

CITY OF ALICE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2007

CITY OF ALICE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2007

Prepared by:

City of Alice, Texas - Finance Department

Hector M. Hinojosa

Director of Finance

INTRODUCTION SECTION

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CITY OF ALICE, TEXAS

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THE CITY OF ALICE

Councilmembers

Grace Saenz-Lopez	Mayor
Juan Rodriguez, Jr.	Mayor Pro Tem
Leo Escobar	Councilmember
Shane Valverde	Councilmember
Dorella V. Elizondo	Councilmember

Administration

Albert Uresti	City Manager
R.S. Marshall	City Clerk
Pat Martinez	Deputy City Clerk
Hector M. Hinojosa	Director of Finance

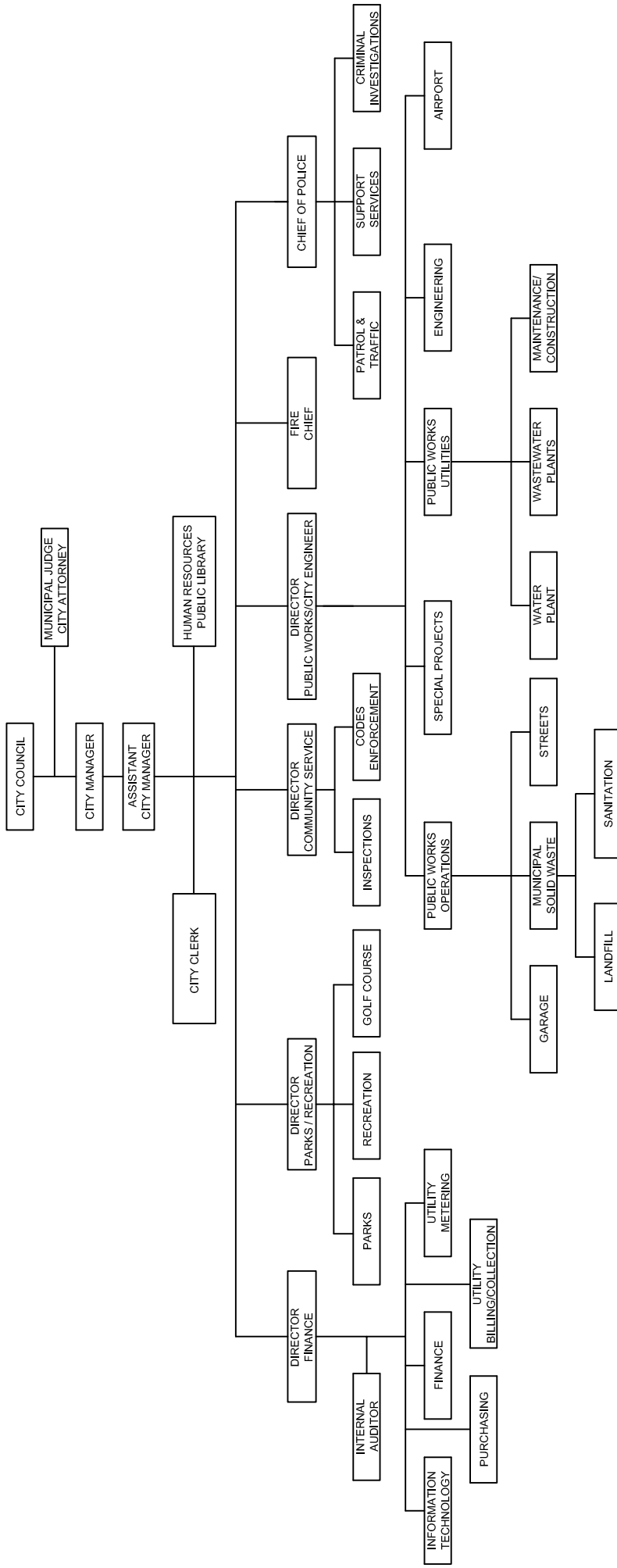
Legal

Joe Torres III	City Attorney
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CITY OF ALICE

ORGANIZATIONAL CHART

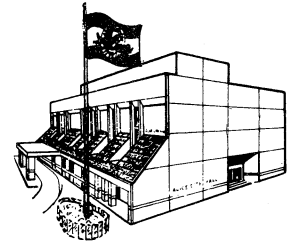




CITY OF ALICE, TEXAS

P.O. BOX 3229

ALICE, TEXAS 78333



March 28, 2008

Mayor and Members of the City Council and Citizens of Alice, Texas:

I am pleased to submit the Fiscal Year 2007 Comprehensive Annual Financial Report (CAFR) for the City of Alice. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal control that it established for this purpose. Because the expected cost of internal control should not outweigh their anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. The disclosures included in this report are intended to provide the reader a good understanding of the City's financial activities.

The accounting firm of George Chester Draper, III, CPA, has issued an unqualified ("clean") opinion on the City's financial statements for the year ended September 30, 2007. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this transmittal letter and should be read in conjunction with it.

The CAFR includes all funds of the City and is presented in three sections: introductory, financial, and statistical sections. The introductory section includes the table of contents, this transmittal letter, the organizational structure of the City, and a list of principal officials. The financial section includes the independent auditor's report, MD&A, basic financial statements and other required supplementary information. The statistical section includes selected financial and demographic information.

CITY PROFILE

Location

The City is located in the middle of South Texas, midway between the Port of Corpus Christi, the sixth largest port in the United States, and Laredo, the gateway to Monterey, Mexico, one of Mexico's largest industrial areas. Because of its location, Alice is known as the "Hub City" of South Texas.

Government Structure

The City was incorporated June 16, 1904 and adopted its first home rule charter in September, 1949 and the last amendment to this home rule charter was adopted in April, 1981. The City operates under a Council-Manager form of government. The City Council is composed of a Mayor and four council members who are elected "at-large" to two year terms. The Council is responsible for enacting local legislation, adopting budgets, and employing the City Manager. The City Manager is responsible for executing the laws and administering the government of the city within the limitations prescribed in the City Charter.

Services

The City provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, general administrative, and water and wastewater services.

ECONOMIC CONDITION

Historically, the City's economy has been reliant on oil and gas production. Over the years the local economy has fluctuated as the price of crude petroleum has fluctuated. In 2007, in direct correlation to the price of crude oil, Alice has seen record high sales tax revenues. However, the local economy is diversifying and is establishing itself as a central retail source for smaller communities in this South Texas region. Based on calendar year taxable sales, the retail trade industry increased 55.56% in 2006 from 2005. The oil and gas industry increased 70.67% in 2006 from 2005. The manufacturing industry increased 27.47% in 2006 from 2005. The overall industries in the City of Alice increased 35.11% in 2006 from 2005. See Table VI from the Statistical Section in this report. New construction including a Wal-Mart, shopping centers, and national chain restaurants is supporting this role. Additionally, the City of Alice, jointly with Jim Wells County established and funds the Alice/Jim Wells County Economic Development Corporation to continue diversification strategies for the area.

Over the last five years, in part due to the health of the local economy, the City's property tax base has increased a healthy average of 7.6% annually; and in fiscal year 2007, the tax base grew 9.7%. The fiscal year 2008 tax base grew 18.6% because drilling company equipment was rendered taxable in the City of Alice. Because of the growth in our tax base, the City has been able to maintain tax rates at the effective tax rate or below for the last three years.

MAJOR INITIATIVES

2007 Infrastructure Improvements

The City strives to maintain our infrastructure on a continuing basis. The 2007 fiscal year has been a year for completion of many vital projects. Completed infrastructure improvements include:

- Rancho Allegre Wastewater Improvement
- Tickle Street Wastewater replacement
- Flourney Waterline Extension
- Hartwell and Gresham Streets Wastewater reroute
- Alice High School Water line Extension
- Jim Wells County Fairground Wastewater line Extension

Planned Infrastructure Improvements

In May 12, 2007 the majority of the participating voters from the City of Alice passed a bond election to issue \$9.6 million General Obligations Bonds for the purpose of constructing and acquiring water and sewer improvements and to pay the cost related to issuance of bonds. The bond money will be split into four quadrants including work on Texas Blvd.

FINANCIAL PLANNING

The Budgeting Process

Budgeting is an essential element of the financial planning, control and evaluation process of municipal government. The "operating budget" is the City's annual financial operating plan. The annual budget includes all of the operating departments of the general fund, proprietary funds, and debt service funds.

A public hearing is held to allow any and all interested persons an opportunity to be heard on matters related to the proposed budget. A budget goal of the City is to maintain adequate fund balance levels of three to four months of operating expenses; our 2008 budget meets this goal.

Fiscal year 2008 Budget

Our Fiscal Year 2008 Budget focuses on providing the most effective control of the City services and to provide the Citizens of Alice and City staff the opportunity to present recommendations for level of services and method of financing the services. Highlights include:

- Lower tax rate from the previous year
- 3% increase in salaries for employees
- Establish a City Public Access Channel
- 9.8% increase in water and sewer rates to pay for the \$9.6 million General Obligation Bonds
- Purchase of capital equipment such as SCBA replacement/upgrade, pool improvements, scraper, commercial garbage truck, brush truck, mowers, and fire and police building improvements
- New programs for Senior Citizens and Teens

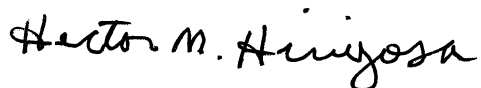
Financial Rating

The City's bond rating, taking into account the economic condition and financial management of the City, was upgraded in 2006 by Moody's Investors Services from Baa1 to Aaa on general obligation debt. Standard and Poor's upgraded the City's bond rating to AAA in 2007.

OTHER INFORMATION

The preparation of this report on a timely basis could not be accomplished without the efficiency and dedication of Matthew Ramon, Accounting Manager, and Tina Reyes, Internal Auditor, and the rest of the staff of the Finance Department and the firm of George Chester Draper, III, CPA.

Respectfully submitted,



Hector M. Hinojosa
Director of Finance

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FINANCIAL SECTION

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GEORGE CHESTER DRAPER III

CERTIFIED PUBLIC ACCOUNTANT

8900 Shattuck Cove
Austin, Texas 78717-2905

Telephone: (512) 244-6478
Fax: (512) 246-2455

Independent Auditor's Report

To the Honorable Mayor and City Council
City of Alice, Texas

I 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 Alice, Texas, as of and for the year ended September 30, 2007, 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. My responsibility is to express opinions on these financial statements based on my audit.

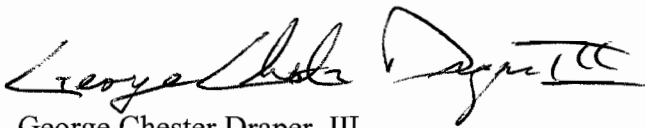
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alice, Texas, as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated March 28, 2008, on my consideration of the City's internal control over financial reporting and on my 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 my 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 my audit.

The management's discussion and analysis on pages 3-10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I 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, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alice's basic financial statements. The accompanying introduction section, the combining statements and supplementary schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements and supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introduction section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

A handwritten signature in black ink, appearing to read "George Chester Draper, III". The signature is written in a cursive style with a large, stylized initial "G".

George Chester Draper, III
March 28, 2008

CITY OF ALICE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2007

Our discussion and analysis of the City's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2007. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The City's total net assets increased by \$3,683,478 or 10% during 2007 to build upon the increase of \$2,636,127 during 2006. Sales tax revenues have grown from \$5,424,619 three years ago, to \$8,817,860 for 2007.
- Unrestricted net assets for the City as a whole increased by \$3,819,040. The balance of unreserved fund balance of the general fund represents over 7 months worth of general fund expenses, and the balance of unrestricted net assets of the utility system represents approximately 5 months worth of utility expenses including transfers out.
- A wetter than normal year impacted the City in a number of ways. While less demand for water led to a decrease in utility revenues of \$377,000, the City's purchases of water were down by \$1,023,000. In addition, dealing with the problem of standing water at the landfill resulted in unanticipated costs of \$147,000 at the landfill.
- Near the end of the fiscal year, the City issued \$9,600,000 in general obligation bonds for the purpose of acquiring and constructing improvements to the water and sewer system. During the year, the City also entered into capital lease financing of 449,218 to finance a federal warning siren system, a street sweeper, a garbage truck, a vacuum truck, and municipal court software. At year end, money was still being held in escrow pending the purchase of the street sweeper and garbage truck.
- Significant additions to capital assets during the year included \$252,450 for seal coating streets, \$143,137 for the federal warning siren system, \$98,602 for a brush fire truck, \$66,083 for a vehicle extraction system, \$87,349 for a wireless system for the police department, \$159,476 for six police department vehicles, \$107,048 to repair pump station control panels, \$960,206 of improvements and extensions to the water and sewer system (which includes \$318,455 of improvements paid for by the County), and \$159,368 for a vacuum truck.

Overview of the Financial Statements

The basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. The government-wide financial statements provide information about the activities of the City as a whole and present a longer-term view of the City's finances. These statements include all assets and liabilities of the City, and the statements are presented on the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

CITY OF ALICE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Activities of the City as a whole include governmental activities, and business-type activities. Governmental activities are those activities which are financed primarily through taxes and grants. Most of the City's basic services are reported as governmental activities. Business-type activities are those activities which are intended to recover all or a significant portion of their costs through user fees and charges. Utility system operations are a common example of business-type activities. The City has no component units. Component units are legally separate organizations for which the City is financially accountable. Whenever a City is financially accountable for activities of a legally separate organization, those activities are reported in the government-wide financial statements as component unit activities.

The accrual basis of accounting used for the government-wide financial statements recognizes revenues when earned and expenses when incurred regardless of when cash is received or paid.

Fund financial statements

Fund financial statements are used to present more detailed information about the City's most significant funds. Separate fund financial statements are prepared for the City's governmental funds and proprietary funds, as opposed to the government-wide statements which reflect the City as a whole.

Fund financial statements are prepared using the measurement focus and basis of accounting applicable to each broad fund category. Governmental fund financial statements are presented on a spending or "financial flow" measurement focus using the modified accrual basis of accounting. Proprietary fund financial statements are presented on a cost of services or "capital maintenance" measurement focus using the accrual basis of accounting. Because the proprietary fund financial statements are presented using the same measurement focus and basis of accounting as the government-wide financial statements, the totals from the proprietary fund financial statements flow directly into the business-type activities column of the government-wide financial statements. For the governmental funds, a reconciliation is presented to describe the differences between the net assets, and change in net assets reported in the governmental fund financial statements and the net assets, and change in net assets reported in the governmental activities column of the government-wide financial statements.

Notes to the financial statements

The notes provide additional information that is essential to a complete understanding of the information provided in the government-wide and fund financial statements.

Condensed Financial Information

Condensed financial information is presented in the following tables in a comparative format which allows for the comparison of current and prior year information.

CITY OF ALICE, TEXAS

MANAGEMENT’S DISCUSSION AND ANALYSIS

(Continued)

Government-wide net assets

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 14,075,541	11,662,588	12,376,965	2,242,172	26,452,506	13,904,760
Capital assets	22,956,746	23,632,064	12,723,308	12,131,586	35,680,054	35,763,650
Total assets	<u>37,032,287</u>	<u>35,294,652</u>	<u>25,100,273</u>	<u>14,373,758</u>	<u>62,132,560</u>	<u>49,668,410</u>
Long-term liabilities	(11,524,490)	(12,055,986)	(9,860,197)	(152,801)	(21,384,687)	(12,208,787)
Other liabilities	(671,501)	(984,066)	(510,286)	(592,949)	(1,181,787)	(1,577,015)
Total liabilities	<u>(12,195,991)</u>	<u>(13,040,052)</u>	<u>(10,370,483)</u>	<u>(745,750)</u>	<u>(22,566,474)</u>	<u>(13,785,802)</u>
Net assets:						
Invested in capital						
assets, net of debt	15,600,029	15,748,080	12,556,704	12,073,690	28,156,733	27,821,770
Restricted	1,232,031	1,702,556	-0-	-0-	1,232,031	1,702,556
Unrestricted	8,004,236	4,803,964	2,173,086	1,554,318	10,177,322	6,358,282
Total net assets	<u>\$ 24,836,296</u>	<u>22,254,600</u>	<u>14,729,790</u>	<u>13,628,008</u>	<u>39,566,086</u>	<u>35,882,608</u>

Capital assets were increased by additions of \$1,409,748 in the governmental activities and \$1,344,543 in the business-type activities, and were reduced by the recording of depreciation expense of \$2,084,228 and \$749,841 respectively. Major additions to capital assets are discussed later on page 9 of management’s discussion and analysis. Long-term liabilities of the business-type activities were increased by the issuance of \$9,600,000 of general obligation debt to be used for improvements to the water and wastewater system. Those debt proceeds also account for most of the increase in current and other assets of the business-type activities. Long-term liabilities of the governmental activities reflect an increase of \$314,548 in the estimated liability for landfill closure and post-closure care costs while being reduced by principal payments of \$1,020,000 on general obligation. With an increase in governmental activities net assets of \$2,581,696 after the recording of \$2,084,228 of noncash depreciation expense, the governmental activities were able to fund capital asset additions of \$1,409,748, pay down general obligation debt by \$1,020,000, and still fund an increase in current assets of almost \$2,500,000. The revenues and expenses giving rise to the change in net assets can be seen in the tables which follow.

CITY OF ALICE, TEXAS

MANAGEMENT’S DISCUSSION AND ANALYSIS

(Continued)

Government-wide changes in net assets

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2007	2006	2007	2006	2007	2006
Change in net assets						
Total revenues	\$ 16,663,135	15,942,166	6,962,406	7,124,238	23,625,541	23,066,404
Total expenses	(14,841,965)	(14,071,396)	(5,204,646)	(6,358,881)	(20,046,611)	(20,430,277)
Change before transfers	1,821,170	1,870,770	1,757,760	765,357	3,578,930	2,636,127
Transfers	760,526	383,457	(760,526)	(383,457)	-0-	-0-
Extraordinary item	-0-	-0-	104,548	-0-	104,548	-0-
Change in net assets	2,581,696	2,254,227	1,101,782	381,900	3,683,478	2,636,127
Net assets - beginning	22,254,600	20,000,373	13,628,008	13,246,108	35,882,608	33,246,481
Net assets - ending	\$ 24,836,296	22,254,600	14,729,790	13,628,008	39,566,086	35,882,608

Governmental activities net assets increased by \$2,581,696, or 12%, during the year, and net assets of the business-type activities increased by \$1,101,782, or 8%. The most significant changes from the prior year activities are a decrease in business-type activities expenses of \$1,154,235. Both the revenues and the expenses of governmental activities reflect an increase of over \$700,000. The specific changes in revenues and expenses can be seen in more detail in the tables below.

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues:						
Charges for services	\$ 3,141,733	3,129,907	6,500,326	6,802,100	9,642,059	9,932,007
Operating grants and contributions	205,183	522,355	-0-	-0-	205,183	522,355
Capital grants and contributions	76,014	161,333	382,674	263,476	458,688	424,809
General revenues:						
Property taxes	2,813,862	2,780,524	-0-	-0-	2,813,862	2,780,524
Sales tax	8,817,860	7,778,364	-0-	-0-	8,817,860	7,778,364
Franchise taxes	958,806	985,850	-0-	-0-	958,806	985,850
Other general revenues	649,677	583,833	79,406	58,662	729,083	642,495
Total revenues	\$ 16,663,135	15,942,166	6,962,406	7,124,238	23,625,541	23,066,404

Governmental revenues reflect an increase of \$1,039,496 attributable to sales tax revenues. That increase is a result of an upswing in the oil and gas industry in the South Texas area and recent expansion of local retail businesses. Grants and contributions vary significantly from year to year. Grants and contributions for governmental activities were down by \$402,491, primarily related to the prior year ORCA and TDHCA grants. Utility system revenues of the business-type activities reflect a decrease of

CITY OF ALICE, TEXAS

MANAGEMENT’S DISCUSSION AND ANALYSIS

(Continued)

approximately \$377,000, the result of a particularly wet year during 2007. Golf course revenues were up \$77,000.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Expenses						
Administration	\$ 1,163,965	997,235	-0-	-0-	1,163,965	997,235
Finance	786,691	754,154	-0-	-0-	786,691	754,154
Public safety	5,423,574	5,154,097	-0-	-0-	5,423,574	5,154,097
Public works	5,093,518	4,493,629	-0-	-0-	5,093,518	4,493,629
Parks and recreation	982,062	883,218	-0-	-0-	982,062	883,218
Community development	399,533	750,688	-0-	-0-	399,533	750,688
Library	437,671	453,797	-0-	-0-	437,671	453,797
Other	219,876	197,156	-0-	-0-	219,876	197,156
Interest on long-term debt	335,075	387,422	-0-	-0-	335,075	387,422
Water and wastewater	-0-	-0-	4,546,146	5,803,442	4,546,146	5,803,442
Airport	-0-	-0-	124,260	105,092	124,260	105,092
Golf course	-0-	-0-	534,240	450,347	534,240	450,347
Total expenses	\$ 14,841,965	14,071,396	5,204,646	6,358,881	20,046,611	20,430,277

In the prior year, it was necessary to pump approximately 15% more water from Lake Corpus Christi in 2006 than in 2005 due to very dry conditions. After an extremely wet year in 2007, water purchases were down \$1,023,000 from 2006. In addition, gas and electricity expenses for the utility fund were down approximately \$166,000. Expenses for salaries were up approximately \$280,000 across all governmental and business-type departments. For governmental activities, there was a significant increase in the line item for landfill repair and maintenance in the public works department. That increase of \$147,000 was also due to the extremely wet year. Unexpected costs were incurred to deal with standing water at the landfill. The decrease in community development expense relates to the two grants from the prior year discussed in the revenue section above.

Financial Analysis of the City’s Funds

Significant changes between the current and prior year activities of the general fund and the utility system fund are essentially the same as the comparisons discussed above for the government-wide financial statements. On a fund basis, it should be noted that the general fund used excess revenues to transfer \$1,092,000 to a new capital depreciation fund, and increased the transfer to the capital equipment replacement fund by \$643,000, and increased the transfer to the economic development fund by \$168,000. The general fund still has an undesignated fund balance of \$7,504,612 at the end of the year. That amount represents over 7 months in terms of the general fund’s annual expenditures. Capital projects funds include the 2003 certificates of obligation construction fund, the street improvement fund, the landfill development fund, the capital equipment replacement fund, and the 1999 certificates of obligation

CITY OF ALICE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

construction fund, and the new capital depreciation fund. With the significant transfers into those funds, none of them reflected a net decrease in fund balance. The remaining fund balances of those capital projects funds as of the end of the year are \$70,625, \$67,604, \$325,850, \$929,421, \$320,865, and \$1,091,600 respectively.

The utility fund has net assets of \$11,832,264 at the end of the year. However, \$9,669,693 is invested in capital assets, net of related debt. Unrestricted net assets of \$2,162,571 represents almost 5 months in terms of the utility system's annual expenses including transfers out.

General Fund Budgetary Highlights

The City Council approved various amendments to the original budget prior to the end of the year. Appropriations for expenditures including transfers out were increased by \$496,161 in the final budget to remove the originally budgeted negative allocation of certain personnel costs out of administration, and to allow for additional police and public works expenditures. The budgeted revenues were increased by \$2,537,146 to more closely represent actual sales tax revenues. The original budget projected a shortfall of \$2,084,197, with the final budget showing a \$43,212 shortfall. Both fine revenue and operating transfers in reflected a negative budget variance, but the actual increase in fund balance for the fund as a whole was \$638,281, or a positive variance of \$681,493.

Capital Asset and Debt Administration

Capital assets

The following capital asset information is presented net of depreciation. More detailed information can be found on pages 33 and 34 in the notes to the financial statements.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Land	\$ 785,421	785,945	171,752	171,752	957,173	957,697
Construction in progress	40,234	450,136	620,328	170,930	660,562	621,066
Distribution and collection systems	-0-	-0-	8,346,561	8,315,967	8,346,561	8,315,967
Buildings and improvements	3,060,592	3,283,598	2,990,309	2,930,168	6,050,901	6,213,766
Equipment	3,409,899	3,118,838	594,358	542,769	4,004,257	3,661,607
Infrastructure	15,660,600	15,993,547	-0-	-0-	15,660,600	15,993,547
Totals at historical cost	\$ <u>22,956,746</u>	<u>23,632,064</u>	<u>12,723,308</u>	<u>12,131,586</u>	<u>35,680,054</u>	<u>35,763,650</u>

CITY OF ALICE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Significant additions to capital assets during the year included \$252,450 for seal coating streets, \$143,137 for a federal warning siren system, \$98,602 for a brush fire truck, \$66,083 for a vehicle extraction system, \$87,349 for a wireless system for the police department, \$159,476 for six police department vehicles, \$107,048 to repair pump station control panels, \$960,206 of improvements and extensions to the water and sewer system (which includes \$318,455 of improvements paid for by the County), and \$159,368 for a vacuum truck.

Debt

More detailed information on the City's debt can be found on pages 37-42 in the notes to the financial statements.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
General obligation debt	\$ 6,550,000	7,570,000	9,600,000	-0-	16,150,000	7,570,000
Capital leases payable	806,717	683,822	166,604	57,896	973,321	741,718
Totals	<u>\$ 7,356,717</u>	<u>8,253,822</u>	<u>9,766,604</u>	<u>57,896</u>	<u>17,123,321</u>	<u>8,311,718</u>

The City entered into several new capital lease agreements during the year totaling \$449,218 for the purchase of assets, and paid \$1,238,927 on existing debt. The City's general obligation bond rating is AAA as assigned by the national rating agency Standard and Poor's. There is no direct debt limitation in the City Charter or under state law. The Texas Constitution does limit the maximum tax rate for all City purposes to \$2.50 per \$100 of assessed valuation, and administratively, the Attorney General will permit allocation of \$1.50 of the \$2.50 maximum tax rate to the payment of debt service. The actual amount of debt the City might be able to fund with that tax rate depends on the term over which the debt is to be repaid, the interest rate on the debt, and the amount of taxes which are not collected. The City's current debt service tax rate of \$0.197098 is approximately 13% of the maximum debt service tax rate.

Economic Factors and Next Year's Budgets and Rates

The City's elected officials considered many factors when setting the 2008 budget. The City recognized a 13.37% increase in sales tax revenues for 2007. Although we do not expect to see the same level of increase for 2008, we have projected sales tax revenue to continue to show slow, steady growth over the next year. By that token, in an effort to reduce the burden on our local property tax owners, City Council adopted a tax rate of \$.331080 per \$100 valuation, which is below the effective tax rate and an overall decrease of \$.068920 per \$100 valuation from the previous year. Additionally, as noted in the transmittal letter, 2008 will see the use of general obligation bond proceeds to improve and repair the water and wastewater infrastructure. Other notable items in next year's budget include a 9.8% increase in water and sewer rates to pay for the \$9.6 million general obligation bonds and purchase capital equipment.

CITY OF ALICE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, 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, please direct your requests to the Director of Finance, City of Alice, P.O. Box 3229, Alice, Texas, 78333.

CITY OF ALICE, TEXAS

STATEMENT OF NET ASSETS

September 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents (note 2)	\$ 1,074,246	132,681	1,206,927
Investments (note 2)	9,183,250	1,655,278	10,838,528
Receivables (net, where applicable, of allowances for uncollectibles):			
Accounts receivable	2,607,292	1,148,593	3,755,885
Property taxes	370,207	-0-	370,207
Interest and penalty on taxes	274,300	-0-	274,300
Fines receivable	36,726	-0-	36,726
Due from other governments	75,582	9,632	85,214
Internal balances	315,379	(315,379)	-0-
Inventories and prepayments	41,107	146,160	187,267
Restricted cash and investments (note 2)	-0-	9,600,000	9,600,000
Deferred bond issue costs	97,452	-0-	97,452
Capital assets (note 6):			
Land	785,421	171,752	957,173
Construction in progress	40,234	620,328	660,562
Other capital assets, net of depreciation	22,131,091	11,931,228	34,062,319
Total assets	<u>37,032,287</u>	<u>25,100,273</u>	<u>62,132,560</u>
LIABILITIES			
Accounts payable	411,613	161,442	573,055
Accrued liabilities	235,011	90,190	325,201
Refundable advances and unearned revenue	10,952	747	11,699
Customer deposits	13,925	257,907	271,832
Noncurrent liabilities (note 9):			
Due within one year	1,410,225	158,908	1,569,133
Due in more than one year	10,114,265	9,701,289	19,815,554
Total liabilities	<u>12,195,991</u>	<u>10,370,483</u>	<u>22,566,474</u>
NET ASSETS			
Invested in capital assets, net of related debt	15,600,029	12,556,704	28,156,733
Restricted for:			
Debt service	1,213,531	-0-	1,213,531
Library	18,500	-0-	18,500
Unrestricted (deficit)	8,004,236	2,173,086	10,177,322
Total net assets	<u>\$ 24,836,296</u>	<u>14,729,790</u>	<u>39,566,086</u>

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

CITY OF ALICE, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
Administration	\$ 1,163,965	4,847	-0-	-0-
Finance	786,691	-0-	-0-	-0-
Public safety	5,423,574	292,329	124,788	76,014
Public works	5,093,518	2,312,063	-0-	-0-
Parks and recreation	982,062	133,830	-0-	-0-
Community development	399,533	216,702	-0-	-0-
Library	437,671	282	55,089	-0-
Other programs	219,876	181,680	25,306	-0-
Interest on long-term debt excluding \$27,571 of capital lease interest recorded in various functions	335,075	-0-	-0-	-0-
Total governmental activities	<u>14,841,965</u>	<u>3,141,733</u>	<u>205,183</u>	<u>76,014</u>
Business-type activities:				
Water and wastewater	4,546,146	6,018,345	-0-	382,674
Airport	124,260	10,240	-0-	-0-
Golf course	534,240	471,741	-0-	-0-
Total business-type activities	<u>5,204,646</u>	<u>6,500,326</u>	<u>-0-</u>	<u>382,674</u>
Total primary government \$	<u>20,046,611</u>	<u>9,642,059</u>	<u>205,183</u>	<u>458,688</u>
General revenues:				
Property taxes levied for general purposes				
Property taxes levied for debt service				
Sales tax				
Franchise taxes				
Investment earnings				
Miscellaneous				
Transfers				
Extraordinary item - insurance recovery				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
(1,159,118)	-0-	(1,159,118)
(786,691)	-0-	(786,691)
(4,930,443)	-0-	(4,930,443)
(2,781,455)	-0-	(2,781,455)
(848,232)	-0-	(848,232)
(182,831)	-0-	(182,831)
(382,300)	-0-	(382,300)
(12,890)	-0-	(12,890)
<u>(335,075)</u>	-0-	<u>(335,075)</u>
<u>(11,419,035)</u>	<u>-0-</u>	<u>(11,419,035)</u>
-0-	1,854,873	1,854,873
-0-	(114,020)	(114,020)
-0-	(62,499)	(62,499)
<u>-0-</u>	<u>1,678,354</u>	<u>1,678,354</u>
<u>(11,419,035)</u>	<u>1,678,354</u>	<u>(9,740,681)</u>
\$ 1,427,595	-0-	1,427,595
1,386,267	-0-	1,386,267
8,817,860	-0-	8,817,860
958,806	-0-	958,806
509,490	57,708	567,198
140,187	21,698	161,885
760,526	(760,526)	-0-
-0-	104,548	104,548
<u>14,000,731</u>	<u>(576,572)</u>	<u>13,424,159</u>
2,581,696	1,101,782	3,683,478
<u>22,254,600</u>	<u>13,628,008</u>	<u>35,882,608</u>
\$ <u>24,836,296</u>	<u>14,729,790</u>	<u>39,566,086</u>

CITY OF ALICE, TEXAS

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Capital Replacement Fund</u>
ASSETS			
Cash and cash equivalents	\$ 168,253	169,273	182,525
Investments	6,542,716	1,000,754	342,844
Receivables (net, where applicable, of allowances for uncollectibles):			
Accounts receivable	2,303,016	2,867	241,161
Property taxes	179,345	190,862	-0-
Interest and penalty on taxes	128,618	145,682	-0-
Fines receivable	36,726	-0-	-0-
Due from other governments	21,762	-0-	-0-
Due from other funds	104,413	-0-	195,732
Inventories and prepayments	41,107	-0-	-0-
Total assets	<u>\$ 9,525,956</u>	<u>1,509,438</u>	<u>962,262</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 319,056	-0-	32,841
Accrued liabilities	159,262	-0-	-0-
Due to other funds	914,819	51,481	-0-
Deferred revenue	344,689	336,544	-0-
Refundable advances	-0-	-0-	-0-
Customer deposits	-0-	-0-	-0-
Total liabilities	<u>1,737,826</u>	<u>388,025</u>	<u>32,841</u>
Fund Balances			
Reserved for debt service	-0-	1,121,413	-0-
Reserved for inventories and prepayments	41,107	-0-	-0-
Reserved for library	18,500	-0-	-0-
Unreserved:			
Special revenue funds	-0-	-0-	-0-
Capital projects funds	-0-	-0-	929,421
Designated	223,911	-0-	-0-
Undesignated	7,504,612	-0-	-0-
Total fund balances	<u>7,788,130</u>	<u>1,121,413</u>	<u>929,421</u>
Total liabilities and fund balances	<u>\$ 9,525,956</u>	<u>1,509,438</u>	<u>962,262</u>

Fund balance of governmental funds on the modified accrual basis above
Add recognition of revenue from long-term receivables which was deferred above
Add net capital assets which are not treated as financial resources on the modified accrual basis
Add unamortized bond issue costs expensed when incurred under the modified accrual basis
Subtract long-term liabilities not reported under the modified accrual basis above
Subtract accrued interest not reported under the modified accrual basis until due
Net assets of governmental activities as reported on the Statement of Net Assets

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

<u>Capital Depreciation Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
2,073	552,122	1,074,246
-0-	1,296,936	9,183,250
-0-	60,248	2,607,292
-0-	-0-	370,207
-0-	-0-	274,300
-0-	-0-	36,726
-0-	53,820	75,582
1,089,527	132,055	1,521,727
-0-	-0-	41,107
<u>1,091,600</u>	<u>2,095,181</u>	<u>15,184,437</u>

-0-	59,716	411,613
-0-	114	159,376
-0-	240,048	1,206,348
-0-	10,701	691,934
-0-	10,952	10,952
-0-	13,925	13,925
<u>-0-</u>	<u>335,456</u>	<u>2,494,148</u>

-0-	107,738	1,229,151
-0-	-0-	41,107
-0-	-0-	18,500
-0-	790,198	790,198
1,091,600	880,535	2,901,556
-0-	-0-	223,911
-0-	(18,746)	7,485,866
<u>1,091,600</u>	<u>1,759,725</u>	<u>12,690,289</u>
<u>1,091,600</u>	<u>2,095,181</u>	<u>15,184,437</u>

\$ 12,690,289
 691,934
 22,956,746
 97,452
 (11,524,490)
 (75,635)
\$ 24,836,296

CITY OF ALICE, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2007

	General	Debt Service	Capital Replacement Fund
REVENUES			
Taxes	\$ 10,293,994	1,401,887	-0-
Franchises, licenses and permits	1,172,233	-0-	-0-
Intergovernmental	123,224	-0-	33,212
Charges for services	2,465,109	-0-	-0-
Fines	158,082	-0-	-0-
Investment earnings	343,217	57,428	24,647
Miscellaneous	100,737	-0-	-0-
Total revenues	<u>14,656,596</u>	<u>1,459,315</u>	<u>57,859</u>
EXPENDITURES			
Current:			
Administration	1,145,084	-0-	-0-
Finance	794,338	-0-	-0-
Public safety	5,084,202	-0-	-0-
Public works	3,403,622	-0-	-0-
Parks and recreation	944,860	-0-	9,334
Community development	395,141	-0-	-0-
Library	397,725	-0-	-0-
Other programs	-0-	-0-	-0-
Capital outlay	-0-	-0-	599,142
Debt service:			
Principal	-0-	1,020,000	-0-
Interest and other charges	-0-	332,822	-0-
Total expenditures	<u>12,164,972</u>	<u>1,352,822</u>	<u>608,476</u>
Excess (deficiency) of revenues over expenditures	<u>2,491,624</u>	<u>106,493</u>	<u>(550,617)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from debt	22,647	-0-	292,203
Operating transfers in	789,555	-0-	922,577
Operating transfers out	(2,665,545)	-0-	(26,190)
Total other financing sources (uses)	<u>(1,853,343)</u>	<u>-0-</u>	<u>1,188,590</u>
Net change in fund balances	638,281	106,493	637,973
Fund balances - beginning	<u>7,149,849</u>	<u>1,014,920</u>	<u>291,448</u>
Fund balances - ending	<u>\$ 7,788,130</u>	<u>1,121,413</u>	<u>929,421</u>

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

Capital Depreciation Fund	Other Governmental Funds	Total Governmental Funds
-0-	154,251	11,850,132
-0-	-0-	1,172,233
-0-	124,761	281,197
-0-	27,429	2,492,538
-0-	119,363	277,445
-0-	84,198	509,490
-0-	4,931	105,668
<u>-0-</u>	<u>514,933</u>	<u>16,688,703</u>
-0-	-0-	1,145,084
-0-	-0-	794,338
-0-	384,917	5,469,119
-0-	-0-	3,403,622
-0-	-0-	954,194
-0-	-0-	395,141
-0-	5,589	403,314
-0-	219,876	219,876
-0-	252,449	851,591
-0-	-0-	1,020,000
<u>-0-</u>	<u>-0-</u>	<u>332,822</u>
<u>-0-</u>	<u>862,831</u>	<u>14,989,101</u>
<u>-0-</u>	<u>(347,898)</u>	<u>1,699,602</u>
-0-	-0-	314,850
1,091,600	650,037	3,453,769
<u>-0-</u>	<u>(1,508)</u>	<u>(2,693,243)</u>
<u>1,091,600</u>	<u>648,529</u>	<u>1,075,376</u>
1,091,600	300,631	2,774,978
<u>-0-</u>	<u>1,459,094</u>	<u>9,915,311</u>
<u>1,091,600</u>	<u>1,759,725</u>	<u>12,690,289</u>

CITY OF ALICE, 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, 2007

Net change in fund balances - total governmental funds	\$ 2,774,978
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.	
Add back capital outlays.	1,409,748
Subtract depreciation expense.	(2,084,228)
Subtract book value of assets sold from the proceeds amount.	(838)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property tax revenues:	
Add deferred property tax revenues at the end of the year.	644,507
Subtract deferred property tax revenues at the beginning of the year.	(669,659)
Fine revenues:	
Add noncurrent receivables at the end of the year.	36,726
Subtract noncurrent receivables at the beginning of the year.	(32,654)
Street assessment revenues:	
Add noncurrent receivables at the end of the year.	10,701
Subtract noncurrent receivables at the beginning of the year.	(15,189)
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Subtract current period debt issued.	(314,850)
Add back principal payments on long-term debt.	1,211,955
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Interest expense:	
Subtract amortization of debt issue costs.	(10,279)
Subtract unmatured accrued interest at the end of the year.	(75,635)
Add unmatured accrued interest at the beginning of the year.	82,022
Compensated absences:	
Subtract noncurrent liability at the end of the year.	(765,717)
Add noncurrent liability at the beginning of the year.	694,656
Landfill closure and post-closure care costs:	
Subtract noncurrent liability at the end of the year.	(3,402,056)
Add noncurrent liability at the beginning of the year.	3,087,508
Change in net assets of governmental activities	\$ <u>2,581,696</u>

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

CITY OF ALICE, TEXAS

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND**

For the Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 7,753,500	10,224,675	10,293,994	69,319
Franchises, licenses and permits	1,184,000	1,056,408	1,172,233	115,825
Intergovernmental	95,200	116,874	123,224	6,350
Charges for services	2,296,350	2,370,000	2,465,109	95,109
Fines	153,300	207,649	158,082	(49,567)
Investment earnings	232,000	308,685	343,217	34,532
Miscellaneous	124,145	91,350	100,737	9,387
Total revenues	<u>11,838,495</u>	<u>14,375,641</u>	<u>14,656,596</u>	<u>280,955</u>
EXPENDITURES				
Current:				
Administration	913,344	1,195,576	1,145,084	50,492
Finance	835,945	824,134	794,338	29,796
Public safety	5,103,053	5,263,447	5,084,202	179,245
Public works	3,497,362	3,579,341	3,403,622	175,719
Parks and recreation	1,058,776	985,897	944,860	41,037
Community development	404,021	428,287	395,141	33,146
Library	421,791	420,071	397,725	22,346
Total expenditures	<u>12,234,292</u>	<u>12,696,753</u>	<u>12,164,972</u>	<u>531,781</u>
Excess (deficiency) of revenues over expenditures	<u>(395,797)</u>	<u>1,678,888</u>	<u>2,491,624</u>	<u>812,736</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from debt	-0-	-0-	22,647	22,647
Operating transfers in	968,048	968,048	789,555	(178,493)
Operating transfers out	<u>(2,656,448)</u>	<u>(2,690,148)</u>	<u>(2,665,545)</u>	<u>24,603</u>
Total other financing sources (uses)	<u>(1,688,400)</u>	<u>(1,722,100)</u>	<u>(1,853,343)</u>	<u>(131,243)</u>
Net change in fund balances	(2,084,197)	(43,212)	638,281	681,493
Fund balances - beginning	<u>7,149,849</u>	<u>7,149,849</u>	<u>7,149,849</u>	<u>-0-</u>
Fund balances - ending	<u>\$ 5,065,652</u>	<u>7,106,637</u>	<u>7,788,130</u>	<u>681,493</u>

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

CITY OF ALICE, TEXAS

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

September 30, 2007

	Business-type Activities Enterprise Funds			Total
	Utility System	Airport	Nonmajor Fund-Golf Course	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 49,382	2,756	80,543	132,681
Investments	1,653,143	1,996	139	1,655,278
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts receivable	1,127,342	19,051	2,200	1,148,593
Due from other governments	-0-	9,632	-0-	9,632
Due from other funds	51,481	7,511	-0-	58,992
Inventories and prepayments	139,741	-0-	6,419	146,160
Total current assets	<u>3,021,089</u>	<u>40,946</u>	<u>89,301</u>	<u>3,151,336</u>
Noncurrent assets:				
Restricted cash and investments	9,600,000	-0-	-0-	9,600,000
Capital assets:				
Land	41,378	120,374	10,000	171,752
Construction in progress	559,575	60,753	-0-	620,328
Other capital assets, net of depreciation	9,223,911	2,008,440	698,877	11,931,228
Total noncurrent assets	<u>19,424,864</u>	<u>2,189,567</u>	<u>708,877</u>	<u>22,323,308</u>
Total assets	<u>22,445,953</u>	<u>2,230,513</u>	<u>798,178</u>	<u>25,474,644</u>
LIABILITIES				
Current liabilities:				
Accounts payable	143,445	2,370	15,627	161,442
Accrued liabilities	85,617	228	4,345	90,190
Due to other funds	288,279	7,258	78,834	374,371
Unearned revenue	-0-	-0-	747	747
Customer deposits	257,907	-0-	-0-	257,907
Long-term debt	153,122	5,786	-0-	158,908
Total current liabilities	<u>928,370</u>	<u>15,642</u>	<u>99,553</u>	<u>1,043,565</u>
Noncurrent liabilities:				
Accrued vacation	83,270	1,389	8,934	93,593
Long-term debt	9,602,049	5,647	-0-	9,607,696
Total noncurrent liabilities	<u>9,685,319</u>	<u>7,036</u>	<u>8,934</u>	<u>9,701,289</u>
Total liabilities	<u>10,613,689</u>	<u>22,678</u>	<u>108,487</u>	<u>10,744,854</u>
NET ASSETS				
Invested in capital assets, net of related debt	9,669,693	2,178,134	708,877	12,556,704
Unrestricted (deficit)	2,162,571	29,701	(19,186)	2,173,086
Total net assets	<u>\$ 11,832,264</u>	<u>2,207,835</u>	<u>689,691</u>	<u>14,729,790</u>

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

CITY OF ALICE, TEXAS

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS**

For the Year Ended September 30, 2007

	Business-type Activities Enterprise Funds			Total
	Utility System	Airport	Nonmajor Fund-Golf Course	
OPERATING REVENUES				
Charges for services	\$ 5,965,085	10,240	471,741	6,447,066
Connection fees	53,260	-0-	-0-	53,260
Total operating revenues	<u>6,018,345</u>	<u>10,240</u>	<u>471,741</u>	<u>6,500,326</u>
OPERATING EXPENSES				
Personnel services	1,451,097	15,317	277,817	1,744,231
Materials and supplies	614,361	5,036	72,729	692,126
Purchased property services	1,401,776	15,423	89,568	1,506,767
Contractual services	192,568	10,816	8,019	211,403
Sundry charges	287,855	-0-	2,980	290,835
Depreciation	589,323	77,391	83,127	749,841
Total operating expenses	<u>4,536,980</u>	<u>123,983</u>	<u>534,240</u>	<u>5,195,203</u>
Operating income (loss)	<u>1,481,365</u>	<u>(113,743)</u>	<u>(62,499)</u>	<u>1,305,123</u>
NONOPERATING REVENUES (EXPENSES)				
Interest and investment revenue	57,650	51	7	57,708
Other nonoperating revenues	12,583	9,115	-0-	21,698
Interest expense	(9,166)	(277)	-0-	(9,443)
Total nonoperating revenues (expenses)	<u>61,067</u>	<u>8,889</u>	<u>7</u>	<u>69,963</u>
Net income (loss) before contributions and transfers	1,542,432	(104,854)	(62,492)	1,375,086
Capital contributions	382,674	-0-	-0-	382,674
Transfers in	-0-	39,116	50,190	89,306
Transfers out	(849,832)	-0-	-0-	(849,832)
Extraordinary item - insurance recovery	104,548	-0-	-0-	104,548
Change in net assets	1,179,822	(65,738)	(12,302)	1,101,782
Net assets - beginning	<u>10,652,442</u>	<u>2,273,573</u>	<u>701,993</u>	<u>13,628,008</u>
Net assets - ending	<u>\$ 11,832,264</u>	<u>2,207,835</u>	<u>689,691</u>	<u>14,729,790</u>

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

CITY OF ALICE, TEXAS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended September 30, 2007

	Business-type Activities Enterprise Funds			
	Utility System	Airport	Nonmajor Fund-Golf Course	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 5,848,183	22,787	464,854	6,335,824
Payments to suppliers	(2,253,089)	(28,076)	(175,530)	(2,456,695)
Payments to employees	(1,454,185)	(14,361)	(276,903)	(1,745,449)
Net cash provided (used) by operating activities	<u>2,140,909</u>	<u>(19,650)</u>	<u>12,421</u>	<u>2,133,680</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating transfers from other funds	-0-	39,116	50,190	89,306
Operating transfers to other funds	(849,832)	-0-	-0-	(849,832)
Net cash provided (used) by noncapital financing activities	<u>(849,832)</u>	<u>39,116</u>	<u>50,190</u>	<u>(760,526)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital debt	9,600,000	-0-	-0-	9,600,000
Proceeds from insurance recovery	104,548	-0-	-0-	104,548
Capital contributions	5,742	-0-	-0-	5,742
Purchases of capital assets	(829,338)	(11,146)	(28,628)	(869,112)
Interest payments on outstanding debt	(9,166)	(277)	-0-	(9,443)
Principal payments on outstanding debt	(20,056)	(5,604)	-0-	(25,660)
Net cash provided (used) by capital and related financing activities	<u>8,851,730</u>	<u>(17,027)</u>	<u>(28,628)</u>	<u>8,806,075</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(10,330,795)	(103)	(7)	(10,330,905)
Interest and investment revenue received	57,650	51	7	57,708
Net cash provided (used) by investing activities	<u>(10,273,145)</u>	<u>(52)</u>	<u>-0-</u>	<u>(10,273,197)</u>
Net increase (decrease) in cash and cash equivalents	(130,338)	2,387	33,983	(93,968)
Balances - beginning of the year	179,720	369	46,560	226,649
Balances - end of the year	<u>\$ 49,382</u>	<u>2,756</u>	<u>80,543</u>	<u>132,681</u>

The City also recorded activity from noncash transactions during the year. Jim Wells County paid for \$341,063 of additions to the utility system through a grant they received, and lease financing paid for \$134,368 of additions to capital equipment.

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

CITY OF ALICE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

(Continued)

	Business-type Activities Enterprise Funds			
	Utility System	Airport	Nonmajor Fund-Golf Course	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 1,481,365	(113,743)	(62,499)	1,305,123
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	589,323	77,391	83,127	749,841
Provision for uncollectible accounts	60,435	-0-	-0-	60,435
Other nonoperating revenues	12,583	9,115	-0-	21,698
Loss on retirement of assets	-0-	-0-	2,980	2,980
Changes in assets and liabilities:				
Accounts receivable	(277,016)	(17,518)	(2,200)	(296,734)
Due from other governments	77,800	28,461	-0-	106,261
Due from other funds	(49,160)	(7,511)	-0-	(56,671)
Inventories and prepayments	933	-0-	3,795	4,728
Accounts payable	(114,909)	1,643	(3,299)	(116,565)
Accrued liabilities	57,893	6	88	57,987
Due to other funds	288,279	1,556	(5,710)	284,125
Deferred revenue	-0-	-0-	(4,687)	(4,687)
Customer deposits	16,471	-0-	-0-	16,471
Accrued vacation	(3,088)	950	826	(1,312)
Net cash provided (used) by operating activities	\$ <u>2,140,909</u>	<u>(19,650)</u>	<u>12,421</u>	<u>2,133,680</u>

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

CITY OF ALICE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2007

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Alice, Texas (City), was incorporated June 16, 1904, with its first charter adopted September 23, 1949. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, general administrative, and water and wastewater services.

The accounting policies of the City conform to generally accepted accounting principles applicable to governments as promulgated by the Governmental Accounting Standards Board (GASB). For its enterprise funds and business-type activities, the City has chosen to apply all FASB statements issued after November 30, 1989, except for those that conflict with GASB pronouncements. The following is a summary of the significant policies.

A. GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. The government-wide financial statements provide information about the activities of the City as a whole presenting all assets, liabilities, and changes in net assets of the City. These statements are prepared using the accrual basis of accounting.

Separate rows and columns are used in the government-wide statements to distinguish between governmental activities and business-type activities, with a total column for the primary government as a whole.

B. SCOPE OF THE REPORTING ENTITY

The City has used the criteria detailed in GASB Statement 14 to determine whether or not certain entities should be included in the accompanying financial statements. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The following agencies were considered in determining the scope of the reporting entity.

(Continued)

CITY OF ALICE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

City-County Municipal Airport. The City of Alice and Jim Wells County jointly operate the City-County Municipal Airport. The two parties each hold an undivided interest in the assets and liabilities related to the airport. No separate organization was created for the purposes of owning and operating the airport, therefore, the activity is not reported either as a component unit of the City or as an investment in a joint venture. Instead, the City and County are each responsible for reporting separately their one-half share of individual assets, liabilities, revenues and expenses of the airport operations. The City's one-half share is reported in the Airport enterprise fund.

Alice Housing Authority. The City has no involvement in the budget process, rental rates, debt or deficits of the Housing Authority. Additionally, all operations of the Housing Authority are financed through federal grants and rentals. The governing board is appointed by the City's mayor, making this a related organization. The City does not, however, have the power to remove the board members without cause or to otherwise impose its will on the Housing Authority. For these reasons, the Housing Authority has not been included within the scope of the City's reporting entity.

Alice Water Authority. The Water Authority's support comes from its own ad valorem property taxes, user charges (bulk water sales), and other revenue sources. The City is a principal purchaser of bulk water from the Authority. The City has no involvement in the rates, taxes, debt or deficits of the Authority. The Authority is responsible to the Texas Commission on Environmental Quality and was created under Article 16, Section 59 of the Texas Constitution by the Fifty-Seventh Legislature. The governing board is appointed by the City Council, making this a related organization. The City does not, however, have the power to remove the board members or to otherwise impose its will on the Water Authority. For these reasons, the Authority is not included within the scope of the City's reporting entity.

C. FUND FINANCIAL STATEMENTS

Fund financial statements are used to present more detailed information about the City's most significant funds. Separate fund financial statements are prepared for governmental funds and proprietary funds. The City has no fiduciary funds. The governmental and proprietary fund financial statements place an emphasis on major funds. Those funds which are determined to be major funds are presented in separate columns, with all nonmajor funds being aggregated and displayed in a single column. Interfund receivable and payable balances and transfers between funds have not been eliminated in the fund financial statements.

(Continued)

CITY OF ALICE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City has reported the following major governmental funds.

General Fund – The General Fund accounts for all revenues and expenditures of the City which are not accounted for in other funds. It is the largest of the City's funds and receives a greater variety and number of taxes and other general revenues than any other fund. The General Fund's resources also finance a wider range of activities than any other fund. Major functions financed by the General Fund include administration, finance, library, shop, criminal investigation, uniform patrol, fire suppression, sanitation, park maintenance and street maintenance.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of, general obligation long-term debt principal, interest, and related costs.

Capital Replacement Fund – This fund accounts for the accumulation of resources set aside by the City for the purpose of funding future capital outlay.

Capital Depreciation Fund – This fund accounts for excess sales tax revenue set aside to be used for major capital expenditures.

The City has reported the following major proprietary funds.

Utility System Fund - This fund's function is to provide for a source of supply of water, its purification and distribution to customers and to provide for the sanitary collection, treatment and disposal of sewage and industrial wastewater and solids on a user charge basis.

Airport Fund – This fund reflects the City's share of financial activity of the airport, which is supported by both the City and Jim Wells County.

The City has no internal service funds or fiduciary fund types.

(Continued)

CITY OF ALICE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus refers to whether a particular type of transaction will be recorded in the financial statements. The economic resources measurement focus recognizes all resources and obligations and the changes in them. The current financial resources measurement focus recognizes only current resources and obligations and transactions affecting current resources and obligations. 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 measurements made, regardless of the measurement focus applied.

Government-wide financial statements

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements specific to the class of nonexchange transaction. For the government-wide financial statements prepared on the accrual basis, property tax revenues are recognized in the period for which the taxes are levied.

Fund financial statements – governmental funds

The fund financial statements for the governmental funds are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. This measurement focus affects the accounting and reporting treatment of capital assets and long-term liabilities. The capital assets and long-term liabilities of the governmental activities are not recorded on the balance sheet of the fund financial statements of the governmental funds. Transactions for the purchase of assets, the issuance of debt, and the payment of debt principal are reflected in the governmental funds, but they are reported on the statement of revenues, expenditures, and changes in fund balances as capital outlay and debt service principal expenditures and proceeds from debt.

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become measurable and available and recognizes expenditures in the accounting period in which the fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due.

(Continued)

CITY OF ALICE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All revenues of the City are considered susceptible to accrual except for revenue from delinquent property taxes receivable, revenue from fines, and revenue from special assessments.

While the City expects all taxes on real property to ultimately be collectible, the bulk of delinquent property taxes receivable at the end of the fiscal year are not anticipated to be collected soon enough thereafter to be used to pay liabilities of the current period. Therefore, revenue from delinquent property taxes receivable is not recognized in the fund financial statements unless collected during the current period.

Fines receivable but not past due at the end of the fiscal year may be subsequently reduced when the offender attends a defensive driving course, provides proof of insurance, has the offense dismissed by the municipal court, or serves jail time. Current fines receivable thus do not meet the measurability criterion required to be susceptible to accrual. A significant portion of past due fines receivable is not anticipated to be collected soon enough to meet the criterion that the revenue be available.

Fund financial statements – proprietary funds

The fund financial statements for the proprietary funds are prepared using the economic resources measurement focus and the accrual basis of accounting.

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for purposes of the statement of cash flows represent demand accounts and petty cash. Certificates of deposit, U.S government debt securities, money market mutual funds, and investments in local government investment pools are recorded as investments and are not treated as cash or cash equivalents.

F. INVESTMENTS

Investments are stated at fair value. The City is authorized to invest in certificates of deposit at the City's depository bank, obligations of the United States of America, and investment pools and no-load money market mutual funds which meet the conditions of the State of Texas Public Funds Investment Act. Money market mutual funds must be no-load funds which are regulated by the Securities and Exchange Commission, have a dollar-weighted average stated maturity of 90 days or fewer, and include the investment objective of the maintenance of a stable net asset value of \$1 for each share.

(Continued)

CITY OF ALICE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. RECEIVABLES

Unbilled service receivables have been accrued in the proprietary funds to record the estimated amount of revenues earned but not billed as of the end of the fiscal year. The estimate is based on the pro rata number of days in the billing cycle before and after the fiscal year end.

H. INVENTORY

Inventory is valued at the lower of cost (first-in, first-out) or market for proprietary funds and at cost for governmental funds. Inventory acquisitions are recorded in inventory accounts initially and charged as expenditures when used. Special reporting treatments are applied to governmental fund inventories to indicate that they do not represent “available spendable resources”, even though they are a component of net current assets. Governmental fund inventories at year end are offset by a reservation of fund balance.

I. CAPITAL ASSETS

Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,200 and an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Infrastructure	50 years
Distribution & Collection	20-33 years
Buildings	20-60 years
Improvements	10-40 years
Machinery and Equipment	5-15 years

J. ACCUMULATED UNPAID VACATION AND SICK PAY AMOUNTS

Vacation leave may be accumulated at the rate of 80 hours for each continuous year of employment for full-time employees with between 1 and 5 years of service. For employees with more than 5 years of service, 120 hours accumulate each year. Firemen accumulate vacation credits at a rate of 180 hours per year regardless of the number of years of service. Limits of 120 hours for employees with 1 to 5 years of service and 160 hours for employees with over 5 years of service exist. Limits on the accumulation of vacation leave for firemen are 240 hours.

(Continued)

CITY OF ALICE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sick leave credits accrue to all employees at the rate of 80 hours (180 for firemen) for each full year of continuous service. Except for firemen, employees are not paid for accumulated sick leave; therefore, no liability is accrued. For firefighters, sick leave up to 1,080 hours is paid upon termination. That liability is accrued in the government-wide financial statements.

The total liability for the Governmental Fund's accumulated vacation, holiday, and firefighter sick leave benefits of \$765,717 is reflected in the government-wide financial statements. None of it is reported in the fund financial statements because none of it is considered to be a current liability.

K. LONG-TERM DEBT

In the government-wide financial statements, bonds payable are reported net of any applicable bond premium or discount. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds as an adjustment to interest expense. Bond issuance costs are reported as deferred charges.

In the fund financial statements of governmental funds, the face amount of debt issued and any premium received are reported as other financing sources, while discounts on debt issued are reported as other financing uses, and issuance costs are reported as debt service expenditures.

L. USE OF RESTRICTED RESOURCES

When an expense is incurred for purposes for which both restricted net assets and unrestricted net assets are available, City policy is to first apply restricted resources.

M. PROGRAM REVENUES AND INDIRECT EXPENSES

The government-wide statement of activities is presented in a format that identifies the net cost of the City's individual functions. The expenses of each function are reduced by the functions program revenues. Program revenues are revenues which derive directly from the program itself and include charges for services, program-specific operating grants and contributions, and program specific capital grants and contributions.

Some governmental functions such as administration and finance are in essence indirect expenses of other functions. Governments are not required to allocate those indirect expenses to other functions, but if they do, indirect expenses should be presented in a separate column from direct expenses. The City has chosen not to allocate those indirect expenses.

(Continued)

CITY OF ALICE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. OPERATING AND NONOPERATING REVENUES AND EXPENSES

The City’s policy in distinguishing proprietary fund operating and nonoperating revenues and expenses follows the guidance for distinguishing types of cash flows. Transactions for capital and related financing activities, noncapital financing activities, or investing activities are normally not treated as operating revenues or expenses.

O. ESTIMATES

Preparation of financial statements in conformity with generally accepted accounting principles requires the use of management’s estimates. Items for which estimates are necessary include the amount of receivables which may not be collectible, inventory obsolescence, service lives and salvage values of depreciable assets and the amount of costs which will be incurred in the future to meet regulatory requirements related to closure and postclosure care for the landfill. Estimates also include the likelihood of loss and potential loss amount from contingencies such as litigation.

2 DEPOSITS AND INVESTMENTS

Custodial Credit Risk of Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City maintains a depository contract which requires its bank to pledge securities to the City in an amount sufficient to secure the total amount of the City’s funds on deposit, less any portion of the deposit balance which is secured by FDIC coverage. At the end of the fiscal year, none of the City’s bank balance of \$11,122,191 was exposed to custodial credit risk.

As of the end of the fiscal year, the City had the following investments.

<u>Investment</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
LOGIC local government investment pool	AAAm	34 days	\$ 7,683,863
TexSTAR local government investment pool	AAAm	20 days	<u>3,154,665</u>
			\$ <u>10,838,528</u>

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investments of operating funds to no greater than 90 days, and its investments of debt service funds to no greater than 180 days.

(Continued)

CITY OF ALICE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2 DEPOSITS AND INVESTMENTS (Continued)

Credit Risk. The City's investment policy does not restrict investments in pools to a specific credit rating, but does require the pool to meet the requirements of the Public Funds Investment Act of the Texas Government Code. Both LOGIC and TexSTAR were rated AAAM by Standard and Poor's at year end.

Concentration of Credit Risk. Investments in pools are excluded from requirements related to disclosure of concentration of credit risk in any one issuer.

Both LOGIC and TexSTAR, local government investment pools, were created under the Interlocal Cooperation Act of the Texas Government Code, and invest all pooled funds in accordance with the Public Funds Investment Act of the Texas Government Code. LOGIC is governed by a three member board composed of three government officials or employees. The fair value of the position in the pool is the same as the value of the pool shares. TexSTAR is governed by a five member board composed of three government officials or employees and a member each from First Southwest Company and JPMorgan Chase. First Southwest and JPMorgan serve as co-administrators for TexSTAR. The fair value of the position in the pool is the same as the value of the pool shares.

3 AD VALOREM PROPERTY TAXES

Property taxes are levied on October 1 on assessed values as of January 1 for all real and personal property located in the City. Taxes are due in January of the following year and become delinquent on February 1. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The October 1, 2006 levy was based upon 100 percent of the assessed market value of \$685,759,993. The maximum tax rate permitted by the Constitution of the State of Texas is \$2.50 per \$100.00 of assessed valuation and the City Charter provides no limitation within the \$2.50. The tax rate for the October 1, 2006 levy was \$.400000. If the effective tax rate, excluding tax rates for bonds and other contractual obligations and adjusted for new improvements, exceeds the rate for the previous year by more than 8 percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8 percent above the tax rate of the previous year.

The county-wide Appraisal District is required under the Property Tax Code to assess all property within the Appraisal District on the basis of 100 percent of its appraised value. The value of property within the Appraisal District must be reviewed at least every five years. The City may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action.

(Continued)

CITY OF ALICE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

4 RECEIVABLES

Receivables are recorded net of allowances for uncollectible accounts as follows:

	Gross	Allowance	Net
	Receivables	for	Receivables
		Uncollectibles	
General Fund			
Property taxes receivable	\$ 210,994	(31,649)	179,345
Interest and penalty on taxes	151,315	(22,697)	128,618
Fines receivable	493,113	(456,387)	36,726
Debt Service Fund			
Property taxes receivable	224,544	(33,682)	190,862
Interest and penalty on taxes	171,391	(25,709)	145,682
Utility System Fund			
Utility accounts receivable	1,591,777	(464,435)	1,127,342

5 DUE FROM OTHER GOVERNMENTS

The City participates in certain federal financial assistance programs for which grant revenues are expenditure driven. Receivables have been recorded as necessary to recognize revenue in an amount equivalent to program expenditures.

6 CAPITAL ASSETS

Depreciation expense was charged as follows:

Administration	\$ 50,500
Finance	42,276
Public safety	339,856
Public works	1,512,605
Parks and recreation	80,765
Community development	5,225
Library	53,001
Total governmental functions	<u>\$ 2,084,228</u>
Utility system	\$ 589,323
Airport	77,391
Golf course	83,127
Total business-type activities	<u>\$ 749,841</u>

(Continued)

CITY OF ALICE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

6 CAPITAL ASSETS

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Land	\$ 785,945	-0-	(524)	785,421
Construction in progress	450,136	(409,902)	-0-	40,234
Total undepreciated assets	<u>1,236,081</u>	<u>(409,902)</u>	<u>(524)</u>	<u>825,655</u>
Other capital assets:				
Buildings and improvements	7,429,884	88,441	-0-	7,518,325
Equipment	8,395,094	1,028,623	(9,445)	9,414,272
Infrastructure	42,895,508	702,586	-0-	43,598,094
Total other capital assets at historical cost	<u>58,720,486</u>	<u>1,819,650</u>	<u>(9,445)</u>	<u>60,530,691</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,146,286)	(311,447)	-0-	(4,457,733)
Equipment	(5,276,256)	(737,248)	9,131	(6,004,373)
Infrastructure	(26,901,961)	(1,035,533)	-0-	(27,937,494)
Total accumulated depreciation	<u>(36,324,503)</u>	<u>(2,084,228)</u>	<u>9,131</u>	<u>(38,399,600)</u>
Other capital assets, net	<u>22,395,983</u>	<u>(264,578)</u>	<u>(314)</u>	<u>22,131,091</u>
Governmental activities capital assets, net	<u>\$ 23,632,064</u>	<u>(674,480)</u>	<u>(838)</u>	<u>22,956,746</u>
Business-type activities:				
Land	\$ 171,752	-0-	-0-	171,752
Construction in progress	170,930	449,398	-0-	620,328
Total undepreciated assets	<u>342,682</u>	<u>449,398</u>	<u>-0-</u>	<u>792,080</u>
Other capital assets:				
Distribution and collection systems	17,955,956	434,131	-0-	18,390,087
Buildings and improvements	4,369,688	204,122	-0-	4,573,810
Equipment	1,928,449	256,892	(45,100)	2,140,241
Total other capital assets at historical cost	<u>24,254,093</u>	<u>895,145</u>	<u>(45,100)</u>	<u>25,104,138</u>
Less accumulated depreciation for:				
Distribution and collection systems	(9,639,989)	(403,537)	-0-	(10,043,526)
Buildings and improvements	(1,439,520)	(143,981)	-0-	(1,583,501)
Equipment	(1,385,680)	(202,323)	42,120	(1,545,883)
Total accumulated depreciation	<u>(12,465,189)</u>	<u>(749,841)</u>	<u>42,120</u>	<u>(13,172,910)</u>
Other capital assets, net	<u>11,788,904</u>	<u>145,304</u>	<u>(2,980)</u>	<u>11,931,228</u>
Business-type activities capital assets, net	<u>\$ 12,131,586</u>	<u>594,702</u>	<u>(2,980)</u>	<u>12,723,308</u>

(Continued)

CITY OF ALICE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

7 INTERFUND RECEIVABLES AND PAYABLES

The following is a summary of amounts due from and due to other funds by individual major fund and nonmajor funds in the aggregate.

Due to general fund from:

Nonmajor governmental funds	\$ 25,577
Utility system fund	2
Nonmajor proprietary funds	<u>78,834</u>
Total due to general fund	<u>104,413</u>

Due to capital replacement fund from:

Nonmajor governmental funds	<u>195,732</u>
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Due to capital depreciation fund from:

General fund	793,992
Utility system fund	288,277
Airport fund	<u>7,258</u>
Total due to capital depreciation fund	<u>1,089,527</u>

Due to nonmajor governmental funds from:

General fund	113,316
Nonmajor governmental funds	<u>18,739</u>
Total due to nonmajor governmental funds	<u>132,055</u>

Total due to governmental funds \$ 1,521,727

Due to utility system fund from:

Debt service fund	\$ 51,481
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Due to airport fund from:

General fund	<u>7,511</u>
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Total due to proprietary funds \$ 58,992

(Continued)

CITY OF ALICE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

7 INTERFUND RECEIVABLES AND PAYABLES (Continued)

The receivable in the capital appreciation fund from other funds arose from negative positions in the pooled cash account by those other funds. Investments held by those funds will be liquidated to cover their negative positions in the pooled cash account. The general fund's receivables from the nonmajor governmental funds primarily represent advances to those funds to cover expenses for which grant receivables have not yet been collected, and the general fund's liability to nonmajor governmental funds represent transfers obligated by the general fund. The general fund's receivable from nonmajor proprietary funds primarily represents an advance to the golf course improvement fund which is expected to be repaid over time through specific golf course fees.

8 OPERATING INTERFUND TRANSFERS

The following is a summary of operating transfers to and from other funds by individual major fund and nonmajor funds in the aggregate.

Transfers to general fund from:	
Utility system fund	\$ <u>789,555</u>
Transfers to capital replacement fund from:	
General fund	862,300
Utility system fund	<u>60,277</u>
	<u>922,577</u>
Transfers to capital depreciation fund from:	
General fund	<u>1,091,600</u>
Transfers to nonmajor governmental funds from:	
General fund	648,529
Nonmajor governmental funds	<u>1,508</u>
	<u>650,037</u>
Total transfers to governmental funds	\$ <u>3,453,769</u>

(Continued)

CITY OF ALICE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

8 OPERATING INTERFUND TRANSFERS (Continued)

Transfers to airport fund from:

General fund	\$ <u>39,116</u>
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Transfers to nonmajor proprietary fund from:

General fund	24,000
Capital replacement fund	<u>26,190</u>
	<u>50,190</u>

Total transfers to proprietary funds	\$ <u>89,306</u>
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The utility system provides annual support to the general fund. The general fund provides significant support to the capital projects funds and special revenue funds of the nonmajor governmental funds, and provides annual support to the airport fund. In addition, excess sales tax revenues were transferred into a new fund, the capital depreciation fund, during 2007 in the amount of \$1,091,600.

9 LONG-TERM DEBT

Long-term debt at September 30, 2007, is composed of the following items:

General Obligation Certificates of Obligation - Payable out of the Debt Service Fund through ad valorem taxes:

\$5,950,000 Series 1997 certificates of obligation due in annual installments of \$805,000 to \$890,000 through February 1, 2010; interest at 4.90 percent to 5.05 percent	\$ 2,545,000
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\$2,650,000 Series 1999 certificates of obligation due in annual installments of \$195,000 to \$255,000 through February 1, 2013; interest at 5.00 percent to 5.25 percent	1,350,000
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\$2,800,000 Series 2003 certificates of obligation due in annual installments of \$95,000 to \$230,000 through February 1, 2023; interest at 3.000 percent to 4.625 percent	2,655,000
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(Continued)

CITY OF ALICE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

9 LONG-TERM DEBT (Continued)

General Obligation Bonds - Payable out of the Utility System through utility revenues or ad valorem taxes:

\$9,600,000 Series 2007 general obligation bonds due in annual installments of \$100,000 to \$765,000 through February 1, 2027; interest at 4.0 percent to 5.0 percent 9,600,000

Capital Leases (Note 10)

Payable out of the General Fund 806,717

Payable out of the Utility Fund 155,171

Payable out of the Airport Fund 11,433

Accrued vacation related to general fund employees 765,717

Accrued vacation related to utility system employees 83,270

Accrued vacation related to airport employees 1,389

Accrued vacation related to golf course employees 8,934

Estimated liability for landfill closure and postclosure care (Note 11) 3,402,056

Total long-term debt \$ 21,384,687

The following is a summary of long-term debt activity for September 30, 2007.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities					
Bonds and leases payable:					
General obligation debt	\$ 7,570,000	-0-	(1,020,000)	6,550,000	1,095,000
Capital leases payable	<u>683,822</u>	<u>314,850</u>	<u>(191,955)</u>	<u>806,717</u>	<u>315,225</u>
Total bonds and leases payable	<u>8,253,822</u>	<u>314,850</u>	<u>(1,211,955)</u>	<u>7,356,717</u>	<u>1,410,225</u>
Other liabilities:					
Accrued vacation	714,656	284,530	(233,469)	765,717	-0-
Estimated liability for landfill closure and postclosure care	<u>3,087,508</u>	<u>314,548</u>	<u>-0-</u>	<u>3,402,056</u>	<u>-0-</u>
Total other liabilities	<u>3,802,164</u>	<u>599,078</u>	<u>(233,469)</u>	<u>4,167,773</u>	<u>-0-</u>
Governmental activities long-term liabilities	<u>\$ 12,055,986</u>	<u>913,928</u>	<u>(1,445,424)</u>	<u>11,524,490</u>	<u>1,410,225</u>

(Continued)

CITY OF ALICE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

9 LONG-TERM DEBT (Continued)

Business-type activities						
Bonds and leases payable:						
General obligation debt	\$	-0-	9,600,000	-0-	9,600,000	100,000
Capital leases payable		<u>57,896</u>	<u>134,368</u>	<u>(25,660)</u>	<u>166,604</u>	<u>58,908</u>
		<u>57,896</u>	<u>9,734,368</u>	<u>(25,660)</u>	<u>9,766,604</u>	<u>158,908</u>
Other liabilities:						
Accrued vacation		<u>94,905</u>	<u>28,537</u>	<u>(29,849)</u>	<u>93,593</u>	<u>-0-</u>
Business-type activities						
long-term liabilities	\$	<u>152,801</u>	<u>9,762,905</u>	<u>(55,509)</u>	<u>9,860,197</u>	<u>158,908</u>

Debt service requirements on outstanding bonds and certificates of obligation are as follows:

Year Ended <u>September 30</u>	Governmental Activities		Business-Type Activities	
	<u>Certificates of Obligation</u>		<u>Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 1,095,000	281,522	100,000	422,108
2009	1,180,000	226,883	100,000	435,269
2010	1,250,000	167,677	130,000	430,669
2011	350,000	128,860	360,000	419,068
2012	370,000	111,953	380,000	400,569
2013 - 2017	1,060,000	377,724	2,240,000	1,686,594
2018 - 2022	1,015,000	173,217	2,805,000	1,113,409
2023 - 2027	<u>230,000</u>	<u>5,319</u>	<u>3,485,000</u>	<u>432,059</u>
	<u>\$ 6,550,000</u>	<u>1,473,155</u>	<u>9,600,000</u>	<u>5,339,745</u>

The City is in compliance with all significant limitations and restrictions contained in the debt agreements.

10 CAPITAL LEASES PAYABLE

The City is obligated under certain lease agreements which have been classified as capital leases. Property under capital lease consists of equipment totaling \$1,548,172 and an additional \$241,160 is being held in escrow pending the purchase of equipment. Accumulated depreciation of \$232,137 has been recorded against the assets under capital lease. The leases are payable out of the general fund and the utility system fund.

(Continued)

CITY OF ALICE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

10 CAPITAL LEASES PAYABLE (Continued)

Capital lease obligations at September 30, 2007, are composed of the following:

General Long-Term Debt:

Lease payable to Wells Fargo for a fire truck; annual installments of \$40,749 including principal and interest through October 15, 2009; interest at 4.03 percent	\$ 113,018
Lease payable to Wells Fargo for communications system; annual installments of \$29,210 including principal and interest through October 15, 2008; interest at 3.70 percent	55,330
Lease payable to Wells Fargo for 7 th Street building; annual installments of \$30,069 including principal and interest through October 15, 2010; interest at 4.00 percent	109,146
Lease payable to TYMCO for Heil sideloader; annual installments of \$29,675 including principal and interest through December 15, 2008; interest at 3.25 percent	54,802
Lease payable to TYMCO for brush loader; annual installments of \$26,389 including principal and interest through December 15, 2008; interest at 3.25 percent	47,560
Lease payable to TYMCO for loader; annual installments of \$27,958 including principal and interest through December 15, 2007; interest at 3.00 percent	27,144
Lease payable to Banc of America for sanitation truck; annual installments of \$31,181 including principal and interest through November 18, 2009; interest at 3.81 percent	86,843
Lease payable to TYMCO for siren system; one installment of \$60,749 including principal and interest through December 15, 2007; interest at 4.75 percent	57,971

(Continued)

CITY OF ALICE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

10 CAPITAL LEASES PAYABLE (Continued)

Lease payable to Diversified Lending for municipal court software; quarterly installments of \$1,329 including principal and interest through March 1, 2012; interest at 6.33 percent	20,671
Lease payable to Banc of America for street sweeper; annual installments of \$27,637 including principal and interest through December 28, 2010; interest at 3.94 percent	101,100
Lease payable to Banc of America for garbage truck; annual installments of \$36,393 including principal and interest through December 28, 2010; interest at 3.94 percent	133,132
Utility Fund Debt: Lease payable to TYMCO for a generator; annual installments of \$12,220 including principal and interest through December 15, 2007; interest at 4.5 percent	11,694
Lease payable to TYMCO for a generator; annual installments of \$9,519 including principal and interest through December 15, 2007; interest at 4.5 percent	9,109
Lease payable to Banc of America for vacuum truck; annual installments of \$36,731 including principal and interest through December 28, 2010; interest at 3.94 percent	134,368
Airport Fund Debt: Lease payable to TYMCO for a New Holland tractor; annual installments of \$6,158 including principal and interest through December 15, 2008; interest at 3.25 percent	<u>11,433</u>
	<u>\$ 973,321</u>

(Continued)

CITY OF ALICE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

10 CAPITAL LEASES PAYABLE (Continued)

Future minimum lease payments under capital leases are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2008	\$ 409,929
2009	294,432
2010	208,076
2011	136,146
2012	<u>2,658</u>
	1,051,241
Less amount representing interest	<u>77,920</u>
Present value of minimum lease payments	\$ <u><u>973,321</u></u>

11 MUNICIPAL SOLID WASTE LANDFILL

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill recorded in the general fund, a liability is being recognized in the government-wide financial statements based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs as a liability is based on the amount of the landfill used to date.

The estimated liability for landfill closure and postclosure care costs has a balance of \$3,402,056 as of September 30, 2007, which is based on 72.9% usage (filled) of the current landfill sites Phase I, and Sections A, B and C. It is estimated that an additional \$1,265,534 will be recognized as part of the liability for closure and postclosure care expenses of the landfill between the date of the balance sheet and the date these sections are expected to be filled to capacity (2010).

The estimated total current cost of the landfill closure and postclosure care for Phase I and Sections A, B and C of \$4,667,590 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2007. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

(Continued)

CITY OF ALICE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

11 MUNICIPAL SOLID WASTE LANDFILL (Continued)

The City is required by state and federal laws and regulations to establish financial assurance for closure and postclosure care to ensure that the funds necessary to meet the costs of closure and postclosure care shall be available whenever they are needed. The options available include establishment of a trust fund, a surety bond guaranteeing payment or performance, a letter of credit, insurance, meeting certain financial tests, or a combination of several of the preceding mechanisms. The City intends to satisfy the financial assurance requirements by meeting the criteria of the bond rating indicator of financial strength.

12 DESIGNATED FUND BALANCE

Designations of unreserved fund balance are used to indicate tentative plans for financial resource utilization in a future period. Amounts have been designated for the following purposes.

City Hall improvement	\$	24,994
Humane facility		7,011
Public works facility		20,000
Library improvement		365
FD wireless link		2,000
Fire tanker truck		17,729
Safety program		10,000
Historical commission		1,300
Master plan		36,000
Kickball lighting		32,000
RECenter facility		2,667
Lake Alice restroom		15,321
Library equipment		5,329
Unemployment compensation		8,016
Texas/Seabreeze lighting		10,000
San Diego Creek		5,798
Demolition		13,713
Library automation		6,200
Neighborhood facility		<u>5,468</u>
	\$	<u>223,911</u>

(Continued)

CITY OF ALICE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

13 PENSION PLAN

Plan description

The City provides pension benefits for all of its full-time employees, through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 821 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the plans administered by TMRS has an annual, individual actuarial valuation performed. All assumptions for the 12/31/06 valuations are contained in the 2006 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, TX, 78714-9153.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the city-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount 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 as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years.

Funding policy

The contribution rate for the employees is 5%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. The City made its required contributions based on the actuarially determined rate of 8.06% for the months in 2006 and 7.99% for the months in 2007. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

(Continued)

CITY OF ALICE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

13 PENSION PLAN (Continued)

Annual pension cost

The City's annual pension cost for the fiscal year ended September 30, 2007, was \$615,262, and the actual contributions were \$615,262. The City's contribution rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's 25-year amortization period. When the City periodically adopts updated service credits and increases in annuities in effect, the increased unfunded actuarial liability is to be amortized over a new 25-year period. The remaining amortization period at December 31, 2006, was 25 years.

The unit credit actuarial cost method is used for determining the City contribution rate, and the level percent of payroll amortization method is used. The remaining amortization period for the open amortization period is 25 years. The actuarial assumptions included an investment rate of return of 7%, projected salary increases of 0%, an inflation rate of 3.5%, and postretirement benefit increases of 0%. The asset valuation method is amortized cost.

**Trend Information
Annual Pension Cost**

<u>Accounting Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/05	\$575,239	100.0%	\$0
9/30/06	\$601,649	100.0%	\$0
9/30/07	\$615,262	100.0%	\$0

(Continued)

CITY OF ALICE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

13 PENSION PLAN (Continued)

**Schedule of Funding Progress for the Retirement Plan
for the Employees of the City of Alice, Texas**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll ¹ (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/04	12,002,253	14,483,498	2,481,245	82.9%	6,753,207	36.7%
12/31/05	12,277,000	14,972,194	2,695,194	82.0%	7,184,309	37.5%
12/31/06	13,150,414	16,020,402	2,869,988	82.1%	7,260,873	39.5%

¹The annual covered payroll is based on the employee contributions paid to TMRS for the year ending with the valuation date.

14 POST RETIREMENT BENEFITS OTHER THAN PENSION

For employees who retire after their age and years of service equal or exceed 90, the City will pay 100% of the retiree's premium for health and dental insurance until the person reaches 65. The City's contributions are financed on a pay-as-you-go basis. Expenditures of \$11,879 were recognized in the fiscal year, and there were 2 eligible participants at September 30, 2007.

15 LITIGATION

Various cases have been filed against the City. The City's potential loss for a number of the cases is minimal, either in the potential for an unfavorable outcome or the potential loss in the event of loss. Counsel for the City is unable to reasonably predict the outcome in favor of or against the City at this time for all the outstanding cases, and is not able to estimate a range of potential loss for all of the cases. However, management feels that the City's insurance coverage is sufficient to cover the possible liability resulting from adverse decisions, if any.

(Continued)

CITY OF ALICE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

16 CONTINGENT LIABILITIES

The City participates in a number of federal financial assistance programs. These programs are still subject to financial and compliance audits by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

17 RISK MANAGEMENT

The City's risk management program includes coverage for property, general liability, automobile liability, public officials liability and employee dishonesty bonds. The City participates in the Texas Municipal League joint self insurance fund, which is a public entity risk pool. The premiums paid to TML result in the transfer of risk to the pool.

18 CONCENTRATIONS OF CREDIT RISK

Proprietary fund accounts receivable are concentrated within the geographic service area of the utility system, which is within the City of Alice. Those receivables are not concentrated within any individually significant customers. The City requires a deposit from each utility customer prior to establishing service. The net amount of proprietary fund accounts receivable at year end after reducing receivables for the allowance for doubtful accounts and after including estimated amounts for service provided but not yet billed at year end was \$1,484,454. Utility customer deposits held at year end totaled \$257,907.

19 DISCLOSURES ABOUT THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of proprietary fund financial instruments for which it is practicable to estimate that value.

Cash, accounts receivable and accounts payable

The carrying amount approximates fair value because of the short maturity of those instruments.

Investments

When the City invests in debt securities, those securities are reported at their market value based on quoted market prices. The City's investments in a local government investment pool are also reported at market value.

20 DEFICIT FUND BALANCES OF NONMAJOR GOVERNMENTAL FUNDS

The Alice Development Program had a deficit fund balance of \$13,925 at the end of the year. The Community Events fund had a deficit fund balance of \$4,522. Operation Brightside had a deficit fund balance of 299.

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COMBINING STATEMENTS AND
SUPPLEMENTARY SCHEDULES

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Nonmajor Special Revenue Funds include:

Municipal Court Security – accounts for the receipt and use of fines which may only be used for municipal court security.

Municipal Court Technology – accounts for the receipt and use of fines which may only be used for municipal court technology.

Drug Forfeiture Equitable Sharing - accounts for the receipt and use of federally forfeited cash, property, and proceeds which are equitably shared with participating agencies.

Drug Forfeiture Fund - accounts for the disposition of property confiscated in regard to illegal drug operation.

COG Grants - accounts for grants received from the Coastal Bend Council of Governments related to recycling and community cleanup.

Homeland Security Grant - accounts for a grant to purchase a federal warning siren system.

JTPA Adult Literacy - accounts for a grant related to adult literacy.

Library Branch Grant - accounts for revenues and expenditures related to the library branch.

Hotel/Motel Tax Reserve - accounts for the collection of funds generated from the hotel/motel occupancy tax and the use of those funds for advertising and promotional programs in accordance with statutory requirements.

Tobacco Education and Prevention - accounts for a grant received under the provisions of the Texas Health and Safety Code for enforcement of and compliance with laws restricting minors' access to tobacco products.

Department of Justice Grant - accounts for a grant received from the Department of Justice to provide local governments with additional personnel, supplies and other expenses for criminal justice.

Loan Star Libraries Grant - accounts for a grant received from the State to extend public library services without charge to those outside the local service area.

Alice Development Program - accounts for the proceeds of land sold which was previously acquired under the urban renewal program.

Coyote Recycling Center - accounts for the operation of a recycling center run by volunteers.

Community Events Fund - accounts for private donations and city contributions to provide for special community events.

Alice Cultural Committee - accounts for private donations and city contributions to provide for special cultural projects and events.

Operation Brightside - accounts for the activities associated with the annual community-wide beautification program.

Escrow Fund - accounts for cash held in escrow for street improvements for Sunset, Stonegate, and Terrell streets.

Local Economic Development Fund - accounts for funds designated by the City for the purpose of diversifying and stimulating the local economy.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for financial resources to be used for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. Nonmajor Debt Service Funds include:

Sales Tax Debt Service Reserve - accounts for the proceeds from the additional one-half cent sales tax levied at the local level and reserved for the purpose of debt service.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary and Trust Funds). Nonmajor Capital Projects Funds include:

2003 Certificate of Obligation Construction - This fund accounts for the proceeds from the issuance of certificates of obligation to be used for the purpose of constructing street and drainage improvements, constructing a public safety building and constructing improvements to several municipal buildings.

Street Construction Assessment Fund - accounts for the levy made against certain properties to defray the cost of specific improvements such as curbing and sidewalks that primarily benefit those properties.

Street Improvement Fund - This fund accounts for funds set aside to be used for street improvements.

1983 G.O. Bond Construction Fund - accounts for the proceeds from the 1983 bond issue for major street construction.

Landfill Development Fund - accounts for the proceeds of the issuance of tax notes to be used for the purpose of developing the new landfill site.

1996 Tax Note Construction - accounts for the proceeds of the issuance of tax notes to be used for the purpose of purchasing equipment and making golf course improvements.

1999 Certificate of Obligation Construction - accounts for the proceeds of the issuance of certificates of obligation to be used for the purpose of constructing and equipping certain landfill development, street and drainage improvements, sewer system extensions and improvements, and building repairs and modifications.

CITY OF ALICE, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2007

	Municipal Court Security	Municipal Court Technology	Drug Forfeiture Equitable Sharing	Drug Forfeiture Fund
ASSETS				
Cash and cash equivalents	\$ 12,335	1,692	11,473	24,964
Investments	-0-	-0-	-0-	91,024
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts receivable	-0-	-0-	-0-	-0-
Due from other governments	-0-	-0-	-0-	-0-
Due from other funds	-0-	-0-	-0-	-0-
Total assets	<u>\$ 12,335</u>	<u>1,692</u>	<u>11,473</u>	<u>115,988</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -0-	-0-	-0-	4,314
Accrued liabilities	-0-	-0-	-0-	-0-
Due to other funds	-0-	-0-	-0-	8,322
Deferred revenue	-0-	-0-	-0-	-0-
Refundable advances	-0-	-0-	-0-	-0-
Customer deposits	-0-	-0-	-0-	-0-
Total liabilities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>12,636</u>
Fund Balances				
Reserved for debt service	-0-	-0-	-0-	-0-
Unreserved (special revenue)	12,335	1,692	11,473	103,352
Unreserved (capital projects)	-0-	-0-	-0-	-0-
Unreserved	-0-	-0-	-0-	-0-
Total fund balances	<u>12,335</u>	<u>1,692</u>	<u>11,473</u>	<u>103,352</u>
Total liabilities and fund balances	<u>\$ 12,335</u>	<u>1,692</u>	<u>11,473</u>	<u>115,988</u>

Special Revenue Funds

COG Grants	Homeland Security Grant	JTPA Adult Literacy	Library Branch	Hotel Motel Tax Reserve	Tobacco Education and Prevention
-0-	-0-	1,265	2,173	205,274	7,536
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	49,547	-0-
4,181	49,319	-0-	-0-	-0-	-0-
1,508	481	-0-	-0-	-0-	-0-
<u>5,689</u>	<u>49,800</u>	<u>1,265</u>	<u>2,173</u>	<u>254,821</u>	<u>7,536</u>
13	22,541	225	-0-	7,012	-0-
-0-	-0-	-0-	-0-	-0-	-0-
5,676	27,259	-0-	-0-	-0-	3,536
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	1,040	-0-	-0-	4,000
-0-	-0-	-0-	-0-	-0-	-0-
<u>5,689</u>	<u>49,800</u>	<u>1,265</u>	<u>-0-</u>	<u>7,012</u>	<u>7,536</u>
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	2,173	247,809	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,173</u>	<u>247,809</u>	<u>-0-</u>
<u>5,689</u>	<u>49,800</u>	<u>1,265</u>	<u>2,173</u>	<u>254,821</u>	<u>7,536</u>

CITY OF ALICE, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

(Continued)

	Dept of Justice Grant	Loan Star Libraries Grant	Alice Development Program	Coyote Recycling Center
ASSETS				
Cash and cash equivalents	\$ 19,333	-0-	-0-	56,741
Investments	-0-	-0-	-0-	-0-
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts receivable	-0-	-0-	-0-	-0-
Due from other governments	-0-	320	-0-	-0-
Due from other funds	-0-	-0-	-0-	17,231
Total assets	<u>\$ 19,333</u>	<u>320</u>	<u>-0-</u>	<u>73,972</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -0-	-0-	-0-	131
Accrued liabilities	-0-	114	-0-	-0-
Due to other funds	13,421	206	-0-	1,508
Deferred revenue	-0-	-0-	-0-	-0-
Deferred revenue	5,912	-0-	-0-	-0-
Customer deposits	-0-	-0-	13,925	-0-
Total liabilities	<u>19,333</u>	<u>320</u>	<u>13,925</u>	<u>1,639</u>
Fund Balances				
Reserved for debt service	-0-	-0-	-0-	-0-
Unreserved (special revenue)	-0-	-0-	-0-	72,333
Unreserved (capital projects)	-0-	-0-	-0-	-0-
Unreserved	-0-	-0-	(13,925)	-0-
Total fund balances	<u>-0-</u>	<u>-0-</u>	<u>(13,925)</u>	<u>72,333</u>
Total liabilities and fund balances	<u>\$ 19,333</u>	<u>320</u>	<u>-0-</u>	<u>73,972</u>

Special Revenue Funds

Community Events Fund	Alice Cultural Committee	Operation Brightside	Escrow Fund	Local Economic Development Fund	Sales Tax Debt Service Reserve
-0-	1,019	-0-	-0-	166,120	-0-
-0-	-0-	-0-	41,512	130,380	107,738
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
12,835	-0-	-0-	-0-	-0-	-0-
<u>12,835</u>	<u>1,019</u>	<u>-0-</u>	<u>41,512</u>	<u>296,500</u>	<u>107,738</u>
127	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
17,230	-0-	299	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
<u>17,357</u>	<u>-0-</u>	<u>299</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
-0-	-0-	-0-	-0-	-0-	107,738
-0-	1,019	-0-	41,512	296,500	-0-
-0-	-0-	-0-	-0-	-0-	-0-
(4,522)	-0-	(299)	-0-	-0-	-0-
<u>(4,522)</u>	<u>1,019</u>	<u>(299)</u>	<u>41,512</u>	<u>296,500</u>	<u>107,738</u>
<u>12,835</u>	<u>1,019</u>	<u>-0-</u>	<u>41,512</u>	<u>296,500</u>	<u>107,738</u>

CITY OF ALICE, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

(Continued)

	2003 CO Construction	Street Construction Assessment Fund	Capital Projects Funds	
			Street Improvement Fund	1983 G.O. Bond Construction Fund
ASSETS				
Cash and cash equivalents	\$ 5,800	7,135	-0-	19,424
Investments	64,825	87,676	230,195	-0-
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts receivable	-0-	10,701	-0-	-0-
Due from other governments	-0-	-0-	-0-	-0-
Due from other funds	-0-	-0-	-0-	-0-
Total assets	\$ <u>70,625</u>	<u>105,512</u>	<u>230,195</u>	<u>19,424</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -0-	-0-	-0-	19,424
Accrued liabilities	-0-	-0-	-0-	-0-
Due to other funds	-0-	-0-	162,591	-0-
Deferred revenue	-0-	10,701	-0-	-0-
Deferred revenue	-0-	-0-	-0-	-0-
Customer deposits	-0-	-0-	-0-	-0-
Total liabilities	<u>-0-</u>	<u>10,701</u>	<u>162,591</u>	<u>19,424</u>
Fund Balances				
Reserved for debt service	-0-	-0-	-0-	-0-
Unreserved (special revenue)	-0-	-0-	-0-	-0-
Unreserved (capital projects)	70,625	94,811	67,604	-0-
Unreserved	-0-	-0-	-0-	-0-
Total fund balances	<u>70,625</u>	<u>94,811</u>	<u>67,604</u>	<u>-0-</u>
Total liabilities and fund balances	\$ <u>70,625</u>	<u>105,512</u>	<u>230,195</u>	<u>19,424</u>



<u>Landfill Development</u>	<u>1996 Tax Note Construction</u>	<u>1999 CO Construction</u>	<u>Total Nonmajor Governmental Funds</u>
2,682	780	6,376	552,122
223,168	-0-	320,418	1,296,936
-0-	-0-	-0-	60,248
-0-	-0-	-0-	53,820
100,000	-0-	-0-	132,055
<u>325,850</u>	<u>780</u>	<u>326,794</u>	<u>2,095,181</u>
-0-	-0-	5,929	59,716
-0-	-0-	-0-	114
-0-	-0-	-0-	240,048
-0-	-0-	-0-	10,701
-0-	-0-	-0-	10,952
-0-	-0-	-0-	13,925
<u>-0-</u>	<u>-0-</u>	<u>5,929</u>	<u>335,456</u>
-0-	-0-	-0-	107,738
-0-	-0-	-0-	790,198
325,850	780	320,865	880,535
-0-	-0-	-0-	(18,746)
<u>325,850</u>	<u>780</u>	<u>320,865</u>	<u>1,759,725</u>
<u>325,850</u>	<u>780</u>	<u>326,794</u>	<u>2,095,181</u>

CITY OF ALICE, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2007

	Municipal Court Security	Municipal Court Technology	Drug Forfeiture Equitable Sharing	Drug Forfeiture Fund
REVENUES				
Taxes	\$ -0-	-0-	-0-	-0-
Intergovernmental	-0-	-0-	-0-	-0-
Charges for services	-0-	-0-	-0-	-0-
Fines	4,355	5,799	-0-	109,209
Investment earnings	-0-	-0-	570	11,662
Miscellaneous	-0-	-0-	-0-	-0-
Total revenues	<u>4,355</u>	<u>5,799</u>	<u>570</u>	<u>120,871</u>
EXPENDITURES				
Current:				
Public safety	394	11,704	16,662	261,023
Library	-0-	-0-	-0-	-0-
Other programs	-0-	-0-	-0-	-0-
Capital outlay	-0-	-0-	-0-	-0-
Total expenditures	<u>394</u>	<u>11,704</u>	<u>16,662</u>	<u>261,023</u>
Excess (deficiency) of revenues over expenditures	<u>3,961</u>	<u>(5,905)</u>	<u>(16,092)</u>	<u>(140,152)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-0-	-0-	-0-	-0-
Operating transfers out	-0-	-0-	-0-	-0-
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balances	3,961	(5,905)	(16,092)	(140,152)
Fund balances - beginning	<u>8,374</u>	<u>7,597</u>	<u>27,565</u>	<u>243,504</u>
Fund balances - ending	<u>\$ 12,335</u>	<u>1,692</u>	<u>11,473</u>	<u>103,352</u>

Special Revenue Funds

COG Grants	Homeland Security Grant	JTPA Adult Literacy	Library Branch	Hotel Motel Tax Reserve	Tobacco Education and Prevention
-0-	-0-	-0-	-0-	154,251	-0-
22,606	76,014	2,700	-0-	-0-	4,000
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	5,552	-0-
-0-	-0-	-0-	500	-0-	-0-
<u>22,606</u>	<u>76,014</u>	<u>2,700</u>	<u>500</u>	<u>159,803</u>	<u>4,000</u>
-0-	76,495	-0-	-0-	-0-	4,000
-0-	-0-	-0-	500	-0-	-0-
24,114	-0-	2,700	-0-	90,485	-0-
-0-	-0-	-0-	-0-	-0-	-0-
<u>24,114</u>	<u>76,495</u>	<u>2,700</u>	<u>500</u>	<u>90,485</u>	<u>4,000</u>
<u>(1,508)</u>	<u>(481)</u>	<u>-0-</u>	<u>-0-</u>	<u>69,318</u>	<u>-0-</u>
1,508	481	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
<u>1,508</u>	<u>481</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
-0-	-0-	-0-	-0-	69,318	-0-
-0-	-0-	-0-	2,173	178,491	-0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,173</u>	<u>247,809</u>	<u>-0-</u>

CITY OF ALICE, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

(Continued)

	Dept of Justice Grant	Loan Star Libraries Grant	Alice Development Program	Coyote Recycling Center
REVENUES				
Taxes	\$ -0-	-0-	-0-	-0-
Intergovernmental	14,352	5,089	-0-	-0-
Charges for services	-0-	-0-	-0-	27,429
Fines	-0-	-0-	-0-	-0-
Investment earnings	287	-0-	-0-	1,894
Miscellaneous	-0-	-0-	-0-	-0-
Total revenues	<u>14,639</u>	<u>5,089</u>	<u>-0-</u>	<u>29,323</u>
EXPENDITURES				
Current:				
Public safety	14,639	-0-	-0-	-0-
Library	-0-	5,089	-0-	-0-
Other programs	-0-	-0-	-0-	3,547
Capital outlay	-0-	-0-	-0-	-0-
Total expenditures	<u>14,639</u>	<u>5,089</u>	<u>-0-</u>	<u>3,547</u>
Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>25,776</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-0-	-0-	-0-	-0-
Operating transfers out	-0-	-0-	-0-	(1,508)
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,508)</u>
Net change in fund balances	-0-	-0-	-0-	24,268
Fund balances - beginning	<u>-0-</u>	<u>-0-</u>	<u>(13,925)</u>	<u>48,065</u>
Fund balances - ending	<u>\$ -0-</u>	<u>-0-</u>	<u>(13,925)</u>	<u>72,333</u>

Special Revenue Funds

Community Events Fund	Alice Cultural Committee	Operation Brightside	Escrow Fund	Local Economic Development Fund	Sales Tax Debt Service Reserve
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	2,134	7,435	5,548
1,225	-0-	1,500	-0-	-0-	-0-
<u>1,225</u>	<u>-0-</u>	<u>1,500</u>	<u>2,134</u>	<u>7,435</u>	<u>5,548</u>
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
27,603	-0-	2,905	-0-	68,150	-0-
-0-	-0-	-0-	-0-	-0-	-0-
<u>27,603</u>	<u>-0-</u>	<u>2,905</u>	<u>-0-</u>	<u>68,150</u>	<u>-0-</u>
<u>(26,378)</u>	<u>-0-</u>	<u>(1,405)</u>	<u>2,134</u>	<u>(60,715)</u>	<u>5,548</u>
15,000	-0-	-0-	-0-	233,048	-0-
-0-	-0-	-0-	-0-	-0-	-0-
<u>15,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>233,048</u>	<u>-0-</u>
(11,378)	-0-	(1,405)	2,134	172,333	5,548
<u>6,856</u>	<u>1,019</u>	<u>1,106</u>	<u>39,378</u>	<u>124,167</u>	<u>102,190</u>
<u>(4,522)</u>	<u>1,019</u>	<u>(299)</u>	<u>41,512</u>	<u>296,500</u>	<u>107,738</u>

CITY OF ALICE, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

(Continued)

	2003 CO Construction	Capital Projects Funds		
		Street Construction Assessment Fund	Street Improvement Fund	1983 G.O. Bond Construction Fund
REVENUES				
Taxes	\$ -0-	-0-	-0-	-0-
Intergovernmental	-0-	-0-	-0-	-0-
Charges for services	-0-	-0-	-0-	-0-
Fines	-0-	-0-	-0-	-0-
Investment earnings	3,542	4,515	11,854	-0-
Miscellaneous	-0-	1,706	-0-	-0-
Total revenues	<u>3,542</u>	<u>6,221</u>	<u>11,854</u>	<u>-0-</u>
EXPENDITURES				
Current:				
Public safety	-0-	-0-	-0-	-0-
Library	-0-	-0-	-0-	-0-
Other programs	-0-	-0-	372	-0-
Capital outlay	-0-	-0-	252,449	-0-
Total expenditures	<u>-0-</u>	<u>-0-</u>	<u>252,821</u>	<u>-0-</u>
Excess (deficiency) of revenues over expenditures	<u>3,542</u>	<u>6,221</u>	<u>(240,967)</u>	<u>-0-</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-0-	-0-	300,000	-0-
Operating transfers out	-0-	-0-	-0-	-0-
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>300,000</u>	<u>-0-</u>
Net change in fund balances	3,542	6,221	59,033	-0-
Fund balances - beginning	<u>67,083</u>	<u>88,590</u>	<u>8,571</u>	<u>-0-</u>
Fund balances - ending	\$ <u><u>70,625</u></u>	<u><u>94,811</u></u>	<u><u>67,604</u></u>	<u><u>-0-</u></u>

<u>Landfill Development</u>	<u>1996 Tax Note Construction</u>	<u>1999 CO Construction</u>	<u>Total Nonmajor Governmental Funds</u>
-0-	-0-	-0-	154,251
-0-	-0-	-0-	124,761
-0-	-0-	-0-	27,429
-0-	-0-	-0-	119,363
11,068	27	18,110	84,198
-0-	-0-	-0-	4,931
<u>11,068</u>	<u>27</u>	<u>18,110</u>	<u>514,933</u>
-0-	-0-	-0-	384,917
-0-	-0-	-0-	5,589
-0-	-0-	-0-	219,876
-0-	-0-	-0-	252,449
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>862,831</u>
<u>11,068</u>	<u>27</u>	<u>18,110</u>	<u>(347,898)</u>
100,000	-0-	-0-	650,037
-0-	-0-	-0-	(1,508)
<u>100,000</u>	<u>-0-</u>	<u>-0-</u>	<u>648,529</u>
111,068	27	18,110	300,631
<u>214,782</u>	<u>753</u>	<u>302,755</u>	<u>1,459,094</u>
<u>325,850</u>	<u>780</u>	<u>320,865</u>	<u>1,759,725</u>

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CITY OF ALICE, TEXAS

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND**

For the Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,425,000	1,373,564	1,401,887	28,323
Investment earnings	56,400	51,220	57,428	6,208
Total revenues	<u>1,481,400</u>	<u>1,424,784</u>	<u>1,459,315</u>	<u>34,531</u>
EXPENDITURES				
Debt service:				
Principal	1,020,000	1,020,000	1,020,000	-0-
Interest and other charges	333,124	332,824	332,822	2
Total expenditures	<u>1,353,124</u>	<u>1,352,824</u>	<u>1,352,822</u>	<u>2</u>
Excess (deficiency) of revenues over expenditures	128,276	71,960	106,493	34,533
Fund balances - beginning	<u>1,014,920</u>	<u>1,014,920</u>	<u>1,014,920</u>	<u>-0-</u>
Fund balances - ending	<u>\$ 1,143,196</u>	<u>1,086,880</u>	<u>1,121,413</u>	<u>34,533</u>

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STATISTICAL SECTION

This part of the City of Alice’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city’s overall financial health.

	Page
Financial Trends	
These schedules contain trend information to help the reader understand how the city’s financial performance and well-being have changed over time.	62
Revenue Capacity	
These schedules contain information to help the reader assess the city’s most significant local revenue sources, the property tax and sales tax.	72
Debt Capacity	
These schedules contain trend information to help the reader assess the affordability of the city’s current levels of outstanding debt and the city’s ability to issue additional debt in the future.	82
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city’s financial activities take place.	89
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the city’s financial report relates to the services the city provides and the activities it performs.	92

**CITY OF ALICE, TEXAS
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities				
Invested in capital assets, net of related debt	\$15,565,306	\$ 15,189,496	\$ 15,634,747	\$15,748,080
Restricted	955,226	1,078,584	1,398,601	1,702,556
Unrestricted	1,714,970	808,870	2,967,025	4,803,964
Total governmental activities net assets	<u>\$18,235,502</u>	<u>\$ 17,076,950</u>	<u>\$ 20,000,373</u>	<u>\$22,254,600</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 7,332,300	\$ 8,839,661	\$11,475,036	\$12,073,690
Restricted	-	-	-	-
Unrestricted	2,026,990	1,916,693	1,771,072	1,554,318
Total business-type activities net assets	<u>\$ 9,359,290</u>	<u>\$10,756,354</u>	<u>\$13,246,108</u>	<u>\$13,628,008</u>
Primary government				
Invested in capital assets, net of related debt	\$22,897,606	\$24,029,157	\$27,109,783	\$27,821,770
Restricted	955,226	1,078,584	1,398,601	1,702,556
Unrestricted	3,741,960	2,725,563	4,738,097	6,358,282
Total primary government net assets	<u>\$27,594,792</u>	<u>\$27,833,304</u>	<u>\$33,246,481</u>	<u>\$35,882,608</u>

Source: Audited Financial Statements of the City of Alice.

Notes: City of Alice first applied GASB Statement No 34 in fiscal year 2003; therefore accrual basis financial information for years prior to fiscal year 2003 is not available.

2007

\$15,600,029

1,232,031

8,004,236

\$24,836,296

\$12,556,704

-

2,173,086

\$14,729,790

\$28,156,733

1,232,031

10,177,322

\$39,566,086

**CITY OF ALICE, TEXAS
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses				
Governmental activities				
Administration	\$ 914,075	\$ 1,017,404	\$ 1,024,050	\$ 997,235
Finance	673,837	689,006	726,409	754,154
Public Safety	4,423,964	4,465,989	4,982,921	5,154,097
Public Works	4,587,123	4,730,594	4,435,293	4,493,629
Parks and Recreation	913,439	742,752	779,874	883,218
Community Development	449,674	453,433	886,317	750,688
Library	388,876	406,909	467,390	453,797
Other	187,746	416,812	152,423	197,156
Interest on long term debt	391,003	470,864	446,824	387,422
Total governmental activities	<u>12,929,737</u>	<u>13,393,763</u>	<u>13,901,501</u>	<u>14,071,396</u>
Business-type activities:				
Water and Wastewater	4,690,546	4,381,610	5,344,831	5,803,442
Airport	45,449	53,684	107,039	105,092
Golf Course	-	323,442	330,722	450,347
Total business-type activities expense:	<u>4,735,995</u>	<u>4,758,736</u>	<u>5,782,592</u>	<u>6,358,881</u>
Total primary government expenses:	<u>\$ 17,665,732</u>	<u>\$ 18,152,499</u>	<u>\$ 19,684,093</u>	<u>\$ 20,430,277</u>
Program Revenues				
Governmental activities				
Charges for services:				
Administration	\$ 9,186	\$ 14,172	\$ 16,870	\$ 17,051
Public Safety	157,376	357,028	652,728	412,815
Public Works	1,898,588	1,967,922	2,142,270	2,240,512
Parks and Recreation	264,109	29,549	59,700	93,908
Community Development	212,320	127,715	171,355	207,593
Library	1,105	1,415	2,545	3,027
Other	101,578	106,112	122,317	155,001
Operating grants and contributions				
Public Safety	114,258	69,783	128,080	101,282
Public Works	6,551	19,383	-	-
Community Development	110,025	75,605	491,728	335,010
Library	55,981	55,933	55,010	65,404
Other	-	28,787	4,502	20,659
Capital grants and contributions				
Public Safety	9,401	-	-	-
Public Works	-	-	136,667	161,333
Other	-	-	57,419	-
Total governmental activities program revenues:	<u>2,940,478</u>	<u>2,853,404</u>	<u>4,041,191</u>	<u>3,813,595</u>
Business-type activities				
Charges for services:				
Water and wastewater	5,319,031	5,385,992	6,222,144	6,399,323
Airport	7,103	8,503	8,712	8,018
Golf Course	-	204,318	216,746	394,759
Capital grants and contributions				
Water and wastewater	-	513,333	24,454	263,476
Airport	-	-	823,946	-
Total business-type activities program revenues:	<u>5,326,134</u>	<u>6,112,146</u>	<u>7,296,002</u>	<u>7,065,576</u>
Total primary government program revenues:	<u>\$ 8,266,612</u>	<u>\$ 8,965,550</u>	<u>\$ 11,337,193</u>	<u>\$ 10,879,171</u>
Net (expense)/revenue:				
Governmental activities	\$ (9,989,259)	\$ (10,540,359)	\$ (9,860,310)	\$ (10,257,801)
Business-type activities:	590,139	1,353,410	1,513,410	706,695
Total primary government net expense:	<u>\$ (9,399,120)</u>	<u>\$ (9,186,949)</u>	<u>\$ (8,346,900)</u>	<u>\$ (9,551,106)</u>

2007

\$ 1,163,965
786,691
5,423,574
5,093,518
982,062
399,533
437,671
219,876
335,075
14,841,965

4,546,146
124,260
534,240
5,204,646
\$ 20,046,611

\$ 4,847
292,329
2,312,063
133,830
216,702
282
181,680

124,788
-
-
55,089
25,306

76,014
-
-
3,422,930

6,018,345
10,240
471,741

382,674
-
6,883,000
\$ 10,305,930

\$ (11,419,035)
1,678,354
\$ (9,740,681)

**CITY OF ALICE, TEXAS
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Revenues and Other Changes in Net Assets				
Governmental activities				
Property taxes levied for general purposes	\$ 1,242,780	\$ 1,313,439	\$ 1,401,259	\$ 1,393,525
Property taxes levied for debt service	1,235,257	1,367,714	1,178,107	1,386,999
Sales taxes	5,232,080	5,424,619	6,362,611	7,778,364
Franchise taxes	889,232	911,634	951,487	985,850
Investment earnings	142,632	151,852	295,241	395,323
Miscellaneous	256,831	193,801	149,298	188,510
Transfers	(62,739)	(18,235)	336,879	383,457
Total governmental activities	<u>\$ 8,936,073</u>	<u>\$ 9,344,824</u>	<u>\$ 10,674,882</u>	<u>\$ 12,512,028</u>
Business-type activities:				
Investment earnings	6,516	15,808	32,329	49,481
Miscellaneous	40,423	3,730	11,289	9,181
Transfers	62,739	18,235	(336,879)	(383,457)
Extraordinary item - insurance recovery	-	-	-	-
Total business-type activities	<u>109,678</u>	<u>37,773</u>	<u>(293,261)</u>	<u>(324,795)</u>
Total primary government	<u>\$ 9,045,751</u>	<u>\$ 9,382,597</u>	<u>\$ 10,381,621</u>	<u>\$ 12,187,233</u>
Changes in Net Assets				
Governmental activities	(1,053,186)	(1,195,535)	814,572	2,254,227
Business-type activities	699,817	1,391,183	1,220,149	381,900
Total primary government	<u>\$ (353,369)</u>	<u>\$ 195,648</u>	<u>\$ 2,034,721</u>	<u>\$ 2,636,127</u>

Source: Audited Financial Statements of the City of Alice

Notes: City of Alice first applied GASB Statement No 34 in fiscal year 2003; therefore accrual basis financial information for years prior to fiscal year 2003 is not available

2007

\$ 1,427,595
1,386,267
8,817,860
958,806
509,490
140,187
760,526
\$ 14,000,731

57,708
21,698
(760,526)
104,548
(576,572)
\$ 13,424,159

2,581,696
1,101,782
\$ 3,683,478

CITY OF ALICE, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
General Fund				
Reserved	\$ 34,571	\$ 35,710	\$ 22,268	\$ 24,033
Unreserved	2,661,031	2,163,969	3,213,314	4,618,918
Total general fund	<u>\$ 2,695,602</u>	<u>\$ 2,199,679</u>	<u>\$ 3,235,582</u>	<u>\$ 4,642,951</u>
All other governmental funds				
Reserved	\$ 708,193	\$ 743,572	\$ 664,093	\$ 743,471
Unreserved, reported in:				
Special revenue funds	288,217	336,463	291,931	280,751
Capital projects funds	7,762,485	4,466,494	4,689,375	3,838,793
Undesignated	7,563	7,509	5,154	(5,276)
Total all other governmental funds	<u>\$ 8,766,458</u>	<u>\$ 5,554,038</u>	<u>\$ 5,650,553</u>	<u>\$ 4,857,739</u>

Source: Audited Financial Statements of the City of Alice.

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 23,792	\$ 111,267	\$ 163,369	\$ 178,042	\$ 109,868	\$ 59,607
4,030,702	4,351,047	4,271,200	5,004,362	7,039,981	7,728,523
<u>\$ 4,054,494</u>	<u>\$ 4,462,314</u>	<u>\$ 4,434,569</u>	<u>\$ 5,182,404</u>	<u>\$ 7,149,849</u>	<u>\$ 7,788,130</u>
\$ 844,939	\$ 936,726	\$ 1,060,084	\$ 1,111,979	\$ 1,124,915	\$ 1,229,151
290,930	316,411	263,560	446,837	682,045	790,198
3,767,472	6,153,856	5,737,456	3,092,543	973,257	2,901,556
(22,662)	(25,091)	(22,726)	(21,499)	(14,755)	(18,746)
<u>\$ 4,880,679</u>	<u>\$ 7,381,902</u>	<u>\$ 7,038,374</u>	<u>\$ 4,629,860</u>	<u>\$ 2,765,462</u>	<u>\$ 4,902,159</u>

CITY OF ALICE, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Revenues				
Taxes	\$ 6,485,454	\$ 5,816,756	\$ 7,201,797	\$ 8,302,891
Franchises, licenses and permits	883,551	878,463	951,217	1,177,708
Intergovernmental	203,312	152,298	130,271	427,002
Charges for services	1,894,799	1,871,401	1,931,011	2,023,964
Fines	344,334	271,483	324,788	177,728
Investment Earnings	657,125	518,622	539,823	422,152
Miscellaneous	166,385	191,443	523,152	106,527
Total revenues	<u>10,634,960</u>	<u>9,700,466</u>	<u>11,602,059</u>	<u>12,637,972</u>
Expenditures				
Administration	783,213	768,032	804,823	950,319
Finance	328,189	359,979	420,227	482,132
Public Safety	3,048,575	3,532,402	3,763,189	3,640,875
Public Works	2,265,816	2,844,880	2,795,031	3,028,463
Parks and recreation	658,922	696,597	711,047	678,582
Community Development	577,755	592,947	484,333	720,150
Library	265,057	290,903	295,106	434,196
Other current	96,738	79,696	271,611	158,329
Capital Outlay	2,925,662	3,618,597	2,949,240	951,879
Debt service				
Principal	695,000	570,000	710,000	715,000
Interest and other charges	415,657	411,220	480,293	468,790
Bond issuance costs				
Total expenditures	<u>12,060,584</u>	<u>13,765,253</u>	<u>13,684,900</u>	<u>12,228,715</u>
Excess of revenues over (under) expenditures	(1,425,624)	(4,064,787)	(2,082,841)	409,257
Other financing sources (uses)				
Proceeds from Debt			2,944,797	
Operating transfers in	1,814,437	1,258,384	1,092,442	1,525,120
Operating transfers out	(1,677,418)	(901,940)	(821,980)	(1,319,822)
	-	-	-	-
Total other financing sources (uses)	<u>137,019</u>	<u>356,444</u>	<u>3,215,259</u>	<u>205,298</u>
Net change in fund balances	<u>(1,288,605)</u>	<u>(3,708,343)</u>	<u>1,132,418</u>	<u>614,555</u>
Debt service as a percentage of noncapital expenditures	13.8%	10.7%	12.5%	11.7%

Source: Audited Financial Statements of the City of Alice.

	2002	2003	2004	2005	2006	2007
\$	7,529,561	\$ 7,876,242	\$ 8,278,173	\$ 9,180,406	\$ 10,749,125	\$ 11,850,132
	1,123,840	1,096,477	1,035,318	1,120,892	1,187,868	1,172,233
	507,116	296,216	249,491	873,406	683,688	281,197
	2,108,222	2,192,757	2,028,426	2,234,535	2,371,643	2,492,538
	174,486	135,095	363,039	628,682	426,816	277,445
	206,779	142,155	163,525	295,241	395,323	509,490
	198,397	231,420	157,064	151,863	163,246	105,668
	<u>11,848,401</u>	<u>11,970,362</u>	<u>12,275,036</u>	<u>14,485,025</u>	<u>15,977,709</u>	<u>16,688,703</u>
	927,168	864,314	977,810	1,011,633	1,006,874	1,145,084
	608,222	639,939	644,310	749,462	823,225	794,338
	4,694,046	4,210,123	4,299,059	5,003,134	5,004,606	5,469,119
	2,855,581	3,027,963	3,084,043	3,013,367	3,288,015	3,403,622
	765,714	821,778	723,297	762,226	892,328	954,194
	1,085,692	440,491	443,702	881,562	743,309	395,141
	515,709	332,314	333,175	383,873	401,868	403,314
	264,560	175,295	452,694	193,954	192,196	219,876
	363,907	362,313	1,095,120	3,508,868	2,694,379	851,591
	760,000	800,000	835,000	900,000	970,000	1,020,000
	432,079	393,841	452,419	425,402	380,238	332,822
		138,787				
	<u>13,272,678</u>	<u>12,207,158</u>	<u>13,340,629</u>	<u>16,833,481</u>	<u>16,397,038</u>	<u>14,989,101</u>
	(1,424,277)	(236,796)	(1,065,593)	(2,348,456)	(419,329)	1,699,602
	-	3,208,578	131,859	446,236	113,692	314,850
	1,829,337	1,293,359	1,622,806	1,913,454	1,760,132	3,453,769
	(970,577)	(1,356,098)	(1,060,345)	(1,671,913)	(1,376,675)	(2,693,243)
	-	-	-	-	-	-
	<u>858,760</u>	<u>3,145,839</u>	<u>694,320</u>	<u>687,777</u>	<u>497,149</u>	<u>1,075,376</u>
	<u>(565,517)</u>	<u>2,909,043</u>	<u>(371,273)</u>	<u>(1,660,679)</u>	<u>77,820</u>	<u>2,774,978</u>
	10.7%	11.4%	12.0%	11.7%	11.3%	11.1%

CITY OF ALICE, TEXAS
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(modified accrual basis)

Fiscal Year	Property Tax (M&O)	Property Tax (I&S)	Sales Tax	Occupancy Tax	Mixed Beverage Tax	Other Taxes	Total
1998	\$ 708,603	\$ 990,970	\$4,720,231	\$ 97,249	\$ 15,533	\$ 6,540	\$ 6,539,126
1999	697,044	1,037,119	4,029,632	84,712	12,463	6,642	\$ 5,867,612
2000	794,172	1,061,274	4,843,538	80,175	11,237	5,580	\$ 6,795,976
2001	795,915	1,230,676	6,164,280	90,543	13,751	7,726	\$ 8,302,891
2002	1,011,045	1,272,879	5,139,552	85,182	12,817	8,086	\$ 7,529,561
2003	1,255,171	1,272,292	5,232,080	90,811	15,003	10,885	\$ 7,876,242
2004	1,338,448	1,398,365	5,424,619	91,677	13,461	11,603	\$ 8,278,173
2005	1,441,485	1,249,756	6,362,611	107,573	13,616	5,365	\$ 9,180,406
2006	1,402,492	1,401,583	7,778,364	141,422	17,941	7,323	\$ 10,749,125
2007	1,437,127	1,401,887	8,817,860	154,251	32,689	6,318	\$ 11,850,132

Source: Audited Financial Statements of the City of Alice and Texas Comptroller of Public Accounts.

**CITY OF ALICE, TEXAS
TAXABLE SALES BY INDUSTRY
LAST TEN FISCAL YEARS**

INDUSTRY	2002	2003	2004	2005	2006
Natural Resources and Mining	9,209,304	13,567,471	20,461,413	24,448,502	41,724,440
Transportation and Utilities	-	-	209,999	249,258	125,370
Construction	4,981,133	4,595,814	5,143,251	5,930,034	9,828,396
Manufacturing	13,494,651	17,528,933	23,648,160	25,750,776	32,824,452
Whole Trade	11,678,406	11,786,701	13,979,790	22,566,387	25,960,770
Retail Trade	116,867,163	113,135,757	99,910,151	104,767,184	162,974,788
Information	239,524	336,902	553,681	63,866	151,853
Financial Activities	20,663,826	22,978,782	26,731,643	45,998,784	55,411,274
Professional and Business Services	6,179,540	5,699,485	8,286,938	7,801,361	6,190,469
Education and Health Services	558,018	472,191	434,851	470,517	482,041
Leisure and Hospitality	23,545,343	24,743,745	26,849,404	28,713,504	32,716,752
Other Services	8,433,766	9,175,926	10,010,546	15,650,842	13,205,139
Real Estate and Rental and Leasing	6,469,835	132,083	83,102	45,068	14,253
Total	222,320,509	224,153,790	236,302,929	282,456,083	381,609,997
City Direct Sales Tax Rate	1.50%	1.50%	1.50%	1.50%	1.50%

Source: Texas Comptroller of Public Accounts

Note: Information provided from Texas Comptroller of Public Accounts is based on Calendar Year Taxable Sales. Information prior to 2002 was not available. Transportation and Utilities data for 2003 and 2004 was also unavailable.

**CITY OF ALICE, TEXAS
DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS**

FISCAL YEAR	CITY DIRECT RATE	JIM WELLS COUNTY	TOTAL SALES TAX RATE
1998	1.50%	0.50%	2.00%
1999	1.50%	0.50%	2.00%
2000	1.50%	0.50%	2.00%
2001	1.50%	0.50%	2.00%
2002	1.50%	0.50%	2.00%
2003	1.50%	0.50%	2.00%
2004	1.50%	0.50%	2.00%
2005	1.50%	0.50%	2.00%
2006	1.50%	0.50%	2.00%
2007	1.50%	0.50%	2.00%

Source: Texas Comptroller of Public Accounts

**CITY OF ALICE, TEXAS
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS**

Fiscal Year	Estimated Market Value		Less: Tax-Exempt Property	Total Taxable Assesed Value	Total Direct Tax Rate
	Real Property	Personal Property			
1998	\$ 272,509,842	\$ 105,487,764	\$ 18,325,100	\$ 359,672,506	0.43580
1999	275,725,201	116,954,093	18,973,928	373,705,366	0.43580
2000	279,749,673	121,635,382	19,216,445	382,168,610	0.45580
2001	308,845,685	139,870,932	20,248,523	428,468,094	0.45250
2002	328,070,054	170,956,597	23,463,315	475,563,336	0.45250
2003	329,578,601	201,109,765	21,068,416	509,619,950	0.47250
2004	354,746,132	218,816,027	30,015,726	543,546,433	0.48412
2005	383,476,676	260,366,970	32,462,923	611,380,723	0.43557
2006	384,935,637	266,576,469	26,456,403	625,055,703	0.43196
2007	454,806,151	279,847,606	48,893,764	685,759,993	0.40000

Source: Jim Wells County Appraisal District

**CITY OF ALICE, TEXAS
 DIRECT AND OVERLAPPING PROPERTY TAX RATES
 LAST TEN FISCAL YEARS
 (rate per \$1,000 of assessed value)**

Fiscal Year	City of Alice			Jim Wells County			
	Maintenance and Operations Rate	Interest and Sinking Rate	Total City Rate	Maintenance and Operations Rate	Interest and Sinking Rate	Special Road and Bridge Rate	Total County Rate
1998	0.180200	0.255600	0.435800	0.508500	0.000000	0.192300	0.700800
1999	0.173300	0.262500	0.435800	0.508500	0.000000	0.192300	0.700800
2000	0.194800	0.261000	0.455800	0.508500	0.000000	0.192300	0.700800
2001	0.175958	0.276541	0.452499	0.508500	0.000000	0.192300	0.700800
2002	0.201517	0.250982	0.452499	0.496100	0.000000	0.179900	0.676000
2003	0.238109	0.234390	0.472499	0.519700	0.000000	0.179900	0.699600
2004	0.238109	0.246015	0.484124	0.605800	0.000000	0.174100	0.779900
2005	0.235516	0.200051	0.435567	0.560004	0.026389	0.162107	0.748500
2006	0.216131	0.215826	0.431957	0.548227	0.023663	0.158110	0.730000
2007	0.202902	0.197098	0.400000	0.538311	0.021251	0.146270	0.705832

Source: Jim Wells County Appraisal District

Overlapping Rates

Alice Independent School District			Alice Water Authority			Total Direct & Overlapping Rates
Maintenance and Operations Rate	Interest and Sinking Rate	Total School Rate	Maintenance and Operations Rate	Interest and Sinking Rate	Total Water Authority Rate	
1.322091	0.147909	1.470000	0.005836	0.150164	0.156000	2.762600
1.402178	0.067822	1.470000	0.005600	0.144300	0.149900	2.756500
1.441000	0.129000	1.570000	0.005900	0.140700	0.146600	2.873200
1.443000	0.127000	1.570000	0.006221	0.122264	0.128485	2.851784
1.464900	0.105100	1.570000	0.027159	0.101326	0.128485	2.826984
1.473400	0.166600	1.640000	0.005004	0.143149	0.148153	2.960252
1.474000	0.166000	1.640000	0.022313	0.125840	0.148153	3.052177
1.480833	0.159167	1.640000	0.076755	0.051730	0.128485	2.952552
1.473370	0.166630	1.640000	0.082551	0.036174	0.118725	2.920682
1.346437	0.168731	1.515168	0.080335	0.033044	0.113379	2.734379

**CITY OF ALICE, TEXAS
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT YEAR AND NINE YEARS AGO**

<u>Taxpayer</u>	2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
BJ Services	\$ 32,774,875	1	4.78%
Halliburton Energy Services	31,633,883	2	4.61%
Helmerich & Payne Intl Drilling	17,328,875	3	2.53%
Wal-Mart Stores, Inc.	16,170,930	4	2.36%
Dowell Schlumberger, Inc.	12,401,766	5	1.81%
Brooks Well Servicing, Inc.	12,344,634	6	1.80%
Weatherford Artificial Lift Systems	12,265,182	7	1.79%
AEP Texas Central Co	8,968,353	8	1.31%
Dixie Iron Works Ltd	5,985,826	9	0.87%
Smith International	4,880,520	10	0.71%
Southwestern Bell Telephone Company			
Central Power and Light Company			
Glenmore, Inc.			
H.E. Butt Grocery Company			
Northwest Bank of Texas - Alice			
Columbia/ HCA			
Totals	<u>\$ 154,754,844</u>		<u>22.6%</u>

Source: Jim Wells County Appraisal District

1998

Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
\$ 5,520,374	5	1.53%
13,883,250	1	3.86%
6,857,956	2	1.91%
5,431,331	7	1.51%
6,234,009	3	1.73%
6,017,286	4	1.67%
5,443,282	6	1.51%
4,091,559	8	1.14%
3,358,989	9	0.93%
3,103,460	10	0.86%
<u>\$ 59,941,496</u>		<u>16.67%</u>

**CITY OF ALICE, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Adjustments to the Tax Levy	Collection in Subsequent Years
		Amount	Percentage of Levy		
1998	1,567,453	1,451,253	92.59%	- ^a	105,427 ^a
1999	1,628,611	1,502,286	92.24%	10,013	127,409
2000	1,741,925	1,609,930	92.42%	14,734	135,429
2001	1,938,814	1,788,679	92.26%	12,737	145,768
2002	2,151,919	2,026,013	94.15%	10,043	119,187
2003	2,407,948	2,257,882	93.77%	10,518	137,577
2004	2,631,438	2,486,810	94.50%	(3,401)	109,427
2005	2,662,978	2,477,632	93.04%	48,020 ^b	187,629
2006	2,699,973	2,567,973	95.11%	5,059	73,453
2007	2,748,389	2,619,785	95.32%	1,856	-

Source: Jim Wells County Appraisal District

Notes: ^a Separate figures for adjustments and collections were unavailable, total collections includes adjustments made to the tax levy for 1997 and 1998

^b Adjustment to the levy in 2005 includes the purchase of Alice Regional Hospital by Christus Spohn, a tax exempt organization

**Total Collections
To Date**

Amount	Percentage of Levy
1,556,680	99.31%
1,629,695	99.46%
1,745,359	99.36%
1,934,447	99.12%
2,145,200	99.22%
2,395,459	99.05%
2,596,237	98.79%
2,665,261	98.31%
2,641,426	97.65%
2,619,785	95.26%

**CITY OF ALICE, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities			Business-Type Activities	
	Certificates of Obligation	General Obligation Tax Notes	Capital Leases	General Obligation	Capital Leases
1998	\$ 5,790,000	\$ 2,590,000	\$ 18,841	\$ -	\$ -
1999	5,780,000	2,030,000	1,438	-	-
2000	8,175,000	1,575,000	244,825	-	62,000
2001	7,935,000	1,100,000	156,809	-	71,429
2002	7,715,000	560,000	106,451	-	44,607
2003	10,275,000	-	461,831	-	91,813
2004	9,440,000	-	454,484	-	50,237
2005	8,540,000	-	789,755	-	47,765
2006	7,570,000	-	683,821	-	57,897
2007	6,550,000	-	806,717	9,600,000	166,604

Source: Audited Financial Statements of the City of Alice.

<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$ 8,398,841	1.27%	\$ 215
\$ 7,811,438	1.16%	\$ 200
\$10,056,825	1.37%	\$ 255
\$ 9,263,238	1.19%	\$ 232
\$ 8,426,058	1.05%	\$ 210
\$10,828,644	1.27%	\$ 268
\$ 9,944,721	1.07%	\$ 244
\$ 9,377,520	0.95%	\$ 229
\$ 8,311,718	0.84%	\$ 203
\$17,123,321	1.73%	\$ 417

**CITY OF ALICE, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Fiscal Year	Certificates of Obligation	General Obligation Bonds & Notes	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
1998	\$ 5,790,000	\$ 2,590,000	\$ 8,380,000	2.33%	\$ 215
1999	\$ 5,780,000	\$ 2,030,000	\$ 7,810,000	2.09%	\$ 200
2000	\$ 8,175,000	\$ 1,575,000	\$ 9,750,000	2.55%	\$ 248
2001	\$ 7,935,000	\$ 1,100,000	\$ 9,035,000	2.11%	\$ 227
2002	\$ 7,715,000	\$ 560,000	\$ 8,275,000	1.74%	\$ 206
2003	\$ 10,275,000	\$ -	\$ 10,275,000	2.02%	\$ 254
2004	\$ 9,440,000	\$ -	\$ 9,440,000	1.74%	\$ 231
2005	\$ 8,540,000	\$ -	\$ 8,540,000	1.40%	\$ 208
2006	\$ 7,570,000	\$ -	\$ 7,570,000	1.21%	\$ 185
2007	\$ 6,550,000	\$ 9,600,000	\$ 16,150,000	2.36%	\$ 394

Source: Audited Financial Statements of the City of Alice.

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

**CITY OF ALICE, TEXAS
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 SEPTEMBER 30, 2007**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Debt			
Alice Independent School District	30,144,374	80.41%	24,239,091
Alice Water Authority	5,510,000	100.00%	5,510,000
Jim Wells County	3,160,599	52.90%	<u>1,671,957</u>
Subtotal Overlapping Debt			<u>31,421,048</u>
Direct Debt			
City of Alice general obligation bonds	16,150,000	100.00%	16,150,000
City of Alice capital leases	973,321	100.00%	<u>973,321</u>
Total City Direct Debt			<u>17,123,321</u>
Total Direct and Overlapping Debt			<u>48,544,369</u>

Sources: Jim Wells County Appraisal District, Alice Independent School District, Jim Wells County and Alice Water Authority.

Notes: ^a Overlapping governments are those that coincide, at least in part with the geographic boundaries of the City. The percentage of overlapping debt applicable is estimated using each government's taxable assessed property value within the City's boundaries divided by their total taxable assessed property value.

**CITY OF ALICE, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Debt Limit	\$53,241,827	\$55,608,304	\$55,946,080	\$63,629,401
Total net debt applicable to limit	<u>8,380,000</u>	<u>7,810,000</u>	<u>9,750,000</u>	<u>9,035,000</u>
Legal debt margin	<u>\$44,861,827</u>	<u>\$47,798,304</u>	<u>\$46,196,080</u>	<u>\$54,594,401</u>
Total net debt applicable to limit as a percentage of debt limit	15.74%	14.04%	17.43%	14.20%

Legal Debt Margin Calculation for Fiscal Year 2006

Maximum tax rate		1.500000	
2007 maintenance and operations tax rate		<u>0.202902</u>	
Maximum debt service tax rate	a	1.297098	
Taxable assessed value	b	685,759,993	
Collection rate	c	90%	
Annual debt service tax revenue	(=b/100*a*c)	8,005,481	
Debt Limit (20 year 5% bonds)			99,765,991
General obligation bonds		16,150,000	
Less: amount set aside for repayment of general obligation debt		<u>-</u>	
Total debt applicable to limit			<u>16,150,000</u>
Legal debt margin			83,615,991

Notes: Ad valorem tax limitations - There is no direct debt limitation in the City Charter or under state law. The Texas Constitution does limit the maximum tax rate for all City purposes to \$2.50 per \$100 of assessed valuation, and administratively, the Attorney General will permit allocation of \$1.50 of the \$2.50 maximum tax rate to the payment of debt service. The calculation of debt margin is based on 5% 20 year bonds at a 90% tax collection rate.

2002	2003	2004	2005	2006	2007
\$ 69,259,957	\$ 72,128,326	\$ 76,930,061	\$ 86,706,698	\$ 90,007,152	\$ 99,765,991
<u>8,275,000</u>	<u>10,275,000</u>	<u>9,440,000</u>	<u>8,540,000</u>	<u>7,570,000</u>	<u>16,150,000</u>
<u>\$ 60,984,957</u>	<u>\$ 61,853,326</u>	<u>\$ 67,490,061</u>	<u>\$ 78,166,698</u>	<u>\$ 82,437,152</u>	<u>\$ 83,615,991</u>
11.95%	14.25%	12.27%	9.85%	8.41%	16.19%

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**CITY OF ALICE, TEXAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS**

Fiscal Year	Population*	Personal Income (amounts expressed in thousands)*	Per Capita Personal income*	School Enrollment	Unemployment Rate**
1998	39,067	659,021	16,869	5,793	11.1%
1999	39,103	673,862	17,233	5,719	10.2%
2000	39,389	734,723	18,653	5,711	6.9%
2001	39,861	781,196	19,598	5,667	6.8%
2002	40,077	799,656	19,953	5,667	6.8%
2003	40,472	855,942	21,149	5,669	7.6%
2004	40,811	927,308	22,722	5,671	6.1%
2005	41,017	991,955	24,184	5,699	5.0%
2006	41,017 est.	991,955	est. 24,184	est. 5,621	4.5%
2007	41,017 est.	991,955	est. 24,184	est. 5,567	4.0%

Sources:

*Texas Workforce Commission data for Jim Wells County.

**Texas Workforce Commission data for Jim Wells County beginning in 2004. City rate no longer available.

**CITY OF ALICE, TEXAS
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND NINE YEARS AGO**

<u>Employer</u>	2007		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Alice Independent School District	880	1	4.24%
Nabors Drilling	556	2	2.68%
Grey Wolf Drilling Co.	550	3	2.65%
Fesco, Inc.	512	4	2.47%
Christus Spohn Hospital Alice	453	5	2.18%
Halliburton Energy Services	435	6	2.10%
Wal-Mart	425	7	2.05%
City of Alice	242	8	1.17%
Jim Wells County	236	9	1.14%
Dixie Iron Works	201	10	0.97%
Del Cielo	200	11	0.96%
Helmerich & Payne	200	11	0.96%
Regional Home Health Care	-		-
HEB Super Store	-		-
Alice P&S Hospital	-		-
Flournoy Drilling Company	-		-
Alice Leasing Corporation	-		-
Two Rivers Pipeline	-		-
Not Available	-		-
Totals	4,890		23.56%

Source: Alice/Jim Wells County EDC as of 4/08/05.

1998

<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
750	1	4.72%
-		-
-		-
-		-
-		-
-		-
200	7	1.26%
240	5	1.51%
-		-
-		-
-		-
-		-
400	2	2.52%
300	3	1.89%
275	4	1.73%
240	6	1.51%
172	8	1.08%
157	9	0.99%
-	10	-
<u>2,734</u>		<u>17.22%</u>

**CITY OF ALICE, TEXAS
 FULL TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
 LAST TEN FISCAL YEARS**

Function	1998	1999	2000	2001	2002
General Government	9	11	11	12	13
Public Safety					
Fire	29	29	29	29	32
Police	49	50	50	50	51
Municipal Court	2	2	2	2	2
Humane	3	3	3	3	3
Parks and Recreation	14	14	15	15	15
Golf Course	5	5	5	5	5
Library	8.25	8.25	8.25	8.25	8.25
Community Services	11	11	8	8	8
Public Works					
Administration	2	2	2	2	2
Engineering	2	3	4	4	4
Operations	59	60	62	62	63
Utilities	35	35	33	33	41
Utility Metering & Billing	11	11	11	11	11
Airport	1	1	1	1	1
Total	240.25	245.25	244.25	245.25	259.25

Source: City of Alice budget document.

2003	2004	2005	2006	2007
14	14	15	15	15
32	32	32	32	32
51	51	51	51	51
2	2	2	2	2
3	3	3	3	3
15	20	20	20	22
5	5	5	5	7
7.25	7.25	7.25	7.25	7.5
8	9	9	9	8
2	2	2	2	2
3	3	3	3	3
62	60	60	60	58
33	37	37	37	37
11	11	11	11	11
1	1	1	1	1
249.25	257.25	258.25	258.25	259.5

**CITY OF ALICE, TEXAS
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	1998	1999	2000	2001	2002
Fire					
Annual Number of Emergency Responses	- *	- *	- *	890	827
Police					
Annual Number of Serious Crimes - UCR	- *	- *	855	918	987
Annual Number of traffic/parking violations	- *	- *	- *	- *	-
Parks and Recreation					
Annual number of events and programs	- *	- *	- *	- *	-
Golf Course					
Annual number of golfers	- *	- *	- *	- *	-
Library					
Annual number of patrons assisted	75,203	77,001	81,002	82,379	85,216
Community Services					
Annual building permits issued	915	516	451	516	594
Public Works - Operations					
Annual refuse collected (tons)	- *	- *	- *	- *	37,446
Public Works - Utilities					
Water					
Annual gallons consumed (in thousands)	- *	1,137,726	1,219,621	1,274,901	1,358,637
Public Works - Utilities					
Wastewater					
Annual gallons sewage treated (in thousand)	714,533	743,513	713,565	737,726	941,822

Source: City of Alice departmental documentation and Texas State Library and Archives Commission

Notes:

*Prior year's data not available.

**Current year's data not yet available.

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
	752	980	908	973	1,017
	947	1,210	1,366	1,344	- **
*	4,546	3,708	4,453	7,477	3,959
*	- *	9	14	16	25
*	20,930	18,634	16,024	18,603	19,242
	88,320	91,051	95,000	90,179	90,179 est.
	573	556	573	479	445
	41,611	51,882	54,301	37,558	35,198
	1,264,673	1,175,312	1,332,844	1,396,267	1,128,954
	1,033,613	1,012,536	897,508	807,357	944,362

**CITY OF ALICE, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	1998	1999	2000	2001
Fire				
Number of fire stations	2	2	2	2
Police				
Number of police stations	1	1	1	1
Parks and Recreation				
Public parks	11	11	11	11
Public swimming pools	2	2	2	2
Golf Course				
Number of municipal golf courses	1	1	1	1
Library				
Number of items in library collection	107,523	122,763	136,491	143,874
Public Works - Operations				
Number of miles of City streets	115	115	115	115
Residential & commercial garbage trucks	7	9	9	9
Public Works - Utilities				
Water				
Total water connections	6,865	6,807	6,895	6,807
Public Works - Utilities				
Wastewater				
Total wastewater connections	6,173	6,143	6,221	6,143

Source: City of Alice departmental documentation and Texas State Library and Archives Commission

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
2	2	2	2	2	2
1	1	1	1	1	1
11	11	11	11	11	11
2	2	2	2	2	2
1	1	1	1	1	1
146,372	146,030	143,901	146,616	159,726	159,726 est.
115	115	115	115	115	115
9	9	9	10	11	11
6,912	6,912	7,093	7,108	7,287	7,162
6,221 est.	6,221 est.	6,331	6,401	7,237	6,406

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