

CITY OF WILLIS, TEXAS

FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

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 Alstynne
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, 2006. 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 \$840,000 mostly as a result of spending for water & sewer projects and an increase in the utility fund's net assets of \$505,750. Long term debt decreased by \$199,361 due, in part, to regularly scheduled principal payments of \$399,283.

During the year, the City had governmental expenses that were \$156,040 more than the prior year. Total governmental revenues were \$453,417 higher than in fiscal 2005.

In the City's business-type activities, revenues, which included grant funds of \$302,483, increased by \$194,552 (or 11.7 percent) while expenses increased by 27.5 percent or \$290,465.

Governmental activities reported an increase in net assets this year of \$453,879 while the business-type activities (water & sewer utility fund) reported an increase in net assets of \$505,750.

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 \$840,224. General assets increased by \$522,700 and business-type assets increased by \$317,524. 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	
	2005	2006	2005	2006	2005	2006
Current & Other Assets	\$1,878,797	\$2,262,475	\$2,309,968	\$1,823,357	\$4,188,765	\$4,085,832
Internal Balances	(1,124,434)	(1,093,215)	1,124,434	1,093,215	-	-
Capital Assets	759,812	867,615	5,039,635	5,874,989	5,799,447	6,742,604
Total Assets	1,514,175	2,036,875	8,474,037	8,791,561	9,988,212	10,828,436
Long-Term Debt	927,304	926,726	2,418,783	2,220,000	3,346,087	3,146,726
Other Liabilities	81,547	150,947	72,214	82,771	153,761	233,718
Total Liabilities	1,008,851	1,077,673	2,490,997	2,302,771	3,499,848	3,380,444
Net Assets:						
Invested in Capital						
Assets-Net of Debt	(167,492)	(59,111)	2,620,852	3,654,989	2,453,360	3,595,878
Restricted	1,307,107	1,751,318	-	-	1,307,107	1,751,318
Unrestricted	(634,291)	(733,005)	3,362,188	2,833,801	2,727,897	2,100,796
Total Net Assets	\$ 505,324	\$ 959,202	\$5,983,040	\$6,488,790	\$6,488,364	\$7,447,992

Net assets of the City's governmental activities increased by 90 percent. (\$959,202 compared to \$505,324). 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 \$634,291 at September 2005 to a negative \$733,005 at the end of this year.

The net assets of our business-type activities increased by 8.5 percent. (\$6,488,790 compared to \$5,983,040). Unrestricted net assets decreased from \$3,362,188 at September 2005 to \$2,833,801 in 2006.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2006	2005	2006	2005	2006
Revenues						
Program	\$ 391,658	\$ 485,474	\$1,465,432	\$1,495,620	\$1,857,090	\$1,981,094
Grants	-	14,530	159,461	302,483	159,461	317,013
Franchise tax	137,097	147,207	-	-	137,097	147,207
Sales tax	936,031	1,198,268	-	-	936,031	1,198,268
Fines	170,592	197,353	-	-	170,592	197,353
Ad valorem tax	565,355	588,514	-	-	565,355	588,514
Other	112,404	135,208	31,114	52,456	143,518	187,664
Total Revenues	2,313,137	2,766,554	1,656,007	1,850,559	3,969,144	4,617,113
Program Expenses						
Admin/Operations	312,062	320,668	1,063,289	1,305,013	1,375,351	1,625,681
Code enforcement	48,541	96,606	-	-	48,541	96,606
Garbage	374,079	383,980	-	-	374,079	383,980
Streets	169,166	186,594	-	-	169,166	186,594
Special revenue	173,898	110,592	-	-	173,898	110,592
Court	93,622	65,209	-	-	93,622	65,209
Public safety	869,758	1,050,361	-	-	869,758	1,050,361
Bond interest	35,905	35,083	70,659	103,378	106,564	138,461
Transfers	79,604	63,582	(79,604)	(63,582)	-	-
Total Program Expenses	2,156,635	2,312,675	1,054,344	1,344,809	3,210,979	3,657,484
Change in Net Assets	\$ 156,502	\$ 453,879	\$ 601,663	\$ 505,750	\$ 758,165	\$ 959,629

Governmental Activities

Revenues for the City's governmental activities increased by 20 percent, while expenses increased seven 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 two percent and expenses increased by 27.5 percent. Depreciation expense, which is a non-cash outlay, was \$339,816 for fiscal year 2006.

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 \$1,018,313. This is 51 percent higher than last years balance of \$672,816. The City had a reserved fund balance of \$1,751,318 and an unreserved fund balance of a negative \$733,005.

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 \$2,833,801. This represents a decrease of \$505,750. 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 \$280,161 higher than budgeted. Expenses were \$47,454 below the budget amount. This resulted in a positive variance of \$327,615. Debt service revenues were \$4,332 under budget and expenses were exactly as budgeted. The result was a negative variance of \$4,332. Community Development revenues were \$96,933 higher than expected while its expenses were \$110,359 under budget. This resulted in a positive variance of \$207,292. Economic Development revenues were \$98,217 over budget and expenses were \$367,515 below budget. The result was a positive variance of \$465,732. The Hotel Tax Fund was \$3,013 above its revenue estimate and expenses were \$11,006 under budget. This resulted in a positive variance of \$14,019. The overall general fund budget showed a positive variance of \$1,010,326.

	Actual		Budget		Total Variance
	Revenue	Expense	Revenue	Expense	
General Fund	\$2,121,361	\$2,220,075	\$1,841,200	\$2,267,529	\$ 327,615
Debt Service	72,951	70,083	77,283	70,083	(4,332)
Community Development	320,933	107,441	224,000	217,800	207,292
Economic Development	322,217	108,385	224,000	475,900	465,732
Hotel Tax Fund	24,013	9,994	21,000	21,000	14,019
	<u>\$2,861,475</u>	<u>\$2,515,978</u>	<u>\$2,387,483</u>	<u>\$3,052,312</u>	<u>\$ 1,010,326</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of September 2006, the City had \$6,742,604, 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 \$943,157, or 16%, from last year. The current year depreciation expense was \$403,142.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2006	2005	2006	2005	2006
Land & buildings	\$ 954,444	\$ 1,006,090	\$ -	\$ -	\$ 954,444	\$ 1,006,090
Vehicles & equipment	253,566	321,882	53,950	53,950	307,516	375,832
Equipment	249,554	240,554	60,595	60,595	310,149	301,149
Water system	-	-	2,815,295	4,278,756	2,815,295	4,278,756
Sewer system	-	-	4,396,003	5,531,424	4,396,003	5,531,424
Construction in progress	-	-	1,423,712	-	1,423,712	-
Less depreciation	(697,752)	(700,911)	(3,709,920)	(4,049,736)	(4,407,672)	(4,750,647)
Total Assets	\$ 759,812	\$ 867,615	\$ 5,039,635	\$ 5,874,989	\$ 5,799,447	\$ 6,742,604

Debt

At September 2006, the City of Willis, Texas had \$3,146,726 in bonds outstanding. This was a decrease of \$199,361 from 2005. \$105,000 from the Series 2003 bonds were issued and \$94,922 was issued for the acquisition of police vehicles. Other regularly scheduled payments were made. \$63,582 in principal and 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	
	2005	2006	2005	2006	2005	2006
Capital leases	\$ 27,304	\$ 61,726	\$ 13,783	\$ -	\$ 41,087	\$ 61,726
Bonds-Series 2001	900,000	865,000	-	-	900,000	865,000
Bonds-Series 1995-A	-	-	65,000	60,000	65,000	60,000
Bonds-Series 1995-B	-	-	920,000	855,000	920,000	855,000
Bonds-Series 2003-A	-	-	325,000	215,000	325,000	215,000
Bonds-Series 2003	-	-	495,000	510,000	495,000	510,000
Bonds-Series 2005	-	-	600,000	580,000	600,000	580,000
	\$ 927,304	\$ 926,726	\$ 2,418,783	\$ 2,220,000	\$ 3,346,087	\$ 3,146,726

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's elected and appointed officials and citizens considered many factors when setting the 2006 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 6% decrease from 2006 actuals. The Utility Fund revenues are budgeted at a 3% increase.

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, 2006, 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, 2006, 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 7, 2006

CITY OF WILLIS, TEXAS
Statement of Net Assets
September 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,174,797	\$ 1,514,908	\$ 3,689,705
Receivables (net)	87,678	291,034	378,712
Inventory	-	17,415	17,415
Internal balances	(1,093,215)	1,093,215	-
Capital assets, net	867,615	5,874,989	6,742,604
Total assets	<u>2,036,875</u>	<u>8,791,561</u>	<u>10,828,436</u>
Liabilities			
Accounts payable	65,290	698	65,988
Customer deposits	-	82,073	82,073
Deferred revenue	85,657	-	85,657
Noncurrent liabilities:			
Due within one year	73,196	285,000	358,196
Due in more than one year	853,530	1,935,000	2,788,530
Total liabilities	<u>1,077,673</u>	<u>2,302,771</u>	<u>3,380,444</u>
Net Assets			
Invested in capital assets, net of related debt	(59,111)	3,654,989	3,595,878
Restricted for:			
Debt service	67,663	-	67,663
Economic development	849,560	-	849,560
Community development	721,797	-	721,797
Hotel tax fund	112,298	-	112,298
Unrestricted	(733,005)	2,833,801	2,100,796
Total net assets	<u>\$ 959,202</u>	<u>\$ 6,488,790</u>	<u>\$ 7,447,992</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, 2006

Function/programs	Program Revenues		
	Expenses	Charges for Services	Grant Revenues
Primary government:			
Governmental activities:			
Administration	\$ 320,668	\$ 44,777	\$ -
Building dev. & code enforcement	96,606	-	-
Garbage collection	383,980	428,751	-
Streets	186,594	11,946	-
Police	1,050,361	-	14,530
Special revenue funds	110,592	-	-
Court	65,209	-	-
Bond interest & fees	35,083	-	-
Total governmental activities	2,249,093	485,474	14,530
Business-type activities:			
Utility fund	1,305,013	1,495,620	302,483
Bond interest & fees	103,378	-	-
Total business-type activities	1,408,391	1,495,620	302,483
Total primary government	\$ 3,554,106	\$ 1,981,094	\$ 317,013

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	\$ (275,891)	\$ -	\$ (275,891)
Code enforcement	(96,606)	-	(96,606)
Garbage collection	44,771	-	44,771
Streets	(174,648)	-	(174,648)
Police	(1,035,831)	-	(1,035,831)
Special revenue funds	(110,592)	-	(110,592)
Court	(65,209)	-	(65,209)
Bond interest & fees	(35,083)	-	(35,083)
Total governmental activities	<u>(1,749,089)</u>	-	<u>(1,749,089)</u>
Business-type activities:			
Utility fund	-	493,090	493,090
Bond interest & fees	-	(103,378)	(103,378)
Total business-type activities	<u>-</u>	<u>389,712</u>	<u>389,712</u>
Total primary government	<u>(1,749,089)</u>	<u>389,712</u>	<u>(1,359,377)</u>
General revenues:			
Ad valorem tax	588,514	-	588,514
Sales tax	1,198,268	-	1,198,268
Franchise tax	147,207	-	147,207
Fines & warrant fees	197,353	-	197,353
Penalties & interest	16,303	-	16,303
Investment earnings	61,851	52,456	114,307
Miscellaneous	57,054	-	57,054
Transfers	(63,582)	63,582	-
Total general revenues and transfers	<u>2,202,968</u>	<u>116,038</u>	<u>2,319,006</u>
Change in net assets	453,879	505,750	959,629
Net assets-beginning	<u>505,324</u>	<u>5,983,040</u>	<u>6,488,364</u>
Net assets-ending	<u>\$ 959,203</u>	<u>\$ 6,488,790</u>	<u>\$ 7,447,993</u>

CITY OF WILLIS, TEXAS
Balance Sheet
Governmental Funds
September 30, 2006

	Governmental Fund Types		
	General	Debt Service	Economic Development
Assets			
Cash on hand and in bank	\$ 11,687	\$ 1,794	\$ 81,992
Certificates of deposit/investments	574,322	-	718,176
Receivables, net of uncollectibles:			
Delinquent taxes	68,727	16,930	-
Due from other funds	53,485	66,330	49,392
Other	2,021	-	-
Total assets	\$ 710,242	\$ 85,054	\$ 849,560
 Liabilities			
Accounts payable	\$ 65,290	\$ -	\$ -
Due to other funds	1,309,230	461	-
Deferred revenues	68,727	16,930	-
Total liabilities	1,443,247	17,391	-
 Fund balances			
Fund balance - reserved	-	67,663	849,560
Fund balance - unreserved	(733,005)	-	-
	(733,005)	67,663	849,560
Total liabilities and fund balances	\$ 710,242	\$ 85,054	\$ 849,560

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

Governmental Fund Types

	Community Development	Hotel Tax Fund	Total
Assets			
Cash on hand and in bank	\$ 118,503	\$ 17,879	\$ 231,855
Certificates of deposit/investments	550,444	100,000	1,942,942
Receivables, net of uncollectibles:			
Delinquent taxes	-	-	85,657
Due from other funds	52,850	-	222,057
Other	-	-	2,021
Total assets	<u>\$ 721,797</u>	<u>\$ 117,879</u>	<u>\$ 2,484,532</u>
Liabilities			
Accounts payable	\$ -	\$ -	\$ 65,290
Due to other funds	-	5,581	1,315,272
Deferred revenues	-	-	85,657
Total liabilities	<u>-</u>	<u>5,581</u>	<u>1,466,219</u>
Fund balances			
Fund balance - reserved	721,797	112,298	1,751,318
Fund balance - unreserved	-	-	(733,005)
Total fund balance	<u>721,797</u>	<u>112,298</u>	<u>1,018,313</u>
Total liabilities and fund balances	<u>\$ 721,797</u>	<u>\$ 117,879</u>	<u>\$ 2,484,532</u>

CITY OF WILLIS, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2006

	General Fund	Debt Service	Economic Development
Revenues			
Ad valorem taxes	\$ 517,905	\$ 70,609	\$ -
Building permits	44,777	-	-
Fines & warrant fees	197,353	-	-
Franchise taxes	126,332	-	-
Garbage collection	428,751	-	-
Investment earnings	14,951	171	22,225
Grants	26,476	-	-
Loan proceeds-police cars	94,921	-	-
Miscellaneous	56,629	-	425
Penalty & interest	14,132	2,171	-
Sales taxes	599,134	-	299,567
Total revenues	<u>2,121,361</u>	<u>72,951</u>	<u>322,217</u>
Expenditures			
Administration	290,947	1,000	-
Building dev. & code enforcement	96,606	-	-
Garbage collection	383,980	-	-
Streets	186,594	-	-
Police	1,196,739	-	-
Special revenue funds	-	-	51,219
Court	65,209	-	-
Bond interest	-	34,083	-
Bond principal	-	35,000	-
Total expenditures	<u>2,220,075</u>	<u>70,083</u>	<u>51,219</u>
Excess (deficiency) of revenues over expenditures	(98,714)	2,868	270,998
Other financing uses			
Transfers out	-	-	(57,166)
Net change in fund balances	(98,714)	2,868	213,832
Fund balances-beginning	<u>(634,291)</u>	<u>64,795</u>	<u>635,728</u>
Fund balances-ending	<u>\$ (733,005)</u>	<u>\$ 67,663</u>	<u>\$ 849,560</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	\$ -	\$ -	\$ 588,514 ✓
Building permits	-	-	44,777
Fines & warrant fees	-	-	197,353
Franchise taxes	-	20,875	147,207 ✓
Garbage collection	-	-	428,751
Investment earnings	21,366	3,138	61,851
Grants	-	-	26,476
Loan proceeds-police cars	-	-	94,921
Miscellaneous	-	-	57,054
Penalty & interest	-	-	16,303
Sales taxes	299,567	-	1,198,268 ✓
	<u>320,933</u>	<u>24,013</u>	<u>2,861,475</u>
Expenditures			
Administration	-	-	291,947
Building dev. & code enforcement	-	-	96,606
Garbage collection	-	-	383,980
Streets	-	-	186,594
Police	-	-	1,196,739
Special revenue funds	101,025	9,994	162,238
Court	-	-	65,209
Bond interest	-	-	34,083
Bond principal	-	-	35,000
	<u>101,025</u>	<u>9,994</u>	<u>2,452,396</u>
Excess (deficiency) of revenues over expenditures	219,908	14,019	409,079
Other financing uses			
Transfers out	<u>(6,416)</u>	<u>-</u>	<u>(63,582)</u>
Net change in fund balances	213,492	14,019	345,497
Fund balances-beginning	<u>508,305</u>	<u>98,279</u>	<u>672,816</u>
Fund balances-ending	<u>\$ 721,797</u>	<u>\$ 112,298</u>	<u>\$ 1,018,313</u>

CITY OF WILLIS, TEXAS
Reconciliation of Total Governmental Fund Balance
to Net Assets of Governmental Activities
September 30, 2006

Total governmental fund balances	\$ 1,018,313
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	867,615
Long-term liabilities are not reported as liabilities in the governmental funds	<u>(926,726)</u>
Net assets of governmental activities	<u>\$ 959,202</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, 2006

Net change in fund balances-total governmental funds	\$ 345,497
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.	(63,326)
This is the amount of capital expenditures for the year.	171,129
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.	95,500
This is the amount of current borrowing for police cars.	<u>(94,921)</u>
Change in net assets of governmental activities	<u>\$ 453,879</u>

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

CITY OF WILLIS, TEXAS
Statement of Net Assets
Proprietary Funds
September 30, 2006

Assets	<u>Utility Fund</u>
Current assets	
Cash on hand and in bank	\$ 800,528
Certificates of deposit/investments	714,380
Inventory	17,415
Receivables, net of uncollectibles:	
Accounts & other	291,034
Due from other funds	1,093,215
Total current assets	<u>2,916,572</u>
Noncurrent assets	
Fixed assets, net of accumulated depreciation	<u>5,874,989</u>
Total assets	<u><u>\$ 8,791,561</u></u>
 Liabilities	
Current liabilities	
Customer deposits	\$ 82,073
Accounts payable	698
Bonds payable	285,000
Total current liabilities	<u>367,771</u>
Noncurrent liabilities	
Bonds payable	<u>1,935,000</u>
Total liabilities	2,302,771
Net Assets	
Invested in capital assets, net	3,654,989
Unrestricted net assets	2,833,801
Total net assets	<u>6,488,790</u>
Total Net Assets and Liabilities	<u><u>\$ 8,791,561</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, 2006

	Utility Fund
Operating revenues	
Charges for services-water	\$ 747,216
Charges for services-sewer	646,446
Penalties & service charges	69,248
Tap fees	20,338
Other	12,372
Total operating revenues	1,495,620
Operating expenses	1,305,013
Operating income	190,607
Nonoperating revenue (expense)	
Grant revenues	302,483
Interest expense	(103,378)
Interest and investment revenue	52,456
Total nonoperating revenue	251,561
Net income before transfers	442,168
Transfers in	63,582
Change in net assets	505,750
Total net assets-beginning	5,983,040
Total net assets-ending	\$ 6,488,790

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, 2006

	<u>Utility Fund</u>
Cash flows from operating activities	
Receipts from customers	\$ 1,502,842
Payments to suppliers	(428,177)
Payments to employees	(293,284)
Other receipts (payments)	(230,666)
Net cash provided by operating activities	<u>550,715</u>
Cash flows from noncapital financing activities	
Transfers from other funds	63,582
Grants received	302,483
Net cash used by noncapital financing activities	<u>366,065</u>
Cash flows from capital and related financing activities	
Purchases of capital assets	<u>(1,175,170)</u>
Cash flows from investing activities	
Proceeds of debt	105,000
Payment on debt	(303,783)
Interest received	52,456
Interest paid	(103,378)
Net cash provided by investing activities	<u>(249,705)</u>
Net increase in cash and cash equivalents	(508,095)
Cash & cash equivalents-beginning of the year	<u>2,023,003</u>
Cash & cash equivalents-end of the year	<u><u>\$ 1,514,908</u></u>
Reconciliation of operating income to net cash provided	
(used) by operating activities:	
Operating income	\$ 190,607
Adjustments to reconcile operating income to net cash provided	
(used) by operating activities:	
Depreciation expense	339,816
Change in net assets and liabilities:	
Receivables, net	9,735
Customer deposits	9,859
Accounts payable	698
Net cash provided by operating activities	<u><u>\$ 550,715</u></u>

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

CITY OF WILLIS, TEXAS
Notes to Financial Statements
September 30, 2006

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, 2006 was \$63,326.

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, 2006, the Governmental Activities owed the Business-Type Activities a total of \$1,093,215.

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, 2006, 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 5.14%, 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, 2005 valuation is effective for rates beginning January, 2006). 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 \$3,689,705 and the bank balance was \$3,718,839. Of the bank balance, \$200,857 was insured by the Federal Deposit Insurance Corporation (FDIC) insurance and \$3,517,982 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	\$ 11,687	
	Savings	119,463	
	CD's	<u>454,859</u>	\$ 586,009
Economic Development	Checking	81,992	
	CD's	<u>718,176</u>	800,168
Community Development	Checking	118,503	
	CD's	<u>550,444</u>	668,947
Hotel Tax Fund	Checking	17,879	
	CD's	<u>100,000</u>	117,879
Debt Service	Checking	<u>1,794</u>	1,794
Utility Fund	TWDB-Series 2001		
	Checking	73,359	
	TWDB-Series 2003		
	Checking	58,143	
	Escrow	15,095	
	CDW-Series 2003-A		
	Checking	25,484	
	EDC Hwy 75-Series 2005		
	Checking	532,257	
	Waste water/sewer bond funds	120,420	
Savings	201,201		
CD's	467,187		
Meter deposits	<u>21,762</u>	<u>1,514,908</u>	
Total cash, savings and CD's			<u>\$ 3,689,705</u>

Note 4 - Long-Term Debt

The following is a summary of notes payable transactions for the year ended September 30, 2006:

	Balance 9-30-05	Additions	Reductions	Balance 9-30-06
Governmental Activities				
Capital Leases-Ford Motor Credit	\$ 27,304	\$ 94,922	\$ 60,500	\$ 61,726
Tax & Revenue Bonds-Series 2001	900,000	-	35,000	865,000
Total Governmental Activities	<u>927,304</u>	<u>94,922</u>	<u>95,500</u>	<u>926,726</u>
Business-Type Activities				
Capital Leases-Ford Motor Credit	13,783	-	13,783	-
Revenue Bonds-Series 1995-A	65,000	-	5,000	60,000
Revenue Bonds-Series 1995-B	920,000	-	65,000	855,000
Certificates of Obligation-Series 2003-A	325,000	-	110,000	215,000
Certificates of Obligation-Series 2003	495,000	105,000	90,000	510,000
Certificates of Obligation-Series 2005	600,000	-	20,000	580,000
Total Business-Type Activities	<u>2,418,783</u>	<u>105,000</u>	<u>303,783</u>	<u>2,220,000</u>
Total	<u>\$3,346,087</u>	<u>\$ 199,922</u>	<u>\$ 399,283</u>	<u>\$3,146,726</u>

Total Long-Term Debt requirements are as follows:

Year Ending	Principal Payment	Interest	Total
September 2007	\$ 358,196	\$ 131,305	\$ 489,501
September 2008	365,110	124,398	489,508
September 2009	271,615	111,926	383,541
September 2010	245,000	102,070	347,070
September 2011	255,000	93,209	348,209
September 2012 & Thereafter	<u>1,651,805</u>	<u>443,293</u>	<u>2,095,098</u>
	<u>\$3,146,726</u>	<u>\$1,006,201</u>	<u>\$4,152,927</u>

Note 5 - Changes in Capital Assets

A summary of changes in capital assets follows:

	Balance 9-30-05	Increases	Decreases	Balance 9-30-06
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	113,483	(45,167)	321,882
Equipment	249,554	6,000	(15,000)	240,554
Park improvements	59,553	51,646	-	111,199
Total capital assets being depreciated	1,058,148	171,129	(60,167)	1,169,110
Less accumulated depreciation				
Buildings	(224,110)	(17,655)	-	(241,765)
Vehicles & equipment	(250,585)	(25,825)	45,167	(231,243)
Equipment	(221,072)	(16,139)	15,000	(222,211)
Park improvements	(1,985)	(3,707)	-	(5,692)
Total accumulated depreciation	(697,752)	(63,326)	60,167	(700,911)
Total capital assets being depreciated, net	360,396	107,803	-	468,199
Governmental Activities Capital Assets, net	<u>\$ 759,812</u>	<u>\$ 107,803</u>	<u>\$ -</u>	<u>\$ 867,615</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 35,721
Police	27,605
Total governmental activities depreciation expense	<u>\$ 63,326</u>

Note 5 - Changes in Capital Assets, Continued

	Balance 9-30-05	Increases	Decreases	Balance 9-30-06
Business-Type Activities				
Capital assets not being depreciated:				
Construction in progress	\$1,423,712	\$ -	(1,423,712)	\$ -
Capital assets being depreciated:				
Water system	2,815,295	1,463,461	-	4,278,756
Sewer system	4,396,003	1,135,421	-	5,531,424
Equipment	60,595	-	-	60,595
Vehicles	53,950	-	-	53,950
Total capital assets being depreciated	7,325,843	2,598,882	-	9,924,725
Less accumulated depreciation:				
Water system	(1,674,510)	(134,635)	-	(1,809,145)
Sewer system	(2,019,359)	(192,371)	-	(2,211,730)
Equipment	(3,738)	(2,020)	-	(5,758)
Construction in progress	(12,313)	(10,790)	-	(23,103)
Total accumulated depreciation	(3,709,920)	(339,816)	-	(4,049,736)
Total capital assets being depreciated, net	3,615,923	2,259,066	-	5,874,989
Business-Type Activities Capital Assets, net	<u>\$5,039,635</u>	<u>\$2,259,066</u>	<u>\$ -</u>	<u>\$5,874,989</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues				
Ad valorem taxes	\$ 506,000	\$ 506,000	\$ 517,905	\$ 11,905
Building permits	67,500	67,500	44,777	(22,723)
Fines and warrant fees	155,700	155,700	197,353	41,653
Franchise taxes	120,000	120,000	126,332	6,332
Garbage collection	475,000	475,000	428,751	(46,249)
Investment earnings	7,500	7,500	14,951	7,451
Loan proceeds-police cars	-	-	94,921	94,921
Grants	-	-	26,476	26,476
Miscellaneous	29,500	29,500	56,629	27,129
Penalty & interest	15,000	15,000	14,132	(868)
Sales taxes	465,000	465,000	599,134	134,134
Total revenues	<u>1,841,200</u>	<u>1,841,200</u>	<u>2,121,361</u>	<u>280,161</u>
Expenditures				
Administration	278,794	278,794	290,947	(12,153)
Code enforcement	137,645	137,645	96,606	41,039
Garbage collection	452,500	452,500	383,980	68,520
Streets	185,202	185,202	186,594	(1,392)
Police	1,127,998	1,127,998	1,196,739	(68,741)
Court	85,390	85,390	65,209	20,181
Total expenditures	<u>2,267,529</u>	<u>2,267,529</u>	<u>2,220,075</u>	<u>47,454</u>
Excess of revenues over (under) expenditures	<u>(426,329)</u>	<u>(426,329)</u>	<u>(98,714)</u>	<u>\$ 327,615</u>
Fund balance-beginning	<u>(634,291)</u>	<u>(634,291)</u>	<u>(634,291)</u>	
Fund balance-ending	<u><u>\$(1,060,620)</u></u>	<u><u>\$(1,060,620)</u></u>	<u><u>\$ (733,005)</u></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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 75,083	\$ 75,083	\$ 70,609	\$ (4,474)
Investment earnings	200	200	171	(29)
Penalty & interest	2,000	2,000	2,171	171
Total revenues	<u>77,283</u>	<u>77,283</u>	<u>72,951</u>	<u>(4,332)</u>
Expenditures				
City general	1,000	1,000	1,000	-
Bond interest	34,083	34,083	34,083	-
Bond principal	35,000	35,000	35,000	-
Total expenditures	<u>70,083</u>	<u>70,083</u>	<u>70,083</u>	<u>-</u>
Excess of revenues over (under) expenditures	7,200	7,200	2,868	<u>\$ (4,332)</u>
Fund balance-beginning	<u>64,795</u>	<u>64,795</u>	<u>64,795</u>	
Fund balance-ending	<u>\$ 71,995</u>	<u>\$ 71,995</u>	<u>\$ 67,663</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Sales taxes	\$ 220,000	\$ 220,000	\$ 299,567	\$ 79,567
Investment earnings	4,000	4,000	21,366	17,366
Total revenues	<u>224,000</u>	<u>224,000</u>	<u>320,933</u>	<u>96,933</u>
Expenditures				
Special revenue funds	<u>217,800</u>	<u>217,800</u>	<u>101,025</u>	<u>116,775</u>
Excess of revenues over expenditures before transfers	6,200	6,200	219,908	213,708
Other financing uses				
Transfers out	<u>-</u>	<u>-</u>	<u>(6,416)</u>	<u>(6,416)</u>
Net change in fund balance	6,200	6,200	213,492	<u>\$ 207,292</u>
Fund balance-beginning	<u>508,305</u>	<u>508,305</u>	<u>508,305</u>	
Fund balance-ending	<u>514,505</u>	<u>\$ 514,505</u>	<u>\$ 721,797</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, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Sales taxes	\$ 220,000	\$ 220,000	\$ 299,567	\$ 79,567
Investment earnings	4,000	4,000	22,225	18,225
Miscellaneous	-	-	425	425
Total revenues	<u>224,000</u>	<u>224,000</u>	<u>322,217</u>	<u>98,217</u>
Expenditures				
Special revenue funds	<u>475,900</u>	<u>475,900</u>	<u>51,219</u>	<u>424,681</u>
Excess of revenues over (under) expenditures before transfers	(251,900)	(251,900)	270,998	522,898
Other financing uses				
Transfers out	<u>-</u>	<u>-</u>	<u>(57,166)</u>	<u>(57,166)</u>
Net change in fund balance	(251,900)	(251,900)	213,832	<u>\$ 465,732</u>
Fund balance-beginning	<u>635,728</u>	<u>635,728</u>	<u>635,728</u>	
Fund balance-ending	<u>\$ 383,828</u>	<u>\$ 383,828</u>	<u>\$ 849,560</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Franchise taxes	\$ 21,000	\$ 21,000	\$ 20,875	\$ (125)
Investment earnings	-	-	3,138	3,138
Total revenues	<u>21,000</u>	<u>21,000</u>	<u>24,013</u>	<u>3,013</u>
Expenditures				
Hotel tax fund	<u>21,000</u>	<u>21,000</u>	<u>9,994</u>	<u>11,006</u>
Excess of revenues over expenditures	-	-	14,019	<u>\$ 14,019</u>
Fund balance-beginning	<u>98,279</u>	<u>98,279</u>	<u>98,279</u>	
Fund balance-ending	<u>\$ 98,279</u>	<u>\$ 98,279</u>	<u>\$ 112,298</u>	

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

Fiscal Year End - September	2001	2002	2003
Actuarial Valuation Date	12-31-00	12-31-01	12-31-02
Actuarial Value of Assets	\$ 875,473	\$ 1,016,541	\$ 1,164,230
Actuarial Accrued Liability	920,921	1,065,606	1,174,112
Percentage Funded	95.1%	95.4%	99.2%
Under (Over) Funded Actuarial Accrued Liability (UAAL)	45,448	49,065	9,882
Annual Covered Payroll	854,526	922,824	926,616
UAAL as a Percentage of Covered Payroll	5.3%	5.3%	1.1%
Net Pension Obligation (NPO) at Beginning of Period	-	-	-
Annual Pension Cost - Annual Required Contribution (ARC)	43,043	48,929	55,087
Total Pension Cost	43,043	48,929	55,087
Contributions Made	43,043	48,929	55,087
Increase in NPO	-	-	-
NPO at End of Period	\$ -	\$ -	\$ -

Fiscal Year End - September	2004	2005	2006
Actuarial Valuation Date	12-31-03	12-31-04	12-31-05
Actuarial Value of Assets	\$ 1,342,666	1,258,626	1,258,626
Actuarial Accrued Liability	1,376,634	1,267,486	1,297,486
Percentage Funded	97.5%	99.3%	97.0%
Under (Over) Funded Actuarial Accrued Liability (UAAL)	33,698	38,860	38,860
Annual Covered Payroll	983,320	976,210	976,210
UAAL as a Percentage of Covered Payroll	3.4%	4.0%	4.0%
Net Pension Obligation (NPO) at Beginning of Period	-	-	-
Annual Pension Cost - Annual Required Contribution (ARC)	55,938	59,010	59,892
Total Pension Cost	55,938	59,010	59,892
Contributions Made	55,938	59,010	59,892
Increase in NPO	-	-	-
NPO at End of Period	\$ -	\$ -	\$ -

OTHER SUPPLEMENTAL INFORMATION

CITY OF WILLIS, TEXAS
Statement of Expenses
General Fund
For the Year Ended September 30, 2006

	Admin	Building Development & Code Enforcement	Streets
Salaries	\$ 109,730	\$ 26,286	\$ 78,419
Capital Improvements	6,000	-	20,000
Health insurance	15,198	6,907	14,819
Miscellaneous	9,810	45,788	3,998
Vehicle	7,920	3,084	4,178
Utilities & phone	10,135	895	32,397
Payroll taxes	8,389	2,103	6,542
Capital lease principal	-	-	-
Professional services	47,949	2,040	600
Employees retirement fund	6,011	1,474	4,196
Insurance	5,324	87	7,834
Dues, fees & training	3,600	1,729	773
Meetings & conferences	15,097	3,591	-
Buildings & structures	12,346	-	-
Supplies	12,116	678	4,164
Interlocal government	4,848	-	1,050
Uniforms	-	573	1,730
Elections	8,100	-	-
Postage	3,164	811	-
Signs	-	-	5,894
Public notices	5,210	560	-
Capital lease interest	-	-	-
Total General Fund Expenses	290,947	96,606	186,594
Adjustments to the Statement of Activities:			
Depreciation	35,721	-	-
Capital lease principal	-	-	-
Capitalized assets	(6,000)	-	-
Total Primary Government Expenses	\$ 320,668	\$ 96,606	\$ 186,594

	<u>Police</u>	<u>Court</u>	<u>Total</u>
Salaries	\$ 560,882	\$ 41,453	\$ 816,770
Capital Improvements	175,698	2,137	203,835
Health insurance	90,810	3,484	131,218
Miscellaneous	50,353	2,912	112,861
Vehicle	63,387	-	78,569
Utilities & phone	25,071	-	68,498
Payroll taxes	45,871	3,554	66,459
Capital lease principal	60,500	-	60,500
Professional services	-	5,400	55,989
Employees retirement fund	30,762	1,696	44,139
Insurance	27,948	329	41,522
Dues, fees & training	21,439	25	27,566
Meetings & conferences	7,925	608	27,221
Buildings & structures	14,510	-	26,856
Supplies	6,632	1,469	25,059
Interlocal government	5,937	-	11,835
Uniforms	6,645	-	8,948
Elections	-	-	8,100
Postage	1,036	2,142	7,153
Signs	50	-	5,944
Public notices	-	-	5,770
Capital lease interest	1,283	-	1,283
	<hr/>	<hr/>	<hr/>
Total General Fund Expenses	1,196,739	65,209	1,836,095
Adjustments to the Statement of Activities:			
Depreciation	27,605	-	63,326
Capital lease principal	(60,500)	-	(60,500)
Capitalized assets	(113,483)	-	(119,483)
	<hr/>	<hr/>	<hr/>
Total Primary Government Expenses	<u>\$ 1,050,361</u>	<u>\$ 65,209</u>	<u>\$1,719,438</u>

CITY OF WILLIS, TEXAS
Statement of Expenses
Special Revenue Funds
For the Year Ended September 30, 2006

	<u>Economic Development</u>	<u>Community Development</u>	<u>Hotel Tax Fund</u>	<u>Total</u>
Capital outlay	\$ 10,385	\$ 51,646	\$ -	\$ 62,031
Professional services	27,661	27,830	-	55,491
Publicity	1,958	15,834	9,994	27,786
Recycling	7,715	-	-	7,715
Contract services	3,000	3,000	-	6,000
Dues, fees & training	425	1,117	-	1,542
Other	-	191	-	191
Public notices	-	848	-	848
Supplies	75	559	-	634
	<hr/>	<hr/>	<hr/>	<hr/>
Total General Fund Expenses	51,219	101,025	9,994	162,238
Adjustments to the Statement of Activities:				
Capital outlay	-	(51,646)	-	(51,646)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Primary Government Expenses	<u>\$ 51,219</u>	<u>\$ 49,379</u>	<u>\$ 9,994</u>	<u>\$ 110,592</u>

CITY OF WILLIS, TEXAS
Statement of Expenses
Utility Fund
For the Year Ended September 30, 2006

Operating Expenses	
Depreciation	\$ 339,816
Salaries	293,284
Utilities	184,379
Pumps and motors	123,221
Health insurance	55,639
Professional fees	47,262
Utility lines	34,165
Contractual	25,240
Payroll tax	23,681
Miscellaneous	23,213
Solid waste	21,649
Insurance	19,534
Chemicals	16,564
Employees retirement fund	15,752
Fuel	15,342
Office expense	13,244
Radio and cell phones	11,822
Interlocal government	11,452
Vehicle	5,767
Uniforms	5,277
Operations	4,935
Training & education	4,650
Building and structures	3,729
Equipment	3,380
Travel, meetings and conferences	1,572
Postage	444
	<hr/>
Total Operating Expenses	<u><u>\$ 1,305,013</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
2005	.5221	.0713	.5934	98,075,178	581,979

Analysis of Changes in Property Taxes Receivable

Receivable, Beginning of Year	\$ 87,871
2005 Adjusted Tax Roll	581,979
Changes and Corrections	<u>4,321</u>
Total to be Accounted For	674,171
Tax Collections	<u>(588,514)</u>
Receivable, End of Year	<u><u>\$ 85,657</u></u>

Receivables, by years:

1996 and prior	\$ 5,228
1997	1,381
1998	3,643
1999	6,817
2000	7,599
2001	6,570
2002	9,821
2003	13,176
2004	12,031
2005	<u>19,391</u>
	<u><u>\$ 85,657</u></u>

CITY OF WILLIS, TEXAS
Schedule of Water Usage and Customers
For the Year Ended September 30, 2006

Month	Water Usage in Gallons		Number of Customers Served	
	Pumped	Sold	Water	Sewer
October 2005	19,896,400	14,406,000	1,924	1,693
November 2005	17,232,200	12,845,000	1,924	1,693
December 2005	16,262,400	12,368,800	1,926	1,695
January 2006	16,763,000	16,770,600	1,933	1,701
February 2006	15,030,000	20,613,000	1,928	1,697
March 2006	17,143,000	12,504,000	1,931	1,699
April 2006	16,633,000	16,508,900	1,927	1,696
May 2006	19,712,700	15,698,100	1,942	1,709
June 2006	19,052,800	15,463,400	1,934	1,702
July 2006	19,020,500	15,848,100	1,942	1,709
August 2006	21,654,900	18,530,600	1,965	1,729
September 2006	<u>18,843,900</u>	<u>16,993,600</u>	<u>1,960</u>	<u>1,725</u>
Total for Year	<u><u>217,244,800</u></u>	<u><u>188,550,100</u></u>		
Average for Year	<u><u>18,103,733</u></u>	<u><u>15,712,508</u></u>	<u><u>1,936</u></u>	<u><u>1,704</u></u>

CITY OF WILLIS, TEXAS
Capital Leases

General Fund

<u>FYE</u> <u>September</u>	<u>Interest</u> <u>Rate</u>	<u>Interest</u> <u>January 9</u>	<u>Principal</u> <u>January 9</u>	<u>Total</u>
2006	5.00	\$ -	\$ 33,196	\$ 33,196
2007	5.00	3,085	30,111	33,196
2008	5.00	1,581	31,615	33,196
Total Due		4,666	94,922	99,588
Retired through 2006		-	33,196	33,196
Balance September 2006		<u>\$ 4,666</u>	<u>\$ 61,726</u>	<u>\$ 66,392</u>

CITY OF WILLIS, TEXAS
Combination Tax & Revenue Certificates of Obligation, Series 2001
Governmental 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>		
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 2006		70,364	70,364	135,000	206,646
Balance September 2006		<u>\$ 164,946</u>	<u>\$ 164,946</u>	<u>\$ 865,000</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 2006		24,183	24,183	50,000	89,636
Balance September 2006		\$ 10,836	\$ 10,836	\$ 60,000	\$ 90,402

CITY OF WILLIS, TEXAS
Waterworks & Sewer System Revenue Bonds, Series 1995-B
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>		
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 2006		278,275	278,275	315,000	758,866
Balance September 2006		<u>\$ 131,806</u>	<u>\$ 131,806</u>	<u>\$ 855,000</u>	<u>\$ 1,231,296</u>

CITY OF WILLIS, TEXAS
Combination Tax & Revenue Certificates of Obligation, Series 2003-A
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	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 2006		16,679	21,608	320,000	237,399
Balance September 2006		<u>\$ 5,527</u>	<u>\$ 5,527</u>	<u>\$ 215,000</u>	<u>\$ 346,942</u>

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

FYE September	Interest Rate	Interest Due		Principal August 1	Total
		February 1	August 1		
2004	0.15	\$ 315	\$ 499	\$ 80,000	\$ 80,814
2005	0.40	495	1,294	85,000	86,789
2006	0.75	4,412	5,401	90,000	99,813
2007	1.20	5,028	5,028	95,000	105,056
2008	1.60	4,458	4,458	90,000	98,916
2009	2.00	3,737	3,737	100,000	107,474
2010	2.30	2,738	2,738	100,000	105,476
2011	2.50	1,587	1,587	100,000	103,174
2012	2.70	338	338	25,000	25,676
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		23,108	25,080	765,000	813,188
Retired through 2006		5,222	7,194	255,000	167,603
Balance September 2006		<u>\$ 17,886</u>	<u>\$ 17,886</u>	<u>\$ 510,000</u>	<u>\$ 645,585</u>
Total authorized		<u>\$ 3,245,000</u>			

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

FYE September	Interest Rate	Interest Due		Principal August 1	Total
		February 1	August 1		
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 2006		15,375	15,375	20,000	-
Balance September 2006		\$ 169,766	\$ 169,766	\$ 580,000	\$ 970,281