

CITY OF WILLIS, TEXAS
FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

CITY OF WILLIS, TEXAS

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CITY OF WILLIS, TEXAS
List of Officials

<u>Position</u>	<u>Elected Official</u>	<u>Term expires</u>
Mayor	Leonard Reed	May 2013
Mayor Pro-Tem and Council Member, Place No. 2	John F. Lovelady	May 2013
Council Member, Place No. 1	Tamara Young-Hector	May 2013
Council Member, Place No. 3	Thomas Belinoski	May 2013
Council Member, Place No. 4	Anna F. Ross	May 2013
Council Member, Place No. 5	Bill Van Alstyne	May 2013

City Office

City Manager
City Secretary
City Attorney
Police Chief

City Employee - Appointed

Hector Forestier
Brenda Burns
Larry Foerster
James Nowak

CITY OF WILLIS, TEXAS
Management's Discussion and Analysis

Our discussion and analysis of the City of Willis, Texas' (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2012. Please read it in conjunction with the City's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

The City's assets increased by \$5,715,197 and liabilities increased by \$3,562,366. New debt of \$3,950,000 was issued during the year and principle payments made totaled \$471,399.

During the year, the City had governmental expenses that were \$62,755 less than the prior year (not including interfund transfers). Total governmental revenues were \$415,235 higher than in fiscal 2011.

In the City's business-type activities, revenues, which included grant funds of \$131,198, decreased by \$488,522 (19%) and expenses increased by 4% or \$88,704 (not including interfund transfers).

Governmental activities reported a increase in net assets this year of \$18,449 and the business-type activities (water & sewer utility fund) reported an increase in net assets of \$265,533. Interfund transfers decreased governmental funds and increased business-type funds by \$475,006.

In 2012, an agreement was reached with the Sam Houston Town Center for the City to reimburse the developers for various costs of the project. The center includes a Kroger Superstore and numerous other businesses. A total of \$3,075,000 will be reimbursed based on the additional ad valorem and sales taxes generated.

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

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. Some of the recent projects and accomplishments made include the HOME program, which is a grant that assists low income homeowners by making repairs to, or replacement of, their property. The Texas Capital Grant reflects funds received that will be used to complete the entrance and exit ramps on I-45 north of Long Street.

In addition, new businesses have been attracted to Willis such as Holiday World of Willis (RV sales and service), Bailiff Enterprises (manufacturing) and Love's Travel and Convenience Center (motorist's restaurant-center).

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 \$5,715,197. Governmental assets increased by \$2,646,184 and business-type assets increased by \$3,069,013. 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	
	2011	2012	2011	2012	2011	2012
Current & Other Assets	\$ 3,179,489	\$ 3,877,746	\$ 2,077,567	\$ 4,915,892	\$ 5,257,056	\$ 8,793,638
Capital Assets	1,224,847	3,172,774	9,515,953	9,746,641	10,740,800	12,919,415
Total Assets	4,404,336	7,050,520	11,593,520	14,662,533	15,997,856	21,713,053
Long-Term Debt	2,025,000	2,710,000	5,740,558	8,534,159	7,765,558	11,244,159
Other Liabilities	532,112	605,998	110,712	120,591	642,824	726,589
Total Liabilities	2,557,112	3,315,998	5,851,270	8,654,750	8,408,382	11,970,748
Net Assets:						
Invested in Capital						
Assets-Net of Debt	(800,153)	462,774	3,775,395	1,212,482	2,975,242	1,675,256
Restricted	2,246,028	2,346,610	4,248,020	4,042,154	6,494,048	6,388,764
Unrestricted	401,349	925,138	(2,281,165)	753,147	(1,879,816)	1,678,285
Total Net Assets	\$ 1,847,224	\$ 3,734,522	\$ 5,742,250	\$ 6,007,783	\$ 7,589,474	\$ 9,742,305

Net assets of the City's governmental activities increased by 102% (\$3,734,522 compared to \$1,847,224). 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 increased from \$401,349 at September 2011 to \$925,138 at the end of this year.

The net assets of the City's business-type activities increased by 5% (\$6,007,783 compared to \$5,742,250). Unrestricted net assets increased from a negative \$2,281,165 at September 2011 to a positive \$753,147 in 2012.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2012	2011	2012	2011	2012
Revenues						
Program	\$ 549,105	\$ 475,198	\$ 1,961,664	\$ 1,995,479	\$ 2,510,769	\$ 2,470,677
Grants	229,617	241,547	651,627	131,198	881,244	372,745
Franchise tax	292,270	305,715	-	-	292,270	305,715
Sales tax	1,399,120	1,892,857	-	-	1,399,120	1,892,857
Ad valorem tax	778,562	775,719	-	-	778,562	775,719
Other	89,290	62,163	4,117	2,209	93,407	64,372
Total Revenues	3,337,964	3,753,199	2,617,408	2,128,886	5,955,372	5,882,085
Program Expenses						
Admin/Operations	634,758	809,668	2,045,324	2,149,629	2,680,082	2,959,297
Code enforcement	173,389	165,888	-	-	173,389	165,888
Garbage	276,084	203,036	-	-	276,084	203,036
Streets	331,966	366,005	-	-	331,966	366,005
Special revenue	532,445	272,316	-	-	532,445	272,316
Court	80,642	85,118	-	-	80,642	85,118
Public safety	1,201,965	1,256,054	-	-	1,201,965	1,256,054
Bond interest	91,250	101,659	204,331	188,730	295,581	290,389
Transfers	(271,733)	475,006	271,733	(475,006)	-	-
Total Program Expenses	3,050,766	3,734,750	2,521,388	1,863,353	5,572,154	5,598,103
Change in Net Assets	\$ 287,198	\$ 18,449	\$ 96,020	\$ 265,533	\$ 383,218	\$ 283,982

Governmental Activities

Revenues for the City's governmental activities increased by 12.4%, while expenses, not including transfers, decreased 2%. Sales tax revenue increased by \$493,737.

Business-Type Activities

Water and sewer revenues (including grants) of the City's business-type activities decreased by 18.6% and expenses, not including interfund transfers, increased by 3.9%. Depreciation expense, which is a non-cash outlay, was \$619,780 for fiscal year 2012.

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, unassigned 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 a combined fund balance of \$3,271,748. This is \$249,492 higher than last years balance of \$3,022,256. The City had a restricted fund balance of \$2,963,419 and an unassigned fund balance of \$308,329.

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 \$753,147. This represents an increase of \$3,034,312. Interfund transfers in were \$475,006. 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 bond proceeds were \$1,409,302 higher than budgeted. Expenses were \$1,117,012 above the budget amount. This resulted in a positive variance of \$292,290. Debt service revenues were \$795 over budget and expenses were \$2,919 over the budget amount. The result was a negative variance of \$2,124. Community Development revenues were \$114,470 higher than expected while its expenses were \$356,464 under budget. This resulted in a positive variance of \$470,934. Economic Development revenues were \$105,105 over budget and expenses were \$127,015 lower than budgeted. The result was a positive variance of \$232,120. The Hotel Tax Fund revenues were \$5,968 over budget and expenses were \$15,596 over the budget amount. This resulted in a negative variance of \$9,628. The overall general fund budget showed a positive variance of \$983,592. All of the figures shown here include bond proceeds and interfund transfers.

	Actual		Budget		Total Variance
	Revenue	Expense	Revenue	Expense	
General Fund	\$ 3,724,957	\$ 3,435,467	\$ 2,315,655	\$ 2,318,455	\$ 292,290
Debt Service	81,198	80,522	80,403	77,603	(2,124)
Community Development	366,470	516,736	252,000	873,200	470,934
Economic Development	358,105	230,385	253,000	357,400	232,120
Hotel Tax Fund	22,468	40,596	16,500	25,000	(9,628)
	<u>\$ 4,553,198</u>	<u>\$ 4,303,706</u>	<u>\$ 2,917,558</u>	<u>\$ 3,651,658</u>	<u>\$ 983,592</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of September 2012, the City had \$12,919,415, 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 \$684,644, or 6%, from last year. The current year combined depreciation expense was \$899,158.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2012	2011	2012	2011	2012
Land & buildings	\$ 1,403,736	\$ 1,636,514	\$ -	\$ -	\$ 1,403,736	\$ 1,636,514
Roads	1,903,554	2,404,110	-	-	1,903,554	2,404,110
Vehicles & equipment	504,892	504,892	119,045	160,395	623,937	665,287
Equipment	526,597	526,597	467,907	467,907	994,504	994,504
Water system	-	-	8,687,210	9,026,499	8,687,210	9,026,499
Sewer system	-	-	6,837,638	7,307,467	6,837,638	7,307,467
Less depreciation	(1,619,961)	(1,899,339)	(6,595,847)	(7,215,627)	(8,215,808)	(9,114,966)
Total Assets	<u>\$ 2,718,818</u>	<u>\$ 3,172,774</u>	<u>\$ 9,515,953</u>	<u>\$ 9,746,641</u>	<u>\$ 12,234,771</u>	<u>\$ 12,919,415</u>

Debt

At September 2012, the City of Willis, Texas had \$11,244,159 in outstanding debt. This was an increase of \$3,478,601 from 2011. New debt of \$3,950,000 was issued and \$471,399 was paid. All regularly scheduled payments were made. Current debt schedules call for payments through 2043.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2012	2011	2012	2011	2012
Utility Meter Program	\$ -	\$ -	\$ 706,478	\$ 590,079	\$ 706,478	\$ 590,079
Bonds-Series 2001	655,000	605,000	-	-	655,000	605,000
Bonds-Series 2006	1,370,000	1,305,000	-	-	1,370,000	1,305,000
Bonds-Series 2012	-	800,000	-	-	-	800,000
Bonds-Series 1995-A	-	-	35,000	30,000	35,000	30,000
Bonds-Series 1995-B	-	-	470,000	380,000	470,000	380,000
Bonds-Series 2003	-	-	2,505,000	2,400,000	2,505,000	2,400,000
Bonds-Series 2005	-	-	475,000	450,000	475,000	450,000
Bonds-Series 2007	-	-	194,080	184,080	194,080	184,080
Bonds-Series 2010	-	-	1,355,000	1,350,000	1,355,000	1,350,000
Bonds-Series 2012	-	-	-	3,150,000	-	3,150,000
	<u>\$ 2,025,000</u>	<u>\$ 2,710,000</u>	<u>\$ 5,740,558</u>	<u>\$ 8,534,159</u>	<u>\$ 7,765,558</u>	<u>\$ 11,244,159</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's elected and appointed officials and citizens considered many factors when setting the 2013 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 close to 2012 actual figures. The Utility Fund revenues have been budgeted at a 3% decrease.

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 Auditors' 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, 2012, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the 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, as of September 30, 2012, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented separately for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

VanWassehnova & Associates

VanWassehnova & Associates
November 26, 2012

CITY OF WILLIS, TEXAS

Statement of Net Assets

September 30, 2012

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,350,706	\$ 4,412,081	\$ 7,762,787
Receivables (net)	527,040	461,729	988,769
Inventory	-	42,082	42,082
Capital assets, net	3,172,774	9,746,641	12,919,415
Total assets	7,050,520	14,662,533	21,713,053
Liabilities			
Accounts payable	457,353	163	457,516
Accrued wages	80,339	30,271	110,610
Customer deposits	-	90,157	90,157
Deferred revenue	68,306	-	68,306
Noncurrent liabilities:			
Due within one year	120,000	376,491	496,491
Due in more than one year	2,590,000	8,157,668	10,747,668
Total liabilities	3,315,998	8,654,750	11,970,748
Net Assets			
Invested in capital assets, net of related debt	462,774	1,212,482	1,675,256
Restricted for:			
Debt service	17,508	-	17,508
Economic development	947,233	-	947,233
Community development	1,213,553	-	1,213,553
Hotel tax fund	168,316	-	168,316
Unrestricted	925,138	4,795,301	5,720,439
Total net assets	\$ 3,734,522	\$ 6,007,783	\$ 9,742,305

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

CITY OF WILLIS, TEXAS
Statement of Activities
For the Year Ended September 30, 2012

Function/programs	Expenses	Program Revenues	
		Charges for Services	Grant Revenues
Primary government:			
Governmental activities:			
Administration	\$ 809,668	\$ -	\$ 160,569
Building dev. & code enforcement	165,888	72,251	-
Garbage collection	203,036	229,785	-
Streets	366,005	-	-
Police	1,256,054	-	80,978
Special revenue funds	272,316	-	-
Court	85,118	173,162	-
Bond interest & fees	101,659	-	-
Total governmental activities	3,259,744	475,198	241,547
Business-type activities:			
Utility fund	2,149,629	1,995,479	131,198
Bond interest & fees	188,730	-	-
Total business-type activities	2,338,359	1,995,479	131,198
Total primary government	\$ 5,598,103	\$ 2,470,677	\$ 372,745

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	\$ (649,099)	\$ -	\$ (649,099)
Code enforcement	(93,637)	-	(93,637)
Garbage collection	26,749	-	26,749
Streets	(366,005)	-	(366,005)
Police	(1,175,076)	-	(1,175,076)
Special revenue funds	(272,316)	-	(272,316)
Court	88,044	-	88,044
Bond interest & fees	(101,659)	-	(101,659)
Total governmental activities	<u>(2,542,999)</u>	<u>-</u>	<u>(2,542,999)</u>
Business-type activities:			
Utility fund	-	(22,952)	(22,952)
Bond interest & fees	-	(188,730)	(188,730)
Total business-type activities	<u>-</u>	<u>(211,682)</u>	<u>(211,682)</u>
Total primary government	<u>(2,542,999)</u>	<u>(211,682)</u>	<u>(2,754,681)</u>
General revenues:			
Ad valorem tax	775,719	-	775,719
Sales tax	1,892,857	-	1,892,857
Franchise tax	305,715	-	305,715
Penalties & interest	14,902	-	14,902
Investment earnings	8,712	2,209	10,921
Miscellaneous	38,549	-	38,549
Transfers	(475,006)	475,006	-
Total general revenues and transfers	<u>2,561,448</u>	<u>477,215</u>	<u>3,038,663</u>
Change in net assets	18,449	265,533	283,982
Net assets-beginning	<u>3,716,073</u>	<u>5,742,250</u>	<u>9,458,323</u>
Net assets-ending	<u>\$ 3,734,522</u>	<u>\$ 6,007,783</u>	<u>\$ 9,742,305</u>

CITY OF WILLIS, TEXAS
Balance Sheet
Governmental Funds
September 30, 2012

	Governmental Fund Types		
	General	Debt Service	Economic Development
Assets			
Cash on hand and in bank	\$ 951,951	\$ 20,160	\$ 159,710
Certificates of deposit/investments	195,041	-	725,714
Receivables, net of uncollectibles:			
Grants	12,126	-	-
Sales tax	279,130	-	83,739
Ad Valorem taxes	61,829	6,477	-
	<u>\$ 1,500,077</u>	<u>\$ 26,637</u>	<u>\$ 969,163</u>
Total assets			
Liabilities			
Accounts payable	\$ 432,771	\$ 2,652	\$ 21,930
Accrued wages	80,339	-	-
Deferred revenues	61,829	6,477	-
	<u>574,939</u>	<u>9,129</u>	<u>21,930</u>
Total liabilities			
Fund balances			
Fund balance - restricted	616,809	17,508	947,233
Fund balance - unassigned	308,329	-	-
	<u>925,138</u>	<u>17,508</u>	<u>947,233</u>
Total fund balance			
Total liabilities and fund balances	<u>\$ 1,500,077</u>	<u>\$ 26,637</u>	<u>\$ 969,163</u>

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	\$ 59,564	\$ 50,400	\$ 1,241,785
Certificates of deposit/investments	1,070,250	117,916	2,108,921
Receivables, net of uncollectibles:			
Grants	-	-	12,126
Sales tax	83,739	-	446,608
Ad Valorem taxes	-	-	68,306
Total assets	<u>\$ 1,213,553</u>	<u>\$ 168,316</u>	<u>\$ 3,877,746</u>
Liabilities			
Accounts payable	\$ -	\$ -	\$ 457,353
Accrued wages	-	-	80,339
Deferred revenues	-	-	68,306
Total liabilities	<u>-</u>	<u>-</u>	<u>605,998</u>
Fund balances			
Fund balance - restricted	1,213,553	168,316	2,963,419
Fund balance - unassigned	-	-	308,329
Total fund balance	<u>1,213,553</u>	<u>168,316</u>	<u>3,271,748</u>
Total liabilities and fund balances	<u>\$ 1,213,553</u>	<u>\$ 168,316</u>	<u>\$ 3,877,746</u>

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CITY OF WILLIS, TEXAS
Reconciliation of Total Governmental Fund Balance
to Net Assets of Governmental Activities
September 30, 2012

Total governmental fund balances	\$ 3,271,748
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	3,172,774
Long-term liabilities are not reported as liabilities in the governmental funds	<u>(2,710,000)</u>
Net assets of governmental activities	<u><u>\$ 3,734,522</u></u>

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

CITY OF WILLIS, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2012

	<u>General Fund</u>	<u>Debt Service</u>	<u>Economic Development</u>
Revenues			
Sales taxes	\$ 1,183,045	\$ -	\$ 354,906
Ad valorem taxes	696,627	79,092	-
Franchise taxes	284,313	-	-
Grants	241,547	-	-
Garbage collection	229,785	-	-
Fines & warrant fees	173,162	-	-
Building permits	69,052	-	-
Miscellaneous	30,447	-	601
Penalty & interest	12,883	2,019	-
Investment earnings	897	87	2,598
Code enforcement	3,199	-	-
Total revenues	<u>2,924,957</u>	<u>81,198</u>	<u>358,105</u>
Expenditures			
Administration	620,662	2,000	-
Building dev. & code enforcement	165,888	-	-
Garbage collection	203,036	-	-
Streets	768,608	-	-
Police	1,265,824	-	-
Special revenue funds	-	-	124,399
Court	85,118	-	-
Bond interest	60,256	26,603	12,800
Bond principal	65,000	50,000	-
Total expenditures	<u>3,234,392</u>	<u>78,603</u>	<u>137,199</u>
Excess (deficiency) of revenues over expenditures	(309,435)	2,595	220,906
Other financing sources (uses)			
Bond proceeds	800,000	-	-
Transfers in (out)	(201,075)	(1,919)	(93,186)
Net change in fund balances	289,490	676	127,720
Fund balances-beginning	<u>635,648</u>	<u>16,832</u>	<u>819,513</u>
Fund balances-ending	<u>\$ 925,138</u>	<u>\$ 17,508</u>	<u>\$ 947,233</u>

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

	Community Development	Hotel Tax Fund	Total
Revenues			
Sales taxes	\$ 354,906	\$ -	\$ 1,892,857
Ad valorem taxes	-	-	775,719
Franchise taxes	-	21,402	305,715
Grants	-	-	241,547
Garbage collection	-	-	229,785
Fines & warrant fees	-	-	173,162
Building permits	-	-	69,052
Miscellaneous	7,500	-	38,548
Penalty & interest	-	-	14,902
Investment earnings	4,064	1,066	8,712
Code enforcement	-	-	3,199
	<u>366,470</u>	<u>22,468</u>	<u>3,753,198</u>
Expenditures			
Administration	-	-	622,662
Building dev. & code enforcement	-	-	165,888
Garbage collection	-	-	203,036
Streets	-	-	768,608
Police	-	-	1,265,824
Special revenue funds	337,910	40,596	502,905
Court	-	-	85,118
Bond interest	-	-	99,659
Bond principal	-	-	115,000
	<u>337,910</u>	<u>40,596</u>	<u>3,828,700</u>
Excess (deficiency) of revenues over expenditures	28,560	(18,128)	(75,502)
Other financing sources (uses)			
Bond proceeds	-	-	800,000
Transfers in (out)	(178,826)	-	(475,006)
	<u>(150,266)</u>	<u>(18,128)</u>	<u>249,492</u>
Net change in fund balances	(150,266)	(18,128)	249,492
Fund balances-beginning	<u>1,363,819</u>	<u>186,444</u>	<u>3,022,256</u>
Fund balances-ending	<u>\$ 1,213,553</u>	<u>\$ 168,316</u>	<u>\$ 3,271,748</u>

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, 2012

Net change in fund balances-total governmental funds		\$ 249,492
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
		(279,378)
<p>This is the amount of capital expenditures for the year.</p>		
		733,334
<p>Rounding</p>		
		1
<p>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.</p>		
		115,000
<p>This is the amount of new debt issued.</p>		
		<u>(800,000)</u>
Change in net assets of governmental activities		<u><u>\$ 18,449</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, 2012

Assets	<u>Utility Fund</u>
Current assets	
Cash on hand and in bank	\$ 546,865
Certificates of deposit/investments	3,865,216
Inventory	42,082
Receivables, net of uncollectibles:	
Accounts & other	<u>461,729</u>
Total current assets	4,915,892
Noncurrent assets	
Fixed assets, net of accumulated depreciation	<u>9,746,641</u>
Total assets	<u><u>\$ 14,662,533</u></u>
 Liabilities	
Current liabilities	
Customer deposits	\$ 90,157
Accounts payable	163
Accrued wages	30,271
Bonds payable	<u>376,491</u>
Total current liabilities	497,082
Noncurrent liabilities	
Bonds payable	<u>8,157,668</u>
Total liabilities	<u>8,654,750</u>
 Net Assets	
Invested in capital assets, net	1,212,482
Restricted	4,042,154
Unrestricted net assets	<u>753,147</u>
Total net assets	<u>6,007,783</u>
 Total Net Assets and Liabilities	<u><u>\$ 14,662,533</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, 2012

	Utility Fund
Operating revenues	
Charges for services-water	\$ 822,523
Charges for services-sewer	854,349
Penalties & service charges	74,834
Lone Star Conservation & SJRA	193,960
Tap fees	47,576
Other	2,237
	1,995,479
Operating expenses	2,149,629
Operating income (loss)	(154,150)
Nonoperating revenue (expense)	
Grant revenues	131,198
Interest expense	(188,730)
Interest and investment revenue	2,209
	(55,323)
Total nonoperating revenue	(55,323)
Net income (loss) before transfers	(209,473)
Transfers in	475,006
	265,533
Change in net assets	265,533
Total net assets-beginning	5,742,250
Total net assets-ending	\$ 6,007,783

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, 2012

	<u>Utility Fund</u>
Cash flows from operating activities	
Receipts from customers	\$ 1,982,421
Payments to suppliers	(464,701)
Payments to employees	(300,452)
Other receipts (payments)	(780,645)
Net cash provided by operating activities	436,623
Cash flows from noncapital financing activities	
Transfers between funds	475,006
Grants received	131,198
Net cash provided by noncapital financing activities	606,204
Cash flows from capital and related financing activities	
Purchases of capital assets	(850,468)
Cash flows from investing activities	
Proceeds of debt	3,150,000
Payment on debt	(356,399)
Interest received	2,209
Interest paid	(188,730)
Net cash provided by investing activities	2,607,080
Net increase in cash and cash equivalents	2,799,439
Cash & cash equivalents-beginning of the year	1,612,642
Cash & cash equivalents-end of the year	\$ 4,412,081
Reconciliation of operating income to net cash provided	
(used) by operating activities:	
Operating income (loss)	\$ (154,150)
Adjustments to reconcile operating income to net cash provided	
(used) by operating activities:	
Depreciation expense	619,780
Change in net assets and liabilities:	
Receivables, net	(14,219)
Inventory	(24,667)
Customer deposits	3,398
Accounts payable	6,481
Net cash provided by operating activities	\$ 436,623

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

CITY OF WILLIS, TEXAS
Notes to Financial Statements
September 30, 2012

Note 1 - Summary of Significant Accounting Policies

A. History & General Statement

The City of Willis, Texas ("City") was founded in 1870 and named for P.J. and R.S. Willis. The brothers donated their land to the Great Northern Railroad when the railroad decided to run a track from Houston to Chicago. The City 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 the City's growth and development during that time. At the peak of the City's tobacco boom, the City kept eight cigar factories in business. 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 the City's economic growth, has been its most stable economic engine for over one hundred years.

Since the 1980's, the City has seen its economic base change from agriculture to services, retail, and manufacturing. The City is the gateway to Lake Conroe. Interstate 45 bisects the City. 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 the City. The Montgomery County Airport is 10 miles east of the City.

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 City is an independent political subdivision of the State of Texas governed by an elected council and is considered a primary government for financial reporting purposes as its activities are not considered a part of any other governmental or other type of reporting entity.. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. No other entities have been included in the City's reporting entity.

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 Statement Presentation

These financial statements include implementation of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* ("the statement" or "Statement No. 34"). Requirements of the statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations;
- Financial statements prepared using full accrual accounting for all the City's activities;
- A change in the fund financial statements to focus on the major funds.

Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a Statement of Net Assets and a Statement of Activities. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants); grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

C. 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 GASB Statement No. 39, 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 these criteria, the City has no component units.

D. Implementation of New Standards

In the current year, the City implemented the following new standard:

GASB Statement No. 59, *Financial Instruments Omnibus*, updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The effects of the statement have been included within this financial report.

E. 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.

F. 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 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 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 fund:

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 fund.

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.

G. 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 (60 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.

H. Estimates

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

I. Budgetary Control

The City 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 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.

J. 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. GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, requires that investments having a maturity date of over three months not be defined as cash equivalents.

K. Custodial Credit Risk

In the case of bank deposits, custodial credit risk is the risk that in the event of a bank failure, the City’s bank deposits, which exceed federally insured limits (\$250,000 for 2011 and 2012), may not be returned to it.

The bank deposits of the City, at times, may exceed this federally insured limit. The City's investment policy provides that, consistent with the Public Funds Collateral Act, it is the policy of the City to require full collateralization of all uninsured City funds on deposit with a depository bank, other than investments. The City's deposits were fully insured or collateralized as required by the state statues and the City's investment policy. The City has not experienced any losses in such accounts and management believes it is not exposed to any significant custodial risk on cash.

In the case of investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. According to the City's investment policy, the City shall contract with a financial institution for the safekeeping of securities owned by the City as part of its investment portfolio.

L. Property Taxes

All property values are determined by the Montgomery County Tax Assessor/Collector. Property taxes are levied on October 1 and are payable on or before January 31. They attach as an enforceable lien on January 1. Penalties and interest are charged if taxes are not paid by the succeeding January 31.

The tax rate in effect for the year ending September 30, 2012 was \$0.5669 cents per \$100 of valuation for 2011 taxes.

M. Receivables, Payables and Transfers

Short-term amounts owed between funds and the component unit are classified as "Due to/from other funds". Any residual balances outstanding between the governmental activities, business-type activities, and the component unit are reported in the government-wide statements as "internal balances". As of September 30, 2012, all interfund balances were zero. Transfers between funds are recorded as other financing sources and uses.

All trade receivables are shown net of an allowance for uncollectible accounts.

N. Capital Assets

Capital assets, which include 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 cost 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

O. Inventories

Inventories consist primarily of public works supplies, valued at cost, which approximates market value. Cost is determined using a weighted average method. The cost of inventories is recorded as expenditures/expenses when purchased rather than when consumed.

P. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Assets. The long-term debt consists of revenue bond issuances, certificates of obligation, and capital leases. The City is not obligated in any manner for special assessment debt.

Long-term debt is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount, and payment of principal and interest is reported as expenditures. In governmental fund balances, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable, available financial resources.

Q. 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.

R. Fund Balances

Effective July 1, 2009, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("the statement" or "Statement No. 54"). The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The City has evaluated the use of its Debt Service and Capital Projects Funds under the criteria set forth in Statement No. 54 and has determined that there is no change needed.

As prescribed by the Statement, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable Fund Balance—includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance—includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance— includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority.

Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).

Assigned Fund Balance—includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (a) The City Council or (b) a body (a budget, finance committee) to which the assigned amounts are to be used for specific purposes.

Unassigned Fund Balance—includes all residual amounts in governmental funds that are not classified as nonspendable, restricted, or committed. Unassigned amounts are available for any purpose. It may also be used to report negative fund balances in other governmental funds.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

In all cases, encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

S. Net Assets

Net assets represent 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 - Employee Pension Plan

Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and Required Supplementary Information (RSI) for TMRS. The report also provides detailed explanations of the contributions benefits and actuarial methods and assumptions used by TMRS. This report may be obtained from TMRS’ website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2011	Plan Year 2012
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI	0% of CPI

Benefits

Upon retirement, benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City financed monetary credits, with interest. City financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least 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 annually, another type of monetary credit referred to as an updated service credit. This 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.

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary using the projected unit credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 24-year amortization period. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits such as updated service credits and annuity increases. The City contributes to the TMRS plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2011 valuation is effective for rates beginning January 2013). Additional data is presented in the supplemental information of this report.

Note 3 - Deposits & Investments

The City has an investment policy that applies to all the financial assets and funds of the City. The City's investment policy authorizes the City to invest its funds in passbooks, bankers' acceptances, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to those funds. In addition, and unless such an investment is expressly prohibited by law, the City can invest in direct debt securities of the United States, certificates of deposit, repurchase agreements and reverse repurchase agreements, money market funds, and Texas Government Investment Pools.

The City's investment policy requires funds on bank deposit at the depository bank to be collateralized by securities with a collective market value (market value of the principal and accrued interest) of at least 102%. Collateral is held by an independent third party safekeeping agent. 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. Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("DFA") provides temporary (through December 31, 2012) unlimited deposit insurance coverage for non interest-bearing transaction accounts at all FDIC insured depository institutions.

Of the City's bank deposit accounts, only the pooled cash account is non interest-bearing so the DFA applies and the City has no custody risk for this account. For the remaining deposits, the market values of pledged securities and FDIC insurance exceeded bank balances for the City. As such, of September 30, 2012, the City's funds and taxes collected were adequately secured at all times during the year.

The City's investments are categorized as either:

Category #1 - Insured or registered for which the securities are held by the government agents in the City's name.

Category #2 - Uninsured and unregistered for which the securities are held by the dealer's trust department or agent in the City's name.

Category #3 - Uninsured and unregistered for which the securities are held by the dealer or by its trust department but not in the City's name.

At September 30, 2012, all of the City's investments were in category #1.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, as amended by, GASB Statement No. 59, *Financial Instruments Omnibus*, the City reports all investments at fair value, except for "money market investments" and "2a-7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the Security and Exchange Commissions (SEC) Rule 2a-7 of the Investment Company Act of 1940, such as TexStar, are reported using the pools' share price. The City does have investments in 2a-7 like pools.

A schedule of cash, savings, certificates of deposit, and investments follows:

General Fund	Checking	\$ 521,016	
	Savings	12,060	
	CD's-Investments	<u>613,916</u>	\$ 1,146,992
Economic Development	Checking	159,710	
	CD's-Investments	<u>725,714</u>	885,424
Community Development	Checking	59,564	
	CD's-Investments	<u>1,070,250</u>	1,129,814
Hotel Tax Fund	Savings	50,400	
	CD's-Investments	<u>117,916</u>	168,316
Debt Service	Savings	<u>20,160</u>	20,160
Utility Fund	TWDB Series 2003 Savings	19,443	
	TWDB Series 2010 Checking	471,053	
	TWDB Series 2010 Escrow	664,181	
	TWDB Series 2012 Escrow	2,887,478	
	Waste water/sewer bond funds	153,145	
	Savings	2,582	
	CD's-Investments	188,861	
	Meter deposits	<u>25,339</u>	<u>4,412,082</u>
			<u>\$ 7,762,788</u>

Note 4 – Commitments – Section 380 Agreement

Chapter 380, *Miscellaneous Provisions Relating to Municipal Planning and Development*, of the Texas Local Government Code provides the authority to the governing body of a municipality to establish and provide for the administration of one or more programs, including programs for making loans and grants of public money and providing personnel and services of the municipality, to promote state of local economic development and to stimulate business and commercial activity in the municipality.

In 2010, the City approved a Chapter 380 Agreement with the Sam Houston Town Center, L.P. (SHTC) whereby a 24.5 acre, mixed use development consisting of approximately 143,717 square feet of retail and restaurant space would be constructed within the City boundaries. The contract calls for reimbursement to the developer of up to \$3,075,000, plus interest at 7.5%, for certain infrastructure improvements. The developer has incurred costs for road boring, earthwork & grading, drainage, retaining wall, relocation of lift station, offsite sanitary sewer, water relocation, electrical, gas line relocation, traffic study & signal engineering, traffic signal, environmental consultant, FM 1097 widening and engineering fees. The payments are to be made based on excess ad valorem and sales tax generated at the Center. During the year ended September 30, 2012, \$126,767 was paid to the developer.

Note 5 – Federal Audit Requirements

The U.S. Office of Management and Budget (OMB) issued Circular A-133, which establishes uniform audit requirements for non-Federal entities that administer Federal awards and implements the Single Audit Act Amendments of 1996, which were signed into law July 5, 1996 (Public Law 104-156).

The purposes of the Single Audit Act Amendments of 1996 are as follows:

1. promote sound financial management, including effective internal controls, with respect to Federal awards;
2. promote the efficient and effective use of audit resources;
3. reduce burdens on state and local governments, Indian tribes, and nonprofit organizations;
4. ensure that Federal departments and agencies, to the maximum extent practicable, rely upon and use audit work done pursuant to Chapter 75 of Title 30, United States Code (the “Single Audit Act”).

For 2012, the City’s audit was performed in accordance with Circular A-133. The auditor’s reports on consideration on the City’s internal control over financial reporting and tests of other matters are issued with this report.

Note 6 - Long-Term Obligations

The City enters into loan agreements, capital lease agreements, and issues revenue bonds and certificates of obligation to provide financing for its various operations. Loan agreements, Leases, Bonds, and Certificates can and have been issued for both the governmental activities and the business-type activities.

For each of the Bond and Certificate issues, the City is required to establish either (or both) a reserve fund account and an interest & sinking fund account. The purpose of such funds is to retire the debt. Into each of these accounts, to meet the requirements of the respective Bond and Certificate issues, equal monthly payments are to be made. All required reserve and interest & sinking fund accounts have been properly maintained as of September 30, 2012. Debt schedules are presented under the statistical information at the end of this report.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of the net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment, with an appropriate reduction of principal in the government-wide financial statements.

Note 7 – Contingent Liabilities

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest paid to bondholders.

Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (“IRS”) at least every five years for applicable bond issues. Accordingly, there is a risk that if such calculations are not performed correctly, it could result in a substantial liability to the City. Although the City does not anticipate that it will have any arbitrage liability, it periodically engages an arbitrage consultant to perform the calculations in accordance with the IRS rules and regulations.

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City had not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired.

In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

Note 8 – Operating Lease

The City has entered into a lease for a postage machine. The payment is \$519 per quarter and expires upon the consent of either party.

Note 9 - Long-Term Debt

The following is a summary of notes payable transactions for the year ended September 30, 2012:

	Balance 9-30-11	Additions	Reductions	Balance 9-30-12
Governmental Activities				
Tax & Revenue Bonds-Series 2001	\$ 655,000	\$ -	\$ 50,000	\$ 605,000
Tax & Revenue Bonds-Series 2006	1,370,000	-	65,000	1,305,000
Certificates of Obligation-Series 2012	-	800,000	-	800,000
Total Governmental Activities Debt	<u>2,025,000</u>	<u>800,000</u>	<u>115,000</u>	<u>2,710,000</u>
Other Liabilities				
Compensated absences	73,679	6,660	-	80,339
Total Governmental Debt	<u>2,098,679</u>	<u>806,660</u>	<u>115,000</u>	<u>2,790,339</u>
Business-Type Activities				
Capital Lease - Meter Replacement Program	706,478	-	116,399	590,079
Revenue Bonds-Series 1995-A	35,000	-	5,000	30,000
Revenue Bonds-Series 1995-B	470,000	-	90,000	380,000
Certificates of Obligation-Series 2003	2,505,000	-	105,000	2,400,000
Certificates of Obligation-Series 2005	475,000	-	25,000	450,000
Certificates of Obligation-Series 2007	194,080	-	10,000	184,080
Certificates of Obligation-Series 2010	1,355,000	-	5,000	1,350,000
Revenue Bonds-Series 2012	-	3,150,000	-	3,150,000
Total Business-Type Activities Debt	<u>5,740,558</u>	<u>3,150,000</u>	<u>356,399</u>	<u>8,534,159</u>
Other Liabilities				
Compensated absences	23,953	6,318	-	30,271
Total Business-Type Activities Debt	<u>5,764,511</u>	<u>3,156,318</u>	<u>356,399</u>	<u>8,564,430</u>
Total Debt and Other Liabilities	<u><u>\$ 7,863,190</u></u>	<u><u>\$ 3,962,978</u></u>	<u><u>\$ 471,399</u></u>	<u><u>\$11,354,769</u></u>

Total Long-Term Debt requirements are as follows:

Year Ending	Principal Payment	Interest	Total
September 2013	\$ 521,491	\$ 384,350	\$ 905,841
September 2014	606,801	359,058	965,859
September 2015	637,344	335,905	973,249
September 2016	663,394	310,770	974,164
September 2017	621,049	285,529	906,578
September 2018 & Thereafter	8,194,080	2,375,171	10,569,251
	<u><u>\$11,244,159</u></u>	<u><u>\$ 4,050,783</u></u>	<u><u>\$15,294,942</u></u>

Note 10 - Changes in Capital Assets

A summary of changes in capital assets follows:

	Balance 9-30-11	Increases	Decreases	Balance 9-30-12
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 399,416	\$ -	\$ -	\$ 399,416
Capital assets being depreciated:				
Buildings	780,814	232,778	-	1,013,592
Roads	1,903,554	500,556	-	2,404,110
Vehicles & equipment	504,892	-	-	504,892
Equipment	526,597	-	-	526,597
Park improvements	223,506	-	-	223,506
Total capital assets being depreciated	3,939,363	733,334	-	4,672,697
Less accumulated depreciation				
Buildings	(367,566)	(39,764)	-	(407,330)
Roads	(409,583)	(160,274)	-	(569,857)
Vehicles & equipment	(488,752)	(29,500)	-	(518,252)
Equipment	(309,632)	(41,560)	-	(351,192)
Park improvements	(44,428)	(8,280)	-	(52,708)
Total accumulated depreciation	(1,619,961)	(279,378)	-	(1,899,339)
Total capital assets being depreciated, net	2,319,402	453,956	-	2,773,358
Governmental Activities Capital Assets, net	<u>\$ 2,718,818</u>	<u>\$ 453,956</u>	<u>\$ -</u>	<u>\$ 3,172,774</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 250,949
Police	28,429
Total governmental activities depreciation expense	<u>\$ (279,378)</u>

Note 10 - Changes in Capital Assets, Continued

	Balance 9-30-11	Increases	Decreases	Balance 9-30-12
Business-Type Activities				
Capital assets being depreciated:				
Water system	\$ 8,687,210	\$ 339,289	\$ -	\$ 9,026,499
Sewer system	6,837,638	469,829	-	7,307,467
Equipment	467,907	-	-	467,907
Vehicles	119,045	41,350	-	160,395
	<u>16,111,800</u>	<u>850,468</u>	<u>-</u>	<u>16,962,268</u>
Total capital assets being depreciated				
Less accumulated depreciation:				
Water system	(3,606,441)	(328,732)	-	(3,935,173)
Sewer system	(2,800,568)	(239,283)	-	(3,039,851)
Equipment	(76,495)	(34,611)	-	(111,106)
Vehicles	(112,343)	(17,154)	-	(129,497)
	<u>(6,595,847)</u>	<u>(619,780)</u>	<u>-</u>	<u>(7,215,627)</u>
Total accumulated depreciation				
Business-Type Activities				
Capital Assets, net	<u>\$ 9,515,953</u>	<u>\$ 230,688</u>	<u>\$ -</u>	<u>\$ 9,746,641</u>

All depreciation was charged to the utility fund.

Note 11 – Risk Management

The City is exposed to various risks of loss related to theft of, damage to and destruction of assets, errors and omissions, personal injury and death, and natural disasters for which the City carries commercial insurance. The City has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts.

Note 12 – New Accounting Pronouncements

The GASB has issued several new statements. A listing follows of those that apply to the City. These statements will be implemented as required by the GASB.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, amends the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* so as to improve financial reporting for a government financial reporting entity by improving guidance for including, presenting, and disclosing information about component units of a financial reporting entity. This statement is effective for financial statement periods beginning after June, 15, 2012 and will be effective for the City in the fiscal year ending September 30, 2013.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, enhances the usefulness of the financial statements by organizing all sources of generally accepted accounting principles for state and local governments into a single source. This statement is effective for financial statement periods beginning after December 15, 2011 and will be effective for the City in the fiscal year ending September 30, 2013

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* improves financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government’s net position. This statement is effective for financial statement periods beginning after December 15, 2011 and will be effective for the City in the fiscal year ending September 30, 2013.

Note 13 – Fund Balance Adjustments

During the year ended September 30, 2012, the City made two accounting adjustments. The first was to capitalize streets and roads costs from prior years. This increased the fund balance on the statement of net assets by \$1,493,791. The second was to accrue sales tax that had been earned but not yet paid by the State of Texas. This increased the fund balance on the statement of net assets and governmental balance sheet by \$374,878.

Note 14 – Subsequent Events

The City has evaluated events, transactions, or pronouncements that may impact the financial statements for the year ended September 30, 2012 through November 26, 2012, the date the financial statements were available to be issued. There were no subsequent events, transactions, or pronouncements that require recognition or disclosure in the financial statements.

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Ad valorem taxes	\$ 685,000	\$ 685,000	\$ 696,627	\$ 11,627
Building permits	53,000	53,000	69,052	16,052
Fines and warrant fees	141,500	141,500	173,162	31,662
Franchise taxes	280,000	280,000	284,313	4,313
Garbage collection	225,000	225,000	229,785	4,785
Investment earnings	2,500	2,500	897	(1,603)
Code enforcement	15,000	15,000	3,199	(11,801)
Grants	67,655	67,655	241,547	173,892
Miscellaneous	47,000	47,000	30,447	(16,553)
Penalty & interest	9,000	9,000	12,883	3,883
Sales taxes	790,000	790,000	1,183,045	393,045
Total revenues	<u>2,315,655</u>	<u>2,315,655</u>	<u>2,924,957</u>	<u>609,302</u>
Expenditures				
Administration	486,215	486,215	620,662	(134,447)
Code enforcement	178,872	178,872	165,888	12,984
Garbage collection	204,000	204,000	203,036	964
Streets	178,618	178,618	768,608	(589,990)
Police	1,386,261	1,386,261	1,265,824	120,437
Court	88,513	88,513	85,118	3,395
Bond interest	60,280	60,280	60,256	24
Bond principal	65,000	65,000	65,000	-
Total expenditures	<u>2,647,759</u>	<u>2,647,759</u>	<u>3,234,392</u>	<u>(586,633)</u>
Excess of revenues over (under) expenditures	(332,104)	(332,104)	(309,435)	22,669
Other sources				
Bond proceeds	-	-	800,000	800,000
Transfers	329,304	329,304	(201,075)	(530,379)
Net change in fund balance	(2,800)	(2,800)	289,490	<u>\$ 292,290</u>
Fund balance-beginning	<u>635,648</u>	<u>635,648</u>	<u>635,648</u>	
Fund balance-ending	<u>\$ 632,848</u>	<u>\$ 632,848</u>	<u>\$ 925,138</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, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Ad valorem taxes	\$ 79,103	\$ 79,103	\$ 79,092	\$ (11)
Investment earnings	50	50	87	37
Penalty & interest	1,250	1,250	2,019	769
Total revenues	<u>80,403</u>	<u>80,403</u>	<u>81,198</u>	<u>795</u>
Expenditures				
City general	1,000	1,000	2,000	(1,000)
Bond interest	26,603	26,603	26,603	-
Bond principal	50,000	50,000	50,000	-
Total expenditures	<u>77,603</u>	<u>77,603</u>	<u>78,603</u>	<u>(1,000)</u>
Excess of revenues over (under) expenditures before transfers	2,800	2,800	2,595	(205)
Other financing uses				
Transfers	-	-	(1,919)	(1,919)
Net change in fund balance	2,800	2,800	676	<u>\$ (2,124)</u>
Fund balance-beginning	<u>16,832</u>	<u>16,832</u>	<u>16,832</u>	
Fund balance-ending	<u>\$ 19,632</u>	<u>\$ 19,632</u>	<u>\$ 17,508</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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Sales taxes	\$ 250,000	\$ 250,000	\$ 354,906	\$ 104,906
Miscellaneous	-	-	7,500	7,500
Investment earnings	2,000	2,000	4,064	2,064
Total revenues	<u>252,000</u>	<u>252,000</u>	<u>366,470</u>	<u>114,470</u>
Expenditures				
Special revenue funds	<u>694,374</u>	<u>694,374</u>	<u>337,910</u>	<u>356,464</u>
Excess of revenues over (under) expenditures before transfers	(442,374)	(442,374)	28,560	470,934
Other financing uses				
Transfers	<u>(178,826)</u>	<u>(178,826)</u>	<u>(178,826)</u>	-
Net change in fund balance	(621,200)	(621,200)	(150,266)	<u>\$ 470,934</u>
Fund balance-beginning	<u>1,363,819</u>	<u>1,363,819</u>	<u>1,363,819</u>	
Fund balance-ending	<u>742,619</u>	<u>\$ 742,619</u>	<u>\$ 1,213,553</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, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Sales taxes	\$ 250,000	\$ 250,000	\$ 354,906	\$ 104,906
Miscellaneous	-	-	601	601
Investment earnings	3,000	3,000	2,598	(402)
Total revenues	<u>253,000</u>	<u>253,000</u>	<u>358,105</u>	<u>105,105</u>
Expenditures				
Special revenue funds	<u>264,214</u>	<u>264,214</u>	<u>137,199</u>	<u>127,015</u>
Excess of revenues over (under) expenditures before transfers	(11,214)	(11,214)	220,906	232,120
Other financing uses				
Transfers	<u>(93,186)</u>	<u>(93,186)</u>	<u>(93,186)</u>	<u>-</u>
Net change in fund balance	(104,400)	(104,400)	127,720	<u>\$ 232,120</u>
Fund balance-beginning	<u>799,724</u>	<u>799,724</u>	<u>799,724</u>	
Fund balance-ending	<u>\$ 695,324</u>	<u>\$ 695,324</u>	<u>\$ 927,444</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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Franchise taxes	\$ 16,500	\$ 16,500	\$ 21,402	\$ 4,902
Investment earnings	-	-	1,066	1,066
Total revenues	16,500	16,500	22,468	5,968
Expenditures				
Hotel tax fund	25,000	25,000	40,596	(15,596)
Excess of revenues over (under) expenditures before transfers	(8,500)	(8,500)	(18,128)	(9,628)
Other financing sources				
Transfers	-	-	-	-
Net change in fund balance	(8,500)	(8,500)	(18,128)	<u>\$ (9,628)</u>
Fund balance-beginning	186,444	186,444	186,444	
Fund balance-ending	<u>\$ 177,944</u>	<u>\$ 177,944</u>	<u>\$ 168,316</u>	

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

Fiscal Year End - September	2007	2008	2009
Actuarial Valuation Date	12-31-06	12-31-07	12-31-08
Actuarial Value of Assets	\$ 1,338,970	\$ 1,346,408	\$ 1,257,849
Actuarial Accrued Liability	1,430,845	1,736,554	1,734,397
Percentage Funded	93.6%	77.5%	72.5%
Under (Over) Funded Actuarial Accrued Liability (UAAL)	91,875	390,146	476,548
Annual Covered Payroll	1,121,762	1,181,404	1,306,961
UAAL as a Percentage of Covered Payroll	8.2%	33.0%	36.5%

Fiscal Year End - September	2010	2011	2012
Actuarial Valuation Date	12-31-09	12-31-10	12-31-11
Actuarial Value of Assets	\$ 1,383,009	\$ 2,565,623	\$ 2,813,567
Actuarial Accrued Liability	1,965,915	3,222,028	3,315,851
Percentage Funded	70.3%	79.6%	84.9%
Under (Over) Funded Actuarial Accrued Liability (UAAL)	582,906	656,405	502,284
Annual Covered Payroll	1,338,890	1,427,292	1,463,845
UAAL as a Percentage of Covered Payroll	43.5%	46.0%	34.3%

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, follows:

Valuation Date	12-31-09	12-31-10	12-31-11
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level % of Payroll	Level % of Payroll	Level % of Payroll
GASB 25 Equivalent Single Amortization Period	28.3 years: closed period	27.1 years: closed period	26.1 years: closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10 year	10 year	10 year
Actuarial Assumptions:	Smoothed Mkt	Smoothed Mkt	Smoothed Mkt
Investment Rate of Return *	7.5%	7.0%	7.0%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation at	3.0%	3.0%	3.0%
Cost of Living Adjustments	2.1%	2.1%	0.0%

OTHER SUPPLEMENTAL INFORMATION

CITY OF WILLIS, TEXAS
Statement of Expenses
General Fund
For the Year Ended September 30, 2012

	Admin	Building Development & Code Enforcement	Streets
Salaries	\$ 201,099	\$ 89,461	\$ 139,955
Capital asset purchase	61,943	-	402,603
Health insurance	30,335	13,635	24,266
Professional services	63,035	6,874	68,615
Employees retirement fund	18,063	7,528	12,285
Utilities & phone	10,521	2,923	51,587
Payroll taxes	16,409	7,341	11,325
Sam Houston Town Center	79,723	-	-
Miscellaneous	5,273	912	12,034
Fuel	-	3,217	3,982
Operations/office equipment	29,310	8,045	1,432
Vehicle	10,200	537	7,417
Meetings & conferences	27,608	-	261
Insurance	5,389	1,637	2,223
Buildings & structures	20,553	108	550
Office & supplies	9,919	3,098	387
Equipment	8,201	-	6,042
Interlocal government	5,694	9,906	1,444
Street maintenance	-	-	20,325
Dues, fees & training	8,321	2,690	230
Postage	3,201	2,609	65
Demolition-clean up	-	4,415	-
Uniforms	-	755	1,580
Public notices	5,865	197	-
Narcotics funds	-	-	-
	<hr/>	<hr/>	<hr/>
Total General Fund Expenses	620,662	165,888	768,608
Adjustments to the Statement of Activities:			
Depreciation	250,949	-	-
Capitalized assets	(61,943)	-	(402,603)
	<hr/>	<hr/>	<hr/>
Total Primary Government Expenses	<u>\$ 809,668</u>	<u>\$ 165,888</u>	<u>\$ 366,005</u>

	<u>Police</u>	<u>Court</u>	<u>Total</u>
Salaries	\$ 697,388	\$ 41,393	\$1,169,296
Capital asset purchase	38,199	-	502,745
Health insurance	138,449	9,175	215,860
Professional services	140	18,800	157,464
Employees retirement fund	60,200	3,536	101,612
Utilities & phone	29,332	-	94,363
Payroll taxes	55,153	3,232	93,460
Sam Houston Town Center	-	-	79,723
Miscellaneous	50,899	600	69,718
Fuel	57,333	-	64,532
Operations/office equipment	20,386	2,322	61,495
Vehicle	27,894	-	46,048
Meetings & conferences	10,508	2,095	40,472
Insurance	24,696	95	34,040
Buildings & structures	9,229	-	30,440
Office & supplies	13,386	518	27,308
Equipment	10,545	-	24,788
Interlocal government	3,390	-	20,434
Street maintenance	-	-	20,325
Dues, fees & training	1,672	150	13,063
Postage	1,857	3,202	10,934
Demolition-clean up	5,845	-	10,260
Uniforms	7,323	-	9,658
Public notices	-	-	6,062
Narcotics funds	2,000	-	2,000
	<u>1,265,824</u>	<u>85,118</u>	<u>2,906,100</u>
Adjustments to the Statement of Activities:			
Depreciation	28,429	-	279,378
Capitalized assets	(38,199)	-	(502,745)
Total Primary Government Expenses	<u>\$ 1,256,054</u>	<u>\$ 85,118</u>	<u>\$2,682,733</u>

CITY OF WILLIS, TEXAS
Statement of Expenses
Special Revenue Funds
For the Year Ended September 30, 2010

	Economic Development	Community Development	Hotel Tax Fund	Total
Capital improvements - Museum	\$ -	\$ 132,633	\$ -	\$ 132,633
Capital improvements - other	31,916	97,956	-	129,872
Professional services	49,636	39,645	-	89,281
Publicity	6,650	20,718	40,596	67,964
Sam Houston Town Center	23,522	23,522	-	47,044
Park improvements	-	12,483	-	12,483
Contract services	4,200	4,200	-	8,400
Recycling	8,078	-	-	8,078
Community Center	-	3,483	-	3,483
Miscellaneous	172	2,410	-	2,582
Public notices	-	635	-	635
Dues, fees & training	225	225	-	450
	<hr/>	<hr/>	<hr/>	<hr/>
Total Primary Government Expenses	124,399	337,910	40,596	502,905
Adjustments to the Statement of Activities:				
Capital outlay	-	(230,589)	-	(230,589)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Primary Government Expenses	<u>\$ 124,399</u>	<u>\$ 107,321</u>	<u>\$ 40,596</u>	<u>\$ 272,316</u>

CITY OF WILLIS, TEXAS
Statement of Expenses
Utility Fund
For the Year Ended September 30, 2012

Operating Expenses

Depreciation	\$ 619,780
Salaries	306,770
Interlocal government	253,527
Utilities	170,409
Engineering	164,274
Management & financial	86,784
Utility lines	85,219
Health insurance	83,748
Operations	37,743
Chemicals	35,897
Pumps and motors	34,336
Fuel	33,056
Utility billing	30,898
Sludge removal	28,926
Employees retirement fund	26,569
Payroll tax	24,872
Vehicle	24,349
Insurance	17,306
Telephone	15,883
Legal	15,170
Miscellaneous	12,857
Samples & supplies	10,067
Meetings, dues & conferences	8,166
Rentals	7,739
Equipment	4,544
Uniforms	4,460
Office expense	2,796
Building and structures	1,938
Radio & cell phones	1,546
	<hr/>
Total Operating Expenses	<u><u>\$ 2,149,629</u></u>

STATISTICAL INFORMATION

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 2012		160,534	160,534	395,000	716,068
Balance September 2012		<u>\$ 74,776</u>	<u>\$ 74,776</u>	<u>\$ 605,000</u>	<u>\$ 754,552</u>

CITY OF WILLIS, TEXAS
Combination Tax & Revenue Certificates of Obligation, Series 2006
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>		
2007	4.40	\$ 14,126	\$ 36,850	\$ 65,000	\$ 115,976
2008	4.40	35,420	35,420	55,000	125,840
2009	4.40	34,210	34,210	60,000	128,420
2010	4.40	32,890	32,890	60,000	125,780
2011	4.40	31,570	31,570	65,000	128,140
2012	4.40	30,140	30,140	65,000	125,280
2013	4.40	28,710	28,710	70,000	127,420
2014	4.40	27,170	27,170	70,000	124,340
2015	4.40	25,630	25,630	75,000	126,260
2016	4.40	23,980	23,980	80,000	127,960
2017	4.40	22,200	22,200	85,000	129,400
2018	4.40	20,350	20,350	85,000	125,700
2019	4.40	18,480	18,480	90,000	126,960
2020	4.40	16,500	16,500	95,000	128,000
2021	4.40	14,410	14,410	100,000	128,820
2022	4.40	12,210	12,210	105,000	129,420
2023	4.40	9,900	9,900	105,000	124,800
2024	4.40	7,590	7,590	110,000	125,180
2025	4.40	5,170	5,170	115,000	125,340
2026	4.40	2,640	2,640	120,000	125,280
Total Due		413,296	436,020	1,675,000	2,524,316
Retired through 2012		178,356	201,080	370,000	749,436
Balance September 2012		<u>\$ 234,940</u>	<u>\$ 234,940</u>	<u>\$ 1,305,000</u>	<u>\$ 1,774,880</u>

CITY OF WILLIS, TEXAS
Utility Meter Replacement Program, 2008
Business-Type Activities

<u>FYE</u> <u>September</u>	<u>Interest</u> <u>Rate</u>	<u>Optional</u> <u>Payoff</u>	<u>Paid Quarterly</u>		<u>Total</u>
			<u>Interest</u>	<u>Principal</u>	
2008	4.40	\$ 1,047,792	\$ 34,348	\$ 38,112	\$ 72,460
2009	4.40	943,362	42,538	102,383	144,921
2010	4.40	834,367	38,063	106,858	144,921
2011	4.40	720,607	33,393	111,528	144,921
2012	4.40	601,880	28,522	116,399	144,921
2013	4.40	477,959	23,430	121,491	144,921
2014	4.40	348,621	18,120	126,801	144,921
2015	4.40	213,630	12,577	132,344	144,921
2016	4.40	72,743	6,527	138,394	144,921
2017	4.40	-	1,411	71,049	72,460
Total Due			238,929	1,065,359	1,304,288
Retired through 2012			176,864	475,280	652,144
Balance September 2012			<u>\$ 62,065</u>	<u>\$ 590,079</u>	<u>\$ 652,144</u>

CITY OF WILLIS, TEXAS
Waterworks & Sewer System Revenue Bonds, Series 1995-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>		
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 2012		32,502	32,502	80,000	145,004
Balance September 2012		<u>\$ 2,517</u>	<u>\$ 2,517</u>	<u>\$ 30,000</u>	<u>\$ 35,034</u>

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 2012		384,597	384,597	790,000	1,559,194
Balance September 2012		<u>\$ 25,484</u>	<u>\$ 25,484</u>	<u>\$ 380,000</u>	<u>\$ 430,968</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	4,412	5,401	90,000	99,813
2007	1.20	5,159	5,365	95,000	105,524
2008	1.60	6,392	17,300	90,000	113,692
2009	2.00	32,574	43,578	100,000	176,152
2010	2.30	45,033	45,032	100,000	190,065
2011	2.50	43,883	43,882	100,000	187,765
2012	2.70	42,632	42,633	105,000	190,265
2013	2.80	41,215	41,215	110,000	192,430
2014	2.95	39,675	39,675	120,000	199,350
2015	3.05	37,905	37,905	125,000	200,810
2016	3.15	35,998	35,999	135,000	206,997
2017	3.25	33,872	33,872	250,000	317,744
2018	3.35	29,810	29,810	255,000	314,620
2019	3.45	25,539	25,539	265,000	316,078
2020	3.55	20,967	20,967	270,000	311,934
2021	3.65	16,175	16,175	280,000	312,350
2022	3.70	11,065	11,066	290,000	312,131
2023	3.80	5,700	5,700	300,000	311,400
		<u>478,816</u>	<u>502,907</u>	<u>3,245,000</u>	<u>4,226,723</u>
Total Due		478,816	502,907	3,245,000	4,226,723
Retired through 2012		<u>180,895</u>	<u>204,984</u>	<u>845,000</u>	<u>1,230,879</u>
Balance September 2012		<u>\$ 297,921</u>	<u>\$ 297,923</u>	<u>\$ 2,400,000</u>	<u>\$ 2,995,844</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	49,726
2008	5.125	14,350	14,350	20,000	48,700
2009	5.125	13,838	13,838	20,000	47,676
2010	5.125	13,325	13,325	20,000	46,650
2011	5.125	12,813	12,813	25,000	50,626
2012	5.125	12,172	12,172	25,000	49,344
2013	5.125	11,531	11,531	25,000	48,062
2014	5.125	10,891	10,891	25,000	46,782
2015	5.125	10,250	10,250	30,000	50,500
2016	5.125	9,481	9,481	30,000	48,962
2017	5.125	8,713	8,713	30,000	47,426
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	48,712
2023	5.125	3,331	3,331	40,000	46,662
2024	5.125	2,306	2,306	45,000	49,612
2025	5.125	1,153	1,153	45,000	47,306
Total Due		185,142	185,142	600,000	970,284
Retired through 2012		96,736	96,736	150,000	343,472
Balance September 2012		\$ 88,406	\$ 88,406	\$ 450,000	\$ 626,812

CITY OF WILLIS, TEXAS
Combination Tax and Revenue Certificates of Obligation -Series 2007
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>		
2007	5.09	\$ -	\$ 2,573	\$ 15,000	\$ 17,573
2008	5.09	7,890	7,890	10,000	25,780
2009	5.09	7,635	7,635	85,920	101,190
2010	5.09	5,448	5,448	10,000	20,896
2011	5.09	5,194	5,194	10,000	20,388
2012	5.09	4,940	4,940	10,000	19,880
2013	5.09	4,685	4,685	15,000	24,370
2014	5.09	4,303	4,303	15,000	23,606
2015	5.09	3,921	3,921	15,000	22,842
2016	5.09	3,540	3,540	15,000	22,080
2017	5.09	3,158	3,158	15,000	21,316
2018	5.09	2,776	2,776	15,000	20,552
2019	5.09	2,394	2,394	20,000	24,788
2020	5.09	1,885	1,885	20,000	23,770
2021	5.09	1,376	1,376	20,000	22,752
2022	5.09	867	867	20,000	21,734
2023	5.09	359	359	14,080	14,798
Total Due		60,371	62,944	325,000	448,315
Retired through 2012		31,107	33,680	140,920	205,707
Balance September 2012		<u>\$ 29,264</u>	<u>\$ 29,264</u>	<u>\$ 184,080</u>	<u>\$ 242,608</u>

CITY OF WILLIS, TEXAS
Combination Tax & Revenue Certificates of Obligation, Series 2010
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>		
2011	1.000	\$ 8,769	\$ 6,775	\$ -	\$ 15,544
2012	1.000	6,775	6,775	5,000	18,550
2013	1.000	6,750	6,750	5,000	18,500
2014	1.000	6,725	6,725	5,000	18,450
2015	1.000	6,700	6,700	5,000	18,400
2016	1.000	6,675	6,675	5,000	18,350
2017	1.000	6,650	6,650	5,000	18,300
2018	1.000	6,625	6,625	5,000	18,250
2019	1.000	6,600	6,600	5,000	18,200
2020	1.000	6,575	6,575	5,000	18,150
2021	1.000	6,550	6,550	5,000	18,100
2022	1.000	6,525	6,525	5,000	18,050
2023	1.000	6,500	6,500	5,000	18,000
2024	1.000	6,475	6,475	100,000	112,950
2025	1.000	5,975	5,975	105,000	116,950
2026	1.000	5,450	5,450	155,000	165,900
2027	1.000	4,675	4,675	185,000	194,350
2028	1.000	3,750	3,750	185,000	192,500
2029	1.000	2,825	2,825	185,000	190,650
2030	1.000	1,900	1,900	190,000	193,800
2031	1.000	950	950	190,000	191,900
Total Due		120,419	118,425	1,355,000	1,593,844
Retired through 2012		15,544	13,550	5,000	34,094
Balance September 2012		<u>\$ 104,875</u>	<u>\$ 104,875</u>	<u>\$ 1,350,000</u>	<u>\$ 1,559,750</u>

CITY OF WILLIS, TEXAS
Tax and Revenue Certificates of Obligation, Series 2012
Governmental Activities

FYE September	Interest Rate	Interest Due		Principal March 1	Total
		February 1	August 1		
2012	4.50	\$ -	\$ 12,800	\$ -	\$ 12,800
2013	4.50	18,000	18,000	25,000	61,000
2014	4.50	17,438	17,438	30,000	64,875
2015	4.50	16,763	16,763	30,000	63,525
2016	4.50	16,088	16,088	30,000	62,175
2017	4.50	15,413	15,413	35,000	65,825
2018	4.50	14,625	14,625	35,000	64,250
2019	4.50	13,838	13,838	35,000	62,675
2020	4.50	13,050	13,050	35,000	61,100
2021	4.50	12,263	12,263	40,000	64,525
2022	4.50	11,363	11,363	40,000	62,725
2023	4.50	10,463	10,463	45,000	65,925
2024	4.50	9,450	9,450	45,000	63,900
2025	4.50	8,438	8,438	45,000	61,875
2026	4.50	7,425	7,425	50,000	64,850
2027	4.50	6,300	6,300	50,000	62,600
2028	4.50	5,175	5,175	55,000	65,350
2029	4.50	3,938	3,938	55,000	62,875
2030	4.50	2,700	2,700	60,000	65,400
2031	4.50	1,350	1,350	60,000	62,700
Total Due		204,075	216,875	800,000	1,220,950
Retired through 2012		-	12,800	-	12,800
Balance September 2012		<u>\$ 204,075</u>	<u>\$ 204,075</u>	<u>\$ 800,000</u>	<u>\$ 1,208,150</u>

CITY OF WILLIS, TEXAS
Waterworks & Sewer System Revenue Bonds, Series 2012
Business-Type Activities

FYE September	Interest Rate	Interest Due		Principal August 1	Total
		February 1	August 1		
2013	0.45	\$ -	\$ 92,208	\$ -	\$ 92,208
2014	0.45	44,378	44,378	65,000	153,756
2015	0.70	44,232	44,232	65,000	153,464
2016	0.98	44,004	44,004	70,000	158,008
2017	1.21	43,661	43,661	70,000	157,322
2018	1.45	43,238	43,238	70,000	156,476
2019	1.68	42,730	42,730	75,000	160,460
2020	1.93	42,100	42,100	75,000	159,200
2021	2.18	41,377	41,377	80,000	162,754
2022	2.35	40,505	40,505	80,000	161,010
2023	2.51	39,564	39,564	85,000	164,128
2024	2.64	38,497	38,498	85,000	161,995
2025	2.74	37,376	37,376	90,000	164,752
2026	2.82	36,143	36,143	95,000	167,286
2027	2.87	34,803	34,803	95,000	164,606
2028	2.92	33,440	33,440	100,000	166,880
2029	2.98	31,980	31,980	105,000	168,960
2030	3.01	30,415	30,415	105,000	165,830
2031	3.06	28,835	28,835	110,000	167,670
2032	3.11	27,152	27,152	115,000	169,304
2033	3.17	25,364	25,364	115,000	165,728
2034	3.24	23,541	23,541	120,000	167,082
2035	3.29	21,597	21,597	125,000	168,194
2036	3.33	19,541	19,541	130,000	169,082
2037	3.37	17,376	17,376	135,000	169,752
2038	3.38	15,101	15,101	140,000	170,202
2039	3.39	12,735	12,735	140,000	165,470
2040	3.39	10,363	10,363	145,000	165,726
2041	3.40	7,905	7,905	150,000	165,810
2042	3.40	5,355	5,355	155,000	165,710
2043	3.40	2,723	2,723	160,000	165,446
Total Due		886,031	978,240	3,150,000	5,014,271
Retired through 2012		-	-	-	-
Balance September 2012		<u>\$ 886,031</u>	<u>\$ 978,240</u>	<u>\$ 3,150,000</u>	<u>\$ 5,014,271</u>