

CITY OF WILLIS, TEXAS
FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

CITY OF WILLIS, TEXAS

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CITY OF WILLIS, TEXAS
List of Officials

Mayor	Leonard Reed
Council Member #1	Tamara Young-Hector
Council Member #2	John Lovelady
Council Member #3	Thomas Belinoski
Council Member #4	Anna F. Ross
Council Member #5	Bill Van Alstyne
City Manager	Hector Forestier
City Secretary	Brenda Burns
City Attorney	Larry Foerster
Public Works Director	Arthur Faiello
Police Chief	James Nowak
Community Development	John Mangiameli

CITY OF WILLIS, TEXAS
Management's Discussion and Analysis

Our discussion and analysis of the City of Willis, Texas' financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2011. Please read it in conjunction with the City's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

The City's assets increased by \$63,428 as the utility fund held \$1,276,907 and liabilities decreased by \$319,790 and long-term debt payments were \$488,348.

During the year, the City had governmental expenses that were \$40,705 less than the prior year (not including interfund transfers). Total governmental revenues were \$84,131 higher than in fiscal 2010.

In the City's business-type activities, revenues, which included grant funds of \$651,627, increased by \$921,227 (54%) and expenses increased by 11% or \$217,027 (not including interfund transfers).

Governmental activities reported a increase in net assets this year of \$287,198 and the business-type activities (water & sewer utility fund) reported an increase in net assets of \$96,020. Interfund transfers increased governmental funds and decreased business-type funds by \$271,733.

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 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 \$63,428. General assets increased by \$317,081 and business-type assets decreased by \$253,653. 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	
	2010	2011	2010	2011	2010	2011
Current & Other Assets	\$ 2,795,464	\$ 3,179,489	\$ 2,093,243	\$ 2,077,567	\$ 4,888,707	\$ 5,257,056
Capital Assets	1,291,791	1,224,847	9,753,930	9,515,953	11,045,721	10,740,800
Total Assets	4,087,255	4,404,336	11,847,173	11,593,520	15,934,428	15,997,856
Long-Term Debt	2,171,820	2,025,000	6,082,086	5,740,558	8,253,906	7,765,558
Other Liabilities	355,409	532,112	118,857	110,712	474,266	642,824
Total Liabilities	2,527,229	2,557,112	6,200,943	5,851,270	8,728,172	8,408,382
Net Assets:						
Invested in Capital						
Assets-Net of Debt	(880,029)	(800,153)	3,671,844	3,775,395	2,791,815	2,975,242
Restricted	2,254,213	2,246,028	-	-	2,254,213	2,246,028
Unrestricted	185,842	401,349	1,974,386	1,966,855	2,160,228	2,368,204
Total Net Assets	\$ 1,560,026	\$ 1,847,224	\$ 5,646,230	\$ 5,742,250	\$ 7,206,256	\$ 7,589,474

Net assets of the City's governmental activities increased by 18% (\$1,847,224 compared to \$1,560,026). 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 \$185,842 at September 2010 to \$401,349 at the end of this year.

The net assets of our business-type activities increased by 2% (\$5,742,250 compared to \$5,646,230). Unrestricted net assets decreased from \$1,974,386 at September 2010 to \$1,966,855 in 2011.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
Revenues						
Program	\$ 575,952	\$ 549,105	\$ 1,673,768	\$ 1,961,664	\$ 2,249,720	\$ 2,510,769
Grants	97,062	229,617	17,561	651,627	114,623	881,244
Franchise tax	247,045	292,270	-	-	247,045	292,270
Sales tax	1,314,062	1,399,120	-	-	1,314,062	1,399,120
Fines	242,955	-	-	-	242,955	-
Ad valorem tax	680,116	778,562	-	-	680,116	778,562
Other	96,641	89,290	4,852	4,117	101,493	93,407
Total Revenues	3,253,833	3,337,964	1,696,181	2,617,408	4,950,014	5,955,372
Program Expenses						
Admin/Operations	472,769	634,758	1,829,898	2,045,324	2,302,667	2,680,082
Code enforcement	138,367	173,389	-	-	138,367	173,389
Garbage	513,542	276,084	-	-	513,542	276,084
Streets	550,661	331,966	-	-	550,661	331,966
Special revenue	247,045	532,445	-	-	247,045	532,445
Court	82,185	80,642	-	-	82,185	80,642
Public safety	1,262,304	1,201,965	-	-	1,262,304	1,201,965
Bond interest	96,331	91,250	202,730	204,331	299,061	295,581
Transfers	204,323	(271,733)	(204,323)	271,733	-	-
Total Program Expenses	3,567,527	3,050,766	1,828,305	2,521,388	5,395,832	5,572,154
Change in Net Assets	\$ (313,694)	\$ 287,198	\$ (132,124)	\$ 96,020	\$ (445,818)	\$ 383,218

Governmental Activities

Revenues for the City's governmental activities increased by 2.6%, while expenses, not including transfers, decreased 1%.

Business-Type Activities

Water and sewer revenues of the City's business-type activities increased by 17% and expenses, not including interfund transfers, increased by 11%. Depreciation expense, which is a non-cash outlay, was \$583,708 for fiscal year 2011.

THE CITY'S FUNDS

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

As the City completed the year, its governmental funds (as presented in the balance sheet on page 10) reported a combined fund balance of \$2,647,377. This is \$207,322 higher than last year's balance of \$2,440,055. The City had a reserved fund balance of \$2,521,675 and an unreserved fund balance of \$125,702.

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 \$1,966,855. This represents a decrease of \$7,531. Interfund transfers out were \$271,733. 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 were \$129,394 higher than budgeted. Expenses were \$57,945 below the budget amount. This resulted in a positive variance of \$187,339. Debt service revenues were \$9,820 over budget and expenses were \$1,000 below the budget amount. The result was a positive variance of \$10,820. Community Development revenues were \$62,317 higher than expected while its expenses were \$308,927 under budget. This resulted in a positive variance of \$371,244. Economic Development revenues were \$49,361 over budget and expenses were \$126,338 lower than budgeted. The result was a positive variance of \$175,699. The Hotel Tax Fund revenues were \$4,294 over budget and expenses were \$7,235 over the budget amount. This resulted in a negative variance of \$2,941. The overall general fund budget showed a positive variance of \$742,161. All of the figures shown here include interfund transfers.

	Actual		Budget		Total Variance
	Revenue	Expense	Revenue	Expense	
General Fund	\$ 3,012,327	\$ 2,796,820	\$ 2,882,933	\$ 2,854,765	\$ 187,339
Debt Service	85,123	73,110	75,303	74,110	10,820
Community Development	280,817	247,573	218,500	556,500	371,244
Economic Development	266,861	317,362	217,500	443,700	175,699
Hotel Tax Fund	19,294	22,235	15,000	15,000	(2,941)
	<u>\$ 3,664,422</u>	<u>\$ 3,457,100</u>	<u>\$ 3,409,236</u>	<u>\$ 3,944,075</u>	<u>\$ 742,161</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of September 2011, the City had \$10,740,800, net of accumulated depreciation, invested in a broad range of capital assets, including police equipment, buildings, park facilities, roads, and water and sewer facilities. This amount represents a net decrease of \$304,921, or 3%, from last year. The current year depreciation expense was \$732,491.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
Land & buildings	\$ 1,321,897	\$ 1,403,736	\$ -	\$ -	\$ 1,321,897	\$ 1,403,736
Vehicles & equipment	504,892	504,892	119,045	119,045	623,937	623,937
Equipment	526,597	526,597	169,156	467,907	695,753	994,504
Water system	-	-	8,687,210	8,687,210	8,687,210	8,687,210
Sewer system	-	-	6,790,658	6,837,638	6,790,658	6,837,638
Less depreciation	(1,061,595)	(1,210,378)	(6,012,139)	(6,595,847)	(7,073,734)	(7,806,225)
Total Assets	\$ 1,291,791	\$ 1,224,847	\$ 9,753,930	\$ 9,515,953	\$ 11,045,721	\$ 10,740,800

Debt

At September 2011, the City of Willis, Texas had \$7,765,558 in outstanding debt. This was a decrease of \$488,348 from 2010. There was no new debt was issued and \$488,348 was paid. All regularly scheduled payments were made. Current debt schedules call for payments through 2031.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
Capital leases	\$ 36,820	\$ -	\$ -	\$ -	\$ 36,820	\$ -
Utility Meter Program	-	-	818,006	706,478	818,006	706,478
Bonds-Series 2001	700,000	655,000	-	-	700,000	655,000
Bonds-Series 2006	1,435,000	1,370,000	-	-	1,435,000	1,370,000
Bonds-Series 1995-A	-	-	40,000	35,000	40,000	35,000
Bonds-Series 1995-B	-	-	560,000	470,000	560,000	470,000
Bonds-Series 2003	-	-	2,605,000	2,505,000	2,605,000	2,505,000
Bonds-Series 2005	-	-	500,000	475,000	500,000	475,000
Bonds-Series 2007	-	-	204,080	194,080	204,080	194,080
Bonds-Series 2010	-	-	1,355,000	1,355,000	1,355,000	1,355,000
	\$ 2,171,820	\$ 2,025,000	\$ 6,082,086	\$ 5,740,558	\$ 8,253,906	\$ 7,765,558

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's elected and appointed officials and citizens considered many factors when setting the 2012 fiscal year budget. The economy, employment growth, traffic patterns and other factors were all a part of the factors used. The general fund revenues were budgeted at a 6% decrease from 2011 actuals. The Utility Fund revenues have been budgeted at a 27% decrease as grant revenues in 2011 of \$651,627 are not expected to continue.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

VANWASSEHNOVA AND ASSOCIATES
Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The City of Willis, Texas (the "City"), as of and for the year ended September 30, 2011, 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, 2011, 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 January 10, 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented 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 basic financial statements of the City. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. 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 express no opinion on them.

VanWassehnova & Associates

VanWassehnova & Associates
January 10, 2012

CITY OF WILLIS, TEXAS
Statement of Net Assets
September 30, 2011

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,094,699	\$ 1,612,642	\$ 4,707,341
Receivables (net)	84,790	447,510	532,300
Inventory	-	17,415	17,415
Capital assets, net	1,224,847	9,515,953	10,740,800
Total assets	<u>4,404,336</u>	<u>11,593,520</u>	<u>15,997,856</u>
Liabilities			
Accounts payable	373,643	-	373,643
Accrued wages	73,679	23,953	97,632
Customer deposits	-	86,759	86,759
Deferred revenue	84,790	-	84,790
Noncurrent liabilities:			
Due within one year	115,000	359,399	474,399
Due in more than one year	1,910,000	5,381,159	7,291,159
Total liabilities	<u>2,557,112</u>	<u>5,851,270</u>	<u>8,408,382</u>
Net Assets			
Invested in capital assets, net of related debt	(800,153)	3,775,395	2,975,242
Restricted for:			
Debt service	16,832	-	16,832
Economic development	749,223	-	749,223
Community development	1,293,529	-	1,293,529
Hotel tax fund	186,444	-	186,444
Unrestricted	401,349	1,966,855	2,368,204
Total net assets	<u>\$ 1,847,224</u>	<u>\$ 5,742,250</u>	<u>\$ 7,589,474</u>

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

CITY OF WILLIS, TEXAS
Statement of Activities
For the Year Ended September 30, 2011

Function/programs	Expenses	Program Revenues	
		Charges for Services	Grant Revenues
Primary government:			
Governmental activities:			
Administration	\$ 634,758	\$ -	\$ 158,564
Building dev. & code enforcement	173,389	82,633	-
Garbage collection	276,084	304,127	-
Streets	331,966	-	-
Police	1,201,965	-	71,053
Special revenue funds	532,445	-	-
Court	80,642	162,345	-
Bond interest & fees	91,250	-	-
Total governmental activities	3,322,499	549,105	229,617
Business-type activities:			
Utility fund	2,045,324	1,961,664	651,627
Bond interest & fees	204,331	-	-
Total business-type activities	2,249,655	1,961,664	651,627
Total primary government	\$ 5,367,823	\$ 2,510,769	\$ 881,244

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	\$ (476,194)	\$ -	\$ (476,194)
Code enforcement	(90,756)	-	(90,756)
Garbage collection	28,043	-	28,043
Streets	(331,966)	-	(331,966)
Police	(1,130,912)	-	(1,130,912)
Special revenue funds	(532,445)	-	(532,445)
Court	81,703	-	81,703
Bond interest & fees	(91,250)	-	(91,250)
Total governmental activities	<u>(2,543,777)</u>	-	<u>(2,543,777)</u>
Business-type activities:			
Utility fund	-	567,967	567,967
Bond interest & fees	-	(204,331)	(204,331)
Total business-type activities	-	<u>363,636</u>	<u>363,636</u>
Total primary government	<u>(2,543,777)</u>	<u>363,636</u>	<u>(2,180,141)</u>
General revenues:			
Ad valorem tax	778,562	-	778,562
Sales tax	1,399,120	-	1,399,120
Franchise tax	292,270	-	292,270
Penalties & interest	15,547	-	15,547
Investment earnings	12,904	4,117	17,021
Miscellaneous	60,839	-	60,839
Transfers	271,733	(271,733)	-
Total general revenues and transfers	<u>2,830,975</u>	<u>(267,616)</u>	<u>2,563,359</u>
Change in net assets	287,198	96,020	383,218
Net assets-beginning	<u>1,560,026</u>	<u>5,646,230</u>	<u>7,206,256</u>
Net assets-ending	<u>\$ 1,847,224</u>	<u>\$ 5,742,250</u>	<u>\$ 7,589,474</u>

CITY OF WILLIS, TEXAS
Balance Sheet
Governmental Funds
September 30, 2011

	Governmental Fund Types		
	General	Debt Service	Economic Development
Assets			
Cash on hand and in bank	\$ 348,347	\$ 16,832	\$ 26,061
Certificates of deposit/investments	500,324	-	723,162
Receivables, net of uncollectibles:			
Delinquent taxes	70,787	14,003	-
	<u>\$ 919,458</u>	<u>\$ 30,835</u>	<u>\$ 749,223</u>
Total assets			
Liabilities			
Accounts payable	\$ 373,643	\$ -	\$ -
Accrued wages	73,679	-	-
Deferred revenues	70,787	14,003	-
	<u>518,109</u>	<u>14,003</u>	<u>-</u>
Total liabilities			
Fund balances			
Fund balance - reserved	275,647	16,832	749,223
Fund balance - unassigned	125,702	-	-
	<u>401,349</u>	<u>16,832</u>	<u>749,223</u>
Total fund balance			
Total liabilities and fund balances	<u>\$ 919,458</u>	<u>\$ 30,835</u>	<u>\$ 749,223</u>

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

Governmental Fund Types

	<u>Community Development</u>	<u>Hotel Tax Fund</u>	<u>Total</u>
Assets			
Cash on hand and in bank	\$ 127,303	\$ 69,237	\$ 587,780
Certificates of deposit/investments	1,166,226	117,207	2,506,919
Receivables, net of uncollectibles:			-
Delinquent taxes	-	-	84,790
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,293,529</u>	<u>\$ 186,444</u>	<u>\$ 3,179,489</u>
Liabilities			
Accounts payable	\$ -	\$ -	\$ 373,643
Accrued wages	-	-	73,679
Deferred revenues	-	-	84,790
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>-</u>	<u>532,112</u>
Fund balances			
Fund balance - reserved	1,293,529	186,444	2,521,675
Fund balance - unreserved	-	-	125,702
	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>1,293,529</u>	<u>186,444</u>	<u>2,647,377</u>
Total liabilities and fund balances	<u>\$ 1,293,529</u>	<u>\$ 186,444</u>	<u>\$ 3,179,489</u>

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CITY OF WILLIS, TEXAS
Reconciliation of Total Governmental Fund Balance
to Net Assets of Governmental Activities
September 30, 2011

Total governmental fund balances	\$ 2,647,377
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	1,224,847
Long-term liabilities are not reported as liabilities in the governmental funds	<u>(2,025,000)</u>
Net assets of governmental activities	<u><u>\$ 1,847,224</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, 2011

	General Fund	Debt Service	Economic Development
Revenues			
Sales taxes	\$ 874,450	\$ -	\$ 262,335
Ad valorem taxes	698,398	80,164	-
Garbage collection	304,127	-	-
Fines & warrant fees	162,345	-	-
Franchise taxes	274,567	-	-
Grants	229,620	-	-
Investment earnings	1,324	94	3,751
Miscellaneous	60,064	-	775
Penalty & interest	13,694	1,853	-
Building permits	64,507	-	-
Code enforcement	18,123	-	-
Total revenues	<u>2,701,219</u>	<u>82,111</u>	<u>266,861</u>
Expenditures			
Administration	658,813	-	-
Building dev. & code enforcement	173,389	-	-
Garbage collection	276,084	-	-
Streets	331,966	-	-
Police	1,147,786	-	-
Special revenue funds	-	-	262,637
Court	80,642	-	-
Bond interest	63,140	28,110	-
Bond principal	65,000	45,000	-
Total expenditures	<u>2,796,820</u>	<u>73,110</u>	<u>262,637</u>
Excess (deficiency) of revenues over expenditures	(95,601)	9,001	4,224
Other financing sources (uses)			
Transfers in (out)	<u>311,108</u>	<u>3,012</u>	<u>(54,725)</u>
Net change in fund balances	215,507	12,013	(50,501)
Fund balances-beginning	<u>185,842</u>	<u>4,819</u>	<u>799,724</u>
Fund balances-ending	<u>\$ 401,349</u>	<u>\$ 16,832</u>	<u>\$ 749,223</u>

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

	Community Development	Hotel Tax Fund	Total
Revenues			
Sales taxes	\$ 262,335	\$ -	\$ 1,399,120
Ad valorem taxes	-	-	778,562
Garbage collection	-	-	304,127
Fines & warrant fees	-	-	162,345
Franchise taxes	-	17,703	292,270
Grants	-	-	229,620
Investment earnings	6,144	1,591	12,904
Miscellaneous	-	-	60,839
Penalty & interest	-	-	15,547
Building permits	-	-	64,507
Code enforcement	-	-	18,123
	<u>268,479</u>	<u>19,294</u>	<u>3,337,964</u>
Expenditures			
Administration	-	-	658,813
Building dev. & code enforcement	-	-	173,389
Garbage collection	-	-	276,084
Streets	-	-	331,966
Police	-	-	1,147,786
Special revenue funds	247,573	22,235	532,445
Court	-	-	80,642
Bond interest	-	-	91,250
Bond principal	-	-	110,000
	<u>247,573</u>	<u>22,235</u>	<u>3,402,375</u>
Excess (deficiency) of revenues over expenditures	20,906	(2,941)	(64,411)
Other financing sources (uses)			
Transfers in (out)	12,338	-	271,733
Net change in fund balances	33,244	(2,941)	207,322
Fund balances-beginning	<u>1,260,285</u>	<u>189,385</u>	<u>2,440,055</u>
Fund balances-ending	<u>\$ 1,293,529</u>	<u>\$ 186,444</u>	<u>\$ 2,647,377</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, 2011

Net change in fund balances-total governmental funds	\$ 207,322
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation for the year.	(148,783)
This is the amount of capital expenditures for the year.	81,839
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of current year repayments.	
	<u>146,820</u>
Change in net assets of governmental activities	<u><u>\$ 287,198</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, 2011

	<u>Utility Fund</u>
Assets	
Current assets	
Cash on hand and in bank	\$ 243,425
Certificates of deposit/investments	1,369,217
Inventory	17,415
Receivables, net of uncollectibles:	
Accounts & other	447,510
Total current assets	2,077,567
Noncurrent assets	
Fixed assets, net of accumulated depreciation	9,515,953
Total assets	\$ 11,593,520
 Liabilities	
Current liabilities	
Customer deposits	\$ 86,759
Accrued wages	23,953
Bonds payable	359,399
Total current liabilities	470,111
Noncurrent liabilities	
Bonds payable	5,381,159
Total liabilities	5,851,270
 Net Assets	
Invested in capital assets, net	3,775,395
Unrestricted net assets	1,966,855
Total net assets	5,742,250
 Total Net Assets and Liabilities	\$ 11,593,520

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, 2011

	Utility Fund
Operating revenues	
Charges for services-water	\$ 892,776
Charges for services-sewer	809,073
Penalties & service charges	82,680
Lone Star Conservation & SJRA	133,750
Tap fees	38,350
Other	5,035
Total operating revenues	1,961,664
Operating expenses	2,045,324
Operating income (loss)	(83,660)
Nonoperating revenue (expense)	
Grant revenues	651,627
Interest expense	(204,331)
Interest and investment revenue	4,117
Total nonoperating revenue	451,413
Net income (loss) before transfers	367,753
Transfers out	(271,733)
Change in net assets	96,020
Total net assets-beginning	5,646,230
Total net assets-ending	\$ 5,742,250

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, 2011

	<u>Utility Fund</u>
Cash flows from operating activities	
Receipts from customers	\$ 1,926,768
Payments to suppliers	(735,060)
Payments to employees	(259,018)
Other receipts (payments)	(468,030)
Net cash provided by operating activities	464,660
Cash flows from noncapital financing activities	
Transfers between funds	(271,733)
Grants received	651,627
Net cash provided by noncapital financing activities	379,894
Cash flows from capital and related financing activities	
Purchases of capital assets	(345,732)
Cash flows from investing activities	
Proceeds of debt	-
Payment on debt	(341,528)
Interest received	4,117
Interest paid	(204,331)
Net cash used by investing activities	(541,742)
Net decrease in cash and cash equivalents	(42,920)
Cash & cash equivalents-beginning of the year	1,655,562
Cash & cash equivalents-end of the year	\$ 1,612,642
Reconciliation of operating income to net cash provided	
(used) by operating activities:	
Operating income (loss)	\$ (83,660)
Adjustments to reconcile operating income to net cash provided	
(used) by operating activities:	
Depreciation expense	583,708
Change in net assets and liabilities:	
Receivables, net	(27,244)
Customer deposits	(2,617)
Accounts payable	(5,527)
Net cash provided by operating activities	\$ 464,660

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

CITY OF WILLIS, TEXAS
Notes to Financial Statements
September 30, 2011

Note 1 - Summary of Significant Accounting Policies

A. History & General Statement

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

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

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

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

B. Financial Reporting Entity

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

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

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

C. Basic Financial Statements – Government-Wide Statements

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

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

D. Basic Financial Statements – Fund Financial Statements

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

Governmental Funds:

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

1. General Fund – The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.
2. Debt Service Fund – The Debt Service Fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.
3. Special Revenue Funds – The Special Revenue Funds are used to account for financial transactions and resources received from specific sources. The City has three special revenue funds:
 - a. Willis Community Development Corporation - The Willis Community Development Corporation receives 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 funds:

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

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

E. Property Taxes

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

F. Measurement Focus/Basis of Accounting

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

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

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

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

G. Budgetary Control

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

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

The City of Willis, Texas prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the City's method (budget basis) in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual to provide a meaningful comparison of actual results with the budget. The major difference between budget and GAAP basis in the General Fund is that depreciation, since it is not a cash expense, is not budgeted. Depreciation for the general fund for the year ending September 30, 2010 was \$145,509.

H. Cash and Cash Equivalents

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

I. Estimates

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

J. Interfund Receivables and Payables

Short-term amounts owed between funds are classified as "Due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statements as "internal balances". As of September 30, 2011, all interfund balances were zero.

K. Capital Assets

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical 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

L. Compensated Absences

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

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

Employees may carryover 180 hours of vacation to the next year. Upon termination with the City, employees will be paid for unused vacation time for that year. At September 30, 2011 the total liability is \$98,396. \$73,679 is for the general fund and \$23,953 is for the utility fund.

M. 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 resources 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, or City Administrator) to which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

Unassigned Fund Balance—this residual classification is used for all negative fund balances.

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.

N. Net Assets

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

Note 2 – 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 2011, the City’s audit was performed in accordance with Circular A-133. The auditors reports on consideration on the City’s internal control over financial reporting and tests of other matters are issued with this report.

Note 3 - Employees 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 <u>2010</u>	Plan Year <u>2011</u>
Employee deposit rate	6%	6%
Matching ratio (city to employee)	1.5 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% 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, 2008 valuation is effective for rates beginning January 2010). Additional data is presented in the supplemental information of this report.

Note 4 - Deposits & Investments

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

At the year-end, the carrying amount of the City's deposits was \$4,707,341 and the bank balance was \$4,806,270. Of the bank balance, \$500,000 was insured by the Federal Deposit Insurance Corporation (FDIC) insurance and \$4,306,270 was covered by pledged securities.

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

Category 1 – Deposits and investments that are insured or collateralized with securities held by the entity or by its agent in the entity's name.

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

Category 3 – Deposits and investments which are not collateralized.

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

General Fund	Checking	\$ 341,626	
	Savings	6,721	
	CD's-Investments	<u>500,324</u>	\$ 848,671
Economic Development	Checking	26,061	
	CD's-Investments	<u>723,162</u>	749,223
Community Development	Checking	127,303	
	CD's-Investments	<u>1,166,226</u>	1,293,529
Hotel Tax Fund	Savings	69,237	
	CD's-Investments	<u>117,207</u>	186,444
Debt Services	Savings	<u>16,832</u>	16,832
Utility Fund	TWDB Series 2003 Savings	328	
	TWDB Series 2010 Checking	114,089	
	TWDB Series 2010 Escrow	1,145,132	
	Waste water/sewer bond funds	137,365	
	Savings	2,582	
	CD's-Investments	187,958	
	Meter deposits	<u>25,188</u>	<u>1,612,642</u>
			<u>\$ 4,707,341</u>

Note 5 - Long-Term Debt

The following is a summary of notes payable transactions for the year ended September 30, 2011:

	Balance 9-30-10	Additions	Reductions	Balance 9-30-11
Governmental Activities				
Capital Leases-Ford Motor Credit	\$ 36,820	\$ -	\$ 36,820	\$ -
Tax & Revenue Bonds-Series 2001	700,000	-	45,000	655,000
Tax & Revenue Bonds-Series 2006	1,435,000	-	65,000	1,370,000
Total Governmental Activities	2,171,820	-	146,820	2,025,000
Business-Type Activities				
Utility Meter Replacement Program	818,006	-	111,528	706,478
Revenue Bonds-Series 1995-A	40,000	-	5,000	35,000
Revenue Bonds-Series 1995-B	560,000	-	90,000	470,000
Certificates of Obligation-Series 2003	2,605,000	-	100,000	2,505,000
Certificates of Obligation-Series 2005	500,000	-	25,000	475,000
Certificates of Obligation-Series 2007	204,080	-	10,000	194,080
Certificates of Obligation-Series 2010	1,355,000	-	-	1,355,000
Total Business-Type Activities	6,082,086	-	341,528	5,740,558
Total	\$ 8,253,906	\$ -	\$ 488,348	\$ 7,765,558

Total Long-Term Debt requirements are as follows:

<u>Year Ending</u>	<u>Principal Payment</u>	<u>Interest</u>	<u>Total</u>
September 2012	\$ 471,399	\$ 275,606	\$ 747,005
September 2013	496,491	256,142	752,633
September 2014	511,801	235,426	747,227
September 2015	542,344	213,915	756,259
September 2016	563,394	190,585	753,979
September 2017 & Thereafter	5,180,129	884,366	6,064,495
	\$ 7,765,558	\$ 2,056,040	\$ 9,821,598

Note 6 - Changes in Capital Assets

A summary of changes in capital assets follows:

	Balance 9-30-10	Increases	Decreases	Balance 9-30-11
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 399,416	\$ -	\$ -	\$ 399,416
Capital assets being depreciated:				
Buildings	698,975	81,839	-	780,814
Vehicles & equipment	504,892	-	-	504,892
Equipment	526,597	-	-	526,597
Park improvements	223,506	-	-	223,506
Total capital assets being depreciated	<u>1,953,970</u>	<u>81,839</u>	<u>-</u>	<u>2,035,809</u>
Less accumulated depreciation				
Buildings	(338,073)	(29,493)	-	(367,566)
Vehicles & equipment	(420,454)	(68,298)	-	(488,752)
Equipment	(266,921)	(42,711)	-	(309,632)
Park improvements	(36,147)	(8,281)	-	(44,428)
Total accumulated depreciation	<u>(1,061,595)</u>	<u>(148,783)</u>	<u>-</u>	<u>(1,210,378)</u>
Total capital assets being depreciated, net	<u>892,375</u>	<u>(66,944)</u>	<u>-</u>	<u>825,431</u>
Governmental Activities Capital Assets, net	<u>\$ 1,291,791</u>	<u>\$ (66,944)</u>	<u>\$ -</u>	<u>\$ 1,224,847</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 57,784
Police	<u>90,999</u>
Total governmental activities depreciation expense	<u>\$ 148,783</u>

Note 6 - Changes in Capital Assets, Continued

	Balance 9-30-10	Increases	Decreases	Balance 9-30-11
Business-Type Activities				
Capital assets being depreciated:				
Water system	\$ 8,687,210	\$ -	\$ -	\$ 8,687,210
Sewer system	6,790,658	46,980	-	6,837,638
Equipment	169,156	298,751	-	467,907
Vehicles	119,045	-	-	119,045
Total capital assets being depreciated	<u>15,766,069</u>	<u>345,731</u>	<u>-</u>	<u>16,111,800</u>
Less accumulated depreciation:				
Water system	(3,157,492)	(448,949)	-	(3,606,441)
Sewer system	(2,716,007)	(84,561)	-	(2,800,568)
Equipment	(39,316)	(37,179)	-	(76,495)
Vehicles	(99,324)	(13,019)	-	(112,343)
Total accumulated depreciation	<u>(6,012,139)</u>	<u>(583,708)</u>	<u>-</u>	<u>(6,595,847)</u>
Business-Type Activities				
Capital Assets, net	<u>\$ 9,753,930</u>	<u>\$ (237,977)</u>	<u>\$ -</u>	<u>\$ 9,515,953</u>

All depreciation was charged to the utility fund.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF WILLIS, TEXAS
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended September 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Ad valorem taxes	\$ 650,000	\$ 650,000	\$ 698,398	\$ 48,398
Building permits	43,500	43,500	64,507	21,007
Fines and warrant fees	127,500	127,500	162,345	34,845
Franchise taxes	289,000	289,000	274,567	(14,433)
Garbage collection	540,000	540,000	304,127	(235,873)
Investment earnings	5,000	5,000	1,324	(3,676)
Code enforcement	16,000	16,000	18,123	2,123
Grants	54,475	54,475	229,620	175,145
Miscellaneous	40,642	40,642	60,064	19,422
Penalty & interest	8,500	8,500	13,694	5,194
Sales taxes	770,000	770,000	874,450	104,450
Total revenues	<u>2,544,617</u>	<u>2,544,617</u>	<u>2,701,219</u>	<u>156,602</u>
Expenditures				
Administration	424,924	424,924	658,813	(233,889)
Code enforcement	168,245	168,245	173,389	(5,144)
Garbage collection	519,319	519,319	276,084	243,235
Streets	313,174	313,174	331,966	(18,792)
Police	1,215,167	1,215,167	1,147,786	67,381
Court	84,796	84,796	80,642	4,154
Bond interest	64,140	64,140	63,140	1,000
Bond principal	65,000	65,000	65,000	-
Total expenditures	<u>2,854,765</u>	<u>2,854,765</u>	<u>2,796,820</u>	<u>57,945</u>
Excess of revenues over (under) expenditures	(310,148)	(310,148)	(95,601)	214,547
Other sources				
Transfers	338,316	338,316	311,108	(27,208)
Net change in fund balance	28,168	28,168	215,507	<u>\$ 187,339</u>
Fund balance-beginning	185,842	185,842	185,842	
Fund balance-ending	<u>\$ 214,010</u>	<u>\$ 214,010</u>	<u>\$ 401,349</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 74,203	\$ 74,203	\$ 80,164	\$ 5,961
Investment earnings	100	100	94	(6)
Penalty & interest	1,000	1,000	1,853	853
Total revenues	<u>75,303</u>	<u>75,303</u>	<u>82,111</u>	<u>6,808</u>
Expenditures				
City general	1,000	1,000	-	1,000
Bond interest	28,110	28,110	28,110	-
Bond principal	45,000	45,000	45,000	-
Total expenditures	<u>74,110</u>	<u>74,110</u>	<u>73,110</u>	<u>1,000</u>
Excess of revenues over (under) expenditures before transfers	1,193	1,193	9,001	7,808
Other financing uses				
Transfers	-	-	3,012	3,012
Net change in fund balance	1,193	1,193	12,013	<u>\$ 10,820</u>
Fund balance-beginning	<u>4,819</u>	<u>4,819</u>	<u>4,819</u>	
Fund balance-ending	<u>\$ 6,012</u>	<u>\$ 6,012</u>	<u>\$ 16,832</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Sales taxes	\$ 210,000	\$ 210,000	\$ 262,335	\$ 52,335
Investment earnings	7,500	7,500	4,526	(2,974)
Total revenues	<u>217,500</u>	<u>217,500</u>	<u>266,861</u>	<u>49,361</u>
Expenditures				
Special revenue funds	443,700	443,700	262,637	181,063
Excess of revenues over (under) expenditures before transfers	(226,200)	(226,200)	4,224	230,424
Other financing uses				
Transfers	-	-	(54,725)	(54,725)
Net change in fund balance	(226,200)	(226,200)	(50,501)	<u>\$ 175,699</u>
Fund balance-beginning	<u>799,724</u>	<u>799,724</u>	<u>799,724</u>	
Fund balance-ending	<u>\$ 573,524</u>	<u>\$ 573,524</u>	<u>\$ 749,223</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Sales taxes	\$ 210,000	\$ 210,000	\$ 262,335	\$ 52,335
Investment earnings	8,500	8,500	6,144	(2,356)
Total revenues	<u>218,500</u>	<u>218,500</u>	<u>268,479</u>	<u>49,979</u>
Expenditures				
Special revenue funds	<u>556,500</u>	<u>556,500</u>	<u>247,573</u>	<u>308,927</u>
Excess of revenues over (under) expenditures before transfers	(338,000)	(338,000)	20,906	358,906
Other financing uses				
Transfers	<u>-</u>	<u>-</u>	<u>12,338</u>	<u>12,338</u>
Net change in fund balance	(338,000)	(338,000)	33,244	<u>\$ 371,244</u>
Fund balance-beginning	<u>1,260,285</u>	<u>1,260,285</u>	<u>1,260,285</u>	
Fund balance-ending	<u>922,285</u>	<u>\$ 922,285</u>	<u>\$ 1,293,529</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Franchise taxes	\$ 15,000	\$ 15,000	\$ 17,703	\$ 2,703
Investment earnings	-	-	1,591	1,591
Total revenues	<u>15,000</u>	<u>15,000</u>	<u>19,294</u>	<u>4,294</u>
Expenditures				
Hotel tax fund	<u>15,000</u>	<u>15,000</u>	<u>22,235</u>	<u>(7,235)</u>
Excess of revenues over (under) expenditures before transfers	-	-	(2,941)	(2,941)
Other financing sources				
Transfers	-	-	-	-
Net change in fund balance	-	-	(2,941)	<u>\$ (2,941)</u>
Fund balance-beginning	<u>189,385</u>	<u>189,385</u>	<u>189,385</u>	
Fund balance-ending	<u>\$ 189,385</u>	<u>\$ 189,385</u>	<u>\$ 186,444</u>	

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

Fiscal Year End - September	2006	2007	2008
Actuarial Valuation Date	12-31-05	12-31-06	12-31-07
Actuarial Value of Assets	\$ 1,258,626	\$ 1,338,970	\$ 1,346,408
Actuarial Accrued Liability	1,297,486	1,430,845	1,736,554
Percentage Funded	97.0%	93.6%	77.5%
Under (Over) Funded Actuarial Accrued Liability (UAAL)	38,860	91,875	390,146
Annual Covered Payroll	976,210	1,121,762	1,181,404
UAAL as a Percentage of Covered Payroll	4.0%	8.2%	33.0%
Fiscal Year End - September	2009	2010	2011
Actuarial Valuation Date	12-31-08	12-31-09	12-31-10
Actuarial Value of Assets	\$ 1,257,849	\$ 1,383,009	\$ 1,641,981
Actuarial Accrued Liability	1,734,397	1,965,915	2,399,632
Percentage Funded	72.5%	70.3%	68.4%
Under (Over) Funded Actuarial Accrued Liability (UAAL)	476,548	582,906	757,651
Annual Covered Payroll	1,306,961	1,389,851	1,427,292
UAAL as a Percentage of Covered Payroll	36.5%	41.9%	53.1%

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, follows:

Valuation Date	12-31-08	12-31-09	12-31-10
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	29.0 years: closed period	28.3 years: closed period	27.1 years: closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	Amortized Cost	10 year	10 year
Actuarial Assumptions:		Smoothed Met	Smoothed Met
Investment Rate of Return *	7.5%	7.5%	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%	2.1%

OTHER SUPPLEMENTAL INFORMATION

CITY OF WILLIS, TEXAS
Statement of Expenses
General Fund
For the Year Ended September 30, 2011

	Admin	Building Development & Code Enforcement	Streets
Salaries	\$ 178,246	\$ 59,634	\$ 150,808
Health insurance	23,499	9,484	20,278
HOME Project	157,174	-	-
Employees retirement fund	17,686	6,045	14,268
Professional services	41,500	16,028	25,012
Utilities & phone	11,294	3,149	54,198
Capital asset purchase	81,839	-	4,787
Payroll taxes	14,495	5,157	12,130
Miscellaneous	15,157	-	2,540
Dues, fees & training	14,515	6,467	4,474
Fuel	-	1,884	3,034
Insurance	7,900	1,926	4,455
Vehicle	10,200	927	3,931
Operations/office equipment	8,024	-	676
Capital lease principal	-	-	-
Office & supplies	9,270	19,406	941
Meetings & conferences	21,122	1,091	161
Plan review/inspection	-	31,960	-
Buildings & structures	15,162	-	522
Interlocal government	5,659	8,180	1,576
Elections	16,980	-	-
Paving materials & chemicals	-	-	15,379
Uniforms	-	827	1,206
Signs	-	-	8,141
Public notices	6,398	125	-
Postage	2,693	1,099	11
Park improvements	-	-	3,438
Capital lease interest	-	-	-
Equipment	-	-	-
Narcotics funds	-	-	-
	<hr/>	<hr/>	<hr/>
Total General Fund Expenses	658,813	173,389	331,966
Adjustments to the Statement of Activities:			
Depreciation	57,784	-	-
Capital lease principal	-	-	-
Capitalized assets	(81,839)	-	-
	<hr/>	<hr/>	<hr/>
Total Primary Government Expenses	\$ 634,758	\$ 173,389	\$ 331,966

	<u>Police</u>	<u>Court</u>	<u>Total</u>
Salaries	\$ 623,100	\$ 37,564	\$1,049,352
Health insurance	107,241	7,796	168,298
HOME Project	-	-	157,174
Employees retirement fund	61,561	3,631	103,191
Professional services	-	20,560	103,100
Utilities & phone	27,993	-	96,634
Capital asset purchase	-	-	86,626
Payroll taxes	48,913	2,941	83,636
Miscellaneous	40,289	524	58,510
Dues, fees & training	25,490	2,571	53,517
Fuel	40,541	-	45,459
Insurance	30,940	129	45,350
Vehicle	29,192	-	44,250
Operations/office equipment	30,198	1,876	40,774
Capital lease principal	36,820	-	36,820
Office & supplies	6,955	-	36,572
Meetings & conferences	9,955	1,263	33,592
Plan review/inspection	-	-	31,960
Buildings & structures	9,462	-	25,146
Interlocal government	2,610	-	18,025
Elections	-	-	16,980
Paving materials & chemicals	-	-	15,379
Uniforms	12,065	-	14,098
Signs	-	-	8,141
Public notices	-	-	6,523
Postage	2,065	-	5,868
Park improvements	-	-	3,438
Capital lease interest	1,896	-	1,896
Equipment	-	1,787	1,787
Narcotics funds	500	-	500
Total General Fund Expenses	<u>1,147,786</u>	<u>80,642</u>	<u>2,392,596</u>
Adjustments to the Statement of Activities:			
Depreciation	90,999	-	148,783
Capital lease principal	(36,820)	-	(36,820)
Capitalized assets	-	-	(81,839)
Total Primary Government Expenses	<u>\$ 1,201,965</u>	<u>\$ 80,642</u>	<u>\$2,422,720</u>

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

	<u>Economic Development</u>	<u>Community Development</u>	<u>Hotel Tax Fund</u>	<u>Total</u>
Capital improvements	\$ 104,780	\$ 91,927	\$ -	\$ 196,707
Publicity	19,706	35,141	22,235	77,082
Professional services	35,474	36,415	-	71,889
Feasibility Study	71,340	-	-	71,340
Park improvements	-	62,101	-	62,101
Recycling	25,666	-	-	25,666
Affordable housing	-	8,746	-	8,746
Contract services	3,996	3,996	-	7,992
Community Center	-	4,921	-	4,921
Museum	-	3,890	-	3,890
Dues, fees & training	1,675	225	-	1,900
Public notices	-	211	-	211
Total Primary Government Expenses	<u><u>\$ 262,637</u></u>	<u><u>\$ 247,573</u></u>	<u><u>\$ 22,235</u></u>	<u><u>\$ 532,445</u></u>

CITY OF WILLIS, TEXAS
Statement of Expenses
Utility Fund
For the Year Ended September 30, 2011

Operating Expenses

Depreciation	\$ 583,708
Salaries	253,491
Interlocal government	200,710
Equipment	193,820
Repairs & maintenance	179,100
Utilities	166,202
Health insurance	64,407
Engineering	58,270
Sludge removal	46,803
Utility lines	43,617
Pumps and motors	35,052
Utility billing	31,876
Employees retirement fund	24,242
Fuel	23,411
Operations	21,985
Payroll tax	19,868
Insurance	16,417
Chemicals	16,138
Vehicle	11,184
Samples & supplies	8,932
Telephone	8,704
Education	8,471
Meetings & conferences	7,136
Office expense	5,357
Uniforms	5,173
Radio & cell phones	5,161
Miscellaneous	4,511
Building and structures	1,578
	<hr/>
Total Operating Expenses	<u><u>\$ 2,045,324</u></u>

STATISTICAL INFORMATION

CITY OF WILLIS, TEXAS
Ad Valorem Tax Data

<u>Year</u> <u>September</u>	<u>General</u> <u>Fund</u>	<u>Debt</u> <u>Service</u>	<u>Total</u>	<u>Valuation</u>	<u>Levy</u>
2001	.4840	.0470	.5310	\$77,685,534	\$ 412,510
2002	.4931	.0716	.5647	93,648,498	528,754
2003	.5048	.0736	.5784	97,246,449	562,473
2004	.5171	.0732	.5903	96,638,210	570,455
2005	.5221	.0713	.5934	98,075,178	581,979
2006	.4796	.0646	.5442	111,665,980	607,686
2007	.4818	.0613	.5431	116,943,677	635,122
2008	.4806	.0570	.5376	125,117,868	672,634
2009	.5182	.0626	.5808	119,272,012	692,732
2010	.5286	.0607	.5893	128,385,365	756,575

Receivables, by years:

2001 and prior	\$ 11,960
2002	4,314
2003	4,462
2004	2,992
2005	3,015
2006	4,125
2007	4,987
2008	6,454
2009	14,578
2010	27,903
	<hr/>
Total	<u>\$ 84,790</u>

CITY OF WILLIS, TEXAS
Schedule of Water Usage and Customers
For the Year Ended September 30, 2011

<u>Month</u>	<u>Water Usage in Gallons</u>		<u>Number of Customers Served</u>	
	<u>Pumped</u>	<u>Sold</u>	<u>Water</u>	<u>Sewer</u>
October 2010	20,632,000	18,969,200	2,062	1,815
November 2010	20,686,000	20,041,700	2,060	1,813
December 2010	19,747,000	19,031,800	2,050	1,804
January 2011	16,627,000	13,951,100	2,048	1,802
February 2011	17,606,000	17,422,600	2,057	1,810
March, 2011	17,790,000	15,428,000	2,046	1,800
April 2011	20,403,000	19,378,800	2,062	1,815
May 2011	22,887,000	22,561,900	2,064	1,816
June 2011	25,766,000	24,827,200	2,079	1,830
July 2011	22,692,000	22,858,500	2,066	1,818
August 2011	26,885,000	26,076,100	2,056	1,809
September 2011	<u>23,445,000</u>	<u>22,708,800</u>	<u>2,057</u>	<u>1,810</u>
Total for Year	<u>255,166,000</u>	<u>243,255,700</u>		
Average for Year	<u>21,263,833</u>	<u>20,271,308</u>	<u>2,059</u>	<u>1,812</u>

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

FYE September	Interest Rate	Interest Due		Principal August 1	Total
		February 1	August 1		
2003	1.65	\$ 18,059	\$ 18,059	\$ 30,000	\$ 66,118
2004	2.05	17,811	17,811	35,000	70,622
2005	2.35	17,453	17,453	35,000	69,906
2006	2.60	17,041	17,041	35,000	69,082
2007	2.80	16,586	16,586	40,000	73,172
2008	3.05	16,026	16,026	40,000	72,052
2009	3.15	15,416	15,416	40,000	70,832
2010	3.25	14,786	14,786	45,000	74,572
2011	3.35	14,055	14,055	45,000	73,110
2012	3.55	13,301	13,301	50,000	76,602
2013	3.65	12,414	12,414	50,000	74,828
2014	3.75	11,501	11,501	50,000	73,002
2015	3.90	10,564	10,564	55,000	76,128
2016	4.00	9,492	9,492	55,000	73,984
2017	4.10	8,392	8,392	60,000	76,784
2018	4.15	7,161	7,161	60,000	74,322
2019	4.20	5,916	5,916	65,000	76,832
2020	4.30	4,551	4,551	65,000	74,102
2021	4.35	3,154	3,154	70,000	76,308
2022	4.35	1,631	1,631	75,000	78,262
Total Due		235,310	235,310	1,000,000	1,470,620
Retired through 2011		147,233	147,233	345,000	639,466
Balance September 2011		<u>\$ 88,077</u>	<u>\$ 88,077</u>	<u>\$ 655,000</u>	<u>\$ 831,154</u>

CITY OF WILLIS, TEXAS
Combination Tax & Revenue Certificates of Obligation, Series 2006
Governmental Activities

FYE September	Interest Rate	Interest Due		Principal August 1	Total
		February 1	August 1		
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 2011		148,216	170,940	305,000	624,156
Balance September 2011		<u>\$ 265,080</u>	<u>\$ 265,080</u>	<u>\$ 1,370,000</u>	<u>\$ 1,900,160</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 2011			148,342	358,881	507,223
Balance September 2011			<u>\$ 90,587</u>	<u>\$ 706,478</u>	<u>\$ 797,065</u>

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

FYE September	Interest Rate	Interest Due		Principal August 1	Total
		February 1	August 1		
1997	4.25	\$ 2,936	\$ 2,936	\$ 5,000	\$ 10,872
1998	4.40	2,830	2,830	5,000	10,660
1999	4.55	2,720	2,720	5,000	10,440
2000	4.65	2,606	2,606	5,000	10,212
2001	4.80	2,490	2,490	5,000	9,980
2002	4.90	2,370	2,370	5,000	9,740
2003	5.00	2,248	2,248	5,000	9,496
2004	5.10	2,123	2,123	5,000	9,246
2005	5.20	1,995	1,995	5,000	8,990
2006	5.30	1,865	1,865	5,000	8,730
2007	5.40	1,733	1,733	5,000	8,466
2008	5.50	1,597	1,597	5,000	8,194
2009	5.60	1,460	1,460	5,000	7,920
2010	5.70	1,320	1,320	5,000	7,640
2011	5.80	1,177	1,177	5,000	7,354
2012	5.85	1,032	1,032	5,000	7,064
2013	5.85	886	886	5,000	6,772
2014	5.90	740	740	5,000	6,480
2015	5.90	593	593	10,000	11,186
2016	5.95	298	298	10,000	10,596
Total Due		35,019	35,019	110,000	180,038
Retired through 2011		31,470	31,470	75,000	137,940
Balance September 2011		\$ 3,549	\$ 3,549	\$ 35,000	\$ 42,098

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

FYE September	Interest Rate	Interest Due		Principal August 1	Total
		February 1	August 1		
1997	3.70	\$ 29,406	\$ 29,406	\$ 5,000	\$ 63,812
1998	3.85	29,314	29,314	5,000	63,628
1999	4.00	29,218	29,218	5,000	63,436
2000	4.10	29,118	29,118	5,000	63,236
2001	4.25	29,015	29,015	15,000	73,030
2002	4.35	28,696	28,696	40,000	97,392
2003	4.45	27,826	27,826	55,000	110,652
2004	4.55	26,603	26,603	60,000	113,206
2005	4.65	25,237	25,237	60,000	110,474
2006	4.75	23,842	23,842	65,000	112,684
2007	4.85	22,299	22,299	65,000	109,598
2008	4.95	20,722	20,722	75,000	116,444
2009	5.05	18,866	18,866	75,000	112,732
2010	5.15	16,973	16,973	80,000	113,946
2011	5.25	14,912	14,912	90,000	119,824
2012	5.30	12,550	12,550	90,000	115,100
2013	5.30	10,165	10,165	95,000	115,330
2014	5.35	7,648	7,648	95,000	110,296
2015	5.35	5,106	5,106	95,000	105,212
2016	5.40	2,565	2,565	95,000	100,130
Total Due		410,081	410,081	1,170,000	1,990,162
Retired through 2011		372,047	372,047	700,000	1,444,094
Balance September 2011		\$ 38,034	\$ 38,034	\$ 470,000	\$ 546,068

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

FYE September	Interest Rate	Interest Due		Principal August 1	Total
		February 1	August 1		
2004	0.15	\$ 315	\$ 499	\$ 80,000	\$ 80,814
2005	0.40	495	1,294	85,000	86,789
2006	0.75	4,412	5,401	90,000	99,813
2007	1.20	5,159	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
Total Due		478,816	502,907	3,245,000	4,226,723
Retired through 2011		138,263	162,351	740,000	1,040,614
Balance September 2011		<u>\$ 340,553</u>	<u>\$ 340,556</u>	<u>\$ 2,505,000</u>	<u>\$ 3,186,109</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	9,713	9,713	30,000	49,426
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		186,142	186,142	600,000	972,284
Retired through 2011		84,564	84,564	125,000	294,128
Balance September 2011		<u>\$ 101,578</u>	<u>\$ 101,578</u>	<u>\$ 475,000</u>	<u>\$ 678,156</u>

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 2011		26,167	28,740	130,920	185,827
Balance September 2011		<u>\$ 34,204</u>	<u>\$ 34,204</u>	<u>\$ 194,080</u>	<u>\$ 262,488</u>

CITY OF WILLIS, TEXAS
Combination Tax & Revenue Certificates of Obligation, Series 2010
Business-Type Activities

FYE September	Interest Rate	Interest Due		Principal August 1	Total
		February 1	August 1		
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 2011		8,769	6,775	-	15,544
Balance September 2011		<u>\$ 111,650</u>	<u>\$ 111,650</u>	<u>\$ 1,355,000</u>	<u>\$ 1,578,300</u>