

CITY OF ALICE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2012

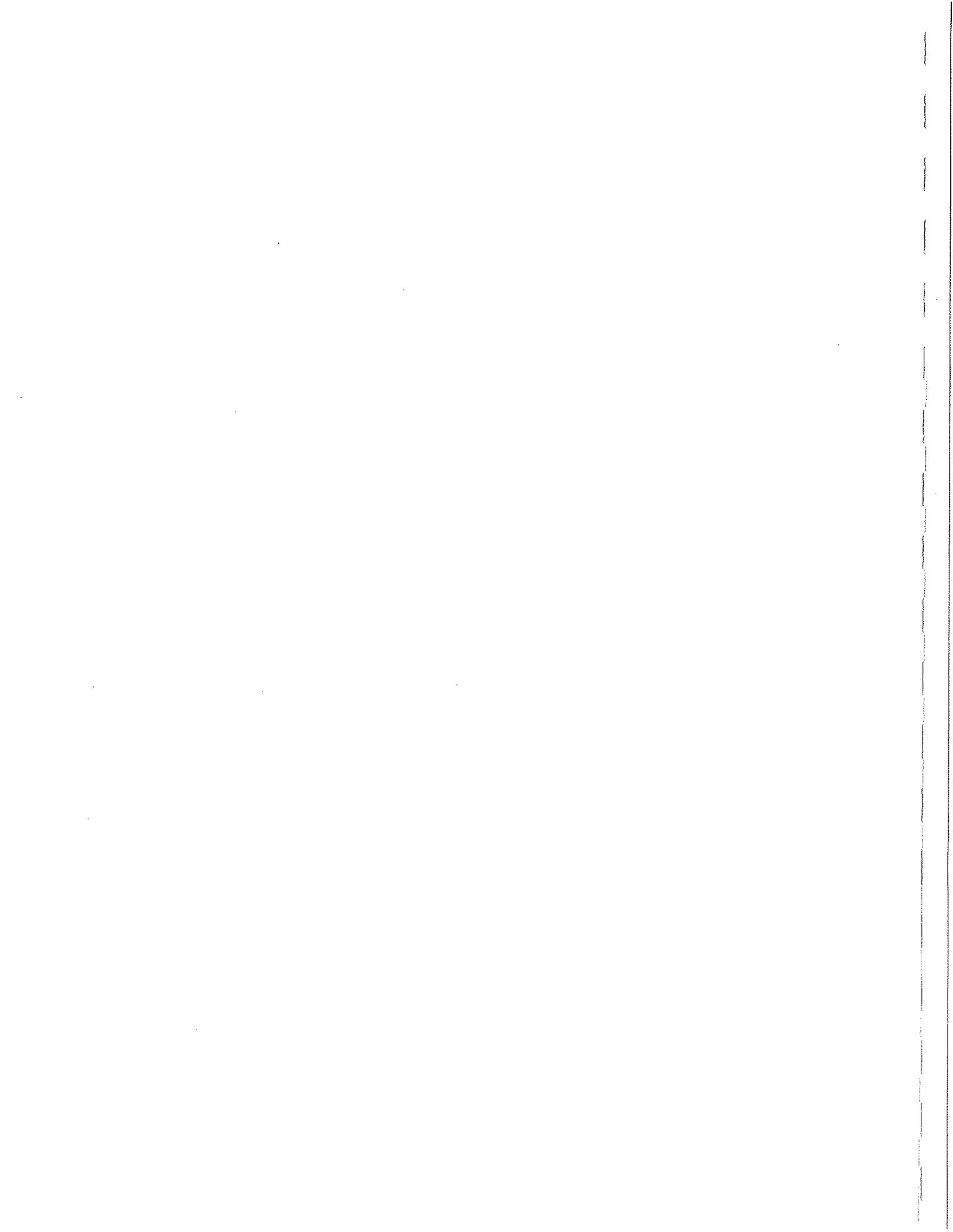
CITY OF ALICE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2012

Prepared by:

City of Alice, Texas – Finance Department

Hector M. Hinojosa

Director of Finance



INTRODUCTION SECTION



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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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THE CITY OF ALICE

City Council

*John C. Lemon
Dorella Elizondo
Leonel Escobar
Yvette Johnson
Michael Esparza*

*Mayor
Mayor Pro Tem
Councilmember
Councilmember
Councilmember*

Administration

*Ray De Los Santos, Jr.
Hector M. Hinojosa
Rene S. Marshall
Patricia Martinez*

*City Manager
ACM & Finance Director
City Clerk
Deputy City Clerk*

Legal

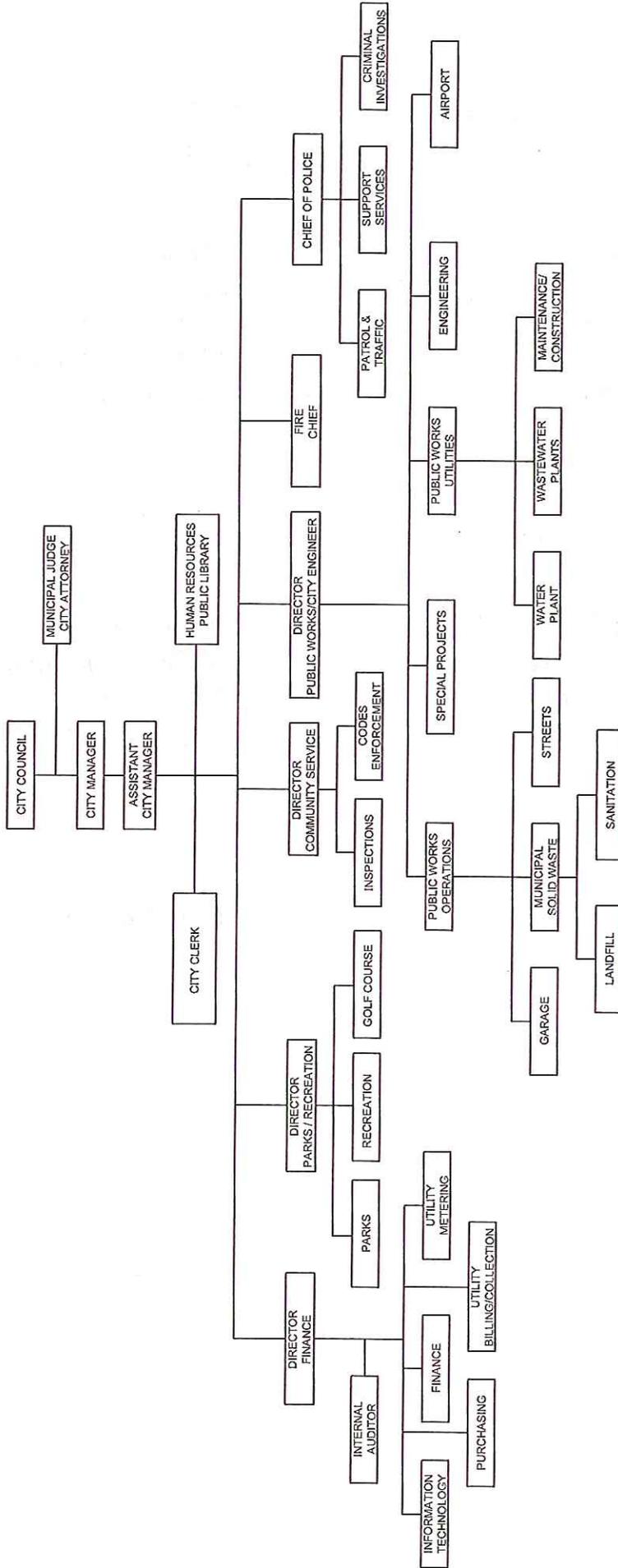
Joe Torres, III

City Attorney



CITY OF ALICE

ORGANIZATIONAL CHART

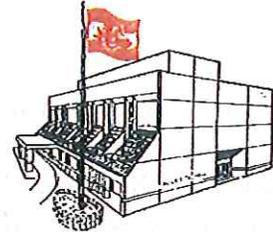




CITY OF ALICE, TEXAS

P.O. BOX 3229

ALICE, TEXAS 78333



March 25, 2013

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

The Comprehensive Annual Financial Report of the City of Alice, Texas (City) for the fiscal year ended September 30, 2012 is submitted. As required by the TEX. LOCAL GOV'T CODE SEC 103.001 et seq., the report includes financial statements which have been audited by independent firm of certified public accountants, Raul Hernandez & Company, P. C., Certified Public Accountants. The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To prove a reasonable basis for making these representations, management of the City has established a comprehensive internal controls framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the presentation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The goal of the independent audit, conducted by Raul Hernandez & Company, P.C., Certified Public Accountants was to provide reasonable assurance that the financial statements of the City for fiscal year ended September 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Alice MD&A can be found immediately following the report of the independent auditor.

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, Texas, the gateway to Monterrey, Mexico's largest industrial areas. Because of 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. 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 comprised 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 CONDITON

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 2008, in direct correlation to the price of crude oil, the City saw record high sales tax revenues. However, in 2009 sales tax started to decline because of the price of crude oil going down. In FYE 2009, sales tax decreased \$2,456,148 from FYE 2008. The City saw an increase in sales tax in FYE 2010 by \$2,284,922 from FYE 2009 due to new drilling innovations for natural gas and oil in the Eagle Ford Shale. The City continued to see an increase in the sales tax in FYE 2011 by \$4,402,367 from FYE 2010 and in FYE 2012 by \$3,075,881 from FYE 2011. Additionally, the City jointly with Jim Wells County established and funded the Alice/Jim Wells County Economic Development Corporation to continue to seek diversification strategies for the area with the hiring of a new Executive Director in August, 2012.

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 6.04% annually. In FYE 2010, the tax base grew 2.91%, and in FYE 2011 the tax base grew 2.45%, because of the assessed valuation increases across the board. The tax base continued to grow by 23.45% in FYE 2012. Because of the growth in our tax base and sales tax increase, the City has been able to maintain tax rates at or below the effective tax rate for the last four years subsequent to FYE 2009. In FYE 2009, the City increased the tax rate from .33108 per hundred dollar valuation to .37000 per hundred dollar valuation. In FYE 2010, the City decreased the tax rate from .37000 per hundred dollar valuation to .364457 per hundred dollar valuation, which was also below the effective tax rate. In FYE 2011, the City also decreased the tax rate from .364457 per hundred dollar valuation to .356218 per hundred dollar valuation. In FYE 2012, the City also decreased the tax rate from .356218 per hundred dollar valuation to .288913 per hundred dollar valuation. The City still continued to decrease the tax rate during the FYE 2013 from .288913 per hundred dollar valuation to .247122 per hundred dollar valuation.

2012 Infrastructure and Quality of Life Improvements

The City strives to maintain our infrastructure on a continuing basis. The FYE 2008 was the year for starting the improvement of the City's water and sewer infrastructure from the \$9.6 million 2007 general obligation bonds. In FYE 2010 and FYE 2011 we continued to improve our water and sewer infrastructure throughout the four quadrants of the City, including the water lines under Texas Boulevard, from the \$9.6 million 2007 general obligations bonds. The landfill expansion and Texas Boulevard resurfacing was started in FYE 2011, and the resurfacing of Texas Boulevard continued during FYE 2012 and will be completed in FYE 2013. The funds came from the \$7.03 million 2009 certificate of obligations and from sales tax.

The Texas Water Development Board (TWDB) awarded the City two loans under the American Recovery and Reinvestment Act of 2009 (ARRA) and the Clean Water State Revolving Fund (CWSRF). One loan was for \$4,495,000, and it was used for Texas Boulevard Sewer Main rehabilitation and the Southside Waste Water Treatment Trunk Lines Rehabilitation. The trunk lines construction started in December 2009 and was completed in March 2011. The second loan was for \$2,148,000, and it was used for Citywide Sewer Main Replacement. The sewer main construction started in January 2010 and was completed in March 2011.

In a partnership with Jim Wells County, the City completed the San Diego Creek Levee Improvement project for the purpose of recertifying and reaccreditation of the levee. The Project started in August 2010 and was completed in December 2010.

Quality of life improvements included the construction of a new Concession Stand and Restrooms at the Kickball Fields at a cost of \$146,756 and a Walking Trail at Anderson Park at a cost of \$146,512 in FYE 2012. Additionally, a new playscape was installed at Anderson Park at a cost of \$117,649.

Planned Infrastructure and Quality of Life Improvements

On February 26, 2009 the City Council approved certificates of obligation, not to exceed an aggregate of \$7,200,000, to acquire and construct street, curb and sidewalk improvements on Texas Boulevard and to acquire and construct improvements relating to the City's landfill. The groundbreaking for the street, curb and sidewalk improvements was done in March 2011. Land construction was started and completed in the FYE 2011.

The City is continuing to replace water and sewer lines in the four quadrants of the City. The City is resurfacing Texas Boulevard from Commerce Street to Farm to Market Road 665. The City is also considering extending water and sewer lines to the west of the City. Economic Development Administration awarded the City in October, 2012 a grant in the amount of \$1,200,000 as part of the Project Cost of \$4,800,000 to extend water and sewer lines to the west of the City.

The City has budgeted \$3,000,000 to Mill and Overlay major thoroughfares in the City and to Chip Seal streets in the City. The City has purchased 144 acres on US Highway 281 and Farm to Market Road 1554 to construct a Multi-Purpose Complex.

Planned quality of life improvements will include the construction of a new bathroom and concession stand at the Girl's Fast Pitch Field at a cost of \$130,000. A pond with water feature is planned for Anderson Park, and a skate park is budgeted for Craig Park.

The Budgeting Process

Budgeting is an essential element of the financial planning, control and evaluating 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 at least three months of operating expenses; the City's FYE 2012 budget met and exceeded this goal.

Under the Charter provision, the City Manager may at any time transfer any unencumbered appropriation balance or portion thereof between general classification of expenditures within an office, department or agency. At the request of the City Manager and within the last three (3) months of the fiscal year, the City Council may by resolution transfer an unencumbered appropriation balance or portion thereof from one office, department or agency to another.

Fiscal Year End 2013 Budget

The City's Fiscal Year End 2013 Budget focuses on providing the most effective control of City services and to provide the Citizens of Alice and City's staff the opportunity to present recommendations for level of services and method of financing the services. Highlights include:

- Provides tax relief for property owners by dropping the ad valorem tax rate from .288913 per hundred dollar valuation to .247122 per hundred dollar valuation

- o No increase in fees for services for the City of Alice residents
- o The City employees received a 3% cost of living increase
- o No reduction in City services
- o No deviating from the belief that reserves should not be used for maintenance or operations
- o Capital equipment purchases budgeted for FYE 2013
- o Intensively addressing aging infrastructure
- o Sales Tax was increased by \$1 million from previous budget year 2012
- o Provide seed money for additional and new projects

Financial Rating

The City's bond rating, taking into account the economic condition and financial management of the City, was upgraded in 2009 by Moody's Investors Service from Baa1 to Aa3 and Standard & Poor's upgraded the City from BBB+ to A+ on February 11, 2009. These current bond ratings are assigned to the City's Certificates of Obligation and General Obligation Debt.

CAFR Program

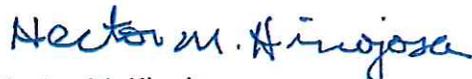
Government Finance Office Association (GFOA) awarded a Certificate for Excellence in Financial Reporting (CAFR) to the City for its comprehensive annual report for the Fiscal Year End September 30, 2011, thus continuing to confirm compliance with both Generally Accepted Accounting Principles and legal requirements. This is the fifth consecutive year that the City has received this prestigious award. A Certificate of Achievement is valid for a period of one year. We believe that this CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for certification.

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; Tina Reyes, Internal Auditor; Vanessa Torres, Accountant; Olga Moreno, Accounting Clerk, and Diana Lopez, Payroll Clerk and the Firm of Raul Hernandez & Company, P.C., Certified Public Accountants.

Credit must also be given to the City Manager, the Mayor and the City Council for their continuous support and for maintaining the highest standards of professionalism in the management of the City and prudent financial policies to which it adheres to.

Respectfully submitted,



Hector M. Hinojosa
Director of Finance

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Alice
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moynell

President

Jeffrey R. Emer

Executive Director

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FINANCIAL SECTION

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RAUL HERNANDEZ & COMPANY, P.C.
Certified Public Accountants
5422 Holly Rd
Corpus Christi, Texas 78411
Office (361) 980-0428 Fax (361) 980-1002

Independent Auditors' Report on Financial Statements

City Council
City of Alice, Texas
P.O. BOX 3229
Alice, Texas 78332

Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Alice, Texas as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Alice, Texas's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Alice, Texas as of September 30, 2012, 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*, we have also issued our report dated March 25, 2013, on our consideration of City of Alice, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with

management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alice, Texas's financial statements as a whole. The accompanying combining statements and supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our 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 and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Respectively submitted,

A handwritten signature in blue ink that reads "Raul Hernandez & Company, P.C." The signature is written in a cursive, flowing style.

Raul Hernandez & Company, P.C.

March 25, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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CITY OF ALICE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2012

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, 2012. 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 \$7,101,431 for the year, which is a change of over 13%. The governmental activities increase was \$7,871,604 while the business-type activities showed a decrease of (\$770,173).
- Last year's increase in sales tax revenues of \$4,402,368 was followed by an increase in sales tax revenues of \$3,075,851 for 2012.
- The increase in business being done in Alice also resulted in an increase in sanitation usage for services, as well as occupancy taxes with hotels being booked up by oilfield services companies.
- There were a few changes in both revenues and certain expenses of the utility fund. Charges for services revenues decreased by (\$230,013). In addition, personnel services increased \$29,821, while materials & supplies and purchased property services increased in the amounts of \$408,511 and \$523,087, respectively.
- The City added approximately \$13,525,856 to capital assets during the year, with the vast majority of those additions related to construction projects for construction in progress as part of water and wastewater line replacement and upgrade. Large equipment purchases during the year included a mini-hydraulic excavator, a utility excavator valve exerciser, playground equipment, software, computers, and vehicles. Depreciation of \$3,743,608 was also recorded for the year.

CITY OF ALICE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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.

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, 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.

CITY OF ALICE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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.

Government-wide net assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 35,986,588	33,977,291	4,400,493	7,826,016	40,387,081	41,803,307
Capital assets	28,703,293	23,647,898	27,590,823	24,873,739	56,294,116	48,521,637
Total assets	<u>64,689,881</u>	<u>57,625,189</u>	<u>31,991,316</u>	<u>32,699,755</u>	<u>96,681,197</u>	<u>90,324,944</u>
Long-term liabilities	(16,541,634)	(17,257,271)	(14,455,423)	(15,571,057)	(30,997,057)	(32,828,328)
Other liabilities	(1,756,225)	(1,847,500)	(2,608,754)	(1,431,386)	(4,364,979)	(3,278,886)
Total liabilities	<u>(18,297,859)</u>	<u>(19,104,771)</u>	<u>(17,064,177)</u>	<u>(17,002,443)</u>	<u>(35,362,036)</u>	<u>(36,107,214)</u>
Net assets:						
Invested in capital assets, net of debt	21,740,756	17,234,586	12,282,956	13,342,304	34,023,712	30,576,890
Restricted	2,371,059	1,795,282	-	-	2,371,059	1,795,282
Unrestricted	22,280,207	19,490,550	2,644,183	2,355,008	24,924,390	21,845,558
Total net assets	<u>\$ 46,392,022</u>	<u>38,520,418</u>	<u>14,927,139</u>	<u>15,697,312</u>	<u>61,319,161</u>	<u>54,217,730</u>

The City's governmental activities showed an increase in net assets of \$7,871,604 based primarily on sales tax revenues as discussed in more detail below. That is also reflected in the \$2 million increase in current assets, and the \$5 million net increase in capital assets

More detailed information relating to the change in net assets, the change in capital assets, and the change in long-term liabilities is discussed in the pages to 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	
	2012	2011	2012	2011	2012	2011
Change in net assets						
Total revenues	\$ 26,529,546	24,165,903	7,905,211	8,129,833	34,434,757	32,295,736
Total expenses	(18,328,858)	(17,458,681)	(9,004,468)	(7,671,492)	(27,333,326)	(25,130,173)
Change before transfers	8,200,688	6,707,222	(1,099,257)	458,341	7,101,431	7,165,563
Transfers	(329,084)	270,706	329,084	(270,706)	-	-
Change in net assets	7,871,604	6,977,928	(770,173)	187,635	7,101,431	7,165,563
Net assets - beginning	38,520,418	31,542,490	15,697,312	15,509,677	54,217,730	47,052,167
Net assets - ending	\$ 46,392,022	38,520,418	14,927,139	15,697,312	61,319,161	54,217,730

The specific changes in revenues and expenses are shown in the tables that follow, along with a discussion of the events giving rise to those changes.

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	\$ 4,085,418	4,064,998	7,828,970	7,992,695	11,914,388	12,057,693
Operating grants and contributions	132,858	233,202	3,039	2,526	135,897	235,728
Capital grants and contributions	155,817	830,982	-	17,000	155,817	847,982
General revenues:						
Property taxes	3,181,483	3,181,302	-	-	3,181,483	3,181,302
Sales tax	17,586,295	14,510,444	-	-	17,586,295	14,510,444
Franchise taxes	1,048,818	994,039	-	-	1,048,818	994,039
Other general revenues	338,857	350,936	73,202	117,612	412,059	468,548
Total revenues	\$ 26,529,546	24,165,903	7,905,211	8,129,833	34,434,757	32,295,736

Last year's increase in sales tax revenues of \$4,402,368 was followed by an increase in sales tax revenues of \$3,075,851 for 2012. The increase in business being done in Alice also resulted in an increase in sanitation usage, as well as occupancy taxes with hotels being booked up by oilfield services companies.

CITY OF ALICE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

There were a few changes in both revenues and certain expenses of the utility fund. Charges for services revenues decreased by (\$230,013). In addition, personnel services increased \$29,821, while materials & supplies and purchased property services increased in the amounts of \$408,511 and \$523,087, respectively.

Consequently, the amount of water purchased from Corpus Christi was up by \$504,000 and the cost of electricity at the water plant was up by \$17,300. Those expenditures are reflected in the increase in the water and wastewater line in the following table.

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2012	2011	2012	2011	2012	2011
Expenses						
Administration	\$ 1,292,366	1,231,942	-	-	1,292,366	1,231,942
Finance	723,703	726,798	-	-	723,703	726,798
Public safety	7,412,590	7,156,276	-	-	7,412,590	7,156,276
Public works	7,136,294	6,113,200	-	-	7,136,294	6,113,200
Parks and recreation	306,206	822,972	-	-	306,206	822,972
Community development	631,103	486,274	-	-	631,103	486,274
Library	386,336	432,498	-	-	386,336	432,498
Grant development	71,646	73,216	-	-	71,646	73,216
Interest on long-term debt	368,614	415,505	-	-	368,614	415,505
Water and wastewater	-	-	8,301,424	7,023,187	8,301,424	7,023,187
Airport	-	-	122,298	115,814	122,298	115,814
Golf course	-	-	580,746	532,491	580,746	532,491
Total expenses	\$ 18,328,858	17,458,681	9,004,468	7,671,492	27,333,326	25,130,173

Over \$250,000 of the increase in public safety expenses were for personnel costs. A five percent cost of living increase accounted for most of the increase other than overtime, and changes in staffing levels dictated by collective bargaining, as well as staffing shortages related to employees taking jobs in the oilfield resulted in the significant increase in overtime costs.

Public works increased by \$1,023,094 in 2012. Not only was there a cost of living increase for the year, but this was also impacted by phase II of the equity plan, which was implemented in fiscal year ending in 2011.

CITY OF ALICE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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. There was, additionally, a transfer of \$1,115,759 out of the general fund and into the capital depreciation fund. There was a transfer of \$4,400,000 for the Multi-Use Facility; a transfer of \$2,000,000 for Street Improvement fund for street mill and overlay to be done in 2013 and a transfer of \$1,115,759 for capital expenditures for fiscal year ended 2013. The general fund still has an unassigned fund balance of \$12,764,268 at the end of the year. That is a decrease from the prior year, and that amount represents 10 months in terms of the general fund's annual expenditures (excluding transfers out).

Regarding the other governmental funds, the debt service fund levied taxes sufficient to cover the governmental debt service requirements as well as a portion of the utility fund debt service (which was transferred to the utility fund) and ended the year with a \$38,163 increase in fund balance. The debt service fund has fund balance greater than the annual debt service requirement of the governmental debt. The City incurred \$5,241,673 of construction and engineering expenses from the 2009 construction fund related to Texas Boulevard street improvements. The capital depreciation fund was established and has been maintained with transfers from the general fund to set aside excess sales tax revenue to be used for major capital expenditures. A transfer of \$4,400,000 from the general fund was approved by the Council to go towards the Multi-Use Facility.

As discussed above, the utility fund's operations in comparison to the prior year were significantly affected by the weather conditions. It ended the year with a (\$734,020) decrease in net assets. Of course that net increase is also after the annual transfer from the utility fund to the general fund, which amounted to \$780,569 this year. The utility fund has net assets of \$12,293,592 at the end of the year. However, \$9,998,303 is restricted for investment in capital assets, net of related debt. Unrestricted net assets of \$2,295,289 represents over 3 months in terms of the utility system's annual expenses including net 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 \$7,515,750 in the final budget. The City took advantage of the tremendous increase in sales tax revenues to budget a transfer to the capital depreciation fund of \$1,115,759 for the Multi-Use Facility of \$4,400,000 and to the street improvement fund of \$2,000,000.

CITY OF ALICE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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 34 and 35 in the notes to the financial statements.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land	963,983	955,983	171,752	171,752	1,135,735	1,127,735
Construction in progress	\$ 7,668,290	3,002,969	4,090,519	3,649,539	11,758,809	6,652,508
Distribution and collection systems	-	-	19,440,538	17,327,714	19,440,538	17,327,714
Buildings and improvements	4,173,157	2,551,535	2,987,856	3,046,324	7,161,013	5,597,859
Equipment	4,439,268	4,884,688	900,158	678,410	5,339,426	5,563,098
Infrastructure	11,458,596	12,252,723	-	-	11,458,596	12,252,723
Totals at historical cost	\$ 28,703,294	23,647,898	27,590,823	24,873,739	56,294,117	48,521,637

The City added \$13,525,856 to capital assets during the year, with the vast majority, \$7,114,869, of those additions related to construction projects replacing and upgrading water and wastewater lines in and around the City and finishing the Texas Boulevard rehabilitation and reconstruction project and the North half of Cell C of the landfill. The City also purchase vehicles for various departments and police vehicles. In addition, the City constructed a new concession stand and restrooms at the kickball fields, walking trail, and a new playscape were installed at Anderson Park. Depreciation of \$3,743,608 was also recorded for the year.

Debt

More detailed information on the City's debt can be found on pages 38-43 in the notes to the financial statements.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
General obligation debt	\$ 8,795,000	9,440,000	14,841,000	15,221,000	23,636,000	24,661,000
Capital leases payable	784,097	1,281,400	86,866	129,385	870,963	1,410,785
Totals	\$ 9,579,097	10,721,400	14,927,866	15,350,385	24,506,963	26,071,785

CITY OF ALICE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The City's general obligation bond rating is A+ 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 \$0.167276 is approximately 11% 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 2013 budget. The City was conservative in the amount budgeted for sales tax in 2013. Sales tax started to increase in March 2010 and have continued to increase through 2013, due to a new method of drilling for natural gas and oil in the Eagle Ford Shale. For 2013, the City budgeted \$1.02 million more than budgeted for 2012 but \$7.38 million less than the actual amount received in 2012. The City Council adopted a tax rate of \$.288913 per \$100 valuation, which was below the effective tax rate, resulting in an overall decrease of \$.0041791 per 100 valuation from the previous year. Additionally, projects were initiated in 2012 from tax and revenue certificates of obligation for the expansion of the landfill and from excess sales tax revenues to purchase capital equipment, for resurfacing Texas Boulevard, and for seed money for the construction of a Multi-Use Facility.

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, and P.O. Box 3229, Alice, Texas, 78333.

BASIC FINANCIAL STATEMENTS

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CITY OF ALICE, TEXAS

STATEMENT OF NET ASSETS

September 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents (note 2)	\$ 11,034,277	635,262	11,669,539
Investments (note 2)	19,015,465	1,023,858	20,039,323
Receivables (net, where applicable, of allowances for uncollectibles):			
Accounts receivable	4,252,941	1,643,225	5,896,166
Property taxes	338,086	-	338,086
Interest and penalty on taxes	276,917	-	276,917
Fines receivable	371,490	-	371,490
Due from other governments	36,563	171,166	207,729
Internal balances	442,278	(442,278)	-
Inventories and prepayments	19,371	164,919	184,290
Restricted cash and investments (note 2)	-	1,085,938	1,085,938
Deferred bond issue costs	199,201	118,404	317,605
Capital assets (note 6):			
Land	963,983	171,752	1,135,735
Construction in progress	7,668,290	4,053,340	11,721,630
Other capital assets, net of depreciation	20,071,019	23,365,730	43,436,749
Total assets	64,689,881	31,991,316	96,681,197
LIABILITIES			
Accounts Payable	1,282,561	1,360,544	2,643,105
Accrued liabilities	447,030	144,342	591,372
Refundable advances and unearned revenue	12,709	-	12,709
Customer deposits	13,925	377,105	391,030
Noncurrent liabilities (note 9):			
Due within one year	1,586,399	726,763	2,313,162
Due in more than one year	14,955,235	14,455,423	29,410,658
Total liabilities	18,297,859	17,064,177	35,362,036
NET ASSETS			
Invested in capital assets, net of related debt	21,740,756	12,282,956	34,023,712
Restricted for:			
Debt service	2,352,559	-	2,352,559
Library	18,500	-	18,500
Unrestricted (deficit)	22,280,207	2,644,183	24,924,390
Total net assets	\$ 46,392,022	14,927,139	61,319,161

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

CITY OF ALICE, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2012

<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	\$ 1,292,366	6,254	-	-
Finance	723,703	-	-	-
Public safety	7,412,590	447,432	82,858	155,817
Public works	7,136,294	2,717,863	-	-
Park and recreation	306,206	28,019	-	-
Community development	631,103	885,850	-	-
Library	386,336	-	50,000	-
Grant development	71,646	-	-	-
Interest on long-term debt	368,614	-	-	-
Total governmental activities	<u>18,328,858</u>	<u>4,085,418</u>	<u>132,858</u>	<u>155,817</u>
Business-type activities:				
Water and wastewater	8,301,424	7,335,508	-	-
Airport	122,298	10,924	3,039	-
Golf course	580,746	482,538	-	-
Total business-type activities	<u>9,004,468</u>	<u>7,828,970</u>	<u>3,039</u>	<u>-</u>
Total primary government	<u>\$ 27,333,326</u>	<u>11,914,388</u>	<u>135,897</u>	<u>155,817</u>
General revenues:				
Property taxes levied for general purposes				
Property taxes levied for debt service				
Sales tax				
Franchise taxes				
Investment earnings				
Miscellaneous				
Transfers				
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
(1,286,112)	-	(1,286,112)
(723,703)	-	(723,703)
(6,726,483)	-	(6,726,483)
(4,418,431)	-	(4,418,431)
(278,187)	-	(278,187)
254,747	-	254,747
(336,336)	-	(336,336)
(71,646)	-	(71,646)
(368,614)	-	(368,614)
<u>(13,954,765)</u>	<u>-</u>	<u>(13,954,765)</u>
-	(965,916)	(965,916)
-	(108,335)	(108,335)
-	(98,208)	(98,208)
<u>-</u>	<u>(1,172,459)</u>	<u>(1,172,459)</u>
<u>(13,954,765)</u>	<u>(1,172,459)</u>	<u>(15,127,224)</u>
\$ 1,347,021	-	1,347,021
1,834,462	-	1,834,462
17,586,295	-	17,586,295
1,048,818	-	1,048,818
64,627	9,743	74,370
274,230	63,459	337,689
(329,084)	329,084	-
<u>21,826,369</u>	<u>402,286</u>	<u>22,228,655</u>
7,871,604	(770,173)	7,101,431
<u>38,520,418</u>	<u>15,697,312</u>	<u>54,217,730</u>
<u>\$ 46,392,022</u>	<u>14,927,139</u>	<u>61,319,161</u>

CITY OF ALICE, TEXAS

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2012

	General	2009 Construction Fund	Capital Depreciation Fund
ASSETS			
Cash and cash equivalents	\$ 518,559	115,448	2,934,321
Investments	14,732,888	42,361	2,571,732
Receivables (net, where applicable, of allowances for uncollectibles):			
Accounts receivable	4,027,545	-	-
Property taxes	156,139	-	-
Interest and penalty on taxes	111,722	-	-
Fines receivable	371,490	-	-
Due from other governments	25,343	-	-
Due from other funds	493,747	1,000,000	2,966,129
Inventories and prepayments	11,871	-	-
Total assets	\$ 20,449,304	1,157,809	8,472,182
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 439,011	493,403	7,895
Accrued liabilities	365,242	-	-
Due to other funds	5,988,965	4,636	1,001,123
Deferred revenue	639,351	-	-
Refundable advances	-	-	-
Customer deposits	-	-	-
Total liabilities	7,432,569	498,039	1,009,018
Fund Balances			
Nonspendable:			
Inventories and prepayments	11,871	-	-
Restricted for:			
Debt service	-	-	-
Capital projects	-	659,770	-
Other purposes (note 12)	18,500	-	-
Committed to:			
Various purposes (note 12)	222,096	-	7,463,164
Unassigned	12,764,268	-	-
Total fund balances	13,016,735	659,770	7,463,164
Total liabilities and fund balances	\$ 20,449,304	1,157,809	8,472,182

Fund balance of governmental funds on the modified accrual basis above
Add recognition of revenue from the 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.

Other Governmental Funds	Total Governmental Funds
7,465,949	11,034,277
1,668,484	19,015,465
225,396	4,252,941
181,947	338,086
165,195	276,917
-	371,490
11,220	36,563
3,145,347	7,605,223
7,500	19,371
<u>12,871,038</u>	<u>42,950,333</u>

342,252	1,282,561
-	365,242
168,221	7,162,945
359,851	999,202
-	-
13,925	13,925
<u>884,249</u>	<u>9,823,875</u>

-	11,871
1,474,591	1,474,591
4,403,450	5,063,220
2,095,675	2,114,175
4,024,790	11,710,050
(11,717)	12,752,551
<u>11,986,789</u>	<u>33,126,458</u>
<u>12,871,038</u>	<u>42,950,333</u>

\$ 33,126,458
 986,493
 28,703,292
 199,201
 (16,541,634)
(81,788)
 \$ 46,392,022

CITY OF ALICE, TEXAS

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

For the Year Ended September 30, 2012

	General	2009 Construction Fund	Capital Depreciation Fund
REVENUES			
Taxes	\$ 19,002,141	-	-
Franchises, licenses and permits	1,223,222	-	-
Intergovernmental	72,149	-	-
Charges for services	2,829,794	-	-
Fines	266,158	-	-
Investment earnings	41,830	4,571	3,873
Miscellaneous	233,856	-	-
Total revenues	<u>23,669,150</u>	<u>4,571</u>	<u>3,873</u>
EXPENDITURES			
Current:			
Administration	1,559,083	325	44,652
Finance	774,128	-	-
Public safety	6,967,389	-	-
Public works	4,517,700	-	-
Parks and recreation	775,298	-	-
Community development	420,314	-	-
Library	431,265	-	-
Grant development	71,646	0	-
Capital outlay	-	5,241,673	898,083
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Total expenditures	<u>15,516,823</u>	<u>5,241,998</u>	<u>942,735</u>
Excess (deficiency) of revenues over expenditures	<u>8,152,327</u>	<u>(5,237,427)</u>	<u>(938,862)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	740,501	1,900,000	1,115,759
Transfers out	<u>(8,937,073)</u>	-	<u>(1,101,609)</u>
Total other financing sources (uses)	<u>(8,196,572)</u>	<u>1,900,000</u>	<u>14,150</u>
Net change in fund balances	(44,245)	(3,337,427)	(924,712)
Fund balances - beginning	<u>13,060,980</u>	<u>3,997,197</u>	<u>8,387,876</u>
Fund balances - ending	<u>\$ 13,016,735</u>	<u>659,770</u>	<u>7,463,164</u>

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

Other Governmental Funds	Total Governmental Funds
2,558,617	21,560,758
-	1,223,222
134,624	206,773
4,245	2,834,039
181,274	447,432
14,353	64,627
1,203	235,059
<u>2,894,316</u>	<u>26,571,910</u>
26,789	1,630,849
-	774,128
184,672	7,152,061
615,161	5,132,861
-	775,298
593,642	1,013,956
-	431,265
-	71,646
-	6,139,756
645,000	645,000
381,740	381,740
<u>2,447,004</u>	<u>24,148,560</u>
<u>447,312</u>	<u>2,423,350</u>
6,779,007	10,535,267
(825,669)	(10,864,351)
<u>5,953,338</u>	<u>(329,084)</u>
6,400,650	2,094,266
<u>5,586,139</u>	<u>31,032,192</u>
<u>11,986,789</u>	<u>33,126,458</u>

CITY OF ALICE, TEXAS

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

For the Year Ended September 30, 2012

Net change in fund balances - total governmental funds	\$ 2,094,266
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	7,489,950
Subtract depreciation expense.	(2,501,287)
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.	615,003
Subtract deferred property tax revenues at the beginning of the year.	(648,575)
Fine revenues:	
Add noncurrent receivables at the end of the year.	371,490
Subtract noncurrent receivables at the beginning of the year.	(307,613)
Street assessment revenues:	
Add noncurrent receivables at the end of the year.	12,709
Subtract noncurrent receivables at the beginning of the year	(12,709)
Add back principal payments on long-term debt.	1,142,303
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.	(24,414)
Subtract unmatured accrued interest at the end of the year.	(81,788)
Add unmatured accrued interest at the beginning of the year.	94,914
Compensated absences:	
Subtract noncurrent liability at the end of the year.	(1,643,174)
Add noncurrent liability at the beginning of the year.	1,711,601
Net other postemployment benefit obligation:	
Subtract noncurrent liability at the end of the year.	(341,457)
Add noncurrent liability at the beginning of the year.	312,224
Landfill closure and post-closure care costs:	
Subtract noncurrent liability at the end of the year.	(4,977,906)
Add noncurrent liability at the beginning of the year.	4,566,067
Change in net assets of governmental activities	<u>\$ 7,871,604</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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 10,553,508	18,902,414	19,002,141	99,727
Franchises, licenses and permits	1,054,813	1,235,676	1,223,222	(12,454)
Intergovernmental	74,900	72,255	72,149	(106)
Charges for services	2,560,025	2,787,188	2,829,794	42,606
Fines	246,591	283,901	266,158	(17,743)
Investment earnings	-	-	41,830	41,830
Miscellaneous	42,300	262,235	233,856	(28,379)
Total revenues	<u>14,532,137</u>	<u>23,543,669</u>	<u>23,669,150</u>	<u>125,481</u>
EXPENDITURES				
Current:				
Administration	575,646	1,288,037	1,559,083	(271,046)
Finance	847,741	809,679	774,128	35,551
Public safety	6,724,498	7,161,286	6,967,389	193,897
Public works	4,771,945	4,646,898	4,517,700	129,198
Parks and recreation	848,994	839,874	775,298	64,576
Community development	575,143	483,563	420,314	63,249
Library	460,737	455,640	431,265	24,375
Grant development	73,933	72,616	71,646	970
Total expenditures	<u>14,878,637</u>	<u>15,757,593</u>	<u>15,516,823</u>	<u>240,770</u>
Excess (deficiency) of revenues over expenditures	<u>(346,500)</u>	<u>7,786,076</u>	<u>8,152,327</u>	<u>366,251</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from debt	-	-	-	-
Proceeds from sales of assets	-	-	-	-
Transfers in	1,040,000	1,065,000	740,501	(176,193)
Transfers out	(487,546)	(8,844,140)	(8,937,073)	(11,984)
Total other financing sources (uses)	<u>552,454</u>	<u>(7,779,140)</u>	<u>(8,196,572)</u>	<u>(188,177)</u>
Net change in fund balances	205,954	6,936	(44,245)	178,074
Fund balances - beginning	<u>13,060,980</u>	<u>13,060,980</u>	<u>13,060,980</u>	<u>-</u>
Fund balances - ending	<u>\$ 13,266,934</u>	<u>13,067,916</u>	<u>13,016,735</u>	<u>178,074</u>

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

CITY OF ALICE, TEXAS

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

September 30, 2012

	Business-type Activities Enterprise Funds			Total
	Utility System	Airport	Nonmajor Fund-Golf Course	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 310,900	369	323,993	635,262
Investments	1,023,711	-	147	1,023,858
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts receivable	1,639,484	3,066	675	1,643,225
Due from other governments	-	171,166	-	171,166
Due from other funds	100,403	-	227	100,630
Inventories and prepayments	161,642	-	3,277	164,919
Total current assets	<u>3,236,140</u>	<u>174,601</u>	<u>328,319</u>	<u>3,739,060</u>
Noncurrent assets:				
Restricted cash and investments	1,085,938	-	-	1,085,938
Deferred bond issue costs	118,404	-	-	118,404
Capital assets:				
Land	41,378	120,374	10,000	171,752
Construction in progress	4,053,340	-	-	4,053,340
Other capital assets, net of depreciation	<u>21,211,451</u>	<u>1,716,118</u>	<u>438,161</u>	<u>23,365,730</u>
Total noncurrent assets	<u>26,510,511</u>	<u>1,836,492</u>	<u>448,161</u>	<u>28,795,164</u>
Total assets	<u>29,746,651</u>	<u>2,011,093</u>	<u>776,480</u>	<u>32,534,224</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,348,646	903	10,995	1,360,544
Accrued liabilities	133,745	579	10,018	144,342
Due to other funds	442,320	100,428	160	542,908
Customer deposits	377,105	-	-	377,105
Long-term debt	726,763	-	-	726,763
Total current liabilities	<u>3,028,579</u>	<u>101,910</u>	<u>21,173</u>	<u>3,151,662</u>
Noncurrent liabilities:				
Accrued vacation	139,933	1,809	22,051	163,793
Net OPEB obligation	83,444	37	7,046	90,527
Long-term debt	14,201,103	-	-	14,201,103
Total noncurrent liabilities	<u>14,424,480</u>	<u>1,846</u>	<u>29,097</u>	<u>14,455,423</u>
Total liabilities	<u>17,453,059</u>	<u>103,756</u>	<u>50,270</u>	<u>17,607,085</u>
NET ASSETS				
Invested in capital assets, net of related debt	9,998,303	1,836,492	448,161	12,282,956
Unrestricted (deficit)	2,295,289	70,845	278,049	2,644,183
Total net assets	<u>\$ 12,293,592</u>	<u>1,907,337</u>	<u>726,210</u>	<u>14,927,139</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, 2012

	Business-type Activities Enterprise Funds			Total
	Utility System	Airport	Nonmajor Fund-Golf Course	
OPERATING REVENUES				
Charges for services	\$ 7,254,700	10,924	482,538	7,748,162
Connection fees	80,808	-	-	80,808
Total operating revenues	<u>7,335,508</u>	<u>10,924</u>	<u>482,538</u>	<u>7,828,970</u>
OPERATING EXPENSES				
Personnel services	1,738,772	18,087	315,595	2,072,454
Materials and supplies	1,265,386	3,633	58,027	1,327,046
Purchased property services	3,171,416	14,497	111,385	3,297,298
Contractual services	297,079	9,203	13,220	319,502
Sundry charges	339,700	-	-	339,700
Depreciation	1,082,923	76,878	82,519	1,242,320
Total operating expenses	<u>7,895,276</u>	<u>122,298</u>	<u>580,746</u>	<u>8,598,320</u>
Operating income (loss)	<u>(559,768)</u>	<u>(111,374)</u>	<u>(98,208)</u>	<u>(769,350)</u>
NON OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	9,742	-	1	9,743
Other non operating revenues	56,807	6,579	73	63,459
Operating grants	-	3,039	-	3,039
Gain on sale of equipment	-	-	-	-
Interest expense	(406,148)	-	-	(406,148)
Total non operating revenues (expenses)	<u>(339,599)</u>	<u>9,618</u>	<u>74</u>	<u>(329,907)</u>
Net income (loss) before contributions and transfers	(899,367)	(101,756)	(98,134)	(1,099,257)
Transfers in	862,230	64,642	136,274	1,063,146
Transfers out	(696,883)	-	(37,179)	(734,062)
Change in net assets	(734,020)	(37,114)	961	(770,173)
Net assets - beginning	<u>13,027,612</u>	<u>1,944,451</u>	<u>725,249</u>	<u>15,697,312</u>
Net assets - ending	<u>\$ 12,293,592</u>	<u>1,907,337</u>	<u>726,210</u>	<u>14,927,139</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, 2012

	Business-type Activities			
	Enterprise Funds			
	Utility System	Airport	Nonmajor Fund-Golf Course	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 7,565,525	21,734	482,611	8,069,870
Payments to suppliers	(4,605,177)	13,426	(178,962)	(4,770,713)
Payments to employees	(1,711,265)	(103,261)	(310,404)	(2,124,930)
Net cash provided (used) by operating activities	1,249,083	(68,101)	(6,755)	1,174,227
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	862,230	64,642	136,274	1,063,146
Transfers to other funds	(696,883)	-	(37,179)	(734,062)
Net cash provided (used) by noncapital financing activities	165,347	64,642	99,095	329,084
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital debt	-	-	-	-
Purchases of capital assets	(3,870,895)	-	(88,508)	(3,959,403)
Interest payments on outstanding debt	(406,128)	-	-	(406,128)
Principal payments on outstanding debt	(422,519)	-	-	(422,519)
Net cash provided (used) by capital and related financing activities	(4,699,542)	-	(88,508)	(4,788,050)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	2,101	-	2,101
Liquidation of investments	3,528,971	-	-	3,528,971
Interest and investment revenue received	17,739	-	-	17,739
Net cash provided (used) by investing activities	3,546,710	2,101	-	3,548,811
Net increase (decrease) in cash and cash equivalents	261,598	(1,358)	3,832	264,072
Balances - beginning of the year	49,302	1,727	320,161	371,190
Balances - end of the year	\$ 310,900	369	323,993	635,262

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, 2012

(Continued)

	Business-type Activities Enterprise Funds			Total
	Utility System	Airport	Nonmajor Fund-Golf Course	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (559,768)	(111,374)	(98,208)	(769,350)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	1,082,923	76,878	82,519	1,242,320
Provision for uncollectible accounts	-	-	-	-
Other non operating revenues	56,807	9,618	73	66,498
Changes in assets and liabilities:				
Accounts receivable	55,683	1,192	-	56,875
Due from other governments	-	(76,525)	-	(76,525)
Due from other funds	(100,403)	-	-	(100,403)
Inventories and prepayments	144,184	-	966	145,150
Accounts payable	425,296	(4,649)	(6,365)	414,282
Accrued liabilities	(673)	579	9,069	8,975
Due to other funds	90,179	35,230	-	125,409
Customer deposits	27,348	-	-	27,348
Accrued vacation	15,258	950	4,563	20,771
Net OPEB obligation	12,249	-	628	12,877
Net cash provided (used) by operating activities	\$ 1,249,083	(68,101)	(6,755)	1,174,227

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

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NOTES TO THE FINANCIAL STATEMENTS

CITY OF ALICE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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.

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.

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.

2009 Construction Fund – This fund accounts for the proceeds from debt issued by the City for the purpose of funding construction expenditures.

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.

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

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.

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. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and debt service fund. The other special revenue funds do not have appropriated budgets since other means control the use of these resources and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund and function. The legal level of budgetary control is the function level.

F. 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.

CITY OF ALICE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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.

H. 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.

I. 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.

J. 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

CITY OF ALICE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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.

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 \$1,643,174 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.

L. 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.

M. COMMITTED FUND BALANCE

The City's highest level of decision-making authority is the City Council, and a formal resolution of the City Council is required to establish or rescind a fund balance commitment.

N. USE OF RESTRICTED AND COMMITTED 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. When an expense is incurred for purposes for which both committed fund balance and unassigned fund balance are available, City policy is to first apply committed resources.

CITY OF ALICE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. INTERNAL ACTIVITY

The City does not maintain any internal service funds or use the general fund to charge other funds or programs for centralized expenses, and there are no administrative overhead charges which would need to be either eliminated or disclosed as being included in direct expenses.

P. 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.

Q. 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.

R. 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 \$12,962,990 was exposed to custodial credit risk.

CITY OF ALICE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

2 DEPOSITS AND INVESTMENTS (Continued)

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	50 days	\$ 20,953,765
TexSTAR local government investment pool	AAAm	44 days	-
			<u>\$ 20,953,765</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.

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 four member board composed of four 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.

CITY OF ALICE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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, 2011 levy was based upon 100 percent of the assessed market value of \$1,078,712,567. 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, 2011 levy was \$.28891. 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.

4 RECEIVABLES

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

	<u>Gross</u> <u>Receivables</u>	<u>Allowance</u> <u>for</u> <u>Uncollectibles</u>	<u>Net</u> <u>Receivables</u>
General Fund			
Property taxes receivable	\$ 183,692	(27,554)	156,138
Interest and penalty on taxes	131,438	(19,716)	111,722
Fines receivable	1,925,424	(1,553,913)	371,511
Debt Service Fund			
Property taxes receivable	214,055	(32,108)	181,947
Interest and penalty on taxes	194,347	(29,152)	165,195
Utility System Fund			
Utility account receivable	2,540,920	(901,436)	1,639,484

CITY OF ALICE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Governmental activities:				
Land	\$ 955,983	8,000	-	963,983
Construction in progress	3,002,969	5,691,969	(1,026,649)	7,668,289
Total undepreciated assets	<u>3,958,952</u>	<u>5,699,969</u>	<u>(1,026,649)</u>	<u>8,632,272</u>
Other capital assets				
Buildings and improvements	8,175,133	1,927,901	-	10,103,034
Equipment	13,125,019	554,861	(67,935)	13,611,945
Infrastructure	44,758,289	401,800	-	45,160,089
Total other capital assets at historical cost	<u>66,058,441</u>	<u>2,884,562</u>	<u>(67,935)</u>	<u>68,875,068</u>
Less accumulated depreciation for:				
Building and improvements	(5,623,598)	(306,279)	-	(5,929,877)
Equipment	(8,240,331)	(999,081)	66,735	(9,172,677)
Infrastructure	(32,505,566)	(1,195,927)	-	(33,701,493)
Total accumulated depreciation	<u>(46,369,495)</u>	<u>(2,501,287)</u>	<u>66,735</u>	<u>(48,804,047)</u>
Other capital assets, net	<u>19,688,946</u>	<u>383,275</u>	<u>(1,200)</u>	<u>20,071,021</u>
Governmental activities capital assets, net	<u>\$ 23,647,898</u>	<u>6,083,244</u>	<u>(1,027,849)</u>	<u>28,703,293</u>

Depreciation expense was charged as follows:

Administration	\$ 43,992
Finance	12,949
Public safety	491,820
Public works	1,814,157
Parks and recreation	112,014
Community development	3,022
Library	23,333
Total governmental functions	<u>2,501,287</u>

CITY OF ALICE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

6 CAPITAL ASSETS (Continued)

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Business-type activities:				
Land	\$ 171,752	-	-	171,752
Construction in progress	3,649,539	1,422,900	(981,920)	4,090,519
Total undepreciated assets	<u>3,821,291</u>	<u>1,422,900</u>	<u>(981,920)</u>	<u>4,262,271</u>
Other capital assets				
Distribution and collection systems	29,353,990	2,898,468	-	32,252,458
Building and improvements	5,270,143	111,116	-	5,381,259
Equipment	2,891,467	508,841	-	3,400,308
Total other capital assets at historical cost	<u>37,515,600</u>	<u>3,518,425</u>	<u>-</u>	<u>41,034,025</u>
Less accumulated depreciation for:				
Distribution and collection systems	(12,026,276)	(785,644)	-	(12,811,920)
Buildings and improvements	(2,223,819)	(169,584)	-	(2,393,403)
Equipment	(2,213,057)	(287,093)	-	(2,500,150)
Total accumulated depreciation	<u>(16,463,152)</u>	<u>(1,242,321)</u>	<u>-</u>	<u>(17,705,473)</u>
Other capital assets, net	<u>21,052,448</u>	<u>2,276,104</u>	<u>-</u>	<u>23,328,552</u>
Business-type activities capital assets, net	<u>\$ 24,873,739</u>	<u>3,699,004</u>	<u>(981,920)</u>	<u>27,590,823</u>
 Depreciation expense was charged as follows:				
Utility system	\$ 1,082,924			
Airport	76,878			
Golf course	82,519			
Total business-type activities	<u>\$ 1,242,321</u>			

7 INTERFUND RECEIVABLES AND PAYABLES

The general fund's receivables from the non-major governmental funds and the airport fund primarily represent advances to those funds to cover expenses for which grant or other receivables have not yet been collected. The general fund receivable from the utility fund represents a portion of the annual transfer from the utility fund to the general fund. The debt service fund receivable from the utility fund represents the excess of the utility fund's debt service obligation paid by the debt service fund over the amount budgeted to be covered by the debt service fund. The capital depreciation fund's receivable from the general fund and the non-major governmental funds' receivable from the general fund represent transfers of excess sales tax revenue to those funds.

CITY OF ALICE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

7 INTERFUND RECEIVABLES AND PAYABLES (Continued)

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

Due to general fund from:	
Debt service fund	\$ 2,325
Nonmajor governmental funds	150,631
Utility system fund	240,363
Airport fund	100,428
Total due to general fund	<u>493,747</u>
Due to debt service fund from:	
Utility system fund	<u>121,519</u>
Due to capital depreciation fund from:	
General fund	<u>2,966,129</u>
Due to construction fund from:	
Capital depreciation	<u>1,000,000</u>
Due to nonmajor governmental funds from:	
General fund	3,021,007
Nonmajor governmental funds	2,821
Total due to nonmajor governmental funds	<u>3,023,828</u>
Total due to governmental funds	<u>\$ 7,605,223</u>
Due to nonmajor proprietary fund from:	
General fund	<u>\$ 100,630</u>

8 INTERFUND TRANSFERS

The utility system provides annual support to the general fund. Additionally, the bulk of the capital replacement fund was moved back to the general fund. Excess sales tax revenues in the general fund were transferred into the capital depreciation fund and the non-major street improvement fund for future projects in those funds. A portion of the utility fund's debt service obligation was paid for with debt service fund property tax revenues transferred to the utility fund. The general fund provides annual support to the airport fund and to the golf course.

CITY OF ALICE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

8 INTERFUND TRANSFERS (Continued)

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

Transfers to general fund from:	
Nonmajor governmental funds	\$ 40,000
Utility system funds	<u>700,501</u>
Total transfers to general fund	<u>740,501</u>
Transfers to debt service fund from:	
Nonmajor governmental funds	<u>475</u>
Transfers to capital depreciation fund from:	
General fund	<u>1,115,759</u>
Transfers to nonmajor governmental funds from:	
Debt Service	5,100
General fund	7,673,432
Capital depreciation fund	<u>1,000,000</u>
Total transfers to governmental funds	<u>\$ 10,535,267</u>
Transfers to utility system fund from:	
Debt service fund	\$ 780,569
Capital depreciation fund	81,661
Utility construction fund	-
Total transfers	<u>862,230</u>
Transfers to airport fund from:	
General fund	<u>64,642</u>
Transfers to nonmajor proprietary fund from:	
General fund	83,240
Golf Course improvement fund	37,179
Capital depreciation fund	<u>15,855</u>
Total transfers	<u>136,274</u>
Total transfers to proprietary funds	<u>\$ 1,063,146</u>

CITY OF ALICE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

9 LONG-TERM DEBT

Long-term debt at September 30, 2012, is composed of the following items:

General Obligation Certificates of Obligation - Payable out of the Debt Service Fund through ad valorem taxes: \$2,650,000 Series 1999 certificates of obligation due in annual installments of \$240,000 to \$255,000 through February 1, 2013; interest at 5.20 percent to 5.25 percent	\$ 255,000
\$2,800,000 Series 2003 certificates of obligation due in annual installments of \$130,000 to \$230,000 through February 1, 2023; interest at 3.750 percent to 4.625 percent	2,050,000
\$7,035,000 Series 2009 certificates of obligation due in annual installments of \$275,000 to \$525,000 through February 1, 2029; interest at 3.00 percent to 4.75 percent	6,490,000
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 \$380,000 to \$765,000 through February 1, 2027; interest at 4.1 percent to 5.0 percent	8,530,000
\$4,495,000 Series 2009 combination tax and revenue certificates of obligation due in annual installments of \$150,000 with a final payment of \$57,000 on February 1, 2041; zero percent ARRA funding	4,257,000
\$2,148,000 Series 2010 combination tax and revenue certificates of obligation due in annual installments of \$71,000 to \$72,000 with a final payment of \$49,000 on February 1, 2041; zero percent ARRA funding	2,054,000
Capital Leases (Note 10)	
Payable out of the General Fund	784,099
Payable out of the Utility Fund	86,866
Accrued vacation payable out of the general fund	1,643,174
Accrued vacation payable out of the utility system fund	139,933
Accrued vacation payable out of the airport fund	1,809
Accrued vacation payable out of the golf course fund	22,051

CITY OF ALICE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

9 LONG-TERM DEBT (Continued)

Net OPEB obligation payable out of the general fund	341,457
Net OPEB obligation payable out of the utility system fund	83,444
Net OPEB obligation payable out of the airport fund	37
Net OPEB obligation payable out of the golf course fund	7,046
Estimated liability for landfill closure and postclosure care (Note 11)	<u>4,977,906</u>
Total long-term debt	<u><u>\$ 31,723,820</u></u>

The following is a summary of long-term debt activity for September 30, 2012.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities					
Bonds and leases payable:					
General obligation debt	\$ 9,440,000	-	(645,000)	8,795,000	670,000
Capital leases payable	<u>1,281,400</u>	-	<u>(497,303)</u>	<u>784,097</u>	<u>681,399</u>
Total bonds and leases payable	<u>10,721,400</u>	<u>-</u>	<u>(1,142,303)</u>	<u>9,579,097</u>	<u>1,351,399</u>
Other liabilities:					
Accrued vacation*	1,657,580	-	(14,406)	1,643,174	235,000
Net OPEB obligation*	312,224	29,233	-	341,457	-
Estimated liability for landfill closure and postclosure care*	<u>4,566,067</u>	<u>411,839</u>	<u>-</u>	<u>4,977,906</u>	<u>-</u>
Total other liabilities	<u>6,535,871</u>	<u>441,072</u>	<u>(14,406)</u>	<u>6,962,537</u>	<u>235,000</u>
Governmental activities long-term liabilities	<u>\$ 17,257,271</u>	<u>441,072</u>	<u>(1,156,709)</u>	<u>16,541,634</u>	<u>1,586,399</u>

*Historically, these liabilities have been liquidated by the general fund.

Business-type activities					
Bonds and leases payable:					
General obligation debt	\$ 15,221,000	-	(380,000)	14,841,000	627,000
Capital leases payable	<u>129,385</u>	<u>-</u>	<u>(42,519)</u>	<u>86,866</u>	<u>69,763</u>
Total bonds and leases payable	<u>15,350,385</u>	<u>-</u>	<u>(422,519)</u>	<u>14,927,866</u>	<u>696,763</u>
Other liabilities:					
Accrued vacation	143,022	20,771	-	163,793	30,000
Net OPEB obligation	<u>77,650</u>	<u>12,877</u>	<u>-</u>	<u>90,527</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 15,571,057</u>	<u>33,648</u>	<u>(422,519)</u>	<u>15,182,186</u>	<u>726,763</u>

CITY OF ALICE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

9 LONG-TERM DEBT (Continued)

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

Year Ended September 30	Governmental Activities Certificates of Obligation		Business-type Activities Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 670,000	352,393	627,000	380,944
2014	445,000	331,325	647,000	360,194
2015	460,000	316,026	667,000	338,443
2016	475,000	299,313	692,000	315,569
2017-2021	2,680,000	1,195,959	3,800,000	1,230,599
2022-2026	2,560,000	609,706	4,440,000	587,188
2027-2031	1,505,000	108,769	1,873,000	19,125
2032-2036	-	-	1,105,000	-
2037-2041	-	-	990,000	-
	<u>\$ 8,795,000</u>	<u>3,213,491</u>	<u>14,841,000</u>	<u>3,232,062</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 \$2,775,044. Accumulated depreciation of \$1,363,704 has been recorded against the assets under capital lease. The leases are payable out of the general fund and the utility system fund.

CITY OF ALICE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

10 CAPITAL LEASES PAYABLE (Continued)

Capital lease obligations at September 30, 2012, are composed of the following:

General Long-Term Debt:

Lease payable to Wells Fargo for a fire pumper; annual installments of \$93,079 including principal and interest through December 15, 2013; interest at 4.25 percent	\$ 174,929
Lease payable to Bank of America for a caterpillar loader; annual installments of \$44,402 including principal and interest through January 12, 2014; interest at 2.35 percent	85,765
Lease payable to Bank of America for a dump truck; annual installments of \$27,613 including principal and interest through January 12, 2014; interest at 2.35 percent	53,336
Lease payable to Wells Fargo for a garbage truck; annual installments of \$29,488 including principal and interest through December 15, 2013; interest at 4.25 percent	55,419
Lease payable to Wells Fargo for rear steer loaders; annual installments of \$48,559 including principal and interest through December 15, 2013; interest at 4.25 percent	91,261
Lease payable to Bank of America for a residential garbage truck; annual installments of \$45,273 including principal and interest through January 12, 2014; interest at 2.35 percent	87,448
Lease payable to Bank of America for an automated garbage truck; annual installments of \$55,022 including principal and interest through January 12, 2014; interest at 2.35 percent	106,279
Lease payable to Wells Fargo for a compactor; annual installments of \$68,993 including principal and interest through December 15, 2013; interest at 4.25 percent	129,662
Utility Fund Debt:	
Lease payable to Wells Fargo for a backhoe; annual installments of \$11,053 including principal and interest through December 15, 2013; interest at 4.25 percent	20,773

CITY OF ALICE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

10 CAPITAL LEASES PAYABLE (Continued)

Lease payable to Bank of America for a caterpillar backhoe; annual installments of \$21,447 including principal and interest through January 12, 2014; interest at 2.35 percent	41,426
Lease payable to Bank of America for an F350 crew cab; annual installments of \$12,770 including principal and interest through January 12, 2014; interest at 2.35 percent	<u>24,665</u>
	<u><u>\$ 870,963</u></u>

Fiscal Year	Governmental Activities	Business-type Activities
2013	\$ 412,428	\$ 45,270
2014	<u>412,428</u>	<u>45,270</u>
	824,856	90,540
Less amount representing interest	<u>40,760</u>	<u>3,675</u>
	<u><u>\$ 784,096</u></u>	<u><u>\$ 86,865</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 post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs as a liability is based on the amount of the landfill used to date.

The estimated liability for landfill closure and post-closure care costs has a balance of \$4,977,906 as of September 30, 2012, which is based on 92% usage (filled) of the current landfill sites Phase I, and Sections A, B and C. It is estimated that an additional \$411,839 will be recognized as part of the liability for closure and post-closure care expenses of the landfill between the date of the balance sheet and the date these sections are expected to be filled to capacity (2012).

CITY OF ALICE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The estimated total current cost of the landfill closure and post-closure care for Phase I and Sections A, B and C of \$5,389,745 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, 2012. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The City is required by state and federal laws and regulations to establish financial assurance for closure and post-closure care to ensure that the funds necessary to meet the costs of closure and post-closure 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 FUND BALANCE RESTRICTED OR COMMITTED TO OTHER PURPOSES

Some fund balance restrictions and commitments have been grouped together under the heading of other or various purposes. Those amounts are detailed below.

Restricted for other purposes	
General fund:	
Ruth Moos library bequest	\$ <u>18,500</u>
Nonmajor governmental funds:	
Public Education & Govt purposes	22,769
Municipal court security	43,196
Municipal court technology	21,092
Drug forfeiture sharing purposes	62,240
Drug forfeiture purposes	118,467
Hotel/Motel tax purposes	<u>1,827,911</u>
	<u>2,095,675</u>
Total restricted for other purposes	\$ <u><u>2,114,175</u></u>

CITY OF ALICE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

12 FUND BALANCE RESTRICTED OR COMMITTED TO OTHER PURPOSES
(Continued)

Committed to other purposes:

General fund:

City Hall improvement	\$ 24,994
Humane facility	7,011
Public works facility	20,000
Library improvement	108
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	3,771
Unemployment compensation	8,016
Texas/Seabreeze lighting	10,000
San Diego Creek	5,798
Demolition	13,713
Library automation	6,200
Neighborhood facility	5,468
Total general fund commitments	<u>222,096</u>

Capital depreciation fund:

For major capital expenditures	<u>7,463,164</u>
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CITY OF ALICE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

12 FUND BALANCE RESTRICTED OR COMMITTED TO OTHER PURPOSES
(Continued)

Committed to other purposes:

Nonmajor governmental funds:

Toy drive	\$ 469
Community development	50,000
Library branch	2,173
Recycling center	2,564
Cultural committee	1,019
Street improvements	43,746
Economic development	306,668
High deductible insurance coverage	34,679
Street construction	103,661
Street improvements	2,922,031
Landfill development	556,853
Capital equipment replacement	926
	<u>4,024,789</u>

Total committed to other purposes \$ 11,710,049

13 PENSION PLAN

Plan description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX, 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

CITY OF ALICE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

13 PENSION PLAN (Continued)

The plan provisions for the City are adopted by the governing body of the City from the options available in the state statutes governing TMRS. Because the TMRS plan year is a calendar year and the City fiscal year ends on September 30, each fiscal year includes two different TMRS plan years. Plan provisions for the City were as follows:

	Plan Year 2011	Plan Year 2012
Employee deposit rate	5.00%	5.00%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

CITY OF ALICE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

13 PENSION PLAN (Continued)

Trend Information				
Annual Pension Cost				
Accounting Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation
9/30/2010	\$1,005,568	\$1,005,568	100%	\$0
9/30/2011	\$1,128,810	\$1,128,810	100%	\$0
9/30/2012	\$1,630,459	\$1,630,459	100%	\$0

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

Valuation Date	12/31/2009	12/21/2010	12/21/2011
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	28 years; closed period	27.1 years; closed period	26.0 years; closed period
Amortization period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.50%	7.00%	7.00%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation at Cost-of-Living Adjustments	3.00% 2.10%	3.00% 2.10%	3.00% 2.10%

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)
12/31/2009	16,843,897	23,067,598	6,223,701	73.00%	8,303,984	74.90%
12/31/2010	25,073,309	29,561,166	4,487,857	84.80%	8,706,329	51.50%
12/31/2011	27,372,749	31,659,981	4,287,232	86.50%	9,269,264	46.30%

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

14 POST RETIREMENT BENEFITS OTHER THAN PENSION

Plan description

The City provides post-retirement medical and dental benefits on behalf of its eligible retirees and their dependents through a single-employer defined benefit plan. 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. Spouses and eligible dependents may also remain on the plan, however, the retiree is obligated to pay the premiums for their spouse and dependents. An actuarial valuation of the benefit plan has been obtained, however, the plan does not have a separately issued and audited plan report.

CITY OF ALICE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

14 POST RETIREMENT BENEFITS OTHER THAN PENSION (Continued)

Funding policy and OPEB cost

Currently, the City pays for and reports retiree benefits on a "pay-as-you-go" basis, which is the practice of paying for these benefits as they become due each year.

The cost of these other postemployment benefits (OPEB) is calculated to include the normal cost, a minimum amortization of the unfunded accrued liability, and interest on the net OPEB obligation. Normal cost is the portion of the actuarial present value of future benefits allocated to a valuation year. The actuarial accrued liability is the liability for past service (as determined by a particular actuarial cost method). The current year's OPEB cost is calculated below.

Normal Cost	\$ 29,448
Minimum amortization of UAL	45,332
Interest adjustment to year-end	2,991
Annual required contribution	<u>77,771</u>
ARC adjustment	(13,924)
Interest Adjustment to net OPEB obligation	<u>15,595</u>
OPEB cost	79,442
Contributions made	<u>(37,334)</u>
Increase in net OPEB obligation	42,108
NET OPEB obligation - beginning of year	389,875
Net OPEB obligation - end of year	<u><u>\$ 431,983</u></u>

Trend Information
Annual OPEB Cost

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2010	194,576	23,072	11.90%	347,996
9/30/2011	79,263	37,384	47.20%	389,875
9/30/2012	79,442	37,334	47.00%	431,983

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

CITY OF ALICE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

14 POST RETIREMENT BENEFITS OTHER THAN PENSION (Continued)

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations. In the October 1, 2008, actuarial valuation, the actuarial cost method used was the entry age normal method. As of that valuation date, there were no assets, hence no need for an actuarial value of assets. The amortization method is level percent of pay using an open amortization period of 30 years. Age-neutral premiums were used for claims costs, and initial annual claims cost trend rates of 10% for medical and 6% for dental are reduced by decrements to ultimate rates of 6% and 3.5% after eight years. A discount rate of 4% was used.

The required schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The following is the first actuarial valuation.

**Schedule of Funding Progress for the OPEB 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 (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
10/1/2008	-	2,667,667	2,667,667	0%	7,029,275	38%
10/1/2010	-	1,269,287	1,269,287	0%	7,766,416	16.30%

15 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.

CITY OF ALICE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

16 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.

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 \$2,233,845. Utility customer deposits held at year end totaled \$377,105.

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.

CITY OF ALICE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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 and the Operations Brightside Fund had a deficit in unassigned fund balance of (\$4,067).

21 SIGNIFICANT BUDGET OVERAGES

The general fund reflected a (\$271,046) budget overage in the category of administration, which resulted from the capital outlay expense for the National Guard Armory.

22 COMMITMENTS

The City has commitments under a number of ongoing construction contracts as of the end of the fiscal year. The amount of work remaining under ongoing contracts is \$8,104,615.

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:

Toy Drive - accounts for donations received specifically for the annual toy drive.

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.

CDBG Grant - accounts for a grant received for the purposes of community development.

PEG Grants – accounts for portion of cable franchise fees collected for special uses.

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

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.

Border Security Grant – accounts for a State grant to provide additional manpower by local law enforcement agencies for State led border security enhanced operations for improved border security.

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

Department of Justice Grant 16.804 - 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.

Health Gap Insurance Fund - accounts for funds set aside to help defray the costs to employees of higher deductible health insurance coverage.

DEBT SERVICE FUNDS

Debt Service Fund - is 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.

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.

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

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.

Multi-Use Facility - accounts for accumulation of resources set aside to be used for the construction of the multi-purpose complex.

CITY OF ALICE, TEXAS

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

September 30, 2012

	<u>Toy Drive</u>	<u>Municipal Court Security</u>	<u>Municipal Court Technology</u>	<u>Drug Forfeiture Equitable Sharing</u>
ASSETS				
Cash and cash equivalents	\$ 470	43,196	21,277	62,240
Investments	-	-	-	-
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts receivable	-	-	-	-
Property Taxes	-	-	-	-
Interest and penalty on taxes	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
Inventories and prepayments	-	-	-	-
Total assets	<u>\$ 470</u>	<u>43,196</u>	<u>21,277</u>	<u>62,240</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	-	185	-
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Refundable advances	-	-	-	-
Customer deposits	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>185</u>	<u>-</u>
Fund Balances				
Nonspendable:				
Inventories and prepayments	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	43,196	21,092	62,240
Committed to:				
Various purposes	470	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>470</u>	<u>43,196</u>	<u>21,092</u>	<u>62,240</u>
Total liabilities and fund balances	<u>\$ 470</u>	<u>43,196</u>	<u>21,277</u>	<u>62,240</u>

Special Revenue Funds

Drug Forfeiture Fund	CDBG	PEG Grant	Homeland Security Grant	Debt Service Fund	Library Branch
121,752	50,000	-	-	115,749	2,173
5,253	-	-	-	1,120,031	-
-	-	-	51,252	5,444	-
-	-	-	-	181,947	-
-	-	-	-	165,195	-
-	-	22,769	-	121,519	-
-	-	-	-	-	-
<u>127,005</u>	<u>50,000</u>	<u>22,769</u>	<u>51,252</u>	<u>1,709,885</u>	<u>2,173</u>
4,742	-	-	51,252	-	-
-	-	-	-	-	-
3,796	-	-	-	2,326	-
-	-	-	-	347,142	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>8,538</u>	<u>-</u>	<u>-</u>	<u>51,252</u>	<u>349,468</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	1,360,417	-
-	-	-	-	-	-
118,467	-	22,769	-	-	-
-	50,000	-	-	-	2,173
-	-	-	-	-	-
<u>118,467</u>	<u>50,000</u>	<u>22,769</u>	<u>-</u>	<u>1,360,417</u>	<u>2,173</u>
<u>127,005</u>	<u>50,000</u>	<u>22,769</u>	<u>51,252</u>	<u>1,709,885</u>	<u>2,173</u>

CITY OF ALICE, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2012

(Continued)

	Hotel Motel Tax Reserve	Border Security Grant	Tobacco Education and Prevention	Dept of Justice Grant 16.738
ASSETS				
Cash and cash equivalents	\$ 1,671,920	81,107	4,311	31,512
Investments	-	-	-	-
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts receivable	155,991	-	-	-
Property Taxes	-	-	-	-
Interest and penalty on taxes				
Due from other governments	-	11,220	-	-
Due from other funds	-	-	-	-
Inventories and prepayments	-	-	-	-
Total assets	\$ 1,827,911	92,327	4,311	31,512
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	18	-	-
Accrued liabilities	-	-	-	-
Due to other funds	-	92,309	4,311	31,512
Deferred revenue	-	-	-	-
Refundable advances	-	-	-	-
Customer deposits	-	-	-	-
Total liabilities	-	92,327	4,311	31,512
Fund Balances				
Nonspendable:				
Inventories and prepayments	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	1,827,911	-	-	-
Committed to:				
Various purposes	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	1,827,911	-	-	-
Total liabilities and fund balances	\$ 1,827,911	92,327	4,311	31,512

Special Revenue Funds

Dept of Justice Grant 16.804	Loan Star Libraries Grant	Alice Development Program	Coyote Recycling Center	Community Events Fund	Alice Cultural Committee
7,778	-	-	3,491	-	1,019
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,059	-	-	-	-	-
-	-	-	-	7,500	-
<u>8,837</u>	<u>-</u>	<u>-</u>	<u>3,491</u>	<u>7,500</u>	<u>1,019</u>
-	-	-	928	127	-
-	-	-	-	-	-
8,837	-	-	-	1,098	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	13,925	-	-	-
<u>8,837</u>	<u>-</u>	<u>13,925</u>	<u>928</u>	<u>1,225</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	2,563	-	1,019
-	-	(13,925)	-	6,275	-
-	-	(13,925)	2,563	6,275	1,019
<u>8,837</u>	<u>-</u>	<u>-</u>	<u>3,491</u>	<u>7,500</u>	<u>1,019</u>

CITY OF ALICE, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2012

(Continued)

	Special Revenue Funds				
	Operation Brightside	Escrow Fund	Local Economic Development Fund	Health Gap Insurance Fund	Sales Tax Debt Service Reserve
ASSETS					
Cash and cash equivalents	\$ -	-	169,270	34,679	-
Investments	-	43,746	137,398	-	114,174
Receivables (net, where applicable, of allowances for uncollectibles):					
Accounts receivable	-	-	-	-	-
Property Taxes	-	-	-	-	-
Interest and penalty on taxes	-	-	-	-	-
Due from other governments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Inventories and prepayments	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>43,746</u>	<u>306,668</u>	<u>34,679</u>	<u>114,174</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	-	-	-	-
Accrued liabilities	-	-	-	-	-
Due to other funds	4,067	-	-	-	-
Deferred revenue	-	-	-	-	-
Refundable advances	-	-	-	-	-
Customer deposits	-	-	-	-	-
Total liabilities	<u>4,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
Nonspendable:					
Inventories and prepayments	-	-	-	-	-
Restricted for:					
Debt service	-	-	-	-	114,174
Capital projects	-	-	-	-	-
Other purposes	-	-	-	-	-
Committed to:					
Various purposes	-	43,746	306,668	34,679	-
Unassigned	(4,067)	-	-	-	-
Total fund balances	<u>(4,067)</u>	<u>43,746</u>	<u>306,668</u>	<u>34,679</u>	<u>114,174</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>43,746</u>	<u>306,668</u>	<u>34,679</u>	<u>114,174</u>

Capital Projects Funds

2003 CO Construction	Street Construction Assessment Fund	Street Improvement Fund	G.O. Bond Construction Fund	Landfill Development
1,028	11,017	-	20,109	550,319
73,544	92,644	32,213	-	6,535
-	12,709	-	-	-
-	-	-	-	-
-	-	3,000,000	-	-
-	-	-	-	-
<u>74,572</u>	<u>116,370</u>	<u>3,032,213</u>	<u>20,109</u>	<u>556,854</u>
-	-	110,182	20,109	-
-	-	-	-	-
-	-	-	-	-
-	12,709	-	-	-
-	-	-	-	-
-	-	-	-	-
-	<u>12,709</u>	<u>110,182</u>	<u>20,109</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
74,572	-	-	-	-
-	-	-	-	-
-	103,661	2,922,031	-	556,854
-	-	-	-	-
<u>74,572</u>	<u>103,661</u>	<u>2,922,031</u>	<u>-</u>	<u>556,854</u>
<u>74,572</u>	<u>116,370</u>	<u>3,032,213</u>	<u>20,109</u>	<u>556,854</u>

CITY OF ALICE, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2012

(Continued)

	Capital Projects Funds				Total Nonmajor Governmental Funds
	Capital Replacement Fund	1996 Tax Note Construction	1999 CO Construction	Multi- Purpose Complex	
ASSETS					
Cash and cash equivalents	\$ -	878	314,630	4,146,024	7,465,949
Investments	926	-	42,020	-	1,668,484
Receivables (net, where applicable, of allowances for uncollectibles):					-
Accounts receivable	-	-	-	-	225,396
Property Taxes	-	-	-	-	181,947
Interest and penalty on taxes	-	-	-	-	165,195
Due from other governments	-	-	-	-	11,220
Due from other funds	-	-	-	-	3,145,347
Inventories and prepayments	-	-	-	-	7,500
Total assets	<u>\$ 926</u>	<u>878</u>	<u>356,650</u>	<u>4,146,024</u>	<u>12,871,038</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	-	5,929	148,780	342,252
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	19,965	168,221
Deferred revenue	-	-	-	-	359,851
Refundable advances	-	-	-	-	-
Customer deposits	-	-	-	-	13,925
Total liabilities	<u>-</u>	<u>-</u>	<u>5,929</u>	<u>168,745</u>	<u>884,249</u>
Fund Balances					
Nonspendable:					
Inventories and prepayments	-	-	-	-	-
Restricted for:					
Debt service	-	-	-	-	1,474,591
Capital projects	-	878	350,721	3,977,279	4,403,450
Other purposes	-	-	-	-	2,095,675
Committed to:					
Various purposes	926	-	-	-	4,024,790
Unassigned	-	-	-	-	(11,717)
Total fund balances	<u>926</u>	<u>878</u>	<u>350,721</u>	<u>3,977,279</u>	<u>11,986,789</u>
Total liabilities and fund balances	<u>\$ 926</u>	<u>878</u>	<u>356,650</u>	<u>4,146,024</u>	<u>12,871,038</u>

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CITY OF ALICE, TEXAS

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

For the Year Ended September 30, 2012

	Toy Drive	Municipal Court Security	Municipal Court Technology	Drug Forfeiture Equitable Sharing
REVENUES				
Taxes	\$ -	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines	-	7,553	9,979	52,491
Investment earnings	2	-	-	44
Miscellaneous	500	-	-	-
Total revenues	<u>502</u>	<u>7,553</u>	<u>9,979</u>	<u>52,535</u>
EXPENDITURES				
Current:				
Administration	458	-	-	-
Public safety	-	-	6,955	-
Public works	-	-	-	-
Community development	-	-	-	-
Library	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>458</u>	<u>-</u>	<u>6,955</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>44</u>	<u>7,553</u>	<u>3,024</u>	<u>52,535</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	44	7,553	3,024	52,535
Fund balances - beginning	<u>426</u>	<u>35,643</u>	<u>18,068</u>	<u>9,705</u>
Fund balances - ending	<u>\$ 470</u>	<u>43,196</u>	<u>21,092</u>	<u>62,240</u>

Special Revenue Funds

Drug Forfeiture Fund	CDBG	PEG Grant	Homeland Security Grant	Debt Service Fund	Library Branch
-	-	-	-	1,847,170	-
-	-	22,769	51,252	-	-
-	-	-	-	-	-
111,251	-	-	-	-	-
6,794	-	-	-	2,927	-
-	-	-	-	-	-
<u>118,045</u>	<u>-</u>	<u>22,769</u>	<u>51,252</u>	<u>1,850,097</u>	<u>-</u>
-	-	-	-	-	-
63,430	-	-	53,684	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	645,000	-
-	-	-	-	381,740	-
<u>63,430</u>	<u>-</u>	<u>-</u>	<u>53,684</u>	<u>1,026,740</u>	<u>-</u>
-	-	-	-	-	-
54,615	-	22,769	(2,432)	823,357	-
-	-	-	2,432	475	-
-	-	-	-	(785,669)	-
-	-	-	2,432	(785,194)	-
-	-	-	-	-	-
54,615	-	22,769	-	38,163	-
63,852	50,000	-	-	1,322,254	2,173
<u>118,467</u>	<u>50,000</u>	<u>22,769</u>	<u>-</u>	<u>1,360,417</u>	<u>2,173</u>

CITY OF ALICE, TEXAS

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

For the Year Ended September 30, 2012

(Continued)

	Hotel Motel Tax Reserve	Border Security Grant	Tobacco Education and Prevention	Dept of Justice Grant 16.738
REVENUES				
Taxes	\$ 711,447	-	-	-
Intergovernmental	-	36,022	2,169	22,412
Charges for services	-	-	-	-
Fines	-	-	-	-
Investment earnings	1,872	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>713,319</u>	<u>36,022</u>	<u>2,169</u>	<u>22,412</u>
EXPENDITURES				
Current:				
Administration	-	-	-	-
Public safety	-	36,022	2,169	22,412
Public works	-	-	-	-
Community development	99,300	-	-	-
Library	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>99,300</u>	<u>36,022</u>	<u>2,169</u>	<u>22,412</u>
Excess (deficiency) of revenues over expenditures	<u>614,019</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	614,019	-	-	-
Fund balances - beginning	<u>1,213,892</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,827,911</u>	<u>-</u>	<u>-</u>	<u>-</u>

Special Revenue Funds					
Dept of Justice Grant 16.804	Loan Star Libraries Grant	Alice Development Program	Coyote Recycling Center	Community Events Fund	Alice Cultural Committee
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	4,245	-	-
-	-	-	-	-	-
-	-	-	95	-	-
-	-	-	-	-	-
-	-	-	4,340	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	2,612	-	-
-	-	-	-	15,000	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	2,612	15,000	-
-	-	-	-	-	-
-	-	-	1,728	(15,000)	-
-	-	-	-	16,000	-
-	-	-	(40,000)	-	-
-	-	-	(40,000)	16,000	-
-	-	-	-	-	-
-	-	-	(38,272)	1,000	-
-	-	(13,925)	40,835	5,275	1,019
-	-	(13,925)	2,563	6,275	1,019

CITY OF ALICE, TEXAS

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

For the Year Ended September 30, 2012

(Continued)

	Special Revenue Funds				
	Operation Brightside	Escrow Fund	Local Economic Development Fund	Health Gap Insurance Fund	Sales Tax Debt Service Reserve
REVENUES					
Taxes	\$ -	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines	-	-	-	-	-
Investment earnings	-	102	322	66	264
Miscellaneous	142	-	-	-	-
Total revenues	<u>142</u>	<u>102</u>	<u>322</u>	<u>66</u>	<u>264</u>
EXPENDITURES					
Current:					
Administration	-	-	-	26,331	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Community development	1,621	-	55,000	-	-
Library	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Total expenditures	<u>1,621</u>	<u>-</u>	<u>55,000</u>	<u>26,331</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(1,479)</u>	<u>102</u>	<u>(54,678)</u>	<u>(26,265)</u>	<u>264</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	55,000	-	5,100
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>55,000</u>	<u>-</u>	<u>5,100</u>
Net change in fund balances	(1,479)	102	322	(26,265)	5,364
Fund balances - beginning	<u>(2,588)</u>	<u>43,644</u>	<u>306,346</u>	<u>60,944</u>	<u>108,810</u>
Fund balances - ending	\$ <u>(4,067)</u>	<u>43,746</u>	<u>306,668</u>	<u>34,679</u>	<u>114,174</u>

Capital Projects Funds

2003 CO Construction	Street Construction Assessment Fund	Street Improvement Fund	G.O. Bond Construction Fund	Landfill Development
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
174	344	120	-	696
-	561	-	-	-
<u>174</u>	<u>905</u>	<u>120</u>	<u>-</u>	<u>696</u>
-	-	-	-	-
-	-	-	-	-
-	-	612,549	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>612,549</u>	<u>-</u>	<u>-</u>
<u>174</u>	<u>905</u>	<u>(612,429)</u>	<u>-</u>	<u>696</u>
-	-	2,250,000	-	50,000
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>2,250,000</u>	<u>-</u>	<u>50,000</u>
174	905	1,637,571	-	50,696
<u>74,398</u>	<u>102,756</u>	<u>1,284,460</u>	<u>-</u>	<u>506,158</u>
<u>74,572</u>	<u>103,661</u>	<u>2,922,031</u>	<u>-</u>	<u>556,854</u>

CITY OF ALICE, TEXAS

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

For the Year Ended September 30, 2012

(Continued)

	Capital Projects Funds				Total Nonmajor Governmental Funds
	Capital Replacement Fund	1996 Tax Note Construction	1999 CO Construction	Multi- Use Facility	
REVENUES					
Taxes	\$ -	-	-	-	2,558,617
Intergovernmental	-	-	-	-	134,624
Charges for services	-	-	-	-	4,245
Fines	-	-	-	-	181,274
Investment earnings	4	2	525	-	14,353
Miscellaneous	-	-	-	-	1,203
Total revenues	<u>4</u>	<u>2</u>	<u>525</u>	<u>-</u>	<u>2,894,316</u>
EXPENDITURES					
Current:					
Administration	-	-	-	-	26,789
Public safety	-	-	-	-	184,672
Public works	-	-	-	-	615,161
Community development	-	-	-	422,721	593,642
Library	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	645,000
Interest and other charges	-	-	-	-	381,740
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>422,721</u>	<u>2,447,004</u>
Excess (deficiency) of revenues over expenditures	<u>4</u>	<u>2</u>	<u>525</u>	<u>(422,721)</u>	<u>447,312</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	4,400,000	6,779,007
Transfers out	-	-	-	-	(825,669)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,400,000</u>	<u>5,953,338</u>
Net change in fund balances	4	2	525	3,977,279	6,400,650
Fund balances - beginning	<u>922</u>	<u>876</u>	<u>350,196</u>	<u>-</u>	<u>5,586,139</u>
Fund balances - ending	<u>\$ 926</u>	<u>878</u>	<u>350,721</u>	<u>3,977,279</u>	<u>11,986,789</u>

CITY OF ALICE, TEXAS

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND**

For the Year Ended September 30, 2012

	Budgeted Amount		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,463,182	1,449,376	1,847,170	397,794
Investment earnings	20,800	22,728	2,927	(19,801)
Total revenues	<u>1,483,982</u>	<u>1,472,104</u>	<u>1,850,097</u>	<u>377,993</u>
EXPENDITURES				
Debt service:				
Principal	980,000	980,000	645,000	335,000
Interest and other charges	<u>824,567</u>	<u>824,567</u>	<u>381,740</u>	<u>442,827</u>
Total expenditures	<u>1,804,567</u>	<u>1,804,567</u>	<u>1,026,740</u>	<u>777,827</u>
Excess (deficiency) of revenues over expenditures	(320,585)	(332,463)	823,357	1,155,820
OTHER FINANCING SOURCES (USES)				
Transfers in	406,336	406,336	475	(405,861)
Transfers out	<u>-</u>	<u>-</u>	<u>(785,669)</u>	<u>(785,669)</u>
Total other financing sources (uses)	<u>406,336</u>	<u>406,336</u>	<u>(785,194)</u>	<u>(1,191,530)</u>
Net change in fund balances	85,751	73,873	38,163	(35,710)
Fund balances - beginning	<u>1,322,254</u>	<u>1,322,254</u>	<u>1,322,254</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,408,005</u>	<u>1,396,127</u>	<u>1,360,417</u>	<u>(35,710)</u>

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Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

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RAUL HERNANDEZ & COMPANY, P.C.
Certified Public Accountants
5422 Holly Rd
Corpus Christi, Texas 78411
Office (361) 980-0428 Fax (361) 980-1002

Independent Auditors' Report

Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

City Council
City of Alice, Texas
P.O. BOX 3229
Alice, Texas 78332

Members of the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Alice, Texas as of and for the year ended September 30, 2012, which collectively comprise the City of Alice, Texas's basic financial statements and have issued our report thereon dated March 25, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of City of Alice, Texas is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Alice, Texas's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Alice, Texas's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Alice, Texas's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Alice, Texas's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of City of Alice, Texas in a separate letter dated March 25, 2013.

This report is intended solely for the information and use of management, others within the entity and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in blue ink that reads "Raul Hernandez & Company, P.C." in a cursive script.

Raul Hernandez & Company, P.C.

March 25, 2013

CITY OF ALICE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards N/A

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Identification of major programs: N/A

CFDA Number(s) Name of Federal Program or Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

CITY OF ALICE, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
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N/A

CITY OF ALICE, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2012

N/A

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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.	73
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.	81
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.	91
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.	97
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.	99

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	824,883	4,803,964
Total governmental activities net assets	<u><u>18,235,502</u></u>	<u><u>\$ 17,076,950</u></u>	<u><u>\$ 17,858,231</u></u>	<u><u>\$ 22,254,600</u></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><u>\$ 9,359,290</u></u>	<u><u>\$ 10,756,354</u></u>	<u><u>\$ 13,246,108</u></u>	<u><u>\$ 13,628,008</u></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	2,595,955	6,358,282
Total primary government net assets	<u><u>\$ 27,594,792</u></u>	<u><u>\$ 27,833,304</u></u>	<u><u>\$ 31,104,339</u></u>	<u><u>\$ 35,882,608</u></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	2008	2009	2010	2011	2012
\$15,600,026	\$16,703,294	\$16,120,594	\$16,868,832	\$17,234,586	\$21,740,756
1,232,031	1,838,923	2,005,592	1,733,566	1,795,282	2,371,059
7,987,440	9,903,866	10,345,404	12,954,403	19,490,550	22,280,207
<u>\$ 24,819,497</u>	<u>\$ 28,446,083</u>	<u>\$28,471,590</u>	<u>\$ 31,556,801</u>	<u>\$ 38,520,418</u>	<u>\$ 46,392,022</u>
\$ 12,556,704	\$ 13,036,614	\$13,356,926	\$12,981,573	\$13,342,304	\$12,282,956
-	-	-	-	-	-
2,173,086	2,272,273	2,322,001	2,528,104	2,355,008	2,644,183
<u>\$ 14,729,790</u>	<u>\$ 15,308,887</u>	<u>\$15,678,927</u>	<u>\$ 15,509,677</u>	<u>\$ 15,697,312</u>	<u>\$ 14,927,139</u>
\$ 28,156,733	\$ 29,739,908	\$29,477,520	\$29,850,405	\$30,576,890	\$34,023,712
1,232,031	1,838,923	2,005,592	1,733,566	1,795,282	2,371,059
10,160,526	12,176,139	12,667,405	15,482,507	21,845,558	24,924,390
<u>\$ 39,549,290</u>	<u>\$ 43,754,970</u>	<u>\$44,150,517</u>	<u>\$ 47,066,478</u>	<u>\$ 54,217,730</u>	<u>\$ 61,319,161</u>

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

	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
Administration	\$ 914,075	\$ 1,017,404	\$ 1,024,050	\$ 997,235	\$ 1,163,965
Finance	673,837	689,006	726,409	754,154	783,691
Public Safety	4,423,984	4,465,889	4,982,921	5,154,097	5,423,574
Public Works	4,587,123	4,730,594	4,435,293	4,493,629	5,093,518
Parks and Recreation	913,439	742,752	779,874	883,218	982,062
Community Development	449,674	453,433	886,317	760,688	399,533
Library	388,876	406,909	467,390	453,797	437,671
Grant Development	-	-	-	-	-
Other	187,746	416,812	162,423	197,156	219,876
Interest on long term debt	391,003	470,864	446,824	387,422	335,075
Total governmental activities	<u>12,929,737</u>	<u>13,393,763</u>	<u>13,901,501</u>	<u>14,071,396</u>	<u>14,841,965</u>
Business-type activities:					
Water and Wastewater	4,690,546	4,381,610	5,344,831	5,803,442	4,546,146
Airport	45,449	53,684	107,039	105,092	124,260
Golf Course	-	323,442	330,722	490,347	534,240
Total business-type activities expenses	<u>4,735,995</u>	<u>4,758,736</u>	<u>5,782,592</u>	<u>6,398,881</u>	<u>5,204,646</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>	<u>\$ 20,046,611</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Administration	\$ 9,186	\$ 14,172	\$ 16,870	\$ 17,051	\$ 4,847
Public Safety	157,376	357,028	652,728	412,816	275,533
Public Works	1,898,588	1,967,922	2,142,270	2,240,512	2,312,063
Parks and Recreation	264,109	29,549	59,700	93,908	133,830
Community Development	212,320	127,715	171,355	207,593	216,702
Library	1,105	1,415	2,545	3,027	282
Other	101,578	106,112	122,317	155,001	181,680
Operating grants and contributions:					
Public Safety	114,258	69,783	128,080	101,282	124,768
Public Works	6,551	19,383	-	-	-
Community Development	110,025	75,605	491,728	335,010	-
Library	55,981	65,933	55,010	65,404	55,089
Other	-	28,787	4,502	20,659	25,306
Capital grants and contributions:					
Public Safety	9,401	-	-	-	76,014
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>3,813,695</u>	<u>3,406,134</u>
Business-type activities:					
Charges for services:					
5.24444E+84	5,319,031	5,385,992	6,222,144	6,399,323	6,018,345
Airport	7,103	8,503	8,712	8,018	10,240
Golf Course	-	204,318	216,746	394,759	471,741
Operating grants and contributions:					
Airport	-	-	-	-	-
Capital grants and contributions:					
Water and wastewater	-	513,333	24,454	263,476	382,674
Airport	-	-	823,946	-	-
Golf Course	-	-	-	-	-
Total business-type activities program revenues	<u>5,326,134</u>	<u>6,112,148</u>	<u>7,296,002</u>	<u>7,065,576</u>	<u>6,883,000</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>	<u>\$ 10,289,134</u>
Net (expense)/revenue:					
Governmental activities	\$ (9,989,259)	(10,540,359.00)	(9,860,310.00)	(10,257,801.00)	(11,435,831.00)
Business-type activities	590,139	1,353,410	1,513,410	706,695	1,678,354
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>	<u>\$ (9,757,477)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Property taxes levied for general purposes	\$ 1,242,780.00	\$ 1,313,439.00	\$ 1,401,259.00	\$ 1,393,525.00	\$ 1,427,595.00
Property taxes levied for debt service	1,235,257	1,367,714	1,178,107	1,386,999	1,386,267
Sales taxes	5,232,080	5,424,619	6,362,611	7,778,364	8,817,860
Franchise taxes	889,232	911,634	951,487	985,850	958,808
Investment earnings	142,632	161,852	295,241	395,323	509,490
Miscellaneous	256,831	193,601	149,298	188,510	140,187
Transfers	(62,739)	(18,235)	338,879	383,457	760,526
Total governmental activities	<u>\$ 8,936,073</u>	<u>\$ 9,344,824</u>	<u>\$ 10,674,882</u>	<u>\$ 12,512,028</u>	<u>\$ 14,000,731</u>
Business-type activities:					
Investment earnings	6,516	15,808	32,329	49,481	57,708
Miscellaneous	40,423	3,730	11,289	9,181	21,698
Transfers	62,739	18,235	(338,879)	(383,457)	(760,526)
Extraordinary item - insurance recovery	-	-	-	-	104,548
Total business-type activities	<u>109,678</u>	<u>37,773</u>	<u>(293,261)</u>	<u>(324,795)</u>	<u>(576,572)</u>
Total primary government	<u>\$ 9,045,751</u>	<u>\$ 9,382,597</u>	<u>\$ 10,381,621</u>	<u>\$ 12,187,233</u>	<u>\$ 13,424,159</u>
Changes in Net Assets					
Governmental activities	(1,053,186)	(1,195,535)	814,572	2,254,227	2,564,900
Business-type activities	699,817	1,391,183	1,220,149	381,900	1,101,782
Total primary government	<u>(353,369)</u>	<u>\$ 195,648</u>	<u>\$ 2,034,721</u>	<u>\$ 2,636,127</u>	<u>\$ 3,666,682</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.

2008	2009	2010	2011	2012
\$1,056,761	\$ 1,281,337	\$ 1,146,722	\$ 1,231,942	\$ 1,292,366
772,138	652,525	684,955	726,798	723,703
5,930,157	6,117,638	6,187,685	7,156,276	7,412,590
5,217,320	5,396,002	5,450,439	6,113,200	1,283,693
1,003,926	868,193	855,305	822,972	306,206
547,919	565,583	464,242	488,274	1,242,031
438,568	430,509	426,227	432,498	386,336
-	-	-	73,216	5,313,319
-	-	-	-	-
280,371	348,441	481,537	415,505	368,614
15,247,160	15,680,228	15,697,112	17,458,681	18,328,658
6,324,793	7,282,795	5,837,578	7,023,187	8,301,424
118,341	119,050	118,756	115,814	122,298
521,534	540,678	518,221	532,491	580,746
6,984,668	7,942,623	6,474,555	7,671,492	9,004,468
\$ 22,211,828	\$ 23,622,751	\$ 22,171,667	\$ 25,130,173	\$ 27,333,326
\$ 6,723	\$ 5,666	\$ 6,373	\$ 6,013	\$ 6,254
422,332	281,936	684,870	633,555	447,432
2,411,792	2,459,046	2,352,604	2,675,083	2,717,863
72,057	46,539	25,080	25,610	28,019
360,046	350,611	407,715	724,506	885,851
320	229	244	231	-
-	-	-	-	-
160,288	119,757	184,614	166,253	82,858
-	47,516	28,733	6,847	-
-	-	-	-	-
62,171	60,397	63,639	60,102	50,000
-	-	-	-	-
-	-	-	494,806	155,817
-	-	-	336,176	-
-	-	-	-	-
3,495,729	3,371,697	3,753,872	5,129,182	4,374,094
6,974,327	7,456,911	6,237,817	7,549,202	7,335,608
11,581	8,083	7,291	3,525	10,924
500,092	508,749	401,087	439,968	482,538
-	-	-	2,526	3,039
43,476	179,746	-	17,000	-
-	14,130	-	-	-
8,242	-	-	-	-
7,537,718	8,167,619	6,646,195	8,012,221	-
\$ 11,033,447	\$ 11,539,316	\$ 10,400,067	\$ 13,141,403	\$ 4,374,094
(11,751,431.00)	(12,308,531.00)	(11,943,240.00)	(12,329,499.00)	(13,954,764)
573,050	225,096	171,640	340,729	(9,004,468)
\$ (11,178,381)	\$ (12,083,435)	\$ (11,771,600)	\$ (11,988,770)	(22,959,232)
\$ 1,531,431.00	\$ 1,580,505.00	\$ 1,698,976.00	\$ 1,743,981.00	\$ 1,347,021
1,586,036	1,556,735	1,463,924	1,437,321	1,847,171
10,279,302	7,823,154	10,108,076	14,510,444	17,586,295
991,379	977,899	948,140	994,039	1,048,818
419,431	219,864	276,504	254,472	64,627
145,169	59,295	124,333	96,464	274,230
425,294	106,699	552,123	270,706	(329,084)
\$ 15,378,014	\$ 12,324,151	\$ 15,172,076	\$ 19,307,427	\$ 21,639,078
380,316	115,827	55,214	20,832	9,743
50,995	135,816	67,050	96,780	63,459
(425,264)	(106,699)	(552,123)	(270,706)	329,084
-	-	-	-	-
6,047	144,844	(429,859)	(153,094)	402,286
\$ 15,384,061	\$ 12,469,095	\$ 14,742,217	\$ 19,154,333	\$ 22,241,364
3,626,583	15,620	3,228,836	6,977,928	7,884,314
579,097	370,040	(258,219)	187,635	(770,173)
\$ 4,205,680	\$ 385,660	\$ 2,970,617	\$ 7,165,563	\$ 7,114,141

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

	2003	2004	2005	2006	2007
General Fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Reserved	111,267	163,369	178,042	109,868	59,607
Unreserved	4,351,047	4,271,200	5,004,362	7,039,981	7,728,523
Total general fund	<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>
All other governmental funds					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Reserved	936,726	1,060,084	1,290,021	1,124,915	1,229,151
Unreserved, reported in:					
Special revenue funds	291,320	240,834	425,338	667,290	771,452
Capital projects funds	6,153,856	5,737,456	3,092,543	973,257	2,901,556
Total all other governmental funds	<u>\$ 7,381,902</u>	<u>\$ 7,038,374</u>	<u>\$ 4,807,902</u>	<u>\$ 2,765,462</u>	<u>\$ 4,902,159</u>

Source: Audited Financial Statements of the City of Alice.

2008	2009	2010	2011	2012
\$ -	\$ -	\$ 12,567	\$ 45,979	\$ 11,871
-	-	18,500	18,500	18,500
-	-	222,096	222,096	222,096
-	-	12,087,596	12,774,405	12,764,268
109,757	36,624	-	-	-
10,328,891	11,075,059	-	-	-
<u>\$ 10,438,648</u>	<u>\$ 11,111,683</u>	<u>\$ 12,340,759</u>	<u>\$ 13,060,980</u>	<u>\$ 13,016,735</u>
-	-	-	122,079	-
-	-	9,232,228	7,080,312	8,088,992
-	-	4,927,654	10,787,559	11,594,055
-	-	(15,993)	(18,738)	426,676
1,501,585	1,639,440	-	-	-
939,708	1,174,411	-	-	-
3,287,747	10,031,881	-	-	-
<u>\$ 5,729,040</u>	<u>\$ 12,845,732</u>	<u>\$ 14,143,889</u>	<u>\$ 17,971,212</u>	<u>\$ 20,109,723</u>

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

	2003	2004	2005	2006	2007
Revenues					
Taxes	\$ 7,876,242	\$ 8,278,173	\$ 9,180,406	\$ 10,749,125	\$11,850,132
Franchises, licenses and permits	1,096,477	1,035,318	1,120,892	1,187,868	1,172,233
Intergovernmental	296,216	249,491	873,406	683,688	281,197
Charges for services	2,192,757	2,028,426	2,234,535	2,371,643	2,492,538
Fines	135,095	363,039	628,682	426,816	277,445
Investment Earnings	142,155	163,525	295,241	395,323	509,490
Miscellaneous	231,420	157,064	151,863	163,246	105,668
Total revenues	11,970,362	12,275,036	14,485,025	15,977,709	16,688,703
Expenditures					
Administration	864,314	977,810	1,011,633	1,006,874	1,145,084
Finance	639,939	644,310	749,462	823,225	794,338
Public Safety	4,210,123	4,299,059	5,003,134	5,004,606	5,469,119
Public Works	3,027,963	3,084,043	3,013,367	3,288,015	3,403,622
Parks and recreation	821,778	723,297	762,226	892,328	954,194
Community Development	440,491	443,702	881,562	743,309	395,141
Library	332,314	333,175	383,873	401,868	403,314
Grant Development	-	-	-	-	-
Other current	175,295	452,694	193,954	192,196	219,876
Capital Outlay	362,313	1,095,120	3,508,868	2,694,379	851,591
Debt service					
Principal	800,000	835,000	900,000	970,000	1,020,000
Interest and other charges	393,841	452,419	425,402	380,238	332,822
Bond issuance costs	138,787	-	-	-	-
Total expenditures	12,207,158	13,340,629	16,833,481	16,397,038	14,989,101
Excess of revenues over (under) expenditures	(236,796)	(1,065,593)	(2,348,456)	(419,329)	1,699,602
Other financing sources (uses)					
Proceeds from Debt	3,208,578	131,859	446,236	113,692	314,850
Proceeds from sales of assets	-	-	-	-	-
Operating transfers in	1,293,359	1,622,806	1,913,454	1,760,132	3,453,769
Operating transfers out	(1,356,098)	(1,060,345)	(1,671,913)	(1,376,675)	(2,693,243)
Total other financing sources (uses)	3,145,839	694,320	687,777	497,149	1,075,376
Net change in fund balances	\$ 2,909,043	\$ (371,273)	\$ (1,660,679)	\$ 77,820	\$ 2,774,978
Debt service as a percentage of noncapital expenditures	11.4%	12.0%	11.7%	11.3%	0

Source: Audited Financial Statements of the City of Alice.

2008	2009	2010	2011	2012
\$13,643,929	\$11,197,308	\$13,593,747	\$18,342,277	\$ 21,560,758
1,167,043	1,084,213	1,057,018	1,121,338	1,223,222
222,459	227,670	276,986	233,202	206,773
2,495,037	2,528,891	2,405,390	2,751,895	2,834,039
371,690	248,295	618,598	411,648	447,432
419,431	219,864	276,504	254,472	64,627
115,725	23,150	84,521	875,695	235,059
<u>18,435,314</u>	<u>15,529,391</u> -	<u>18,312,764</u> -	<u>23,990,527</u> -	<u>26,571,910</u>
1,046,031	1,273,062	1,161,981	2,060,745	1,630,849
760,294	652,875	674,080	750,326	774,128
5,824,188	5,694,010	6,413,271	6,802,799	7,152,061
3,580,015	4,267,382	3,910,722	4,265,455	4,521,933
1,019,506	838,690	763,670	784,906	775,298
543,601	560,363	462,553	493,501	1,624,884
404,324	404,661	403,409	416,457	431,265
-	-	-	67,621	5,313,319
-	-	-	-	-
1,282,326	763,801	1,098,282	3,537,887	898,083
1,095,000	1,180,000	1,250,000	620,000	645,000
282,723	229,237	513,885	405,497	381,740
	201,397			-
<u>15,838,008</u>	<u>16,065,478</u> -	<u>16,651,853</u> -	<u>20,205,194</u> -	<u>24,148,560</u>
2,597,306	(536,087) -	1,660,911	3,785,333 -	2,423,350
457,625	8,170,496	164,817	497,816	-
14,000	48,500	149,382	8,000	-
2,596,343	1,057,613	4,350,544	8,075,105	10,535,267
(2,171,079)	(950,914)	(3,798,421)	(7,804,399)	(10,864,351)
				-
<u>896,889</u>	<u>8,325,695</u> -	<u>866,322</u> -	<u>776,522</u> -	<u>(329,084)</u>
<u>\$ 3,494,195</u>	<u>\$ 7,789,608</u>	<u>\$ 2,527,233</u>	<u>\$ 4,561,855</u>	<u>\$ 2,094,266</u>
11.0%	10.7%	13.5%	7.1%	4.4%

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
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
2008	1,548,560	1,603,744	10,279,302	181,682	23,713	6,928	\$ 13,825,611
2009	1,567,366	1,527,921	7,823,154	242,722	30,156	5,989	\$ 11,197,308
2010	1,689,955	1,459,767	10,108,076	296,137	32,284	7,528	\$ 13,593,747
2011	1,754,118	1,443,412	14,510,444	593,757	35,999	4,547	\$ 18,342,277
2012	1,376,676	1,847,171	17,586,295	711,447	33,397	5,773	\$ 21,560,759

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

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
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	163,071,621
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	49,217,843
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	481,891
Leisure and Hospitality	23,545,343	24,743,745	26,849,404	28,713,504	32,729,358
Other Services	8,433,766	9,175,926	10,010,546	15,650,842	15,650,842
Real Estate and Rental and Leasing	6,469,835	132,083	24,263,793	43,670,324	52,331,405
Total	<u>222,320,509</u>	<u>224,153,790</u>	<u>260,483,620</u>	<u>326,081,339</u>	<u>430,288,710</u>
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

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
42,069,530	51,671,903	20,892,426	38,999,175	93,221,762
85,956	64,763	72,015	79,255	80,925
8,928,260	6,576,306	3,411,277	5,616,813	6,096,698
35,004,913	36,736,031	17,625,959	35,691,331	87,426,192
28,262,084	35,152,565	25,328,479	32,262,398	46,561,376
164,760,246	172,453,350	148,953,203	181,252,527	187,020,715
645,369	664,055	208,487	1,125,960	1,508,542
54,402,976	77,466,329	47,979,237	66,506,834	80,962,392
6,734,708	7,483,613	5,585,702	5,748,094	6,409,945
485,908	507,534	417,224	408,858	193,956
35,644,330	37,682,273	35,790,020	39,494,212	46,428,705
17,938,382	23,514,637	13,489,333	14,978,752	22,756,780
52,174,145	72,260,332	42,530,505	63,334,964	86,474,338
<u>447,136,807</u>	<u>522,233,691</u>	<u>362,283,867</u>	<u>485,499,173</u>	<u>665,142,326</u>
1.50%	1.50%	1.50%	1.50%	1.50%

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
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%
2008	1.50%	0.50%	2.00%
2009	1.50%	0.50%	2.00%
2010	1.50%	0.50%	2.00%
2011	1.50%	0.50%	2.00%
2012	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			
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
2008	465,754,480	400,272,393	37,550,977	828,475,896	0.33108
2009	503,145,906	370,379,196	44,695,628	828,829,474	0.37000
2010	516,367,159	371,859,901	35,233,729	852,993,331	0.36446
2011	521,522,325	385,498,661	33,188,750	873,832,236	0.35622
2012	528,740,438	582,899,552	32,927,423	1,078,712,567	0.28891

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
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
2008	0.162474	0.168606	0.331080	0.504538	0.017236	0.136281	0.658055
2009	0.187566	0.182434	0.370000	0.502898	0.016335	0.135554	0.654787
2010	0.196207	0.168250	0.364457	0.487204	0.015454	0.131157	0.633815
2011	0.196207	0.160011	0.356218	0.492602	0.014821	0.132577	0.640000
2012	0.121637	0.167276	0.288913	0.431861	0.013087	0.116191	0.561139

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	
1.473400	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
1.040050	0.158600	1.198650	0.085602	0.027394	0.112996	2.300781
1.040050	0.241120	1.281170	0.083865	0.027050	0.110915	2.416872
1.040050	0.254250	1.294300	0.089253	0.026316	0.115569	2.408141
1.040000	0.262310	1.302310	0.095809	0.025702	0.121511	2.420039
1.029100	0.189500	1.218600	0.103219	0.019393	0.122612	2.191264

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

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Halliburton Energy Services	\$ 118,373,697	1	10.97%	\$ 38,409,224	1	7.54%
BJ Services	59,962,330	2	5.56%	23,086,506	3	4.53%
Well Services Division of STC	55,815,041	3	5.17%			
Precision Drilling Oilfield (fka Grey Wolf Drilling Co)	44,984,173	4	4.17%			
Weatherford Artificial Lift Systems	26,931,730	5	2.50%			
Nabors Drill USA / Nabors Well Service	17,260,730	6	1.60%			
Wal-Mart Stores, Inc.	16,708,475	7	1.55%	6,913,446	5	1.36%
Helmerich & Payne Intl Drilling	16,521,605	8	1.53%			
Dixie Iron Works Ltd	10,139,205	9	0.94%			
Francis Drilling Fluids, Ltd	9,334,581	10	0.87%			
Alice Surgeons/Alice Hospital LLC				30,752,650	2	6.03%
Dowell Schlumberger				14,066,083	4	2.76%
Central Power and Light Company				6,817,024	6	1.34%
Southwestern Bell Telephone Company				5,353,910	7	1.05%
H E Bult Grocery Co				4,861,839	8	0.95%
Grey Wolf Drilling Co.				3,457,812	9	0.68%
Glenmore, Inc.				3,405,087	10	0.67%
Totals	\$ 376,031,567		34.86%	\$ 137,123,581		26.91%

Source: Jim Wells County Appraisal District

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

Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Adjustments to the Tax Levy	Adjusted Tax Levy	Collected within the Fiscal Year of the Levy	
				Amount	Percentage of Levy
2002	2,151,919	(10,043)	2,141,876	2,026,013	94.15%
2003	2,407,948	(10,518)	2,397,430	2,257,882	93.77%
2004	2,631,438	3,401	2,634,839	2,486,810	94.50%
2005	2,662,978	(48,020) ^a	2,614,958	2,477,632	93.04%
2006	2,699,973	(5,059)	2,694,914	2,567,973	95.11%
2007	2,748,389	1,856	2,750,245	2,619,785	95.32%
2008	2,746,717	302,130	3,048,847	2,949,790	107.39%
2009	3,066,671	5,147	3,071,818	2,936,853	95.77%
2010	3,108,794	13,344	3,122,138	2,981,237	95.90%
2011	3,112,748	(2,651)	3,110,097	2,980,646	95.76%
2012	3,116,540	(1,743)	3,114,798	3,027,255	97.14%

Source: Jim Wells County Appraisal District

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

Collection in Subsequent Years	Total Collections To Date	
	Amount	Percentage of Levy
91,601	2,117,614	98.41%
104,258	2,362,140	98.10%
98,883	2,585,693	98.26%
64,451	2,542,083	95.46%
-	2,567,973	95.11%
-	2,619,785	95.32%
-	2,949,790	107.39%
-	2,936,853	95.77%
-	2,981,237	95.90%
-	2,980,646	95.76%
-	3,027,255	97.14%

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	Certificates of Obligation	General Obligation	Capital Leases
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
2008	5,455,000	-	949,117	-	9,500,000	256,231
2009	11,310,000	-	1,698,520	-	9,400,000	218,180
2010	10,060,000	-	1,242,745	6,643,000	9,270,000	125,481
2011	9,440,000	-	1,281,400	6,311,000	8,910,000	129,385
2012	8,795,000	-	784,097	6,311,000	8,530,000	86,866

Source: Audited Financial Statements of the City of Alice.

Total Primary Government	Percentage of Personal Income	Per Capita
\$ 10,828,644.00	1.27%	\$ 268
\$ 9,944,721.00	1.07%	\$ 244
\$ 9,377,520.00	0.95%	\$ 229
\$ 8,311,718.00	0.76%	\$ 204
\$ 17,123,321.00	1.41%	\$ 416
\$ 16,160,348.00	1.16%	\$ 398
\$ 22,626,700.00	1.69%	\$ 557
\$ 27,341,226.00	1.91%	\$ 670
\$ 26,071,785.00	1.58%	\$ 631
\$ 24,506,963.00	1.49%	\$ 593

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

Fiscal Year	Certificates of Obligation	General Obligation	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
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%	\$ 209
2006	\$ 7,570,000	\$ -	\$ 7,570,000	1.21%	\$ 186
2007	\$ 6,550,000	\$ 9,600,000	\$ 16,150,000	2.36%	\$ 393
2008	\$ 5,455,000	\$ 9,500,000	\$ 14,955,000	1.81%	\$ 369
2009	\$ 11,310,000	\$ 9,400,000	\$ 20,710,000	2.50%	\$ 510
2010	\$ 16,703,000	\$ 9,270,000	\$ 25,973,000	3.04%	\$ 636
2011	\$ 15,751,000	\$ 8,910,000	\$ 24,661,000	2.82%	\$ 597
2012	\$ 15,106,000	\$ 8,530,000	\$ 23,636,000	2.19%	\$ 572

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, 2012

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ^a	Estimated Share of Overlapping Debt
Overlapping Debt			
Alice Independent School District	\$ 37,909,998.00	79.46%	\$ 30,123,149.80
Alice Water Authority	4,535,000	100.00%	4,535,000
Jim Wells County	2,828,572	54.95%	1,554,192
Subtotal Overlapping Debt			36,212,342
Direct Debt			
City of Alice general obligation bonds	8,795,000	100.00%	8,795,000
City of Alice capital leases	784,097	100.00%	784,097
Total City Direct Debt			9,579,097
Total Direct and Overlapping Debt			\$ 45,791,438.59

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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt Limit	\$ 72,128,326	\$ 76,930,061	\$ 86,708,698	\$ 90,007,152
Total net debt applicable to limit	<u>10,275,000</u>	<u>9,440,000</u>	<u>8,540,000</u>	<u>7,570,000</u>
Legal debt margin	<u>\$ 61,853,326</u>	<u>\$ 67,490,061</u>	<u>\$ 78,168,698</u>	<u>\$ 82,437,152</u>
Total net debt applicable to limit as a percentage of debt limit	14.25%	12.27%	9.85%	8.41%

Legal Debt Margin Calculation for Fiscal Year 2012

Maximum debt service tax rate		1.500000	
2012 maintenance and operations tax rate		<u>0.093162</u>	
Maximum debt service tax rate	a	1.406838	
Taxable assessed value	b	1,078,712,567	
Collection rate	c	90%	
Annual debt service tax revenue	(=b/100*a*c)	13,658,164	
Debt Limit (20 year 5% bonds)			170,210,919
General obligation bonds		18,350,000	
Less: amount set aside for repayment of general obligation debt		<u>1,297,000</u>	
Total debt applicable to limit			<u>17,053,000</u>
Legal debt margin			153,157,919

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, th

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 99,765,991	\$124,285,281	\$ 122,005,735	\$ 124,736,016	\$127,783,357	\$170,210,919
<u>16,150,000</u>	<u>14,955,000</u>	<u>20,710,000</u>	<u>25,973,000</u>	<u>23,338,746</u>	<u>18,350,000</u>
<u>\$ 83,615,991</u>	<u>\$ 109,330,281</u>	<u>\$ 101,295,735</u>	<u>\$ 98,763,016</u>	<u>\$104,444,611</u>	<u>\$151,860,919</u>
16.19%	12.03%	16.97%	20.82%	18.26%	10.78%

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**
2003	40,472	855,942	21,149	5,669	7.6%
2004	40,811	927,308	22,722	5,671	6.1%
2005	40,951	991,946	24,223	5,699	5.1%
2006	40,701	1,091,308	26,813	5,621	4.5%
2007	41,115	1,213,843	29,523	5,567	4.0%
2008	40,554	1,398,587	34,487	5,457	4.6%
2009	40,633	1,342,367	33,036	5,383	10.2%
2010	40,838	1,434,337	35,123	5,389	7.8%
2011	41,339	1,645,287	39,800	5,455	6.6%
2012	41,339	est. 1,645,287	est. 39,800	est. 5,455	est. 4.5%

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.

***Texas Education Agency.

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

Employer	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Alice Independent School District	900	1	3.70%	889	3	4.87%
Saldivar Primary Home Care	800	2	3.29%	-	-	-
CC Forbes Corporation	696	3	2.86%	-	-	-
Weatherford International	650	4	2.67%	-	-	-
Schlumberger Dowell	410	5	1.68%	250	8	1.37%
Christus Spohn Hospital	400	6	1.64%	-	-	-
Dixie Iron Works	390	7	1.60%	-	-	-
Halliburton Energy Services	375	8	1.54%	260	5	1.42%
Coastal Bend College	310	9	1.27%	-	-	-
Jim Wells County	300	10	1.23%	-	-	-
Nabors Drilling	-	-	-	1,117	1	6.12%
Grey Wolf Drilling	-	-	-	900	2	4.93%
Alice P&S Hospital	-	-	-	550	4	3.01%
Wal-Mart	-	-	-	260	6	1.42%
City of Alice	-	-	-	250	7	1.37%
BJ Services	-	-	-	200	9	1.10%
HEB Super Store	-	-	-	200	10	1.10%
Totals	5,231		21.49%	4,876		26.72%

Source: Alice/Jim Wells County EDC as of 1/12.

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

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government	14	14	15	15	15	15	14	14	14	15
Public Safety										
Fire	32	32	32	32	32	32	32	32	35	35
Police	51	51	51	51	51	51	51	51	51	52
Municipal Court	2	2	2	2	2	2	2	3	3	3
Humane	3	3	3	3	3	3	3	3	3	3
Parks and Recreation	15	20	20	20	22	20	20	20	16	17
Golf Course	5	5	5	5	7	9	9	9	9	9
Library	7.25	7.25	7.25	7.25	7.5	7.5	7.5	7.5	7.5	7.5
Grant Administration	-	-	-	-	-	-	-	-	1	1
Community Services	8	9	9	9	8	8	8	8	11	11
Public Works										
Administration	2	2	2	2	2	2	2	2	2	2
Engineering	3	3	3	3	3	4	4	4	4	4
Operations	62	60	60	60	58	56	56	56	56	59
Utilities	33	37	37	37	37	39	39	39	39	40
Utility Metering & Billing	11	11	11	11	11	11	11	11	11	11
Airport	1	1	1	1	1	1	1	1	1	1
Total	249.25	257.25	258.25	258.25	259.5	260.5	259.5	260.5	263.5	270.5

Source: City of Alice budget document.

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

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Fire										
Annual Number of Emergency Responses	752	980	908	973	1,017	1,127	846	655	888	835
Police										
Annual Number of Serious Crimes - UCR	1,930	2,013	1,725	1,484	1,902	1,606	1,366	1,219	1,162	-
Annual Number of traffic/parking violations	4,546	3,708	4,453	7,477	3,959	4,079	6,546	4,435	5,588	4,325
Parks and Recreation										
Annual number of events and programs	- *	9	14	16	25	22	14	12	12	12
Golf Course										
Annual number of golfers	20,930	18,634	16,024	18,603	19,242	19,824	20,269	16,128	17,955	19,371
Library										
Annual number of patrons assisted	88,320	91,051	95,000	90,179	99,823	120,735	145,316	67,600	71,369	71,369
Community Services										
Annual building permits issued	573	556	573	479	445	295	224	208	760	323
Public Works - Operations										
Annual refuse collected (tons)	41,611	51,882	54,301	37,558	35,198	38,832	37,833	31,482	37,018	40,495
Public Works - Utilities										
Water										
Annual gallons consumed (in thousands)	1,284,673	1,175,312	1,332,844	1,398,267	1,128,954	1,316,076	1,397,658	1,134,985	1,420,835	1,340,830
Public Works - Utilities										
Wastewater										
Annual gallons sewage treated (in thousands)	1,033,613	1,012,536	897,508	807,357	944,362	827,271	833,701	991,290	875,637	647,489

Notes:

*Prior year's data not available.

**Current year's data not yet available.

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

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Fire										
Number of fire stations	2	2	2	2	2	2	2	2	2	2
Police										
Number of police stations	1	1	1	1	1	1	1	1	1	1
Parks and Recreation										
Public parks	11	11	11	11	11	11	11	11	11	11
Public swimming pools	2	2	2	2	2	2	2	2	1	1
Golf Course										
Number of municipal golf courses	1	1	1	1	1	1	1	1	1	1
Library										
Number of items in library collection	146,030	143,901	146,616	159,726	151,567	156,292	167,580	171,833	136,427	136,427
Public Works - Operations										
Number of miles of City streets	115	115	115	115	115	115	115	115	115	150
Residential & commercial garbage trucks	9	9	10	11	11	12	10	10	13	13
Public Works - Utilities										
Water										
Total water connections	6,912	7,093	7,108	7,267	7,162	6,757	6,481	7,293	7,217	8,135
Public Works - Utilities										
Wastewater										
Total wastewater connections	6,221 est.	6,331	6,401	7,237	6,406	6,072	5,808	6,526	6,562	7,258

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