>\$ 27,304</u>	<u>\$ 28,587</u>

Business-Type Activities

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 2005		3,123	40,167	43,290
Balance September 2005		<u>\$ 648</u>	<u>\$ 13,783</u>	<u>\$ 14,431</u>

CITY OF WILLIS, TEXAS
Combination Tax & Revenue Certificates of Obligation, Series 2001
Governmental Activities

FYE September	Interest Rate	Interest Due		Principal August 1	Total
		February 1	August 1		
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 2005		53,323	53,323	100,000	206,646
Balance September 2005		<u>\$ 181,987</u>	<u>\$ 181,987</u>	<u>\$ 900,000</u>	<u>\$ 1,263,974</u>

CITY OF WILLIS, TEXAS
Waterworks & Sewer System Revenue Bonds, Series 1995-A
Business-Type Activities

FYE September	Interest Rate	Interest Due		Principal August 1	Total
		February 1	August 1		
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 2005		22,318	22,318	45,000	89,636
Balance September 2005		<u>\$ 12,701</u>	<u>\$ 12,701</u>	<u>\$ 65,000</u>	<u>\$ 90,402</u>

CITY OF WILLIS, TEXAS
Waterworks & Sewer System Revenue Bonds, Series 1995-B
Business-Type Activities

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 2005		254,433	254,433	250,000	758,866
Balance September 2005		\$ 155,648	\$ 155,648	\$ 920,000	\$ 1,231,296

CITY OF WILLIS, TEXAS
Combination Tax & Revenue Certificates of Obligation, Series 2003-A
Business-Type Activities

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 2005		11,235	16,164	210,000	237,399
Balance September 2005		<u>\$ 10,971</u>	<u>\$ 10,971</u>	<u>\$ 325,000</u>	<u>\$ 346,942</u>

CITY OF WILLIS, TEXAS
Combination Tax & Revenue Certificates of Obligation, Series 2003
Business-Type Activities

<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	1,294	85,000	86,789
2006	0.75	4,050	4,028	90,000	98,078
2007	1.20	3,690	3,690	95,000	102,380
2008	1.60	3,120	3,120	90,000	96,240
2009	2.00	2,400	2,400	100,000	104,800
2010	2.30	1,400	1,400	100,000	102,800
2011	2.50	250	250	20,000	20,500
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	-	-	-	-
Total Due		15,720	16,681	660,000	692,401
Retired through 2005		810	1,793	165,000	167,603
Balance September 2005		<u>\$ 14,910</u>	<u>\$ 14,888</u>	<u>\$ 495,000</u>	<u>\$ 524,798</u>
Total authorized		<u><u>\$ 3,245,000</u></u>			

CITY OF WILLIS, TEXAS
Combination Tax & Revenue Certificates of Obligation, Series 2005
Business-Type Activities

<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>		
2006	5.125	\$ 15,375	\$ 15,375	\$ 20,000	\$ 50,750
2007	5.125	14,863	14,863	20,000	49,725
2008	5.125	14,350	14,350	20,000	48,700
2009	5.125	13,838	13,838	20,000	47,675
2010	5.125	13,325	13,325	20,000	46,650
2011	5.125	12,813	12,813	25,000	50,625
2012	5.125	12,172	12,172	25,000	49,344
2013	5.125	11,531	11,531	25,000	48,063
2014	5.125	10,891	10,891	25,000	46,781
2015	5.125	10,250	10,250	30,000	50,500
2016	5.125	9,481	9,481	30,000	48,963
2017	5.125	8,713	8,713	30,000	47,425
2018	5.125	7,944	7,944	35,000	50,888
2019	5.125	7,047	7,047	35,000	49,094
2020	5.125	6,150	6,150	35,000	47,300
2021	5.125	5,253	5,253	35,000	45,506
2022	5.125	4,356	4,356	40,000	48,713
2023	5.125	3,331	3,331	40,000	46,663
2024	5.125	2,306	2,306	45,000	49,613
2025	5.125	1,153	1,153	45,000	47,306
Total Due		185,141	185,141	600,000	970,281
Retired through 2005		-	-	-	-
Balance September 2005		<u>\$ 185,141</u>	<u>\$ 185,141</u>	<u>\$ 600,000</u>	<u>\$ 970,281</u>