

# *City of Orange, Texas*



*Comprehensive Annual Financial Report  
For the Fiscal Year Ended September 30, 2010*

***City of Orange, Texas***  
***Comprehensive Annual Financial Report***  
***For the Fiscal Year Ended September 30, 2010***

***Shawn Oubre, City Manager***

***Prepared by:***  
***City of Orange Finance Department***  
*Gail English, Director of Finance*  
*Sherry Jackson, Accounting Manager*



**City of Orange, Texas**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended September 30, 2010**

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# *INTRODUCTORY SECTION*







March 10, 2011

*Honorable William Brown Claybar and Members of the Orange City Council*

*The Comprehensive Annual Financial Report (CAFR) of the City of Orange for the fiscal year ended September 30, 2010 is submitted herewith in accordance with Article III, Section 3.14 of the Charter of the City of Orange. This report is submitted by the City to provide financial information to the citizens of Orange, state and federal agencies, investors and other interested parties. We believe the information, as presented, is accurate in all material aspects, that it is presented in a manner designed to set forth fairly, in all material respects, the financial position and results of operations of the City as measured and reported by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain an adequate understanding of the City's financial position have been included.*

*This report consists of management's representations concerning the finances of the City of Orange. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Orange has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Orange's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Orange'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 misstatements. 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 City of Orange's financial statements have been audited by Edgar, Kiker & Cross, PC a firm of licensed certified public accountants and consultants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Orange for the fiscal year ended September 30, 2010, 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 of Orange's financial statements for the fiscal year ended*

*September 30, 2010, 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.*

*The independent audit of the financial statements of the City of Orange was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Orange's separately issued Single Audit 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 MD&A and should be read in conjunction with it. The City of Orange's MD&A can be found immediately following the report of the independent auditor.*

## **PROFILE OF THE GOVERNMENT**

*The City of Orange is located in the southeastern corner of Texas in the area known as the "Golden Triangle". The City is in the eastern section of the Beaumont-Orange-Port Arthur "Golden Triangle", situated on the Intracoastal Waterway. The City is the County seat of Orange County which was created and organized in 1852. The City of Orange currently occupies a land area of 21.4 square miles and serves a population of 18,595. The City of Orange is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.*

*The City of Orange is a home-rule municipal government operating under the "council-manager" form of government since 1914. Policy making and legislative authority are vested in a governing council consisting of the mayor and four other members. The governing council is responsible, among other things, for passing ordinances and resolutions, adopting the budget, appointing committees, and hiring both the government's City Manager, City Secretary, City Attorney and City Judge. The City Manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Council members are elected from the city at-large to occupy a place on the City Council. Council members serve two-year staggered terms, with the mayor and two council members elected in even-numbered years and two council members elected in odd-number years. No member of the Council can hold office for more than five consecutive terms.*

*The City of Orange provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; water, sewer and sanitation services; and recreational activities and cultural events. The City of Orange is financially accountable for the legally separate Orange Economic Development Corporation which is reported*

*separately within the City of Orange's financial statements. Additional information on this legally separate entity can be found in the notes to the financial statements (See Note 1.A). The City of Orange is not financially accountable for any of the other area entities within its jurisdiction such as school districts or other non-profit or for profit corporations.*

*The annual budget serves as the foundation for the City of Orange's financial planning and control. All agencies of the City of Orange are required to submit requests for appropriations to the City Manager during the annual budget process. The City Manager uses these requests as the basis for developing a proposed budget. The City Manager then presents this proposed budget to the City Council for review forty-five days prior to the beginning of each budget year. The Council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than the 27<sup>th</sup> day of the last month of the fiscal year (September 27<sup>th</sup>). The appropriated budget is prepared by fund and department (e.g. police), character (e.g. personnel cost), and object (e.g. salaries). Department heads may request the transfer of funds between object codes within their departments. These transfers are submitted to the City Council for final approval by the City Manager. The City Manager may at any time, with the approval of the City Council, transfer any unencumbered appropriation, between general classification of expenditures within any department or agency of the City.*

*Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on page 39 as part of the basic financial statements for the governmental funds. For governmental funds, other than the General Fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 87.*

## **FACTORS AFFECTING FINANCIAL CONDITION**

*The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Orange operates.*

### **Local economy**

*The City of Orange has had to face several years of rebuilding following two major hurricanes and two minor hurricanes to hit the area in the last five years.*

*On September 23, 2005 the City of Orange was hit by Hurricane Rita a category three hurricane. The damage to the area was extensive and fiscal years 2006, 2007 and 2008 were years of rebuilding. Businesses began to reopen as quickly as they could after the storm. This was essential in the recovery this area has been able to make.*

*On September 13, 2008 the City of Orange was once again hit by a major hurricane. Hurricane Ike was a category two storm, but had a devastating storm surge. There were approximately 900 homes and 125 businesses which were affected by the flood waters. The rebuilding began in September 2008 and continued into fiscal years 2009 and 2010. The City should complete the hurricane recovery of major City facilities in fiscal year 2011.*

*The City was also hit with hurricane recovery costs associated with two minor hurricanes. Hurricane Humberto and Hurricane Gustav. Hurricane Humberto hit the City on September 12, 2007 and resulted in minor damage to City facilities and that cost was incurred in fiscal year 2008. Hurricane Gustav hit on September 1, 2008 and resulted in pre-hurricane costs for the City in association with evacuation and preparation.*

*These facts make it more difficult to chart growth and trends in revenues and expenditures for the fiscal year. The City saw obvious changes in such revenue items as sales tax, franchises and building permits right after Hurricane Rita. These revenue items had returned to pre-hurricane levels in early 2008. In fiscal year 2009 we saw a sharp increase in revenue collections resulting from Hurricane Ike. In fiscal year 2010 these revenue items start to return to normal collections.*

*Expenditure items have also varied over the last several fiscal years due to hurricane related costs. Fiscal years 2008 and 2009 saw most of the expenditures from Hurricane Ike. Fiscal year 2010 had hurricane recovery costs of \$136,698. The last buildings to be replaced will be the Central Fire Station and the Senior Center/Meals on Wheels. The replacement of these buildings is being funded by a Texas Department of Rural Affairs Grant. Expenditures on this grant totaled \$603,911 in fiscal year 2010 and actual construction on these buildings will begin in fiscal year 2011.*

*During the one year period from October 2009 to September 2010 the City of Orange saw a 18.64% decrease in the sales tax collections going from \$3,035,472 in fiscal year 2009 to \$2,469,558 in fiscal year 2010. This reduction had been anticipated as the collections returned to pre hurricane levels after Hurricane Ike.*

*All of Orange County, including unincorporated areas, saw a decrease in sales tax collections of 20.33%.*

#### ***Long-term financial planning.***

*The City took important steps to posture itself for growth in a defined and structured way. On January 23, 2007 the City completed the annexation of the area known as Little Cypress. On December 1, 2007 the City sold \$5,095,000 in Water and Sewer Revenue Bonds and on June 1, 2008 the City sold \$6,760,000 in Tax and Revenue Certificates of Obligation. During fiscal year 2010, the utility infrastructure projects to service this area were completed. The customers of these systems have now been merged with the City water and sewer utilities.*

*The City is committed to supporting economic development within the City. On December 1, 2007 the Orange Economic Development Corporation sold \$2,590,000 in Sales Tax Revenue Bonds for the purpose of constructing infrastructure necessary to promote or develop new or expanded business enterprises, including particularly the construction of wastewater force mains and lift stations and related appurtenances along the Interstate 10 corridor of the City. These infrastructure projects were completed in fiscal year 2010.*

### ***Relevant Financial Policies***

*With the location of the City along the Gulf Coast, the possibility of hurricane activities is present yearly. The City of Orange Charter establishes that estimated expenditures shall not exceed estimated resources, which includes available reserves. Although the expenditure of reserve funds is allowed by the charter, the Orange City Council has always taken a conservative approach to budgeting.*

*The Orange City Council has a long standing policy to keep a 20% operational cushion of available reserves in the General Fund and Water, Sewer and Sanitation Enterprise Funds. This is reviewed annually when the City budget is formulated. This policy has placed the City in a good position when economic conditions have changed suddenly or in the case of the last few years where hurricane repairs were needed immediately.*

### ***Major Initiatives***

*In fiscal year 2009 the City was awarded a grant from the Texas Department of Rural Affairs (TDRA), formerly ORCA, for the rebuilding of facilities and infrastructure damaged by Hurricane Ike. The funding will pay for a new Central Fire Station, a new Senior Center and several utility infrastructure projects. The total grant award at this time is \$7,766,134. Initial planning and engineering was started in fiscal year 2009 and construction will start in fiscal year 2010.*

*The City of Orange is located along the banks of the Sabine River and the proximity to water has been viewed as a valuable development tool that needed to be used. The current City Downtown Master Plan took the development to the next phase and preliminary design and development work on a downtown outdoor destination was started by the Orange Economic Development Corporation in fiscal year 2010.*

*The Orange Economic Development Corporation hired Studio Red Architects and Jeffrey K. Carbo FASLA to begin the design work that would put the master plan into motion by developing the downtown area along the Sabine Rive. This project will continue into fiscal year 2011 with finalization of the scope of the Downtown Master Plan Project. The projected projects are presently an outdoor performance pavilion, river front park and boardwalk, and an entry plaza.*

### **AWARDS AND ACKNOWLEDGMENTS**

*The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Orange for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2009. This was the eighteenth consecutive year (1992-2009) that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.*

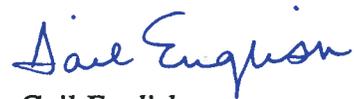
*A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.*

*The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express appreciation to all members of the department and other City Officials and employees who contributed to its preparation.*

*Respectfully submitted,*



*Shawn Oubre  
City Manager*



*Gail English  
Director of Finance*

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Orange  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2009

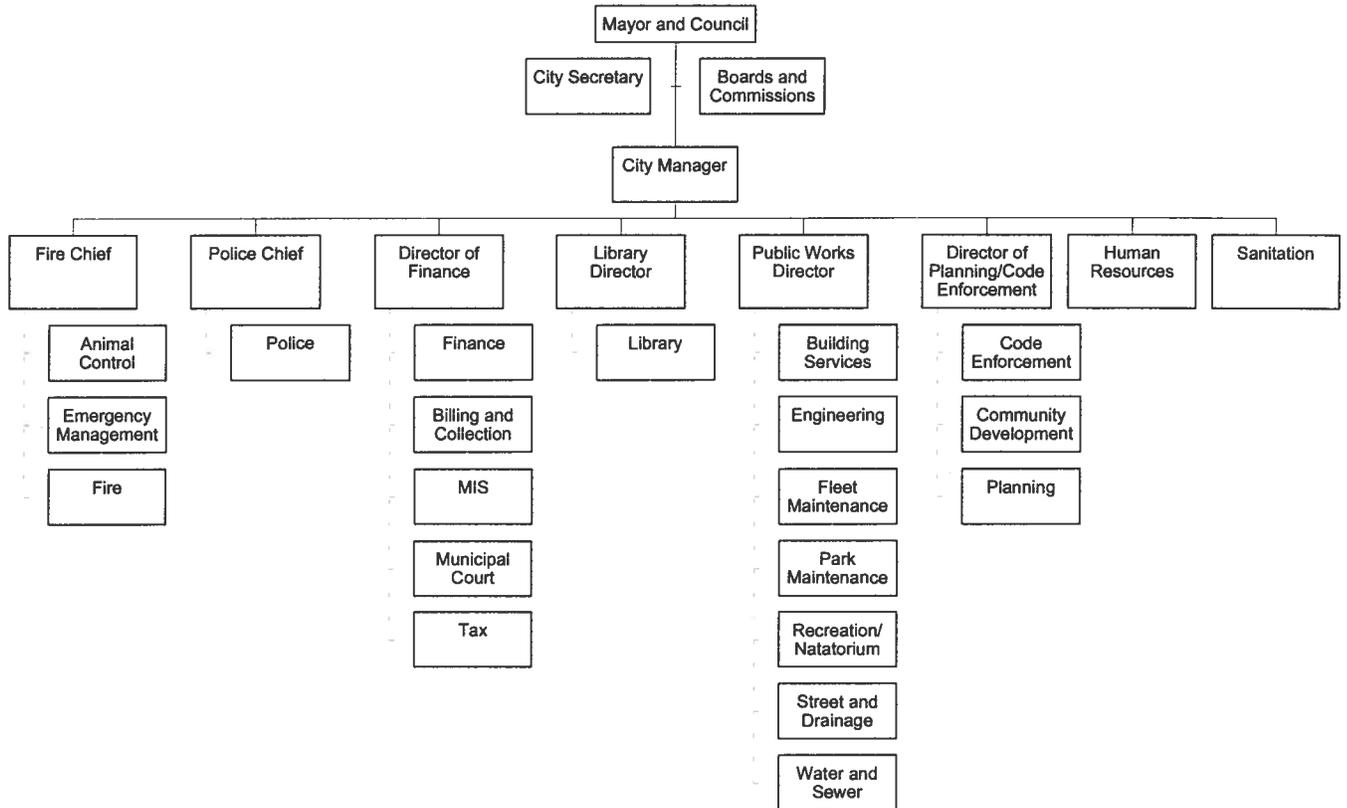
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

# City of Orange, Texas Organizational Chart



*City of Orange, Texas*

**City Council**

*William Brown Claybar, Mayor*  
*Jimmy Sims, Mayor Pro-Tem*  
*Theresa Beauchamp, Councilmember*  
*Jeff Holland, Councilmember*  
*Bill Mello, Councilmember*

**City Manager**

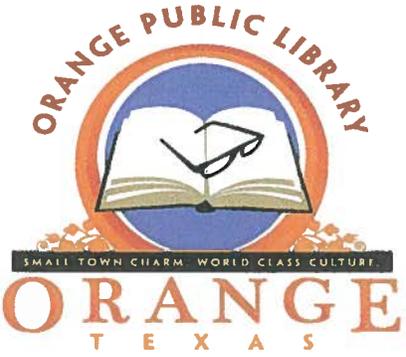
*Shawn Oubre*

**Directors**

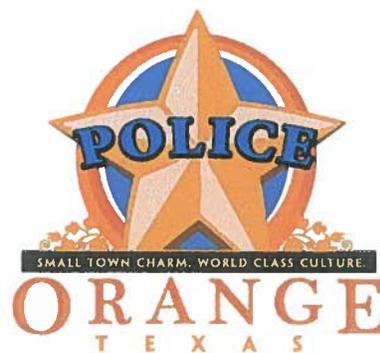
*Gail English, Director of Finance*  
*Sam Kittrell, Police Chief*  
*David Frenzel, Fire Chief*  
*James Wolf, Director of Public Works*  
*Jimmie Lewis, Director of Community and Economic Development*  
*Brenna Manasco, Library Director*

**City Secretary**

*Kerry Kittrell*



**FINANCIAL SECTION**





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Charlotte A. Yeates, CPA

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Charles A. Kiker, Jr., CPA  
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Greg Roy, CPA  
Megan Gallien, CPA  
Bassma Badir, CPA  
Marylyn Gibbs, CPA  
Amanda Bishop, CPA

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS  
A PROFESSIONAL CORPORATION

March 8, 2011

## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of  
the City Council  
City of Orange, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Orange, Texas as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Orange, Texas, 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 *Governmental 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 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 opinion.

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Orange, Texas as of September 30, 2010, and the respective changes in financial position, and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof 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 8, 2011, on our consideration of City of Orange, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Honorable Mayor and Members of  
the City Council

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 17 through 32 and 82 through 83 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 Orange, Texas basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Orange, Texas. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on it.

Very truly yours,



EDGAR, KIKER & CROSS, PC  
Certified Public Accountants and Consultants

BDB/mg

## *Management's Discussion and Analysis For the year ended September 30, 2010*

*As management of the City of Orange, we offer readers of the City of Orange's financial statements this narrative overview and analysis of the financial activities of the City of Orange for the fiscal year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on pages 3 to 8 of this report.*

### **Financial Highlights**

- *The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$50,517,263 (net assets). Of this amount, \$9,269,936 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.*
- *The City's total net assets increased by \$356,965, a 0.7% increase for the fiscal year. Governmental activities had a decrease in total net assets of \$955,116 which is a 5.5% decrease over the prior fiscal year. The business type activities had an increase in total net assets of \$1,312,081 which is a 4.0% increase from the prior fiscal year. A large component of the change, \$682,404 is composed of transfers of \$302,558 in capital assets and \$379,846 in operating funds from the Governmental activities to the Business-Types activities.*
- *As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,926,478, a decrease of \$1,140,406 in comparison with the prior year. Of the total amount, \$7,684,091 is available for spending at the government's discretion (unreserved fund balance). The largest fund balance change was in the General Fund for a decrease of \$912,209. This decrease was for budgeted expenditures that were approved to be funded by the use of unreserved fund balance.*
- *The use of unreserved fund balance in the general fund governmental fund was necessary due in large part to the reductions in revenue in two major categories. The sales tax revenue decreased \$565,914 from the prior year. This was anticipated because the City has received an increase in revenue in fiscal year 2009 due to hurricane repairs. The City also has seen payments in-lieu of taxes decrease by \$583,360 in the fiscal year. This was due to reductions in industrial values due to damage from Hurricane Ike.*
- *Unreserved fund balance for the General Fund was \$5,432,510 or 34.8% of total general fund expenditures at September 30, 2010.*
- *The City's total long-term bonded debt decreased by \$2,170,000. There were routine bond payments of \$830,000 in Governmental Activities and \$1,340,000 in Business-Type Activities.*
- *The City had Hurricane Ike recovery costs during fiscal year 2010. On September 13, 2008 the City was hit by Hurricane Ike. Hurricane Ike was a category two storm at the time it came on shore but had a devastating storm surge which caused extensive flooding damage to many homes, businesses and City buildings and facilities. Hurricane Ike has been classified as the third most destructive hurricane to ever make landfall in the United States.*
- *The total City wide costs expended in fiscal year 2010 for the hurricane associated costs was \$133,698. In the prior two fiscal years the city had \$4,462,407 in hurricane related cost.*
- *In fiscal year 2010 the City received hurricane related revenue of \$225,304 from the US*

*Federal Emergency Management Agency (FEMA) and \$76,214 from our insurance provider. The City still had ongoing flood insurance claims at September 30, 2010.*

- *The City was fortunate to be awarded funds, through a Texas Department of Rural Affairs Grant, in the amended amount of \$7,766,134, to fund specific hurricane recovery projects. This will fund the rebuilding of Central Fire Station, the Senior Center and various utility projects. In fiscal year 2010 the City had \$603,911 in expenditures related to this grant. The construction on Central Fire Station and the Senior Center will begin in fiscal year 2011.*
- *In fiscal year 2009 the City received funding from the Bush Clinton Coastal Recovery Fund in the amount of \$400,000. These funds will also be used to help in the rebuilding of the Central Fire Station.*
- *The City was awarded recovery funding out of the 2009 Recovery Act. The City received a Community Development Block Grant Recovery Grant in the amount of \$119,469 for infrastructure which was partially expended in fiscal year 2010. The City also received a 2009 Recovery Act Justice Assistance Grant in the amount of \$99,075 for equipment which was completed in fiscal year 2010.*

## **Overview of the Financial Statements**

*This discussion and analysis is intended to serve as an introduction to the City of Orange's basic financial statements. The City of Orange's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.*

### **Government-Wide Financial Statements**

*The government-wide financial statements are designed to provide readers with a broad overview of the City of Orange's finances, in a manner similar to a private-sector business.*

*The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.*

*The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).*

*Both of the government-wide financial statements distinguish functions of the City of Orange that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Orange include general government, cultural and recreation, public safety, and public works. The business-type activities of*

*the City of Orange include the Water and Sewer activities and Sanitation.*

*The government-wide financial statements include not only the City of Orange itself (known as the primary government), but also a legally separate economic development corporation for which the City of Orange is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.*

*The government-wide financial statements can be found on pages 34 and 35 of this report.*

### **Fund Financial Statements**

*A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Orange, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Orange can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.*

**Governmental funds.** *Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.*

*Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental fund and governmental activities.*

*The City maintains twenty eight (28) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and capital projects fund, all of which are considered to be major funds. Data from the other twenty five (25) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.*

*The City of Orange adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.*

*The basic governmental fund financial statements can be found on pages 36 to 39 of this report.*

**Proprietary funds.** *The City of Orange maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the*

*financial statements. The City uses enterprise funds to account for its water and sewer activities and the sanitation activity. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Orange uses an internal service fund to account for its workers' compensation insurance. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.*

*Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund and the Sanitation Fund, both of which are considered to be major funds of the City. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.*

*The basic proprietary fund financial statements can be found on pages 40 to 42 of this report.*

*Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.*

*The basic fiduciary fund financial statement can be found on page 43 of this report.*

*Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 44 to 81 of this report.*

*Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 82 to 85 of this report.*

*The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 87 to 132 of this report.*

### **Government-Wide Financial Analysis**

*As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Orange, assets exceeded liabilities by \$50,517,263 at the close of the most recent fiscal year.*

*By far the largest portion of the City of Orange's net assets (79%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, vehicles, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Orange uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Orange's investment in its capital assets is reported net of related debt, it should be noted*

that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

There was a change in beginning net assets balance in the governmental activities resulting from a negative net pension obligation at September 30, 2009. Additional information can be found in, note V.B, on page 71 of this report.

**City of Orange's Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<i>Current and other assets</i>	\$11,153,925	\$13,073,225	\$4,436,315	\$4,068,058	\$15,590,240	\$17,141,283
<i>Capital assets</i>	<u>19,469,521</u>	<u>19,979,327</u>	<u>43,339,711</u>	<u>43,603,794</u>	<u>62,809,232</u>	<u>63,583,121</u>
<i>Total assets</i>	<u>30,623,446</u>	<u>33,052,552</u>	<u>47,776,026</u>	<u>47,671,852</u>	<u>78,399,472</u>	<u>80,724,404</u>
<i>Long-term liabilities outstanding</i>	11,634,525	12,547,451	11,629,479	12,931,260	23,264,004	25,478,711
<i>Other liabilities</i>	<u>2,665,736</u>	<u>3,226,800</u>	<u>1,952,469</u>	<u>1,858,595</u>	<u>4,618,205</u>	<u>5,085,395</u>
<i>Total liabilities</i>	<u>14,300,261</u>	<u>15,774,251</u>	<u>13,581,948</u>	<u>14,789,855</u>	<u>27,882,209</u>	<u>30,564,106</u>
<i>Net assets:</i>						
<i>Invested in capital assets, net of related debt</i>	8,955,990	8,524,217	30,776,406	29,423,794	39,732,396	37,948,011
<i>Restricted</i>	71,058	57,354	1,443,873	1,749,284	1,514,931	1,806,638
<i>Unrestricted</i>	<u>7,296,137</u>	<u>8,696,730</u>	<u>1,973,799</u>	<u>1,708,919</u>	<u>9,269,936</u>	<u>10,405,649</u>
<i>Total net assets</i>	<u>\$16,323,185</u>	<u>\$17,278,301</u>	<u>\$34,194,078</u>	<u>\$32,881,997</u>	<u>\$50,517,263</u>	<u>\$50,160,298</u>

An additional portion of the City of Orange's net assets, \$1,514,931 (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$9,269,936 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Orange is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

As reflected in the following table the City's net assets increased by \$356,965 during the current fiscal year. Net assets for the governmental activities decreased \$955,116 and net assets for the business-type activities increased \$1,312,081.

Capital assets changes that occurred within the business-type activities was the largest component of the increase. A large portion of the change was reflected in the transfer of \$682,404 between the

governmental funds and the business-type funds. This is made up of infrastructure capital assets that were funded and expended out of the governmental activities and then transferred to the business-type activities upon completion totaling \$302,559. The governmental funds also made an operating transfer of \$379,846 to the business-type activities.

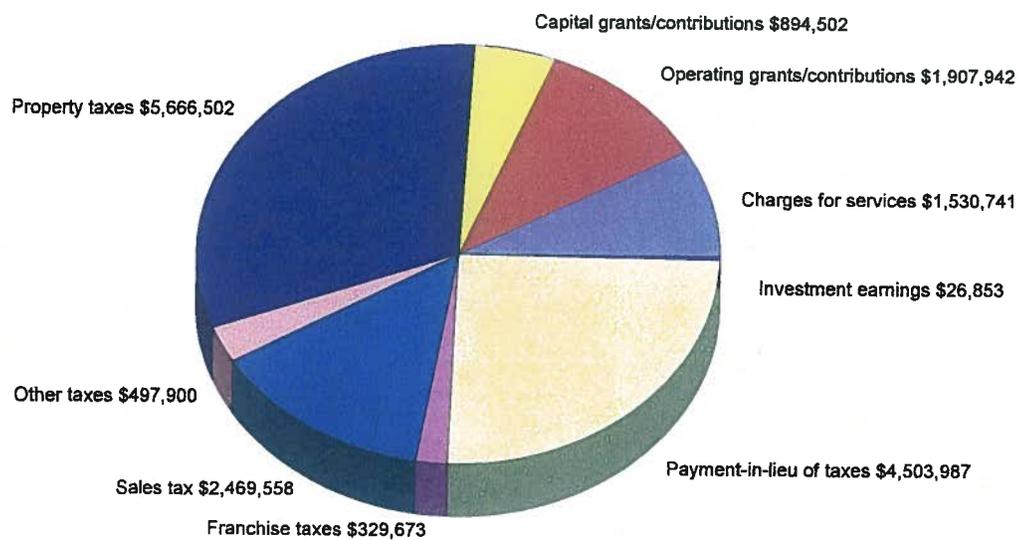
The business-type activities also received infrastructure capital assets that were funded by the Orange Economic Development Corporation, a component unit of the City, and then transferred to the business-type upon completion. These infrastructure capital assets totaled \$312,386 in fiscal year 2010.

*City of Orange's Changes in Net Assets*

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$1,530,741	\$1,351,172	\$8,378,104	\$7,559,489	\$9,908,845	\$8,910,661
Operating grants and contributions	1,907,942	2,351,558	172,009	396,130	2,079,951	2,747,688
Capital grants and contributions	894,502	2,455,940	378,519	2,279,357	1,273,021	4,735,297
<b>General revenues:</b>						
Property taxes	5,666,502	5,345,422	--	--	5,666,502	5,345,422
Sales tax	2,469,558	3,035,472	--	--	2,469,558	3,035,472
Other taxes	497,900	598,063	--	--	497,900	598,063
Franchise taxes	329,673	334,756	--	--	329,673	334,756
Payment-in-lieu of taxes	4,503,987	5,087,347	--	--	4,503,987	5,087,347
Unrestricted investment earnings	26,853	143,409	6,602	50,334	33,455	193,743
Transfers	<u>(682,404)</u>	<u>(6,820,071)</u>	<u>682,404</u>	<u>6,820,071</u>	--	--
	<u>17,145,254</u>	<u>13,883,068</u>	<u>9,617,638</u>	<u>17,105,381</u>	<u>26,762,892</u>	<u>30,988,449</u>
<b>Expenses:</b>						
General government	1,338,566	1,444,316	--	--	1,338,566	1,444,316
Cultural and recreation	1,702,697	1,486,749	--	--	1,702,697	1,486,749
Public safety	9,870,932	9,399,380	--	--	9,870,932	9,399,380
Public works	4,694,527	4,413,053	--	--	4,694,527	4,413,053
Interest on long term debt	493,648	556,581	--	--	493,648	556,581
Water	--	--	2,551,573	2,355,024	2,551,573	2,355,024

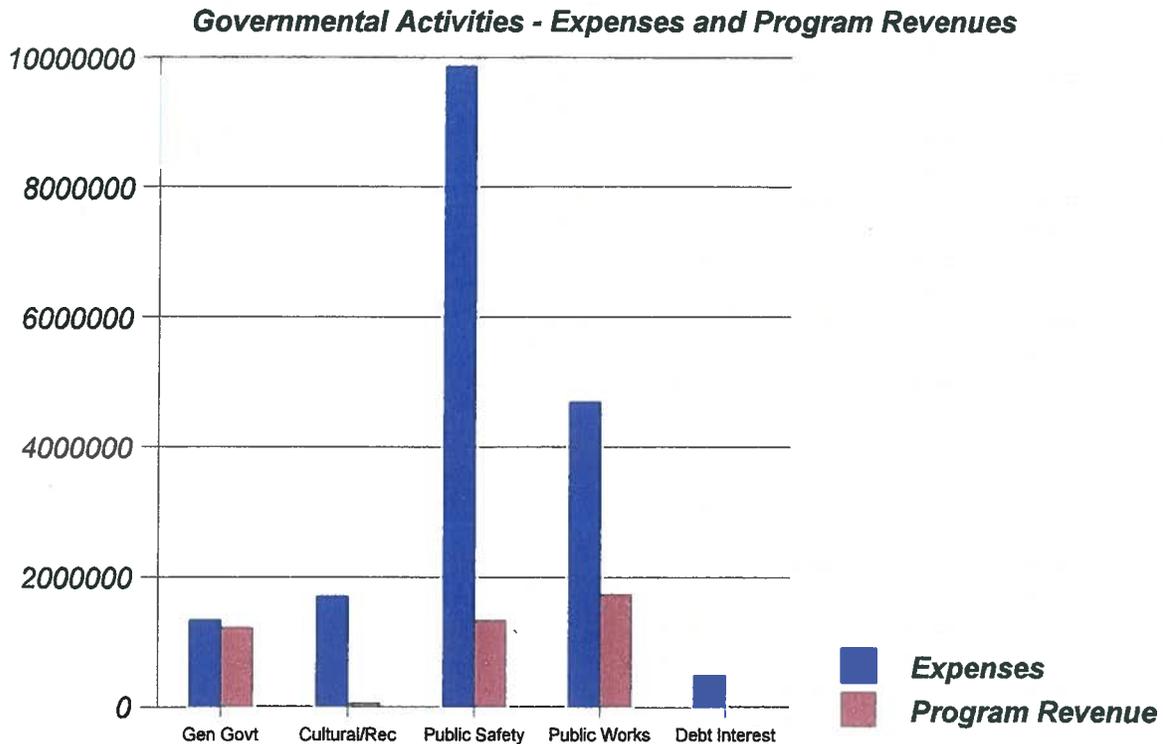
Sewer	--	--	4,171,001	4,008,183	4,171,001	4,008,183
Sanitation	--	--	1,582,983	1,566,280	1,582,983	1,566,280
Total expenses	18,100,370	17,300,079	8,305,557	7,929,487	26,405,927	25,229,566
Increase (decrease) in net assets	(955,116)	(3,417,011)	1,312,081	9,175,894	356,965	5,758,883
Net assets - beginning	17,278,301	20,695,312	32,881,997	23,706,103	50,160,298	44,401,415
Net assets - ending	16,323,185	17,278,301	34,194,078	32,881,997	50,517,263	50,160,298

### Governmental Activities - Revenues by Source



**Governmental activities:** Governmental activities decreased the City of Orange's net assets by \$955,116. Major elements of this change are as follows:

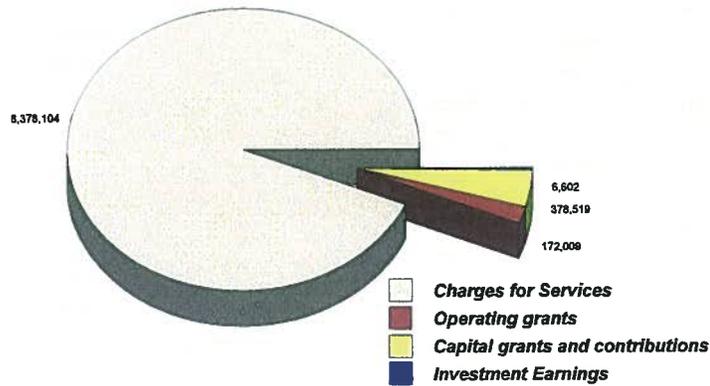
- The largest change in governmental activities net assets was a decrease of \$682,404 associated with transfers between the governmental activities and the business-type activities. The transfer was composed of an operating funds transfer and a transfer of infrastructure.
- The general fund governmental activity made an operating funds transfer of \$379,846 to the water and sewer business-type activity for the payment of debt service.
- The special revenue governmental activities made a transfer of \$302,559 in infrastructure fixed assets from to the water and sewer business-type activity. This was in the form of assets that were funded by various grants reported within the special revenue funds.



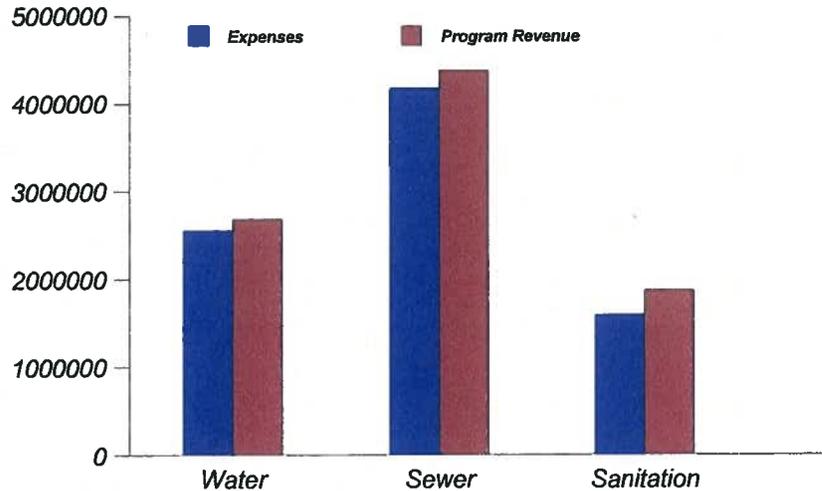
**Business-type activities:** Business-type activities increased the City of Orange's net assets by \$1,312,081, thereby accounting for 100% of the total increase in the net assets of the City of Orange.

- The largest change in net assets was an increase of \$901,942 in business-type activities operating revenue. This increase was due to both a rate increase and an increase in the customer base. The water and sewer rates were increased by 10% and the sanitation rates was increased by 3.7%. The customers base increased due to the connection of the recently annexed area north of the City. Most of the customers within this area are now tied on the City utilities.
- There was also a change in net assets for transfers in from the governmental funds. In fiscal year 2010 the general fund governmental fund transferred \$379,846 to the water and sewer business-type activity as an operational transfer. The special revenue governmental funds transferred \$302,559 in infrastructure fixed assets to the water and sewer business-type activity.
- Although it was necessary for the general fund governmental fund to do an operational transfer to the water and sewer business-type fund the amount was down from the prior fiscal year. The budget for the fiscal year 2011 does not include an operational transfer. It was anticipated that once the customer base stabilized, after the annexation and bond issue, that operating transfers should no longer be necessary.
- The business-type activities also had revenue from FEMA, related to Hurricane Ike, in the amount of \$172,009. This additional revenue was offset by labor and machinery costs.

**Business Type Activities - Revenues by Source**



**Business-Type Activities - Expenses and Program Revenues**



**Financial Analysis of the Government's Funds**

*As noted earlier, the City of Orange uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.*

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

*As of the end of the current fiscal year, the governmental funds reported combined ending fund*

*balances of \$7,926,478, a decrease of \$1,140,406 in comparison with the prior year.*

- The largest component of change was in the General Fund. The General Fund fund balance decreased by \$912,209.*
- The General Fund overall revenue decreased by \$1,636,672. While the City did see increases in some revenue sources the largest change was the decrease that took place in three revenue sources (1) intergovernmental revenue, (2) sales tax collections and (3) payments in lieu of taxes. These three sources had a total reduction of \$1,889,541.*
- Intergovernmental revenues decreased by \$740,267. Most of the change was the reduction in the amount received from FEMA in fiscal year 2010. In the prior fiscal year the City was recovering from Hurricane Ike and received funding from FEMA for hurricane recovery. This revenue reduction was offset by a reduction in hurricane recovery expenditures.*
- General Fund payment in lieu of taxes collections decreased by \$583,360. This decrease was the result of assessed value decreases that occurred after Hurricane Ike. This reduction resulted in a direct decrease in fund balance.*
- General Fund sales tax collections decreased by \$565,914 in fiscal year 2010. This decrease was anticipated due to collection history. After the Hurricane Rita hit in 2005 the City experienced a spike in sales tax collections due to home repairs and furnishing purchases. After the spike the City saw sales tax collections return to the normal collection range. After Hurricane Ike the City once again saw a spike in sales tax collections in 2009. The reduction in sales tax revenue for fiscal year 2010 was anticipated.*
- The General Fund expenditures decreased by \$1,712,608. This decrease was due to the reduction in capital outlay in fiscal year 2010. In fiscal year 2009 the City was recovering from Hurricane Ike and this was reflected in the capital outlay in the prior year. In fiscal year 2010 the General Fund expended \$1,870,643 less in capital outlay. Hurricane recovery expenditures had been offset in the prior fiscal year through insurance proceeds and intergovernmental revenues.*
- The General Fund also had an operational transfer of \$379,846 to the Water and Sewer Business-Type Activity. This transfer was a direct reduction of fund balance.*
- The Capital Projects Fund saw a reduction in fund balance of \$159,891 due to the completion of bond construction projects that was started in prior fiscal years.*

*Of the total fund balance \$7,684,091 (97%) constitutes unreserved fund balance. The general fund unreserved fund balance, of \$5,432,510, is available for spending at the government's discretion. The other governmental fund unreserved fund balance of \$2,251,581 is available for spending at the governments's discretion within the limitation of the special revenue fund source. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed as follows:*

- Reserved for authorized uses of capital projects bond funds in the amount of \$99,999.*
- Reserved for future debt service payments in the amount of \$142,388.*

*The General Fund is the chief operating fund of the City of Orange. At the end of the current fiscal year the unreserved fund balance was \$5,432,510. Total unreserved fund balance represents 35% of total general fund expenditures.*

The fund balance of the City's General Fund decreased by \$912,209 during the current fiscal year. Various components of the decrease were discussed in greater detail under Governmental Funds above. The major components of the decrease were:

- Payments in lieu of taxes decreased by \$583,360 due to reductions in assessed value due to Hurricane Ike.
- Sales tax revenue decreased by \$565,914 due to reductions in hurricane repairs from the prior year.
- The General Fund made an operating transfer to the Water and Sewer Business-Type Fund in the amount of \$379,846.

The Debt Service Fund has a fund balance of \$142,388 as of the end of the fiscal year. This is up from a \$138,208 fund balance in the prior fiscal year. Revenue was above budget by \$132,454 for this fiscal year.

The Capital Projects Fund has a fund balance of \$99,999 all of which is reserved. This is a reduction of \$159,891 from the prior year. Capital projects that were funded by 2008 Tax and Revenue Certification of Obligation were completed in fiscal year 2010.

**Proprietary funds.** The City of Orange's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets at the end of the fiscal year were in Water and Sewer Fund \$2,022,651 and in Sanitation Fund \$976,859. The total change, in unrestricted net assets, for both funds was a \$1,038,711 increase for Water and Sewer and a \$290,851 increase for Sanitation.

The factors that accounted for these changes were addressed earlier in this discussion under the section on Business-type activities.

### **General Fund Budgetary Highlights**

There were two budget amendments that affected the General Fund for fiscal year 2010. The two amendments totaled \$136,466 in additional appropriations.

Amendment #1	\$7,042	To amend the General Fund budget for radio system repair costs at the tower.
Amendment #2	<u>129,424</u>	To amend the General Fund budget for additional costs associated with Hurricane Ike repairs and various other small budget adjustments.
<b>Total</b>	<b><u>\$136,466</u></b>	

*At the time of the amendments it was budgeted that the majority of the increases would come from insurance proceeds. The remainder was taken from unreserved fund balance.*

*The General Fund actual revenues was under amended budget by \$535,322, 3.4%. Contributing to the decrease in revenue were:*

- *Payments in lieu of taxes were under budget by \$345,523. This was a result of the reduction in assessed value due to hurricane damage.*
- *Charges for services were under budget by \$241,595. Charges for services are based on actual expenditures that are associated with the business-type funds. These expenditures were less than anticipated in the adopted budget.*

*General Fund actual expenditures were under budget by \$368,651, 2.3%.*

- *Non departmental expenditures were under budget by \$213,385. The largest variance was in electricity which was under budget by \$206,234.*

*Other Financing Sources (Uses) also exceeded budget for the year by \$77,964. In this amount the City received an additional \$76,214 in insurance proceeds for hurricane recovery.*

### **Capital Assets and Debt Administration**

*Capital Assets - The City of Orange's investments in capital assets for its governmental and business type activities, as of September 30, 2010, amounts to \$62,809,232 (net of accumulated depreciation). The investment in capital assets includes land, buildings, furniture, fixtures and books, improvements other than buildings, machinery and equipment, streets, transportation vehicles, and construction in progress.*

*Capital assets in the governmental activities decreased by \$509,806 (2.6%) in this fiscal year. Capital assets in the business-type activities decreased by \$264,083 (0.6%).*

#### **City of Orange Capital Assets (net of depreciation)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<i>Land</i>	\$1,406,220	\$1,351,220	\$733,495	\$733,935	\$2,139,715	\$2,085,155
<i>Buildings</i>	12,038,597	12,416,868	398,855	408,520	12,437,452	12,825,388
<i>Furniture, fixtures and books</i>	1,081,278	1,199,925	--	--	1,081,278	1,199,925
<i>Improvements other than buildings</i>	--	--	41,499,598	41,984,460	41,499,598	41,984,460
<i>Machinery, equipment, vehicles and improvements</i>	2,888,072	2,884,613	373,752	280,543	3,261,824	3,165,156
<i>Vehicles</i>	--	--	328,011	181,037	328,011	181,037

Streets	1,729,342	1,844,461		--	1,729,342	1,844,461
Construction in progress	<u>326,012</u>	<u>282,240</u>	<u>6,000</u>	<u>15,299</u>	<u>332,012</u>	<u>297,539</u>
Total	<u>\$19,469,521</u>	<u>\$19,979,327</u>	<u>\$43,339,711</u>	<u>\$43,603,794</u>	<u>\$62,809,232</u>	<u>\$63,583,121</u>

Major capital asset events during the current fiscal year included the following:

### **Governmental Activities**

In fiscal year 2010 the governmental activities had a change in capital assets, before depreciation, of \$174,466. The changes in fiscal year 2010 were:

- Machinery, equipment, vehicles and improvements increased by \$339,200. Vehicle purchases and trade-ins accounted for most of the change. The General Fund purchased \$205,715 in vehicles made up of \$135,500 in police vehicles and \$70,218 for a new dump truck and pickup truck for street and drainage. In the Special Revenue Funds there were vehicles purchases in the amount of \$214,945. Community Development Block Grant funds purchased a vehicle for \$21,299, FEMA Fire Act Grant purchased fire vehicle upgrades in the amount \$41,202 and the Law Enforcement Seizure Fund purchased police vehicles in the amount of \$152,444.
- Buildings decreased by \$183,859. The largest change was the demolition of the Central Fire Station which was heavily damaged by the flood waters of Hurricane Ike.
- Office furniture, fixtures and books decreased by \$128,399. The largest decrease was the removal of obsolete or inoperable computer equipment in various departments of the City.
- Land increased by \$55,000 for the purchase of property for the Senior Center/Meals on Wheels building.
- Infrastructure increased by \$48,752 for infrastructure improvements funded by Community Development Block Grant and Community Development Block Grant Recovery funds.
- Construction in progress at September 30, 2010 was \$326,012 for hurricane recovery projects. The major projects are the Central Fire Station and Senior Center/Meals on Wheels Building.

### **Business Type Activities**

In fiscal year 2010 business-type activities had a change in capital assets, before depreciation, of \$983,652. The major capital expenditures included:

- Governmental Funds contributed \$302,559 in Water and Sewer infrastructure projects. The Capital Projects Fund completed the infrastructure projects within the recently annexed area in the amount of \$161,046. The Orange Economic Development Fund funded a portion of the looped water line at Highway 62 in the amount of \$135,303.
- The Orange Economic Development Corporation completed water and sewer infrastructure projects in the amount of \$312,385. The infrastructure was transferred to the Water and Sewer Fund on completion. Some of the larger infrastructure projects completed were

\$80,399 Highway 62 north of Flying J's, \$70,210 Redfish Rentals, \$60,842 Saxon Becnel Nursery, \$29,902 Faith United Methodist, \$23,666 Norman Highway Construction and \$29,000 to complete West-Orange Cove ISD drainage.

- The Sanitation Business-Type Activity purchased a new street sweeper under a lease purchase agreement. The purchase cost of the sweeper was \$199,979 less a trade-in of \$50,000.

Additional information on the City of Orange's capital assets can be found in note IV.C on pages 59 to 61 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Orange has total bonded debt outstanding of \$23,725,000. Of the outstanding debt \$18,980,000 is backed by the full faith and credit of the government and \$4,745,000 is backed by the revenue of the Water and Sewer system.

**City of Orange's Outstanding Debt  
General Obligation and Certificates of Obligation**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Certificates of Obligation	\$6,520,000	\$6,760,000	\$0	\$0	\$6,520,000	\$6,760,000
General Obligation Bonds	3,875,000	4,235,000	8,095,000	9,255,000	11,970,000	13,490,000
Revenue Bonds	0	0	4,745,000	4,925,000	4,745,000	4,925,000
Tax Notes	490,000	720,000	0	0	490,000	720,000
<b>Total</b>	<b><u>\$10,885,000</u></b>	<b><u>\$11,715,000</u></b>	<b><u>\$12,840,000</u></b>	<b><u>\$14,180,000</u></b>	<b><u>\$23,725,000</u></b>	<b><u>\$25,895,000</u></b>

The City's total debt decreased by \$2,170,000, or 8.4%, during the current fiscal year. Total bonded debt for governmental activities decreased by \$830,000 this fiscal year which represents the debt principal payments for the fiscal year on the general obligation bonds, certificates of obligation and tax notes. The general obligation bonds for business-type activities decreased by \$1,340,000 which represents the debt principal payment for the fiscal year on general obligation bonds which were paid out of water and sewer revenues in fiscal year 2010.

On the Series 2007 Water and Sewer Revenue Bonds the City of Orange was assigned an "A3" rating from Moody's Investors Service and a "BBB+" rating from Standard & Poor's. In April 2008 Standard & Poor's raised its rates on the bonds from "BBB+" to "A" and Moody's Investors Service assigned an "A2" rating.

In April 2010 Moody's Investors Service downgraded the overall rating of the Orange TX Water and Sewer Enterprise from "A1" to "A2". This also covers the Series 2007 Water and Sewer Revenue Bonds.

On the Series 2008 Tax and Revenue Certificates of Obligation the City of Orange was assigned an "A2" rating from Moody's Investors Service and an "A+" rating from Standard and Poor's.

*Additional information on the City's long-term debt can be found in note IV.F on pages 64 to 69 of this report.*

### **Economic Factors and Next Year's Budget and Rates**

#### ***Economic factors fiscal year 2010-***

- *Sales tax collections decreased 18.64%. The City had anticipated the reduction in collections for the fiscal year. Historically after a major hurricane the City sees sales tax collections spike upward. After the period of rebuilding is completed the sales tax returns to a more normal collection level. Collections went from \$3,035,472 in fiscal year 2009 to \$2,469,558 in fiscal year 2010. This amount has been adjusted for the sales tax collections for economic development which are collected for the City's Component Unit the Orange Economic Development Corporation. The collections for all of Orange County decreased by 20.33%.*
- *Hotel/motel tax collections continued to be lower than normal. The collections decreased by 17% during the fiscal year. Collections went from \$573,660 in fiscal year 2009 to \$475,276 in fiscal year 2010. Hotel occupancy has been down during the two years. A downturn in the economy has been cited as the major reason for the decrease.*
- *The unemployment rate for Orange County (in which Orange is located) remained above the state and national average. At September 2010 the unemployment rate was 10.8% while the statewide rate was 8.1% and the national rate was 9.6% (according to the US Department of Labor). The unemployment rate for Orange County is down slightly from the prior year rate of 11.1%.*

#### ***Economic factors budgeted fiscal year 2011 -***

- *The ad valorem tax certified taxable values for the new budget increased by 6.7% over the prior fiscal year. The certified taxable values went from \$755,904,362 in January 2009 to \$806,792,530 in January 2010. The increase is due to appreciation, new construction and the reappraisals. The ad valorem tax rate did not change remaining at \$0.745 per \$100.*
- *The Industrial District certified values increased by 2.4%. The values went from \$930,958,437 in January 2009 to \$953,529,960 in January 2010. The rebuilding and repairs due to Hurricane Ike continued during fiscal year 2010. At January 2010 most industries were back to full operations. In fiscal year 2011, the City does have one industry that has filed for a "Force Majeure" reduction, in the billable value, under their IDC contract, for continued hurricane operational impact.*
- *Sales tax was down substantially in fiscal year 2010 due to loss of sales tax that had occurred from hurricane recovery costs. In fiscal year 2011 it was budgeted that the sales tax collections would return to a pre-hurricane level. This was what had occurred after Hurricane Rita.*

#### ***Next years budgetary information and rates -***

- *The ad valorem tax rate remained the same at \$.745 per \$100. The rate was set above the effective tax rate.*
- *Fiscal year 2011 will be the second year under new Industrial District Contracts for our industries with five year contracts. Due to the damage that occurred to the industries under Hurricane Ike, the City renegotiated an IDC contract with an annually increasing rate. The*

*IDC contracts are not based on ad valorem tax rates, but include an industrial tax rate. The new contracts began at \$.47206/\$100 and increase to \$.50/\$100 in the final year. The term is usually five years. The industries with prior three year contracts negotiated new five year contracts, at \$.50/\$100, in fiscal year 2008.*

- *The water and sewer rates were adjusted 4% in fiscal year 2011. This change helped keep the revenue in line with budgeted expenses.*
- *The City is in the fourth year of a sanitation services contract that was bid in fiscal year 2008. The new contract was for cart service which was the most economical and effective service bid to the city. The present contract calls for a cost of living adjustment annually and fuel adjustment changes on a quarterly basis. The City raised sanitation rates 2% to meet the cost of providing sanitation and street sweeping services.*
- *The City has completed a three year collective bargaining agreement with the Orange Municipal Police Association and the Orange Association of Firefighters Local 1432.*
- *The City did not raise the salaries of general and collective bargaining employees. At the time of the M D & A, the City has settled with the Orange Association of Firefighters Local 1432 and are at impasse with the Orange Municipal Police Association.*
- *The City did budget step increases for non-union employees who have not reached their top step. The maximum increase was once again capped at 10%.*
- *In fiscal year 2011 the City changed medical insurance providers to Aetna and stayed with Blue Cross Blue Shield for dental. This change along with a higher deductible enabled the City to have an average 2.8% reduction in premiums. Since the City did not give cost of living adjustments for fiscal year 2011 the reduction in premiums was passed along to the employees.*

### **Request for Information**

*The financial report is designed to provide a general overview of the City of Orange's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Orange, Finance Department, P. O. Box 520, Orange, TX 77631.*

# **BASIC FINANCIAL STATEMENTS**



**City of Orange, Texas**  
**Statement of Net Assets**  
**September 30, 2010**

	Primary Government			Component Unit Economic Development Corporation
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$6,109,393	\$1,455,794	\$7,565,187	\$2,723,567
Investments	499,830	0	499,830	0
Receivables (net of allowance for uncollectibles)	3,611,231	1,020,087	4,631,318	87,365
Internal balances	82,133	(82,486)	(353)	0
Inventories and prepaids	201,994	101,265	303,259	0
Deferred charges	407,495	406,461	813,956	105,175
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	241,849	1,535,194	1,777,043	83,780
Capital assets (net of accumulated depreciation)				
Land	1,406,220	733,495	2,139,715	413,926
Buildings	12,038,597	398,855	12,437,452	0
Furniture, fixtures, books	1,081,278	0	1,081,278	0
Improvements other than buildings	0	41,499,598	41,499,598	0
Machinery, equipment, vehicles & improvements	2,888,072	373,752	3,261,824	0
Vehicles	0	328,011	328,011	0
Streets	1,729,342	0	1,729,342	0
Construction in progress	326,012	6,000	332,012	239,402
Total assets	30,623,446	47,776,026	78,399,472	3,653,215
<b>Liabilities</b>				
Accounts payable and other current liabilities	993,210	395,725	1,388,935	103,657
Accrued interest payable	70,792	91,321	162,113	15,762
Unearned revenue	32,830	0	32,830	0
Liabilities payable from restricted assets	0	0	0	25,000
Noncurrent liabilities				
Due within one year payable from restricted assets	142,388	1,390,000	1,532,388	0
Due within one year	1,426,516	75,423	1,501,939	140,000
Due in more than one year	11,634,525	11,629,479	23,264,004	2,185,000
Total liabilities	14,300,261	13,581,948	27,882,209	2,469,419
<b>Net Assets</b>				
Invested in capital assets net of related debt	8,955,990	30,776,406	39,732,396	653,328
Restricted for:				
Authorized use of capital improvement funds	0	0	0	38,671
Debt service payments	71,058	1,443,873	1,514,931	45,109
Unrestricted	7,296,137	1,973,799	9,269,936	446,688
Total net assets	\$16,323,185	\$34,194,078	\$50,517,263	\$1,183,796

The notes to the financial statements are an integral part of this statement.

**City of Orange, Texas**  
**Statement of Activities**  
**For the Year Ended September 30, 2010**

Function/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
<b>Primary Government:</b>								
Governmental Activities:								
General government	1,338,566	1,134,214	83,547	0	(\$120,805)	--	(\$120,805)	--
Cultural and recreation	1,702,697	27,011	16,752	8,185	(\$1,650,749)	--	(1,650,749)	--
Public safety	9,870,932	270,964	395,027	663,321	(\$8,541,620)	--	(8,541,620)	--
Public works	4,694,527	98,552	1,412,616	222,996	(\$2,960,363)	--	(2,960,363)	--
Interest on long-term debt	493,648	0	0	0	(493,648)	--	(493,648)	--
Total governmental activities	18,100,370	1,530,741	1,907,942	894,502	(13,767,185)	--	(13,767,185)	--
Business-type activities:								
Water	2,551,573	2,409,073	10,960	264,074	--	132,534	132,534	--
Sewer	4,171,001	4,290,074	10,960	74,940	--	204,973	204,973	--
Sanitation	1,582,983	1,678,957	150,089	39,505	--	285,568	285,568	--
Total business-type activities	8,305,557	8,378,104	172,009	378,519	--	623,075	623,075	--
Total primary government	\$26,405,927	\$9,908,845	\$2,079,951	\$1,273,021	(13,767,185)	623,075	(13,144,110)	--
<b>Component Unit:</b>								
Economic Development Corporation	\$650,569	\$0	\$128,450	\$0	--	--	--	(\$522,119)
Total component unit	\$650,569	\$0	\$128,450	\$0	--	--	--	(522,119)
General revenues:								
Property taxes					5,666,502	--	5,666,502	--
Sales tax					2,469,558	--	2,469,558	1,234,779
Other taxes					497,900	--	497,900	--
Franchise taxes					329,673	--	329,673	--
Payment in-lieu of taxes					4,503,987	--	4,503,987	--
Unrestricted investment earnings					26,853	6,602	33,455	7,573
Transfers					(682,404)	682,404	0	--
Total revenues					12,812,069	689,006	13,501,075	1,242,352
Change in net assets					(955,116)	1,312,081	356,965	720,233
Net assets (deficit) - beginning					17,278,301	32,881,997	50,160,298	463,563
Net assets - ending					\$16,323,185	\$34,194,078	\$50,517,263	\$1,183,796

**City of Orange, Texas  
Balance Sheet  
Governmental Funds  
September 30, 2010**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$3,448,683	\$141,850	\$99,999	\$2,225,047	\$5,915,579
Investments	499,830	0	0	0	499,830
Receivables (net of allowance for uncollectibles)					
Taxes	582,004	131,833	0	0	713,837
Accounts	839,108	0	0	1,257,709	2,096,817
Due from other funds	1,169,028	0	0	0	1,169,028
Due from others	2,495	538	0	0	3,033
Inventories, at cost	76,994	0	0	0	76,994
Prepays	125,000	0	0	0	125,000
<b>Total assets</b>	<b>\$6,743,142</b>	<b>\$274,221</b>	<b>\$99,999</b>	<b>\$3,482,756</b>	<b>\$10,600,118</b>
<b>Liabilities and fund balances:</b>					
<b>Liabilities</b>					
Accounts payable	\$584,774	\$0	\$0	\$201,997	\$786,771
Partial payment of taxes	1,565	0	0	0	1,565
Deferred revenue	582,004	131,833	0	32,830	746,667
Due to others	11,277	0	0	0	11,277
Due to other funds	125,000	0	0	996,348	1,121,348
Liability for municipal court	6,012	0	0	0	6,012
<b>Total liabilities</b>	<b>1,310,632</b>	<b>131,833</b>	<b>0</b>	<b>1,231,175</b>	<b>2,673,640</b>
<b>Fund balances</b>					
Reserved for:					
Authorized use of capital improvement funds	0	0	99,999	0	99,999
Debt service payments	0	142,388	0	0	142,388
Unreserved, reported in:					
General fund	5,432,510	0	0	0	5,432,510
Special revenue funds	0	0	0	2,251,581	2,251,581
<b>Total fund balance</b>	<b>5,432,510</b>	<b>142,388</b>	<b>99,999</b>	<b>2,251,581</b>	<b>7,926,478</b>
<b>Total liabilities and fund balances</b>	<b>\$6,743,142</b>	<b>\$274,221</b>	<b>\$99,999</b>	<b>\$3,482,756</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are deferred in the funds.	19,469,521
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,511,381
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(12,866,726)
Internal service funds are used by management to charge the costs of workers' compensation and medical insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	282,531
<b>Net assets of governmental activities</b>	<b>\$16,323,185</b>

The notes to the financial statements are an integral part of this statement.

**City of Orange, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2010**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$6,859,390	\$1,291,223	\$0	\$475,276	\$8,625,889
Payment in lieu of taxes	4,503,987	0	0	0	4,503,987
Franchises	1,302,854	0	0	0	1,302,854
Licenses and permits	417,235	0	0	0	417,235
Intergovernmental	155,905	0	0	1,292,243	1,448,148
Charges for services	1,711,616	0	0	0	1,711,616
Donations	0	0	0	61,207	61,207
Grant income	0	0	0	822,476	822,476
Investment income	17,960	960	1,155	6,780	26,855
Program income	0	0	0	50,087	50,087
Forfeitures	0	0	0	275,257	275,257
Miscellaneous	21,571	0	0	0	21,571
Total revenues	14,990,518	1,292,183	1,155	2,983,326	19,267,182
<b>Expenditures</b>					
<b>Current</b>					
General government	1,318,867	0	0	0	1,318,867
Cultural and recreation	1,032,361	0	0	477,671	1,510,032
Public safety	8,400,977	0	0	200,425	8,601,402
Public works	2,851,748	0	0	1,398,071	4,249,819
Non departmental hurricane recovery	54,093	0	0	0	54,093
Non departmental	1,664,657	0	0	0	1,664,657
<b>Debt Service</b>					
Principal	0	830,000	0	0	830,000
Interest and fiscal charges	0	458,003	0	0	458,003
<b>Capital Outlay</b>					
Books	4,994	0	0	6,949	11,943
Building maintenance	0	0	0	332,093	332,093
Furniture, fixtures, office equipment	2,093	0	0	0	2,093
Land	0	0	0	55,000	55,000
Machinery	65,337	0	0	186,593	251,930
Other capital outlay	0	0	11,578	0	11,578
Sewer construction	0	0	74,734	0	74,734
Streets	0	0	0	48,752	48,752
Vehicles	205,718	0	0	214,945	420,663
Water construction	0	0	74,734	135,313	210,047
Total expenditures	15,600,845	1,288,003	161,046	3,055,812	20,105,706
Excess (deficiency) of revenues over (under) expenditures	(610,327)	4,180	(159,891)	(72,486)	(838,524)
<b>Other financing sources (uses)</b>					
Insurance proceeds	76,214	0	0	0	76,214
Sale of fixed assets	1,750	0	0	0	1,750
Transfers in (out)	(379,846)	0	0	0	(379,846)
Total other financing sources and uses	(301,882)	0	0	0	(301,882)
Net change in fund balances	(912,209)	4,180	(159,891)	(72,486)	(1,140,406)
<b>Fund balances- beginning</b>	6,344,719	138,208	259,890	2,324,067	9,066,884
<b>Fund balances - ending</b>	\$5,432,510	\$142,388	\$99,999	\$2,251,581	\$7,926,478

The notes to the financial statements are an integral part of this statement.

**City of Orange, Texas**  
**Reconciliation of the Statement of Revenues**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended September 30, 2010**

Amounts reported for governmental activities in the statement of activities (page 35) are different because:

Net change in fund balances - total governmental funds (page 37)	(\$1,140,406)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	(509,806)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	50,565
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	794,354
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.	(60,103)
Internal service funds are used by management to charge the cost of workers' compensation and medical insurance to individual funds.	(89,720)
Change in net assets of governmental activities (page 35).	<u>(\$955,116)</u>

The notes to the financial statements are an integral part of this statement.

**City of Orange, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Over (Under)
	Original	Final		
<b>Revenues</b>				
Taxes	\$6,806,819	\$6,806,819	\$6,859,390	\$52,571
Payment in lieu of taxes	4,849,510	4,849,510	4,503,987	(345,523)
Franchises	1,302,000	1,302,000	1,302,854	854
Licenses and permits	369,300	369,300	417,235	47,935
Intergovernmental	90,000	90,000	155,905	65,905
Charges for services	1,953,211	1,953,211	1,711,616	(241,595)
Investment income	100,000	100,000	17,960	(82,040)
Miscellaneous	55,000	55,000	21,571	(33,429)
Total revenues	15,525,840	15,525,840	14,990,518	(535,322)
<b>Expenditures</b>				
<b>Current</b>				
General government	1,394,760	1,394,760	1,318,867	(75,893)
Cultural and recreation	1,031,151	1,031,151	1,032,361	1,210
Public safety	8,314,369	8,314,369	8,400,977	86,608
Public works	2,931,250	2,930,800	2,851,748	(79,052)
Non departmental hurricane recovery	0	57,103	54,093	(3,010)
Non departmental	1,871,000	1,878,042	1,664,657	(213,385)
<b>Capital Outlay</b>				
Books	5,000	5,000	4,994	(6)
Buildings	0	52,010	0	(52,010)
Furniture, fixtures, office equipment	50,000	50,000	2,093	(47,907)
Machinery	40,000	50,093	65,337	15,244
Vehicles	195,500	206,168	205,718	(450)
Total expenditures	15,833,030	15,969,496	15,600,845	(368,651)
Excess (deficiency) of revenues over (under) expenditures	(307,190)	(443,656)	(610,327)	(166,671)
<b>Other financing sources (uses)</b>				
Insurance proceeds	0	0	76,214	76,214
Sale of fixed assets	0	0	1,750	1,750
Transfers in (out)	(379,846)	(379,846)	(379,846)	0
Total other financing sources and uses	(379,846)	(379,846)	(301,882)	77,964
Net change in fund balances	(687,036)	(823,502)	(912,209)	(88,707)
<b>Fund balances- beginning</b>	6,344,719	6,344,719	6,344,719	0
<b>Fund balances - ending</b>	\$5,657,683	\$5,521,217	\$5,432,510	(\$88,707)

The notes to the financial statements are an integral part of this statement.

**City of Orange, Texas**  
**Statement of Net Assets**  
**Proprietary Funds**  
**September 30, 2010**

	Business-Type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Water & Sewer Current Year	Water & Sewer Prior Year	Sanitation Current Year	Sanitation Prior Year	Total Current Year	
<b>Assets</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$564,147	\$0	\$891,647	\$472,257	\$1,455,794	\$423,663
Cash with fiscal agent	0	0	0	0	0	12,000
Receivables (net of allowance for uncollectibles)	806,717	875,558	213,370	340,747	1,020,087	0
Inventories	101,265	93,933	0	0	101,265	0
Cash and cash equivalents - restricted	1,535,194	877,704	0	0	1,535,194	0
Investments - restricted	0	971,877	0	0	0	0
<b>Total current assets</b>	<b>3,007,323</b>	<b>2,819,072</b>	<b>1,105,017</b>	<b>813,004</b>	<b>4,112,340</b>	<b>435,663</b>
<b>Noncurrent assets:</b>						
Capital assets (net of accumulated depreciation)						
Land	733,495	733,935	0	0	733,495	0
Buildings	398,855	408,520	0	0	398,855	0
Improvements other than buildings	41,499,598	41,984,460	0	0	41,499,598	0
Machinery and equipment	373,015	279,567	737	976	373,752	0
Transportation vehicles	121,598	124,904	206,413	56,133	328,011	0
Construction in progress	6,000	15,299	0	0	6,000	0
<b>Total noncurrent assets</b>	<b>43,132,561</b>	<b>43,546,685</b>	<b>207,150</b>	<b>57,109</b>	<b>43,339,711</b>	<b>0</b>
<b>Total assets</b>	<b>46,139,884</b>	<b>46,365,757</b>	<b>1,312,167</b>	<b>870,113</b>	<b>47,452,051</b>	<b>435,663</b>
<b>Liabilities</b>						
<b>Current liabilities:</b>						
Accounts payable and other current liabilities	286,387	294,047	109,338	95,109	395,725	187,585
Accrued interest payable	91,321	100,297	0	0	91,321	0
Capital lease payable	0	0	49,316	6,516	49,316	0
Due to other funds	37,259	734	10,774	0	48,033	0
Liability for employee benefits	21,638	18,791	4,469	3,835	26,107	0
Current portion of long-term debt	1,390,000	1,340,000	0	0	1,390,000	0
<b>Total current liabilities</b>	<b>1,826,605</b>	<b>1,753,869</b>	<b>173,897</b>	<b>105,460</b>	<b>2,000,502</b>	<b>187,585</b>
<b>Noncurrent liabilities:</b>						
Capital lease payable	0	0	80,449	0	80,449	0
Liability for employee benefits	95,452	90,000	3,577	1,260	99,029	0
General obligation bonds payable (net of unamortized discounts and deferred amounts on refundings)	11,043,540	12,386,312	0	0	11,043,540	0
<b>Total noncurrent liabilities</b>	<b>11,138,992</b>	<b>12,476,312</b>	<b>84,026</b>	<b>1,260</b>	<b>11,223,018</b>	<b>0</b>
<b>Total liabilities</b>	<b>12,965,597</b>	<b>14,230,181</b>	<b>257,923</b>	<b>106,720</b>	<b>13,223,520</b>	<b>187,585</b>
<b>Net Assets</b>						
Invested in capital assets net of related debt	29,820,373	29,373,200	77,385	50,594	29,897,758	0
Restricted for debt service	1,331,263	1,749,284	0	0	1,331,263	0
Unrestricted	2,022,651	1,013,092	976,859	712,799	2,999,510	248,078
<b>Total net assets</b>	<b>\$33,174,287</b>	<b>\$32,135,576</b>	<b>\$1,054,244</b>	<b>\$763,393</b>	<b>34,228,531</b>	<b>\$248,078</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(34,453)	
Net assets of business-type activities					<u>\$34,194,078</u>	

The notes to the financial statements are an integral part of this statement.

**City of Orange, Texas**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended September 30, 2010**

	Business-Type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Water & Sewer	Water & Sewer	Sanitation	Sanitation	Total	
	Current Year	Prior Year	Current Year	Prior Year	Current Year	
<b>Operating revenues:</b>						
Charges for service- water	\$2,308,714	\$2,019,524	\$0	\$0	\$2,308,714	\$0
Charges for service - sewer	4,189,715	3,689,386	0	0	4,189,715	0
Charges for service - sanitation	0	0	1,678,957	1,559,878	1,678,957	0
Other services	200,718	207,374	0	0	200,718	222,586
<b>Total operating revenues</b>	<b>6,699,147</b>	<b>5,916,284</b>	<b>1,678,957</b>	<b>1,559,878</b>	<b>8,378,104</b>	<b>222,586</b>
<b>Operating expenses:</b>						
Personnel services	1,475,677	1,388,202	68,072	68,826	1,543,749	0
Employee benefits	887,776	789,744	45,889	44,406	933,665	0
Contractual services	656,244	726,353	1,151,065	1,115,401	1,807,309	0
Supplies	281,627	249,200	1,291	677	282,918	0
Utilities	471,853	556,382	0	0	471,853	0
Depreciation	1,387,803	1,108,948	42,444	53,629	1,430,247	0
Administrative expense	916,104	813,334	269,846	265,905	1,185,950	11,073
Amortization expense	47,227	47,227	0	0	47,227	0
Claims	0	0	0	0	0	275,716
Premiums	0	0	0	0	0	44,295
<b>Total operating expenses</b>	<b>6,124,311</b>	<b>5,679,390</b>	<b>1,578,607</b>	<b>1,548,844</b>	<b>7,702,918</b>	<b>331,084</b>
<b>Operating income (loss)</b>	<b>574,836</b>	<b>236,894</b>	<b>100,350</b>	<b>11,034</b>	<b>675,186</b>	<b>(108,498)</b>
<b>Nonoperating revenues (expenses):</b>						
Insurance proceeds	0	544,773	0	0	0	0
Intergovernmental	21,919	254,783	150,089	164,116	172,008	0
Investment income	4,289	46,483	2,313	3,851	6,602	1,297
Interest expense	(583,752)	(637,372)	(1,406)	(1,335)	(585,158)	0
Gain (loss) on capital asset disposition	0	(47,155)	39,505	0	39,505	0
<b>Total nonoperating revenue (expense) before contributions and transfers</b>	<b>(557,544)</b>	<b>161,512</b>	<b>190,501</b>	<b>166,632</b>	<b>(367,043)</b>	<b>1,297</b>
<b>Income (loss) before contributions and transfers</b>	<b>17,292</b>	<b>398,406</b>	<b>290,851</b>	<b>177,666</b>	<b>308,143</b>	<b>(107,201)</b>
<b>Capital contributions</b>	<b>641,573</b>	<b>7,999,195</b>	<b>0</b>	<b>0</b>	<b>641,573</b>	<b>0</b>
<b>Transfers in</b>	<b>379,846</b>	<b>579,846</b>	<b>0</b>	<b>0</b>	<b>379,846</b>	<b>0</b>
<b>Change in net assets</b>	<b>1,038,711</b>	<b>8,977,447</b>	<b>290,851</b>	<b>177,666</b>	<b>1,329,562</b>	<b>(107,201)</b>
<b>Total net assets - beginning</b>	<b>32,135,576</b>	<b>23,158,129</b>	<b>763,393</b>	<b>585,727</b>		<b>355,279</b>
<b>Total net assets - ending</b>	<b>33,174,287</b>	<b>32,135,576</b>	<b>1,054,244</b>	<b>763,393</b>		<b>248,078</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(17,481)	
<b>Change in net assets by business-type activities (page 35)</b>					<b>\$1,312,081</b>	

The notes to the financial statements are an integral part of this statement.

**City of Orange**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2010**

	Water & Sewer Current Year	Water & Sewer Prior Year	Sanitation Current Year	Sanitation Prior Year	Total Current Year	Governmental Activities- Internal Service Funds
<b>Cash flows from operating activities:</b>						
Receipts from customers and users	\$6,632,686	\$5,902,455	\$1,671,370	\$1,661,532	\$8,304,056	\$241,055
Receipts from interfund services provided	0	0	0	0	0	( 162,561)
Payments to suppliers	( 2,263,787)	( 2,709,573)	( 1,127,353)	( 1,123,460)	( 3,391,140)	0
Payments to employees	( 1,487,785)	( 1,369,190)	( 111,010)	( 113,216)	( 1,598,795)	0
Payments for interfund services used	( 916,104)	( 813,334)	( 269,846)	( 265,905)	( 1,185,950)	0
<b>Net cash provided by operating activities</b>	<b>1,965,010</b>	<b>1,010,358</b>	<b>163,161</b>	<b>158,951</b>	<b>2,128,171</b>	<b>78,494</b>
<b>Cash flows from noncapital financing activities:</b>						
Subsidy from federal grant	138,428	206,590	285,053	0	423,481	0
Subsidy from insurance proceeds	27,020	595,575	0	0	27,020	0
Subsidy from general government	379,846	579,846	0	0	379,846	0
<b>Net cash provided by noncapital financing activities</b>	<b>545,294</b>	<b>1,382,011</b>	<b>285,053</b>	<b>0</b>	<b>830,347</b>	<b>0</b>
<b>Cash flows from capital and related financing activities:</b>						
Proceeds from capital debt	0	0	149,979	0	149,979	0
Purchases of capital assets	( 332,104)	( 4,598,454)	( 152,979)	0	( 485,083)	0
Principal paid on capital debt	( 1,340,000)	( 1,285,000)	( 26,730)	( 37,998)	( 1,366,730)	0
Interest paid on capital debt	( 592,728)	( 645,752)	( 1,406)	( 1,335)	( 594,134)	0
<b>Net cash provided ( used) by capital and related financing activities</b>	<b>( 2,264,832)</b>	<b>( 6,529,206)</b>	<b>( 31,136)</b>	<b>( 39,333)</b>	<b>( 2,295,968)</b>	<b>0</b>
<b>Cash flows from investing activities:</b>						
Proceeds from sales and maturities of investments	2,897,705	15,364,619	350,000	541,689	3,247,705	125,000
Purchase of investments	( 1,925,979)	( 11,864,734)	( 350,000)	( 450,000)	( 2,275,979)	0
Interest and dividends received	4,438	57,832	2,312	4,159	6,750	1,297
<b>Net cash provided by investing activities</b>	<b>976,164</b>	<b>3,557,717</b>	<b>2,312</b>	<b>95,848</b>	<b>978,476</b>	<b>126,297</b>
<b>Net increase ( decrease) in cash and cash equivalents</b>	<b>1,221,636</b>	<b>( 579,120)</b>	<b>419,390</b>	<b>215,466</b>	<b>1,641,026</b>	<b>204,791</b>
<b>Cash and cash equivalents October 1</b>	<b>877,704</b>	<b>1,456,824</b>	<b>472,257</b>	<b>256,791</b>	<b>1,349,961</b>	<b>218,872</b>
<b>Cash and cash equivalents September 30</b>	<b>\$2,099,340</b>	<b>\$877,704</b>	<b>\$891,647</b>	<b>\$472,257</b>	<b>\$2,990,987</b>	<b>\$423,663</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>						
<b>Operating Income ( Loss)</b>	<b>\$574,836</b>	<b>\$236,894</b>	<b>\$100,350</b>	<b>\$11,034</b>	<b>\$675,186</b>	<b>( \$108,498)</b>
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>						
Depreciation expense	1,387,803	1,108,948	42,444	53,629	1,430,247	0
Amortization of bond issue costs	47,227	47,227	0	0	47,227	0
<b>Changes in assets and liabilities:</b>						
( Increase) decrease in accounts receivable	( 66,461)	( 32,992)	( 120,062)	101,654	( 186,523)	18,469
( Increase) decrease in inventory	( 7,332)	3,723	0	0	( 7,332)	0
( Increase) decrease in prepaids	0	0	0	0	0	168,523
Increase ( decrease) in accounts payable	28,938	( 353,442)	140,429	( 7,366)	169,367	0
<b>Net cash provided by operating activities</b>	<b>\$1,965,011</b>	<b>\$1,010,358</b>	<b>\$163,161</b>	<b>\$158,951</b>	<b>\$2,128,172</b>	<b>\$78,494</b>
<b>Noncash investing, capital and financing activities</b>						
Contributions of capital assets from government	641,573	7,999,195	0	0	641,573	0
Increase ( decrease) in fair value of investments	( 971,877)	( 3,511,233)	0	( 91,996)	( 971,877)	( 125,000)

The notes to the financial statements are an integral part of this statement

**City of Orange, Texas**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**September 30, 2010**

	<u>Total Fiduciary Funds</u>
<b>Assets</b>	
Cash	\$24,421
Due from other funds	125,000
Total assets	<u>149,421</u>
<b>Liabilities</b>	
Due to other funds	124,647
Other liabilities	24,421
Total liabilities	<u>\$149,068</u>

The notes to the financial statements are an integral part of this statement.

## **CITY OF ORANGE, TEXAS**

### **Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

#### **I. Summary of Significant Accounting Policies**

##### **A. Reporting Entity**

*The City of Orange, Texas (City) is chartered as a Home Rule City under the laws of the State of Texas. The current charter, adopted January 12, 1960 and amended by special election August 9, 1986, January 20, 1996, May 7, 2005 and May 8, 2010, provides for a Council-Manager form of government. The City Council is composed of an elected mayor and seven-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is a legally separate entity from the government.*

**Discretely presented component unit.** *The Economic Development Corporation is responsible for the administration of the City's 4B Sales Tax receipts and related expenditures. The Economic Development Corporation is covered under the provisions of the State of Texas, Development Corporation Act of 1979. Under the Act members of the board serve at the pleasure of the governing body and must conduct meetings within the City's boundaries. The Act also establishes that prior to pursuing a project the Economic Development Corporation Board is required to obtain City Council approval of the project. These provisions meet the criteria for inclusion established by GASB 14. Complete financial statements for the individual component unit may be obtained at the City's Finance Department.*

##### **B. Government-wide and fund financial statements**

*The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.*

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

## **CITY OF ORANGE, TEXAS**

### **Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

*properly included among program revenues are reported instead as general revenues.*

*Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.*

#### **C. Measurement Focus, Basis of Accounting and Basis of Presentation**

*The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.*

*Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.*

*Property taxes, sales tax, franchise taxes, licenses, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.*

*Agency fiduciary fund financial statements are reported on the accrual basis of accounting for the recognition of receivable and payables.*

*The government reports the following major governmental funds:*

*The **general fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.*

**CITY OF ORANGE, TEXAS**

**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

*The **debt service fund** accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.*

*The **capital projects fund** accounts for the acquisition and construction of major capital facilities funded through the transfer of funds or residual equity.*

*The government reports the following major proprietary funds:*

*The **water and sewer fund** accounts for the revenue and expenses associated with providing water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations maintenance, financing and related debt service, and billing and collection.*

*The **sanitation fund** accounts for the revenue and expenses associated with providing solid waste services to the citizens of the City.*

*Additionally, the government reports the following fund types:*

*The **internal service funds** account for partially self-funded workers' compensation insurance provided to other departments of the government.*

*The **agency funds** are used to account for resources legally held by the Municipal Court Escrow, the Employee Flex Plan and the Orange Employee Benefit Trust Funds on behalf of others.*

*Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.*

*As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments of charges between the government's water and sewer function and various other functions of the government and payment for administrative charges between the general fund and the various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for various functions concerned.*

*Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grant and*

**CITY OF ORANGE, TEXAS**  
**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

*contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.*

*Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund, of the Sanitation enterprise fund and the government's internal service funds are charges to customers for sales and services. The Water and Sewer enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.*

*When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.*

**D. Assets, Liabilities and Equity**

**1. Deposits and Investments**

*The City's cash balances are pooled and invested. Statutes of the State of Texas and policies mandated by the City Council authorize the City to invest in direct obligations of the federal government, agencies or instrumentalities, Texpool investment pool, and certificates of deposit. The demand portion of the balances are held in interest bearing depository bank accounts and non demand monies are invested in authorized investments. Interest earned on pooled cash is allocated monthly to each participating fund based upon each fund's month-end equity balance. Negative balances in equity, in pooled cash and investments, incurred by a fund are classified as "due to other funds". The negative balances are assessed a charge against previous related earnings based upon effective rates at the time of the negative balance.*

*The City uses the criteria as established by GASB Statement 9 for inclusion or exclusion of investments for cash flow reporting purposes. The City included any highly liquid, easily convertible investments, with an original maturity date no more than three months after the date of purchase, as cash equivalents.*

**2. Receivables and Payables**

*Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds"*

## **CITY OF ORANGE, TEXAS**

### **Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

*(i.e., the current portion of interfund loans), or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.*

*Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.*

*All trade and property tax receivables are shown net of allowance for uncollectibles. Delinquent accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 4% of outstanding property taxes at September 30, 2010.*

*Property taxes are levied annually in October on the basis of the Orange County Appraisal District’s assessed values as of January 1 of that calendar year. Taxes are applicable to the fiscal year in which they are levied. They become delinquent, with an enforceable lien on property, on February 1 of the subsequent calendar year. The City contracts with the Orange County Tax Department for the billing and collection of all current and delinquent property taxes.*

*Property taxes which are measurable and available (receivable with the current period and collected within 60 days thereafter to be used to pay liabilities of current period) are recognized as revenue in the year of levy.*

### **3. Inventories and Prepaid Items**

*Material inventory items are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Non-material inventory items are recorded as expenditures when purchased.*

*In the government-wide and fund financial statements items which would result in a prepayment of expenditures are monitored at year end and any such items are recorded as prepaid items.*

### **4. Restricted Assets**

*Certain assets of the governmental activities and business-type activities are classified as restricted assets on the balance sheet because their use is restricted by bond covenant, debt*

**CITY OF ORANGE, TEXAS**

**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

*service requirements, construction contracts, insurance requirements or City Council authorization. These funds also include amounts with fiscal agents.*

**5. Capital Assets**

*Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.*

*The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.*

*Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.*

*Property, plants, equipment and infrastructure of the primary government is depreciated using the straight line method over the following useful lives:*

<u>Assets</u>	<u>Years</u>
Roads/Bridges	50
Buildings	50
Utility System	50
Water Meters	33
Other Equipment, Furniture & Fixtures	10
Transportation Equipment	5

**6. Compensated Absences**

*The City's employees earn vacation and sick leave, all of which may either be taken or accumulated, up to set limitations. At termination or retirement general government employees are paid for 18 months of accrual on vacation, but sick leave is not paid at termination. Civil service employees are also paid for 18 months of accrual on vacation and are paid for sick leave up to the prescribed contract limits. Civil service employees are also paid for any holiday leave accrual at termination or retirement.*

*A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. All vacation pay is*

**CITY OF ORANGE, TEXAS**

**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

*accrued when incurred in the government-wide and proprietary fund financial statements.*

**7. Long-Term Obligations**

*In the government-wide financial statements, and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.*

*In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financial sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.*

**8. Fund Equity**

*In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.*

*The City currently has the following reserves:*

***Reserve for authorized use of capital improvement funds** - segregates a portion of fund balance for resources legally restricted for the projects authorized at the time capital improvement bond funds were issued.*

***Reserve for debt service payments** - segregates a portion of fund balance for resources legally restricted to the payment of long-term debt interest and principal amounts maturing in future years.*

**9. Comparative Data/Reclassifications**

*Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation*

**CITY OF ORANGE, TEXAS**

**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

**II. Reconciliation of Government-Wide and Fund Financial Statements**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.**

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Capital assets used in governmental activities are not financial resources and, therefore, are deferred in the funds." The details of the \$19,469,521 are as follows:

<i>Capital assets</i>	<i>\$39,080,429</i>
<i>Less: Accumulated depreciation</i>	<i><u>(19,610,908)</u></i>
<i>Net adjustment to increase fund balances - total governmental funds to arrive at net assets - governmental funds.</i>	<i><u>\$19,469,521</u></i>

Another element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds." The details of the \$1,918,876 are as follows:

<i>Accrued municipal court revenue</i>	<i>\$772,088</i>
<i>Accrued property tax revenue</i>	<i>739,293</i>
<i>Amortized issuance costs, discount, and deferred charges for refunding</i>	<i>371,469</i>
<i>Negative net pension obligation</i>	<i><u>36,026</u></i>
<i>Net adjustment to increase fund balances - total governmental funds to arrive at net assets - governmental funds.</i>	<i><u>\$1,918,876</u></i>

Another element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of the (\$13,274,221) difference are as follows:

<i>Bonds and tax notes payable</i>	<i>(\$10,885,000)</i>
<i>Accrued interest payable</i>	<i>(70,792)</i>
<i>Other post employment benefits</i>	<i>(255,783)</i>

**CITY OF ORANGE, TEXAS**

**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

<i>Compensated absences</i>	<u>(2,062,646)</u>
<i>Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental funds</i>	<u>(\$13,274,221)</u>

*Another element of that reconciliation explains that "Internal service funds are used by management to charge the costs of health insurance and workers' compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets." The details of this \$282,531 are as follows:*

<i>Net assets of the internal service funds</i>	\$265,050
<i>Plus: Internal receivable representing charges less than cost to business-type activities - prior years</i>	17,481
<i>Less: Internal receivable representing charges more than cost to business-type activities - current year</i>	=
<i>Net adjustment to increase fund balances - total governmental funds to arrive at net assets - governmental funds.</i>	<u>\$282,531</u>

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the governmental-wide statement of activities.**

*The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total government-wide statement of activities. One element of that reconciliation explains that "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 and reported as depreciation expense." The details of this (\$509,806) difference are as follows:*

<i>Capital outlay</i>	\$1,116,474
<i>Assets received as donations</i>	69,055
<i>Assets deleted during year</i>	(294,523)
<i>Depreciation expense</i>	<u>(1,400,812)</u>
<i>Net adjustment to decrease net changes in fund balances - total governmental fund to arrive at changes in net assets of governmental activities</i>	<u>(\$509,806)</u>

**CITY OF ORANGE, TEXAS**

**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

Another element of that reconciliation states that "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this \$50,565 difference are as follows:

<i>Municipal court revenue</i>	<i>\$42,494</i>
<i>Property tax revenue</i>	<i><u>8,071</u></i>
<i>Net adjustment to increase net changes in fund balances - total governmental fund to arrive at changes in net assets of governmental activities.</i>	<i><u>\$50,565</u></i>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$794,354 difference are as follows:

<i>Bonds paid</i>	<i>\$830,000</i>
<i>Bond issuance costs, discount and deferred refunding charges</i>	<i>(40,867)</i>
<i>Change in interest payable</i>	<i><u>5,221</u></i>
<i>Net adjustment to increase net changes in fund balances - total government funds to arrive at changes in net assets of governmental funds</i>	<i><u>\$794,354</u></i>

Another element of that reconciliation states that "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." The details of this (\$60,103) difference are as follows:

<i>Compensated absences</i>	<i>\$56,046</i>
<i>Other post employment benefits</i>	<i>(129,376)</i>
<i>Net pension obligation</i>	<i><u>13,227</u></i>
<i>Net adjustment to decrease net changes in fund balances - total government funds to arrive at changes in net assets of governmental funds</i>	<i><u>(\$60,103)</u></i>

**CITY OF ORANGE, TEXAS**

**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

Another element of that reconciliation states that “The net revenues and expenses of certain activities of the internal service funds are reported with governmental activities.” The details of this (\$89,720) difference are as follows:

<i>Workers’ compensation internal service fund</i>	<u><i>(\$89,720)</i></u>
<i>Net adjustment to decrease net changes in fund balances- total government funds to arrive at changes in net assets of governmental funds</i>	<u><i>(\$89,720)</i></u>

**III. Stewardship, Compliance, and Accountability**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds which plan expenditure activity for the fiscal year. In fiscal year 2010 annual budgets were adopted for all governmental funds except the Bush Clinton Coastal Recovery Fund, Department of Homeland Security Police Grant Fund, Economic Development Fund, Home Program Grant Fund, Texas Comptroller’s Tobacco Grant Fund and Texas Office of Governor JAG Recovery Grant Fund, . The Department of Homeland Security Police Grant Fund, Texas Comptroller’s Tobacco Grant Fund and Texas Office of Governor JAG Recovery Grant Fund were received late in the fiscal year and the Bush Clinton Coastal Recovery Fund, Economic Development Fund and Home Program Grant Fund did not have anticipated expenditures for the fiscal year.

Forty-five (45) days prior to the end of the fiscal year the City Manager submits the proposed annual budget and explanatory budget message to the City Council. The budget must be adopted by the twenty-seventh (27<sup>th</sup>) day of September or the budget as submitted by the City Manager will be deemed to have been adopted. The City Charter required that the budget set out the proposed expenditures by function, department, and activity, by character and object. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the division level.

The City Charter Section 6.08 Transfer of Appropriations states: “No funds of the City shall be expended nor shall any obligations for the expenditures of money be incurred, except in pursuance of the annual appropriations provided by this charter. The City Council, at the request of the City Manager and by resolution, may transfer any unencumbered appropriation balance or portion thereof from one office, department, or agency to another. The City Manager may at any time, with the approval of the City Council, transfer any unencumbered appropriation, balance of portion, or portions, thereof between general classifications of expenditures with an office, department or agency of the City...”

**CITY OF ORANGE, TEXAS**

**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

*Any changes to the City budget, whether between any office, department or agency or within any character or object in an office, department or agency must be approved by the City Council.*

*The City Council approved several supplemental budgetary appropriations throughout the year, including:*

<i>Amendment #1</i>	<i>General Fund</i>	<i>\$7,042</i>	<i>expenditures for radio system repairs at the tower.</i>
	<i>General Capital Projects Fund</i>	<i>160,777</i>	<i>expenditures for carry forward of construction project costs associated with the expansion of water and sewer into annexed area of City.</i>
	<i>Special Revenue Funds</i>	<i>215,736</i>	<i>expenditures for additional special revenue funds with the largest being for additional police criminal forfeiture funds.</i>
	<i>Water and Sewer - Utility Capital Projects Fund</i>	<i>40,687</i>	<i>expenditures for additional machinery maintenance and purchase of meters.</i>
<i>Amendment #2</i>	<i>General Fund</i>	<i>\$129,424</i>	<i>expenditures of \$109,113 related to recovery costs of Hurricane Ike repairs, and \$20,311 various other cost items within the budget.</i>
	<i>Special Revenue Funds</i>	<i>231,423</i>	<i>expenditures for additional special revenue funds with the two largest being for Housing and Community Development Home Consortium and police criminal forfeiture funds.</i>
	<i>Water and Sewer Fund</i>	<i>79,349</i>	<i>expenditures related to recovery costs of Hurricane Ike repairs.</i>
	<i>Sanitation Fund</i>	<i>27,952</i>	<i>expenditures related to additional costs of Hurricane Ike debris removal.</i>

*Annual appropriations lapse at the close of the fiscal year. Any outstanding obligation are then re-encumbered against funds of the succeeding year. Accordingly there was not a reservation for encumbrances at September 30, 2010.*

***B. Excess of Expenditures Over Appropriations***

***Capital Projects Fund - The Capital Projects Fund was overbudget by \$269. This over expenditure***

**CITY OF ORANGE, TEXAS**

**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

was the result of slightly higher construction costs to complete construction projects.

**Special Revenue Funds** - The Emergency Management Fund was overbudget by \$2,348. This over expenditure was the result of additional funding at the end of the year and was offset by additional grant income.

The HUD Home Consortium Fund was overbudget by \$32,935. This over expenditures was the result of higher than anticipated expenditures of available funds within fiscal year 2010 and was offset by additional grant income.

The Nelda C and HJ Lutcher Stark Foundation Grant Fund was overbudget by \$1,706. This over expenditure was the result of additional funds being available within fiscal year 2010 and was offset by additional grant and program income.

**C. Deficit Fund Balance**

At September 30, 2010 the City of Orange did not have any funds that had a deficit fund balance.

**IV. Detailed Notes on All Funds**

**A. Deposits and Investments**

**Cash Deposits** - Cash balances for most individual funds are maintained in a pooled cash account, except where the City is legally required to maintain separate cash accounts. The earnings on the pooled cash account are prorated to the individual funds. For accounting purposes, the cash balances for each fund related to the pooled cash account are maintained as if they were separate cash accounts and displayed on the statement of net assets within the financial statement caption Cash and Cash Equivalents. Any overdraft balances for pooled cash accounts of individual funds are accounted for as a current liability.

At September 30, 2010 the City's certificates of deposit were purchased through the local City depository and covered by collateral, held in the City's name, for that purpose. The FDIC coverage and additional collateral at the local depository are used to cover the cash accounts of the City.

	<b>Original Cost</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (Days)</b>
<i>U. S. Government Securities</i>	<u>\$499,530</u>	<u>\$499,830</u>	188
<i>Total U. S. Government Investments</i>	<u>\$499,530</u>	<u>\$499,830</u>	

**CITY OF ORANGE, TEXAS**  
**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

*Interest rate risk. In accordance with its investment policy, the government manages its exposure to declines in interest rate by limiting the maximum maturities on investments by type as listed below:*

<i>Collateralized certificates of deposit</i>	<i>1 year</i>
<i>Direct obligation of Federal Government</i>	<i>2 years</i>
<i>Direct obligations of Federal agencies or instrumentalities</i>	<i>1 year</i>
<i>Certificates of deposit at Federally insured banks or savings and loans associations</i>	<i>1 Year</i>

*Credit risk. The City's investment policy limits the type of allowable investments to (1) collateralized bank certificates of deposit as per the City's depository contract, (2) direct obligations of the Federal government, (3) direct obligations of Federal agencies and instrumentalities, (4) investments in certificates of deposit at Federally insured banks or savings and loan associations, (5) collateralized savings accounts at the City's depository banks, or (6) Texpool. The City's policy is more restrictive than present State Law.*

*Concentration of credit risk. The government's investment policy limits the investment in any one type of investment to the following: 20% in collateralized bank certificates of deposit (per the City's depository contract), 100% in direct obligations of the Federal Government, 50% in direct obligations of Federal Agencies and Instrumentalities, 20% in certificates of deposit at Federally insured banks or savings and loans, 50% in collateralized savings accounts at the City's Depository Bank, 20% in collateralized savings accounts at other Federally insured banks or savings and loan associations, and 5% in Texpool.*

*Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City and the Economic Development Corporation, a discretely presented component unit, did not have custodial credit risk on deposits at September 30, 2010. The City investment policy and depository contract requires that the cash, savings accounts and certificates of deposit are covered by collateralized securities that are held by the City's agent, a third party institution, in the City's name.*

*Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment are executed as delivery versus payment and held by a separate custodial institution. On the investment in governmental securities the City did not have custodial credit risk exposure although the related securities are uninsured and unregistered they are being held by the separate custodial trust department in the City's name.*

*A reconciliation of cash and investments as shown on the Statement of Net assets for the primary government follows:*

**CITY OF ORANGE, TEXAS**  
**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

<i>Carrying amount of deposits - cash and cash equivalents</i>	\$9,366,651
<i>Fair value of investments - U. S. Government securities</i>	<u>499,830</u>
<i>Total</i>	<u>\$9,866,481</u>
<i>Cash and cash equivalents</i>	\$7,565,187
<i>Cash and cash equivalents - temporarily restricted</i>	1,777,043
<i>Cash and cash equivalents - fiduciary fund</i>	24,421
<i>Fair value of investments</i>	<u>499,830</u>
<i>Total</i>	<u>\$9,866,481</u>

**B. Receivables**

*Receivables as of year end, including the applicable allowances for uncollectible accounts governmental and business-type activities are as follows:*

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<i>Receivables:</i>			
<i>Taxes</i>	\$764,749	\$0	\$764,749
<i>Accounts</i>	2,868,905	1,038,374	3,907,279
<i>Due from others</i>	<u>3,033</u>	<u>0</u>	<u>3,033</u>
<i>Subtotal</i>	3,636,687	1,038,374	4,675,061
<i>Less: allowance for uncollectible</i>	<u>(25,456)</u>	<u>(18,287)</u>	<u>(43,743)</u>
<i>Net total receivables</i>	<u>\$3,611,231</u>	<u>\$1,020,087</u>	<u>\$4,631,318</u>

*Government wide revenues are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows.*

**Uncollectibles related to:**

<i>Ad valorem taxes - General</i>	\$21,352
<i>Ad valorem taxes - Debt Service</i>	4,104

**CITY OF ORANGE, TEXAS**  
**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

<i>Water sales</i>	3,211
<i>Sewer usage fees</i>	8,832
<i>Sanitation fees</i>	<u>6,244</u>
<i>Total uncollectibles of the current fiscal year</i>	<u><u>\$43,743</u></u>

**C. Capital Assets**

*Capital asset activity for the year ended September 30, 2010 was as follows:*

<b>Primary Government</b>	<b>Balance at 9/30/09</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at 9/30/10</b>
<b>Governmental Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
<i>Land</i>	\$1,351,220	\$55,000	\$0	\$1,406,220
<i>Construction in progress</i>	<u>282,240</u>	<u>326,012</u>	<u>(282,240)</u>	<u>326,012</u>
<i>Total capital assets, not being depreciated</i>	<u>1,633,460</u>	<u>381,012</u>	<u>(282,240)</u>	<u>1,732,232</u>
<i>Capital assets, being depreciated</i>				
<i>Buildings</i>	15,680,790	6,081	(189,940)	15,496,931
<i>Office furniture, fixtures and books</i>	4,469,116	106,008	(234,407)	4,340,717
<i>Machinery, equipment, vehicles and improvements</i>	11,245,278	887,887	(548,687)	11,584,478
<i>Infrastructure</i>	<u>5,877,321</u>	<u>48,752</u>	<u>0</u>	<u>5,926,073</u>
<b>Governmental Activities:</b>				
<i>Total assets being depreciated</i>	<u>37,272,505</u>	<u>1,048,728</u>	<u>(973,034)</u>	<u>37,348,199</u>
<i>Less accumulated depreciation for:</i>				
<i>Buildings</i>	(3,263,922)	(304,331)	109,919	(3,458,334)
<i>Office furniture, fixtures and books</i>	(3,269,191)	(202,665)	212,417	(3,259,439)
<i>Machinery, equipment, vehicles and improvements</i>	(8,360,665)	(729,945)	394,204	(8,696,406)
<i>Infrastructure</i>	<u>(4,032,860)</u>	<u>(163,871)</u>	<u>0</u>	<u>(4,196,731)</u>

**CITY OF ORANGE, TEXAS**  
**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

<b>Primary Government</b>	<b>Balance at 9/30/09</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at 9/30/10</b>
<i>Total accumulated depreciation</i>	<u>(18,926,638)</u>	<u>(1,400,812)</u>	<u>716,540</u>	<u>(19,610,910)</u>
<i>Total capital assets, being depreciated, net</i>	<u>18,345,867</u>	<u>(352,084)</u>	<u>(256,494)</u>	<u>17,737,289</u>
<i>Governmental activities capital assets, net</i>	<u>\$19,979,327</u>	<u>\$28,928</u>	<u>(\$538,734)</u>	<u>\$19,469,521</u>
<b>Business-type Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
<i>Land</i>	\$733,935	\$0	(\$440)	\$733,495
<i>Construction in progress</i>	<u>15,299</u>	<u>6,000</u>	<u>(15,299)</u>	<u>6,000</u>
<i>Total capital assets, not being depreciated</i>	<u>749,234</u>	<u>6,000</u>	<u>(15,739)</u>	<u>739,495</u>
 <i>Buildings</i>	 482,767	 0	 0	 482,767
<i>Improvements - other than buildings</i>	62,987,472	784,577	(34,167)	63,737,882
<i>Machinery &amp; equipment</i>	966,010	144,709	(1,425)	1,109,294
<i>Vehicles</i>	<u>1,175,379</u>	<u>257,112</u>	<u>(157,415)</u>	<u>1,275,076</u>
<i>Total capital assets, being depreciated</i>	<u>65,611,628</u>	<u>1,186,398</u>	<u>(193,007)</u>	<u>66,605,019</u>
<b>Business-type Activities:</b>				
<i>Less: accumulated depreciation for:</i>				
<i>Buildings</i>	(74,247)	(9,665)	0	(83,912)
<i>Improvements other than buildings</i>	(21,003,012)	(1,269,439)	34,167	(22,238,284)
<i>Machinery &amp; equipment</i>	(685,467)	(51,500)	1,425	(735,542)
<i>Vehicles</i>	<u>(994,342)</u>	<u>(99,643)</u>	<u>146,920</u>	<u>(947,065)</u>
<i>Total accumulated depreciation</i>	<u>(22,757,068)</u>	<u>(1,430,247)</u>	<u>182,512</u>	<u>(24,004,803)</u>
<i>Total capital assets, being depreciated, net</i>	<u>42,854,560</u>	<u>(243,849)</u>	<u>(10,495)</u>	<u>42,600,216</u>
<i>Business-type activities capital assets, net</i>	<u>\$43,603,794</u>	<u>(\$237,849)</u>	<u>(\$26,234)</u>	<u>\$43,339,711</u>

**CITY OF ORANGE, TEXAS**  
**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

Depreciation expense was charged to functions/programs of the primary government as follows:

**Government activities:**

General government	\$37,080
Cultural and recreation	229,404
Public safety	641,906
Public works	<u>492,422</u>
Total depreciation expense - governmental activities	<u>\$1,400,812</u>

**Business-type activities:**

Water	\$464,548
Sewer	923,255
Sanitation	<u>42,444</u>
Total depreciation expense - business-type activities	<u>\$1,430,247</u>

**Construction commitments**

Construction in progress capital assets consists of the following as of September 30, 2010:

**Governmental Activities**

Central Fire Station Building Construction Project	\$288,100
Senior Center-Meals on Wheels Building Construction Project	<u>37,912</u>
	\$326,012

**Business-Type Activities**

Water and Sewer Generator Project	\$6,000
Total	<u>\$332,012</u>

**CITY OF ORANGE, TEXAS**

**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

**D. Interfund Receivables, Payables and Transfers**

The City had ten short term interfund payables/receivables of cash at year end which resulted from the way the City pools cash for investment purposes. The composition of interfund balances as of September 30, 2010 is as follows:

**Due to/from other funds:**

<b><u>Receivable Fund</u></b>	<b><u>Payable Fund</u></b>	<b><u>Amount</u></b>
<b>Governmental Funds:</b>		
General Fund	Special Revenue - Community Development Block Grant Recovery Fund	35,602
General Fund	Special Revenue - HUD Home Consortium	614,326
General Fund	Special Revenue - Texas Department of Rural Affairs Grant Fund	290,070
General Fund	Special Revenue - Department of Justice LLEB Grant Fund	20,572
General Fund	Special Revenue - Nelda C & HJ Lutcher Stark Foundation Grant Fund	6,387
General Fund	Special Revenue - Emergency Management Fund	21,930
General Fund	Special Revenue - Texas Forrest Service Grant Fund	7,461
Orange Employee Benefit Trust	General Fund	125,000
<b>Total Governmental Funds</b>		<b><u>\$1,121,348</u></b>
<b><u>Proprietary Funds</u></b>		
General Fund	Water and Sewer Fund	<u>\$48,033</u>
<b>Total Between Governmental and Proprietary Funds</b>		<b><u>\$48,033</u></b>

**CITY OF ORANGE, TEXAS**  
**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

**Fiduciary Funds**

<i>General Fund</i>	<i>Orange Employee Benefit Trust</i>	<i>\$125,000</i>
<i>Orange Employee Benefit Trust</i>	<i>General Fund</i>	<u><i>\$124,647</i></u>
<b>Total Fiduciary Funds</b>		<u><b>(\$353)</b></u>
<b>Total</b>		<u><b>\$1,169,028</b></u>

*The City had the following capital assets transferred between the governmental funds and the business-type activity funds:*

***Capital Assets Transferred from Governmental Funds:***

<b><i>Capital Projects Fund</i></b>	<i>Water and sewer infrastructure projects</i>	<b><i>\$161,046</i></b>
<b><i>Special Revenue Funds</i></b>	<i>Water and sewer infrastructure projects</i>	<u><b><i>141,313</i></b></u>
<b>Total Capital Assets Transferred</b>		<u><b>\$302,359</b></u>

***E. Leases***

***Capital Lease - Grappler Truck***

*In fiscal year 2007 the City of Orange entered into a lease agreement as lessee for financing the acquisition of a grappler truck. This lease agreement qualifies as a capital lease for accounting purposes and therefore, is recorded at the present value of the future minimum lease payments.*

*The asset acquired through capital lease is as follows:*

<i>Asset:</i>	<i>Business-Type Activity</i>
<i>Vehicles</i>	<i>\$109,351</i>
<i>Less: accumulated depreciation</i>	<u><i>(85,763)</i></u>
<i>Total</i>	<u><b><i>\$ 23,588</i></b></u>

*The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010 are \$0. The lease agreement was completed in November 2009.*

**CITY OF ORANGE, TEXAS**  
**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

**Capital Lease - Street Sweeper**

*In fiscal year 2010 the City of Orange entered into a lease agreement as lessee for financing the acquisition of a street sweeper. This lease agreement qualifies as a capital lease for accounting purposes and therefore, is recorded at the present value of the future minimum lease payments.*

*The asset acquired through capital lease is as follows:*

<i>Asset:</i>	<i>Business-Type Activity</i>
<i>Vehicles</i>	<i>\$149,979</i>
<i>Less: accumulated depreciation</i>	<i><u>(20,298)</u></i>
<i>Total</i>	<i><u>\$129,681</u></i>

*The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010 were as follows:*

<i>Year Ending September 30,</i>	
<i>2011</i>	<i>\$ 51,793</i>
<i>2012</i>	<i>\$ 51,793</i>
<i>2013</i>	<i><u>\$ 30,213</u></i>
<i>Total minimum lease payments</i>	<i>\$133,799</i>
<i>Less: amount representing interest</i>	<i><u>(4,035)</u></i>
<i>Present value of minimum lease payments</i>	<i><u>\$129,764</u></i>

**F. Long-Term Debt**

**General Obligation Bonds/Certificates of Obligation**

*The government issues general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. General obligation bonds, certificates of obligation and tax notes have been issued for both governmental and business-type activities. The original amount of general obligation bonds, certificates of obligation and tax notes issued in prior years was \$26,065,000.*

*General obligation, certificates of obligation, and tax notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and certificates of obligation generally are issued as twenty (20) year serial bonds with varying amounts of principal maturing each year. It is the intent of the City to pay for General Obligation bonds and Certificates of Obligation issued for business-type activities out of the revenues of the activity. General obligation bonds, certificates of obligation and tax notes currently outstanding are as follows:*

**CITY OF ORANGE, TEXAS**  
**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

<b>Purpose</b>	<b>Interest Rates</b>	<b>Original Issue</b>	<b>Outstanding</b>
<b>Governmental Activities:</b>			
General Obligation Refunding Bonds Series 2005	3.0% - 4.0%	4,360,000	3,875,000
Tax Notes Series 2005	3.25% - 3.75%	1,560,000	490,000
Tax and Revenue Certificates of Obligation Series 2008	4.5% - 4.0%	6,760,000	6,520,000
<b>Business-types activities - refunding:</b>			
General Obligation Advance Refunding Series 2001	4.0% - 4.75%	13,385,000	8,095,000
Water and Sewer Revenue Bonds Series 2007	4.0% - 4.3%	<u>5,095,000</u>	<u>4,745,000</u>
		<u>\$31,160,000</u>	<u>\$23,725,000</u>

*Annual individual debt service requirements to maturity for the governmental activities and business-type activities bonds are as follows:*

**Governmental Activities**

**General Obligation Refunding Bonds Series 2005**

<b>Year Ending September 30, 2010</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010-2011	\$375,000	\$151,200	\$526,200
2011-2012	385,000	138,075	523,075
2012-2013	400,000	124,600	524,600
2013-2014	420,000	108,600	528,600
2014-2015	420,000	91,800	511,800
2015-2019	<u>1,875,000</u>	<u>190,600</u>	<u>2,065,600</u>
	<u>\$3,875,000</u>	<u>\$804,875</u>	<u>\$4,679,875</u>

**CITY OF ORANGE, TEXAS**

**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

**Tax Notes Series 2005**

<b>Year Ending September 30, 2010</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010-2011	\$240,000	\$13,875	\$253,875
2011-2012	<u>250,000</u>	<u>4,688</u>	<u>254,688</u>
	<u>\$490,000</u>	<u>\$18,563</u>	<u>\$508,563</u>

**Tax and Revenue Certificates of Obligation Series 2008**

<b>Year Ending September 30, 2010</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010-2011	\$250,000	\$258,990	\$508,990
2011-2012	260,000	247,515	507,515
2012-2013	270,000	235,590	505,590
2013-2014	285,000	223,103	508,103
2014-2015	300,000	209,940	509,940
2015-2028	<u>5,155,000</u>	<u>1,442,939</u>	<u>6,597,939</u>
	<u>\$6,520,000</u>	<u>\$2,618,077</u>	<u>\$9,138,077</u>

**Business-type activities**

**General Obligation Advance Refunding Series 2001**

<b>Year Ending September 30, 2010</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010-2011	\$1,205,000	\$339,650	\$1,544,650
2011-2012	1,255,000	286,590	1,541,590
2012-2013	1,315,000	229,550	1,544,550
2013-2014	1,375,000	169,025	1,544,025
2014-2015	1,440,000	104,788	1,544,788
2015-2016	<u>1,505,000</u>	<u>35,744</u>	<u>1,540,744</u>
	<u>\$8,095,000</u>	<u>\$1,165,347</u>	<u>\$9,260,347</u>

**CITY OF ORANGE, TEXAS**  
**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

In December 2010 \$6,890,000 of these outstanding bonds were refunded. Please see Section V. Other Information, B. Subsequent Events.

**Water and Sewer Revenue Bonds Series 2007**

<b>Year Ending September 30, 2010</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010-2011	\$185,000	\$194,846	\$379,846
2011-2012	190,000	187,446	377,446
2012-2013	200,000	179,846	379,846
2013-2014	205,000	171,846	376,846
2014-2015	215,000	163,646	378,646
2015-2016	<u>3,750,000</u>	<u>1,188,446</u>	<u>4,938,446</u>
	<u>\$4,745,000</u>	<u>\$2,086,076</u>	<u>\$6,831,076</u>

Annual debt service requirements to maturity for all general obligation bonds, tax notes and certificates of obligation are as follows:

<b>Year Ending September 30, 2010</b>	<b><u>Governmental Activities</u></b>			<b><u>Business-type Activities</u></b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010-2010	865,000	424,065	1,289,065	1,390,000	534,496	1,924,496
2011-2011	895,000	390,278	1,285,278	1,445,000	474,037	1,919,037
2012-2012	670,000	360,190	1,030,190	1,515,000	409,396	1,924,396
2013-2013	705,000	331,703	1,036,703	1,580,000	340,871	1,920,871
2014-2014	720,000	301,740	1,021,740	1,655,000	268,434	1,923,434
2015-2028	<u>7,030,000</u>	<u>1,633,539</u>	<u>8,663,539</u>	<u>5,255,000</u>	<u>1,224,189</u>	<u>6,479,189</u>
	<u>\$10,885,000</u>	<u>\$3,441,515</u>	<u>\$14,326,515</u>	<u>\$12,840,000</u>	<u>\$3,251,423</u>	<u>\$16,091,423</u>

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2010 was as follows:

**CITY OF ORANGE, TEXAS**

**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental activities:</b>					
<i>Bonds Payable:</i>					
General Obligation Bonds and Notes	\$11,715,000	\$0	(\$830,000)	\$10,885,000	(\$865,000)
Compensated absences	2,118,692	44,880	(100,926)	2,062,646	(703,904)
Other post employment benefits	<u>126,407</u>	<u>129,376</u>	<u>0</u>	<u>255,783</u>	==
Governmental activity long-term liabilities	<u>\$13,960,099</u>	<u>\$174,256</u>	<u>(\$930,926)</u>	<u>\$13,203,429</u>	<u>(\$1,568,904)</u>
<b>Business-type activities:</b>					
<i>Bonds payable:</i>					
General obligation bonds	\$9,255,000	\$0	(\$1,160,000)	\$8,095,000	(\$1,205,000)
Revenue bonds	4,925,000	0	(180,000)	4,745,000	(185,000)
Capital lease payable	<u>6,516</u>	<u>149,979</u>	<u>(26,730)</u>	<u>129,765</u>	<u>(49,316)</u>
Total bonds and capital lease payable	14,186,516	149,979	(1,366,730)	12,969,765	(1,439,316)
Compensated absences	<u>113,886</u>	<u>12,892</u>	<u>(1,641)</u>	<u>125,137</u>	<u>(26,107)</u>
Business-type activity long-term liabilities	<u>\$14,300,402</u>	<u>\$162,871</u>	<u>(\$1,368,371)</u>	<u>\$13,094,902</u>	<u>(\$1,465,423)</u>

The City of Orange has long-term deferred assets that are related to the City's long-term liabilities. These assets are list below:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental activities:</b>					
Deferred charges on refunding	(\$227,726)	\$0	\$23,159	(\$204,567)	\$23,159
Bond issue costs	(184,610)	0	17,708	(166,902)	17,708
Negative net pension obligation	<u>(22,799)</u>	<u>14,573</u>	<u>1,346</u>	<u>(36,026)</u>	==

**CITY OF ORANGE, TEXAS**

**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

<i>Governmental activities deferred assets</i>	<u>(\$435,135)</u>	<u>\$14,573</u>	<u>\$42,213</u>	<u>(\$407,495)</u>	<u>\$40,867</u>
<b><i>Business-type activities:</i></b>					
<i>Deferred interest</i>	(\$99,338)	\$0	\$14,191	(\$85,147)	\$14,191
<i>Bond issue costs</i>	<u>(354,350)</u>	<u>0</u>	<u>33,036</u>	<u>(321,314)</u>	<u>33,036</u>
<i>Business-type activities deferred assets</i>	<u>(\$453,688)</u>	<u>\$0</u>	<u>\$47,227</u>	<u>(\$406,461)</u>	<u>\$47,227</u>

*Any long-term liabilities of the City, other than bonds, are paid out of the applicable fund.*

**G. Restricted Net Assets**

*The balances of the restricted net asset accounts are as follows:*

***Governmental activities:***

*Debt service payments* \$71,058

***Business-type activities:***

*Debt service payments* 1,443,873

*Total* \$1,514,931

**V. Other Information**

**A. Risk Management**

*The City is exposed to various risks of loss related to tort; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries insurance. The City maintained general liability and property coverage through the Texas Municipal League Intergovernmental Risk Pool (TML). The City pays an annual premium to TML for such coverage. TML purchases reinsurance and the City does not retain risks of loss exceeding deductibles. The City did not have any significant reduction in the amount of insurance coverage for this fiscal year. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. No insurance claims of the City have exceeded insurance coverage for the last three fiscal years.*

*The City provides medical and dental insurance for its employees through Blue Cross/Blue Shield Insurance. The City does not have any risk of loss in regard to the medical and dental insurance*

**CITY OF ORANGE, TEXAS**

**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

through Blue Cross/Blue Shield.

The City's Workers' Compensation Plan under the Texas Municipal League Intergovernmental Risk Pool (TML) contains a retention amount of \$100,000 per claim. The City retains the risk of loss up to this retention amount and TML serves as a claims payment servicing pool for the City until the retention amount is reached. After the retention amount is reached TML would serve in a standard insurance claims processing capacity. Settled claims have not exceeded the standard insurance coverage provided, by TML, in the past three fiscal years.

The City bases contributions to the Workers' Compensation Fund on the standard premium for fiscal year 2001. The City has experienced several years of moderate claims and for this reason the premium amounts have not been adjusted. These contributions are used to pay administration fees, claims, and claims process fees. There is always a potential risk in this situation.

In prior years the claims liability of the fund was established using two components. These were (1) present claim reserves outstanding and (2) prior year information for a catastrophic portion of claims liability. Beginning with fiscal year 1999 the City has recognized the present claims reserve outstanding as claims expense of the current year. These reserves stem from existing claims and are reasonable estimates of the actual cost the City may have to pay.

As of September 30, 2010, the Workers' Compensation Fund has a designated balance for insurance claim liability of \$399,562 and an undesignated balance of (\$151,484). This insurance claim liability amount was established using prior claims information to establish a catastrophic claim estimate. The total unrestricted net assets of the Workers' Compensation Fund were \$248,078.

Change in funds claims liability amount for the last five fiscal years were:

	<b><u>Beginning of Fiscal Year Liability</u></b>	<b><u>Current Year Claims and Changes in Estimates</u></b>	<b><u>Claims Payments and Liability Expensed</u></b>	<b><u>Balance at Fiscal Year End</u></b>
2005-2006	\$378,813	\$8,745	(\$87,031)	\$300,527
2006-2007	\$300,527	\$125,604	(\$109,134)	\$316,997
2007-2008	\$316,997	\$95,766	(\$78,685)	\$334,078
2008-2009	\$334,078	(\$20,089)	(\$35,853)	\$278,136
2009-2010	\$278,136	\$397,142	(\$275,716)	\$399,562

**CITY OF ORANGE, TEXAS**  
**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

	<u>2009-</u> <u>2010</u>	<u>2008-</u> <u>2009</u>	<u>2007-</u> <u>2008</u>	<u>2006-</u> <u>2007</u>	<u>2005-</u> <u>2006</u>
<b><u>Claim Liability Expensed</u></b>					
<i>Unpaid claim liability beginning of year</i>	\$22,062	\$54,055	\$58,238	\$41,889	\$48,279
<i>Claims incurred in current year</i>	242,686	69,713	67,790	82,882	73,125
<i>Increase (decrease) in provision for insured events of prior year</i>	83,144	(34,018)	15,307	26,250	13,906
<i>Claim payments attributable to current year claims</i>	(76,554)	(50,338)	(27,976)	(41,758)	(34,984)
<i>Claim payments attributable to prior year claims</i>	<u>(127,850)</u>	<u>(17,350)</u>	<u>(59,304)</u>	<u>(51,025)</u>	<u>(58,437)</u>
<i>Unpaid claim liability expensed at end of year</i>	<u>\$143,488</u>	<u>\$22,062</u>	<u>\$54,055</u>	<u>\$58,238</u>	<u>\$41,889</u>

**Designated for Catastrophic Claim**

<i>Designated for future catastrophic claims - beginning of year</i>	\$278,136	\$334,078	\$316,997	\$300,527	\$378,813
<i>Increase (decrease) in reserve</i>	<u>121,426</u>	<u>(55,942)</u>	<u>17,081</u>	<u>16,470</u>	<u>(78,286)</u>
<i>Designated for future catastrophic claims - end of year</i>	<u>\$399,562</u>	<u>\$278,136</u>	<u>\$334,078</u>	<u>\$316,997</u>	<u>\$300,527</u>

**B. Prior Period Adjustment**

*The City makes Orange Firemen's Relief and Retirement Fund pension contributions based on the percentage amount agreed upon within the collective bargaining agreement between the International Association of Firefighters and the City. Historically the actual amount contributed and the annual required contribution were actuarially determined to be the same amount. The December 31, 2007 actuarial valuation, of the Orange Firemen's Relief and Retirement Fund, had changes in actuarial assumptions that resulted in the annual required contributions being less than the actual amount contributed. This is presently resulted in a negative net pension obligation annually.*

*At September 30, 2009 the negative net pension obligation, including interest and adjustment, was (\$22,799). This amount should have been reported as an asset of the governmental activities for*

## **CITY OF ORANGE, TEXAS**

### **Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

fiscal year 2009. The governmental activities beginning net asset value has been changed to reflect the recognition of this asset from the prior period.

#### **C. Subsequent Events**

In December 2010 the City issued General Obligation Refunding Bonds, Series 2010 in the amount of \$6,920,000. This issue refunded \$6,890,000 of the City General Obligation Refunding Bonds, Series 2001. The net present values savings on the Series 2010 Refunding bonds is \$491,186.

#### **D. Contingent Liabilities**

The City is a defendant in various lawsuits arising in the ordinary course of its municipal and enterprise activities. In the opinion of City management the outcome of all pending litigation will not materially affect the financial position of the City.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amount, if any, to be immaterial.

#### **E. Other Post Employment Benefits**

##### **Plan Description**

The City of Orange Retiree Health Care Plan is a single-employer defined benefit healthcare plan administered by the City of Orange. The net assets of the Plan are reported within the City of Orange Annual Financial Report as Fiduciary Net Assets. This plan provides the following retiree insurance:

##### **Retiree Life Insurance**

Prior to January 31, 1990 the City supplied a \$5,000 life insurance policy to each City retiree. On that date the City decided to discontinue this policy. All employees that were either retired or eligible to retire, as of this date, were to continue to receive this benefit. The benefit was discontinued for all other employees.

The City now has twenty-eight (24) retirees receiving this benefit and there are no more employees eligible. The present cost to the City is \$706 annually. This cost is funded out of the General Fund revenues on a pay-as-you-go annual basis.

**CITY OF ORANGE, TEXAS**  
**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

**Retiree Medical Insurance**

**Retiree Incentives**

*Since fiscal year 1996 there have been several retirement incentives offering the payment of retiree medical insurance. These incentives covered employees who were age 55 or greater, eligible for retirement, and retired by a specific date. The medical insurance is paid until the retiree reaches age 65.*

*The various incentives pay varying amounts based on the year the incentive was offered and whether it was offered to fire, police, or general government employees. The police and fire incentives were offered in the respective collective bargaining agreements.*

*As of September 30, 2010 the City had four (4) retirees who qualified and participated in these incentives.*

**Other Retirees**

*The City of Orange also allows any other retirees of the City to remain on the City's medical insurance until age 65. The retirees, not included in the incentive group above, are required to pay all of their retiree insurance.*

**Funding Policy**

*The City of Orange has traditionally paid for the retiree's medical insurance authorized under prior incentive programs on a pay-as-you go basis. The present annual cost to the City for these employees was \$25,392. This is the amount that was contributed in fiscal year 2010. The City of Orange does not presently have a policy that requires funding contributions above the amount required to pay for the ongoing cost of the present retiree incentives.*

**Annual OPEB Cost and Net OPEB**

*The City's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contributions of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.*

*Fiscal year 2009 was the first year that the City of Orange reported other post employment benefits (OPEB) as required under GASB No. 45. The City implemented GASB No. 45 prospectively. An actuarial valuation report was conducted on the City of Orange Retiree Health Care Plan as of April 30, 2008. The fiscal year 2010 annual unfunded OPEB cost, of \$129,376, is based on an*

**CITY OF ORANGE, TEXAS**  
**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

Unfunded PAYGO assumption as established within the valuation report. This amount also accounts for the interest and amortization adjustment on the OPEB..

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution and annual OPEB cost	\$154,136
Contributions made	(25,392)
Interest on net OPEB	5,688
<u>Amortization adjustment on net OPEB</u>	<u>(5,056)</u>
Increase in net OPEB obligation	129,376
Net OPEB obligation - beginning of year	<u>126,407</u>
Net OPEB obligation - end of year	<u><u>\$255,783</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Amount Contributed</u>	<u>Interest on Prior OPEB</u>	<u>Adjustment for Amortization of Prior OPEB</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
09/30/2008	(a)					
09/30/2009	\$154,136	(\$27,729)			18%	\$126,407
09/30/2010	\$154,136	(\$25,392)	\$5,688	(\$5,056)	16%	\$255,783

(a) Annual OPEB was not required reporting for these fiscal years.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term prospective of the calculations.

**CITY OF ORANGE, TEXAS**

**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

<i>Amortization period</i>	<i>30 years - open</i>
<i>Cost method</i>	<i>Projected Unit Credit Cost Method, Level Percent of Payroll</i>
<i>Investment rate of return</i>	<i>4.5% (unfunded PAYGO)</i>
<i>ARC annual increase</i>	<i>3%</i>
<i>Projected salary increases</i>	<i>4%</i>
<i>Post-retirement benefit increases</i>	<i>4%</i>
<i>Healthcare cost trend rate</i>	<i>7% in excess of general inflation ("intermediate" assumption)</i>

*Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.*

**Funding Status and Funding Progress**

*The funded status of the plan as of the April 30, 2008 actuarial valuation was as follows:*

	<u><b>Unfunded PAYGO</b></u>	<u><b>Funding Policy</b></u>
<i>A. Present value (PV) of future benefits</i>		
<i>i) Retirees and beneficiaries</i>	\$608,653	\$527,849
<i>ii) Vested terminated members</i>	0	0
<i>iii) Active members</i>	<u>1,980,072</u>	<u>1,202,448</u>
<i>Total PV of Future Benefits</i>	\$2,588,725	\$1,730,297
<i>B. Present value (PV) of future normal costs</i>	\$855,556	\$454,103
<i>C. Actuarial accrued liabilities (A-B)</i>	\$1,733,169	\$1,276,194
<i>D. Actuarial value of assets</i>	\$0	\$0
<i>E. Unfunded actuarial accrued liability (C-D)</i>	\$1,733,169	\$1,276,194
<i>F. Funded ratio (D/C)</i>	0.00%	0.00%
<i>G. Annual covered payroll</i>	\$8,993,909	\$8,993,909

**CITY OF ORANGE, TEXAS**  
**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

H. Ratio of unfunded actuarial accrued liability to the annual covered payroll (G/E) 19.27% 14.19%

**F. Employee Retirement Systems and Pension Plans**

**Plan Description**

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statement 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](http://www.TMRS.com).

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

	<u>Plan Year 2009</u>	<u>Plan Year 2010</u>
Employee Deposit Rate	7%	7%
Matching Ratio (City to Employee)	2 to 1	2 to 1
Years Required for Vesting	10	10
Service Retirement Eligibility (expressed as age/years of service)	60/10, 0/20	60/10, 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

**CITY OF ORANGE, TEXAS**

**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

*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:*

<u>Fiscal Year Ending</u>	<u>9/30/2010</u>	<u>09/30/2009</u>	<u>09/30/2008</u>
Annual pension cost (APC)	\$1,997,406	\$1,603,387	\$1,149,921
Actual contribution made	\$1,997,406	\$1,603,388	\$1,149,921
Percentage of APC contributed	100%	100%	100%
Net pension obligation/(asset)	\$0	\$0	\$0

*The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuation. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:*

<u>Valuation date</u>	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2007</u>
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	29 years; closed period	30 years; closed period
Asset valuation method	10 year Smoothed Market	Amortized Cost	Amortized Cost
<i>Actuarial assumptions:</i>			
Investment rate of return *	7.5%	7.5%	7.0%
Projected salary increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes inflation at	3.0%	3.0%	3.0%



**CITY OF ORANGE, TEXAS**

**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

year for the December 31, 2008 and December 31, 2006 valuations and 7.75% for the December 31, 2004 valuation, projected salary increases, including promotion and longevity, averaging 4% per year over a 20-year career and no postretirement cost-of-living adjustment. An inflation assumption of 4% per year is included in the investment return and salary increase assumptions. The unfunded actuarial accrued liability (UAAL) is amortized with the excess of the assumed total contribution rate over the normal cost rate. The number of years needed to amortize the UAAL is determined using an open, level percentage of payroll method, assuming that the payroll will increase 4% per year, and was 20 years as of the December 31, 2004 actuarial valuation, 27.4 years as of the December 31, 2006 actuarial valuation and 30.1 years as of the December 31, 2009 actuarial valuation. All three valuations satisfied the parameters of GASB Statement No. 27.

**Trend Information**

<u>Year Ending</u>	<u>Actual Amount Contributed</u>	<u>Annual Required Contributions (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Interest on Prior NPO</u>	<u>Adjustment to ARC</u>	<u>Net Pension Obligation (Asset)</u>
12/31/07	\$242,133	\$252,410	104%			(\$10,277)
12/31/08	\$287,362	\$275,056	104%	(\$823)	\$607	(\$22,799)
12/31/09 (a)	\$280,069	\$267,320	105%	(\$1,824)	\$1,346	(\$36,026)

(a) based on funding assumptions in Actuarial Valuation dated December 31, 2008. The next Actuarial Valuation Date will be 12/31/10.

**Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>12/31/08</u> <sup>1,2,5</sup>	<u>12/31/06</u> <sup>1,2,5</sup>	<u>12/31/04</u> <sup>1,2,3,4</sup>
<u>Actuarial Value of Assets</u> (a)	\$8,115,580	\$8,211,861	\$7,828,873
<u>Entry Age Actuarial Accrued Liability (AAL)</u> (b)	\$12,687,217	\$11,390,544	\$10,760,086
<u>Unfunded AAL (UAAL)</u> (b-a)	\$4,571,637	\$3,178,683	\$2,931,213
<u>Funded Ratio (a/b)</u>	64.0%	72.1%	72.8%
<u>Annual Covered Payroll</u> (c)	\$1,999,997	\$1,716,803	\$1,672,996

**CITY OF ORANGE, TEXAS**

**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

*UAAL as a Percentage of Covered*

*Payroll*

*((b-a)/c)*

228.6%

185.2%

175.2%

1. *The covered payroll is based on estimated annualized salaries used in the valuation.*
2. *Economic and demographic assumptions were revised.*
3. *Reflects plan benefit provisions effective June 1, 2005.*
4. *Updated for plan amendments approved in 2004 went into effect 2005 and 2006.*
5. *Reflects plan benefit provisions effective February 1, 2006.*

**Actuarial Information needed for Notes to the Statement as Required by Paragraph 20 of GASB 27.**

**A. Plan Description**

1. *The Board of Trustees of the Orange Firefighter's Relief and Retirement Fund is the administrator of a single-employer defined benefit pension plan. The pension fund issues a separate Comprehensive Annual Financial Report. The report for the period ended December 31, 2008, can be obtained by writing the City of Orange Firemen's Relief and Retirement Fund, P. O. Box 520, Orange, Texas 77631.*

2. *Firefighters in the Orange Fire Department are covered by the Orange Firefighter's Relief and Retirement Fund. The table below summarizes the membership of the fund as of December 31, 2008.*

a.	<i>Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them.</i>	<i>31</i>
b.	<i>Current Employees</i>	
	<i>i. Fully vested</i>	<i>10</i>
	<i>ii. Nonvested</i>	<u><i>27</i></u>
c.	<i>Total</i>	<u><u><i>68</i></u></u>

3. *The Orange Firefighter's Relief and Retirement Fund provides service retirement, death, disability and withdrawal benefits. These benefits fully vest after 20 years of credited service. Employees may retire at age 50 with 20 years of service. The Plan Effective June 1, 2005 and amended February 1, 2006 provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity. The monthly benefit equals 52% of Highest 60-Month Average Salary plus \$91.00 per month for each year of service in excess of 20 years.*

*A firefighter has the option to participate in a Retroactive Deferred Option Plan (RETRO*

**CITY OF ORANGE, TEXAS**

**Notes to the Financial Statements For the Fiscal Year Ended September 30, 2010**

*DROP) which will provide a lump sum benefit and reduced annuity upon termination of employment. Firefighters must be at least age 53 with 23 years of service at the selected "RETRO DROP benefit calculation date" (which is prior to the date of employment termination).*

*There is no provision for automatic postretirement benefit increases. The fund has the authority to provide, and has periodically in the past provided for, ad hoc postretirement benefit increases. The benefit provisions of this plan are authorized by the Texas Local Fire Fighters Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions.*

**B. Contributions Required and Contributions Made**

- 1. The contribution provisions of this plan are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City.*
- 2. While the actual contribution requirements are not actuarially determined, state law requires that each plan of benefits adopted by the fund must be approved by a eligible actuary. The actuary certifies that the contribution commitment by the firefighters and the City provides an adequate financing arrangement. Using the entry age actuarial cost method the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability, and the number of years needed to amortize the plan's unfunded actuarial accrued liability is determined using a level percentage of payroll method.*
- 3. The cost of administering the plan are financed from the trust.*
- 4. The funding policy of the Orange Firefighter's Relief and Retirement Fund requires contributions of 11% of pay by the firefighters and contributions by the City of 14% of payroll effective for fiscal year ending September 30, 2007 and thereafter.*

**Required Supplementary Information**

**City of Orange  
Schedule of Funding Progress  
Texas Municipal Retirement System**

Actuarial valuation date		12/31/2009	12/31/2008	12/31/2007
Actuarial value of assets	(A)	\$25,536,784	\$24,156,735	\$22,466,956
Actuarial accrued liability	(B)	\$39,363,083	\$38,025,164	\$34,853,639
Percentage funded	(C) = (A)/(B)	64.9%	63.5%	64.5%
Unfunded actuarial accrued liability (UAAL)	(D) = (B)-(A)	\$13,826,299	\$13,868,429	\$12,386,683
Annual covered payroll	(E)	\$7,210,736	\$6,993,912	\$6,479,312
UAAL as a percentage of covered payroll	(D)/(E)	191.7%	198.3%	191.2%

**Required Supplementary Information**  
**City of Orange**  
**Schedule of Funding Progress**  
**Orange Firemen's Relief and Retirement Fund**

Actuarial valuation date	12/31/08 <sup>2,5,6</sup>	12/31/06 <sup>2,5</sup>	12/31/04 <sup>2,3,4</sup>
Actuarial value of assets (a)	\$8,115,580	\$8,211,861	\$7,828,873
Entry Age Actuarial Accrual Liability AAL (b)	\$12,687,217	\$11,390,544	\$10,760,086
Unfunded actuarial accrued liability (UAAL) (b-1)	\$4,571,637	\$3,178,683	\$2,931,213
Funded Ratio (a/b)	64.0%	72.1%	72.8%
<sup>1</sup> Annual Covered Payroll (c)	\$1,999,997	\$1,716,803	\$1,672,996
UAAL as a percentage of Covered Payroll ((g-a)/c)	228.6%	185.2%	175.2%

- <sup>1</sup> The covered payroll is based on estimated annualized salaries used in the valuation.
- <sup>2</sup> Economic and Demographic assumptions were revised.
- <sup>3</sup> Reflects plan benefit provisions effective June 1, 2005.
- <sup>4</sup> Updated for plan amendments approved in 2004 that went into effect in 2005 and 2006.
- <sup>5</sup> Reflects plan benefit provisions effective February 1, 2006
- <sup>6</sup> Actuarial value of assets is smoothed market value.

**Required Supplementary Information**

**City of Orange  
Schedule of Employer Contributions  
Orange Firemen's Relief and Retirement Fund**

Fiscal Year Ending	12/31/2009 <sup>3</sup>	12/31/2008	12/31/2007	12/31/2006 <sup>1</sup>	09/30/2006	09/30/2005
Annual pension cost:						
Annual required contribution (ARC)	267,320	275,055	242,133	225,714	226,474	209,486
Percentage of ARC Contributed	105%	105%	104%	100%	100%	100%
Change in net pension obligation (asset)	(12,749)	(12,307)	(10,277)	0	0	0
Interest on net pension obligation (asset)	(1,824)	(822)				
ARC Adjustment	1,346	607				
Net pension obligation (asset)	(36,026)	(22,799)				

1 The date as of which the Net Pension Obligation was calculated was changed to the end of the plan year effective with the December 31, 2006 Valuation.

2 Reflect NPO as stated in the Actuarial Valuation as of 12/31/08.

3 Uses assumption establish by actuarial valuation dated 12/31/2008.

**Required Supplementary Information**

**City of Orange  
Schedule of Funding Progress  
City of Orange Retiree Health Care Plan  
Other Post Employment Benefits (OPEB)**

Actuarial valuation date		04/30/2008 (1)
Actuarial value of assets	(A)	\$0
Actuarial accrued liability	(B)	\$1,733,169
Percentage funded	(C) = (A)/(B)	0.0%
Unfunded actuarial accrued liability (UAAL)	(D) = (B)-(A)	\$1,733,169
Annual Covered Payroll	(E)	\$8,993,909
Ratio of the unfunded actuarial liability to the annual covered payroll	(F) = (D) / (E)	19.27%

(1) This is the first actuarial valuation of City of Orange Health Care Plan.

## ***Major Governmental Funds***

***General Fund*** - The general fund is used to account for most of the day to day operations of the City which are financed by taxes and other general revenues.

***Debt Service Fund*** - To account for the debt being paid by levies of ad valorem taxes on property. This fund accounts for principal and interest payments on the Series 1999 Certificate of Obligation, Series 2005 General Obligation Refunding Bonds, Series 2005 Tax Notes and Series 2008 Tax and Revenue Certificates of Obligation.

***Capital Projects Fund*** - The capital projects fund is used to account for the acquisition and construction of major capital facilities funded through the bonded debt, transfer of funds or residual equity. This fund accounts for major capital acquisition and construction of governmental funds.

**City of Orange**  
**Schedule of Expenditures Division Level - Budget and Actual**  
**General Fund**  
**For the Year Ending September 30, 2010**

	Budget	Actual	Variance Over ( Under)
<b><u>Council</u></b>			
Personal services	\$7,324	\$7,322	( \$2)
Supplies	350	245	( 105)
Other services and charges	38,000	14,720	( 23,280)
<b>Total Council</b>	<b>45,674</b>	<b>22,287</b>	<b>( 23,387)</b>
<b><u>City Manager</u></b>			
Personal services	199,591	205,517	5,926
Supplies	2,300	1,434	( 866)
Other services and charges	35,500	35,872	372
<b>Total City Manager</b>	<b>237,391</b>	<b>242,823</b>	<b>5,432</b>
<b><u>City Secretary</u></b>			
Personal services	164,703	163,634	( 1,069)
Supplies	16,700	11,262	( 5,438)
Other services and charges	10,650	6,748	( 3,902)
<b>Total City Secretary</b>	<b>192,053</b>	<b>181,644</b>	<b>( 10,409)</b>
<b><u>Municipal Court</u></b>			
Personal services	118,997	118,767	( 230)
Supplies	6,950	6,442	( 508)
Other services and charges	91,500	85,344	( 6,156)
<b>Total Municipal Court</b>	<b>217,447</b>	<b>210,553</b>	<b>( 6,894)</b>
<b><u>Human Resources</u></b>			
Personal services	93,515	84,370	( 9,145)
Supplies	17,397	14,878	( 2,519)
Other services and charges	5,253	4,021	( 1,232)
<b>Total Human Resources</b>	<b>116,165</b>	<b>103,269</b>	<b>( 12,896)</b>
<b><u>Finance</u></b>			
Personal services	347,799	355,512	7,713
Supplies	48,355	22,475	( 25,880)
Other services and charges	38,645	32,334	( 6,311)
<b>Total Finance</b>	<b>434,799</b>	<b>410,321</b>	<b>( 24,478)</b>
<b><u>Tax</u></b>			
Other services and charges	100,000	99,231	( 769)
<b>Total Tax</b>	<b>100,000</b>	<b>99,231</b>	<b>( 769)</b>
<b><u>MIS</u></b>			
Personal services	24,631	24,453	( 178)
Supplies	9,850	9,620	( 230)
Other services and charges	16,750	14,666	( 2,084)
<b>Total MIS</b>	<b>51,231</b>	<b>48,739</b>	<b>( 2,492)</b>
<b>Total General Government</b>	<b>1,394,760</b>	<b>1,318,867</b>	<b>( 75,893)</b>

( Continued)

**City of Orange**  
**Schedule of Expenditures Division Level - Budget and Actual**  
**General Fund**  
**For the Year Ending September 30, 2010**

	Budget	Actual	Variance Over ( Under)
<b><u>Library</u></b>			
Personal services	385,815	386,764	949
Supplies	9,300	8,536	( 764)
Other services and charges	30,900	28,182	( 2,718)
<b>Total Library</b>	<b>426,015</b>	<b>423,482</b>	<b>( 2,533)</b>
<b><u>Natorium</u></b>			
Personal services	42,388	70,349	27,961
Supplies	8,150	3,707	( 4,443)
Other services and charges	6,750	1,706	( 5,044)
<b>Total Natatorium</b>	<b>57,288</b>	<b>75,762</b>	<b>18,474</b>
<b><u>Recreation</u></b>			
Personal services	142	452	310
Supplies	2,850	832	( 2,018)
Other services and charges	1,630	270	( 1,360)
<b>Total Recreation</b>	<b>4,622</b>	<b>1,554</b>	<b>( 3,068)</b>
<b><u>Park Maintenance</u></b>			
Personal services	492,976	489,780	( 3,196)
Supplies	15,150	10,048	( 5,102)
Other services and charges	35,100	31,735	( 3,365)
<b>Total Park Maintenance</b>	<b>543,226</b>	<b>531,563</b>	<b>( 11,663)</b>
<b>Total Cultural and Recreation</b>	<b>1,031,151</b>	<b>1,032,361</b>	<b>1,210</b>
<b><u>Police</u></b>			
Personal services	4,810,763	5,006,297	195,534
Supplies	89,582	80,108	( 9,474)
Other services and charges	142,518	125,910	( 16,608)
<b>Total Police</b>	<b>5,042,863</b>	<b>5,212,315</b>	<b>169,452</b>
<b><u>Emergency Management</u></b>			
Supplies	8,150	7,710	( 440)
Other services and charges	6,200	5,136	( 1,064)
<b>Total Emergency Management</b>	<b>14,350</b>	<b>12,846</b>	<b>( 1,504)</b>
<b><u>Fire</u></b>			
Personal services	2,997,005	2,907,025	( 89,980)
Supplies	59,400	90,725	31,325
Other services and charges	67,400	63,568	( 3,832)
<b>Total Fire</b>	<b>3,123,805</b>	<b>3,061,318</b>	<b>( 62,487)</b>
<b><u>Animal Control</u></b>			
Personal services	112,151	97,307	( 14,844)
Supplies	17,000	13,960	( 3,040)
Other services and charges	4,200	3,231	( 969)
<b>Total Animal Control</b>	<b>133,351</b>	<b>114,498</b>	<b>( 18,853)</b>
<b>Total Public Safety</b>	<b>8,314,369</b>	<b>8,400,977</b>	<b>86,608</b>

( Continued)

**City of Orange**  
**Schedule of Expenditures Division Level - Budget and Actual**  
**General Fund**  
**For the Year Ending September 30, 2010**

	Budget	Actual	Variance Over ( Under)
<b><u>Planning</u></b>			
Personal services	105,867	112,565	6,698
Supplies	3,900	3,264	( 636)
Other services and charges	6,450	4,964	( 1,486)
<b>Total Planning</b>	<b>116,217</b>	<b>120,793</b>	<b>4,576</b>
<b><u>Code Enforcement</u></b>			
Personal services	222,699	225,971	3,272
Supplies	4,650	3,189	( 1,461)
Other services and charges	4,750	2,169	( 2,581)
<b>Total Code Enforcement</b>	<b>232,099</b>	<b>231,329</b>	<b>( 770)</b>
<b><u>Building Services</u></b>			
Personal services	294,249	269,821	( 24,428)
Supplies	14,200	10,450	( 3,750)
Other services and charges	163,422	143,684	( 19,738)
<b>Total Building Services</b>	<b>471,871</b>	<b>423,955</b>	<b>( 47,916)</b>
<b><u>Street &amp; Drainage</u></b>			
Personal services	855,181	808,055	( 47,126)
Supplies	14,370	13,029	( 1,341)
Other services and charges	183,830	204,195	20,365
<b>Total Street &amp; Drainage</b>	<b>1,053,381</b>	<b>1,025,279</b>	<b>( 28,102)</b>
<b><u>Public Works Administration</u></b>			
Personal services	173,087	202,561	29,474
Supplies	4,800	3,369	( 1,431)
Other services and charges	4,750	3,402	( 1,348)
<b>Total Public Works Administration</b>	<b>182,637</b>	<b>209,332</b>	<b>26,695</b>
<b><u>Fleet Maintenance</u></b>			
Personal services	261,276	257,878	( 3,398)
Supplies	12,200	8,778	( 3,422)
Other services and charges	519,200	494,017	( 25,183)
<b>Total Fleet Maintenance</b>	<b>792,676</b>	<b>760,673</b>	<b>( 32,003)</b>
<b><u>Engineering</u></b>			
Personal services	71,119	71,234	115
Supplies	6,500	6,107	( 393)
Other services and charges	4,300	3,046	( 1,254)
<b>Total Engineering</b>	<b>81,919</b>	<b>80,387</b>	<b>( 1,532)</b>
<b>Total Public Works</b>	<b>2,930,800</b>	<b>2,851,748</b>	<b>( 79,052)</b>

( Continued)

**City of Orange**  
**Schedule of Expenditures Division Level - Budget and Actual**  
**General Fund**  
**For the Year Ending September 30, 2010**

	Budget	Actual	Variance Over ( Under)
<b><u>Hurricane - Recovery</u></b>			
Supplies	57,103	54,093	( 3,010)
Total Hurricane Ike Recovery	57,103	54,093	( 3,010)
<b><u>Non Departmental</u></b>			
Other services and charges	1,878,042	1,664,657	( 213,385)
Total Non Departmental	1,878,042	1,664,657	( 213,385)
<b><u>Capital Outlay</u></b>			
Capital Outlay	363,271	278,142	( 85,129)
Total Capital Outlay	363,271	278,142	( 85,129)
<b>Total General Fund</b>	<b>\$15,969,496</b>	<b>\$15,600,845</b>	<b>( \$368,651)</b>

**City of Orange**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Debt Service Fund**  
**For the Year Ended September 30, 2010**

	Original	Final	Actual Amounts	Variance Over ( under)
<b>Revenues:</b>				
Taxes	\$1,157,229	\$1,157,229	\$1,291,223	\$133,994
Investment income	2,500	2,500	960	( 1,540)
Total revenues	1,159,729	1,159,729	1,292,183	132,454
<b>Expenditures:</b>				
Principal retirement	830,000	830,000	830,000	0
Interest and fiscal charges	459,503	459,503	458,003	( 1,500)
Total expenditures	1,289,503	1,289,503	1,288,003	( 1,500)
Excess ( deficiency) of revenues over ( under) expenditures	( 129,774)	( 129,774)	4,180	133,954
Net change in fund balance	( 129,774)	( 129,774)	4,180	133,954
Fund balances beginning	138,208	138,208	138,208	0
Fund balances ending	\$8,434	\$8,434	\$142,388	\$133,954

**City of Orange**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Capital Projects Fund**  
**For the Year Ended September 30, 2010**

	Original	Final	Actual Amounts	Variance Over ( under)
<b>Revenues:</b>				
Investment income	\$0	\$0	\$1,155	\$1,155
Total revenues	0	0	1,155	1,155
<b>Expenditures:</b>				
Capital outlay				
Other capital outlay	0	13,318	11,578	( 1,740)
Sewer construction	0	74,736	74,734	( 2)
Water line construction	0	72,723	74,734	2,011
Total expenditures	0	160,777	161,046	269
Excess ( deficiency) of revenues over ( under) expenditures	0	( 160,777)	( 159,891)	886
Net change in fund balance	0	( 160,777)	( 159,891)	886
Fund balances beginning	259,890	259,890	259,890	0
Fund balances ending	\$259,890	\$99,113	\$99,999	\$886

## **Nonmajor Governmental Funds Special Revenue Funds**

*Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.*

***Animal Shelter Donation Fund*** - This fund is used to account for donations received for the use of the City's Animal Shelter.

***Bush Clinton Coastal Recovery Fund*** - To account for funds received from the Bush Clinton Recovery Grant program to assist with City recovery after Hurricane Ike.

***Community Development Block Grant (CDBG) Fund*** - To account for federal funds received from the U. S. Department of Housing and Urban Renewal for activities that benefit low to moderate income individuals and prevent inner city blight.

***Community Development Block Grant (CDBG) Recovery Fund*** - To account for federal fund received from the U.S. Department of Housing and Urban Development for Hurricane recovery projects.

***Confined Space Rescue Fund*** - This fund is used to account for donations received from local industries for the Fire Department's confined space rescue activities.

***Department of Homeland Security Grant Fund*** - This fund is used to account for federal funds received from the U. S. Department of Homeland Security for computer equipment to develop an interoperable data sharing network with Hardin, Jefferson and Orange Counties.

***Department of Justice Local Law Enforcement Block Grant Fund*** - This fund is used to account for federal funds received from the U. S. Department of Justice for the purpose of reducing crime and improving public safety.

***Economic Development Fund*** - This fund is used to account for funds set aside for specified economic development activities of the City.

***Emergency Management Fund*** - This fund is used to account for funds received from the Texas Department of Public Safety for emergency management program activities.

***Federal Emergency Management Agency (FEMA) Fire Act Grant Fund*** - This fund is used to account for federal funds received from the Federal Emergency Management Agency for the purpose of improvements in firefighter safety and the purchase and installation of diesel exhaust removal systems for fire fighting apparatus.

***Fire Department Donation Fund*** - This fund is used to account for donations received for the use of the City's Fire Department.

***Home Program Fund*** - This fund is used to account for funds received from the Texas Department of Housing and Community Affairs for rehabilitation of owner occupied or investor owned properties.

**Housing and Urban Development Home Consortium Fund** - This fund is used to account for federal funds received from the U. S. Department of Housing and Urban Development for activities of the Orange Regional HOME Consortium under the Home Investment Partnership Agreement Program. The City of Orange is the lead entity within the Consortium.

**Law Enforcement Seizure Fund** - This fund is used to account for proceeds from law enforcement seizures . Expenditures are restricted to qualified law enforcement activities.

**Library Donation Fund** - This fund is used to account for donations received for the use of the Orange Public Library.

**Municipal Court Technology Fund** - This fund is used to account for funds collected in association with the portion of the court fees which are restricted for use on court technology and security.

**Nelda C and HJ Lutcher Stark Foundation Grant Fund** - This fund is used to account for funds received from the Stark Foundation for various local projects.

**Orange Development Fund** - This fund is used to account for revenues and expenditures of the hotel/motel tax receipts as specified by state statute.

**Parks Donation Fund** - This fund is used to account for donations received for use in the City's parks and recreation activities.

**Police Donation Fund** - This fund is used to account for donations received for use in the Police Department.

**Texas Comptroller's Tobacco Grant Fund** This fund is used to account for funds received from the Texas Comptroller's Office to assist the Police Department with education, compliance and enforcement of tobacco laws.

**Texas Department of Rural Affairs Grant Fund** - This fund is used to account for funds received from the Texas Department of Rural Affairs TDRA (formerly the Office of Rural Community Affairs ORCA) for related grant expenditures.

**Texas Loanstar Library Grant Fund** - This fund is used to account for grant funds received from the Texas State Library and Archive Commission for the Loanstar Library grant program.

**Texas Office of Governor JAG Recovery Grant Fund** - This fund is used to account for grant funds received from the Texas office of Governor for related grant expenditures. Grant was for computer equipment at the Police Department.

**Texas Forest Services TIFMAS Grant Fund** - This fund is used to account for grant funds received from the Texas Forest Service for related grant expenditures. Grant was for training, tuition and bunker gear for the Fire Department.

**City of Orange  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2010**

	Special Revenue				
	Animal Shelter Donation Fund	Bush Clinton Coastal Recovery Fund	Community Development Block Grant Fund	Comm. Dev. Block Grant Recovery Fund	Confined Space Rescue Fund
<b>Assets</b>					
Cash and cash equivalents	\$67,638	\$402,078	\$3,881	\$0	\$58,741
Grant or other receivable	0	0	74,531	36,075	0
Due from other funds	0	0	0	0	0
<b>Total assets</b>	<b>\$67,638</b>	<b>\$402,078</b>	<b>\$78,412</b>	<b>\$36,075</b>	<b>\$58,741</b>
<b>Liabilities</b>					
Accounts payable	\$0	\$0	\$41,253	\$473	\$53
Deferred revenue	0	0	0	0	0
Due to other funds	0	0	0	35,602	0
<b>Total liabilities</b>	<b>0</b>	<b>0</b>	<b>41,253</b>	<b>36,075</b>	<b>53</b>
<b>Fund balances</b>					
Designated program income	0	0	32,375	0	0
Undesignated	67,638	402,078	4,784	0	58,688
<b>Total fund balances</b>	<b>67,638</b>	<b>402,078</b>	<b>37,159</b>	<b>0</b>	<b>58,688</b>
<b>Total liabilities and fund balances</b>	<b>\$67,638</b>	<b>\$402,078</b>	<b>\$78,412</b>	<b>\$36,075</b>	<b>\$58,741</b>

( Continued)

**City of Orange  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2010**

	Special Revenue			
	Department of Homeland Security Grant Funds	Department of Justice LLEB Grant Fund	Economic Development Fund	Emergency Management Fund
<b>Assets</b>				
Cash and cash equivalents	\$0	\$0	\$2,261	\$0
Grant or other receivable	0	20,572	0	21,930
Due from other funds	0	0	0	0
<b>Total assets</b>	<b>\$0</b>	<b>\$20,572</b>	<b>\$2,261</b>	<b>\$21,930</b>
<b>Liabilities</b>				
Accounts payable	\$0	\$0	\$0	\$0
Deferred revenue	0	0	0	0
Due to other funds	0	20,572	0	21,930
<b>Total liabilities</b>	<b>0</b>	<b>20,572</b>	<b>0</b>	<b>21,930</b>
<b>Fund balances</b>				
Designated program income	0	0	0	0
Undesignated	0	0	2,261	0
<b>Total fund balances</b>	<b>0</b>	<b>0</b>	<b>2,261</b>	<b>0</b>
<b>Total liabilities and fund balances</b>	<b>\$0</b>	<b>\$20,572</b>	<b>\$2,261</b>	<b>\$21,930</b>

( Continued)

**City of Orange  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2010**

	Special Revenue				
	FEMA Fire Act Grant Fund	Fire Department Donation Fund	Home Program Fund	HUD Home Consortium Fund	Law Enforcement Seizure Fund
<b>Assets</b>					
Cash and cash equivalents	\$0	\$42,336	\$10,173	\$0	\$625,422
Grant or other receivable	0	0	0	689,123	0
Due from other funds	0	0	0	0	0
<b>Total assets</b>	<b>\$0</b>	<b>\$42,336</b>	<b>\$10,173</b>	<b>\$689,123</b>	<b>\$625,422</b>
<b>Liabilities</b>					
Accounts payable	\$0	\$0	\$0	\$74,797	\$4,353
Deferred revenue	0	0	0	0	32,830
Due to other funds	0	0	0	614,326	0
<b>Total liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>689,123</b>	<b>37,183</b>
<b>Fund balances</b>					
Designated program income	0	0	0	0	0
Undesignated	0	42,336	10,173	0	588,239
<b>Total fund balances</b>	<b>0</b>	<b>42,336</b>	<b>10,173</b>	<b>0</b>	<b>588,239</b>
<b>Total liabilities and fund balances</b>	<b>\$0</b>	<b>\$42,336</b>	<b>\$10,173</b>	<b>\$689,123</b>	<b>\$625,422</b>

( Continued)

**City of Orange  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2010**

	Special Revenue				
	Library Donation Fund	Municipal Court Technology Fund	Nelda C & HJ Lutcher Stark Foundation Grant Fund	Orange Development Fund	Parks Donation Fund
<b>Assets</b>					
Cash and cash equivalents	\$99,193	\$64,176	\$20,291	\$784,750	\$9,783
Grant or other receivable	0	0	10,235	36,751	0
Due from other funds	0	0	0	0	0
<b>Total assets</b>	<b>\$99,193</b>	<b>\$64,176</b>	<b>\$30,526</b>	<b>\$821,501</b>	<b>\$9,783</b>
<b>Liabilities</b>					
Accounts payable	\$0	\$0	\$0	\$10,107	\$0
Deferred revenue	0	0	0	0	0
Due to other funds	0	0	6,387	0	0
<b>Total liabilities</b>	<b>0</b>	<b>0</b>	<b>6,387</b>	<b>10,107</b>	<b>0</b>
<b>Fund balances</b>					
Designated program income	0	0	0	0	0
Undesignated	99,193	64,176	24,139	811,394	9,783
<b>Total fund balances</b>	<b>99,193</b>	<b>64,176</b>	<b>24,139</b>	<b>811,394</b>	<b>9,783</b>
<b>Total liabilities and fund balances</b>	<b>\$99,193</b>	<b>\$64,176</b>	<b>\$30,526</b>	<b>\$821,501</b>	<b>\$9,783</b>

( Continued)

**City of Orange  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2010**

	Special Revenue				
	Police Donation Fund	Texas Comptroller's Tobacco Grant Fund	Texas Dept. of Rural Affairs Grant Fund	Texas Forrest Service TIFMAS Grant Fund	Texas Loanstar Library Grant Fund
<b>Assets</b>					
Cash and cash equivalents	\$31,324	\$3,000	\$0	\$0	\$0
Grant or other receivable	0	0	361,031	7,461	0
Due from other funds	0	0	0	0	0
<b>Total assets</b>	<b>\$31,324</b>	<b>\$3,000</b>	<b>\$361,031</b>	<b>\$7,461</b>	<b>\$0</b>
<b>Liabilities</b>					
Accounts payable	\$0	\$0	\$70,961	\$0	\$0
Deferred revenue	0	0	0	0	0
Due to other funds	0	0	290,070	7,461	0
<b>Total liabilities</b>	<b>0</b>	<b>0</b>	<b>361,031</b>	<b>7,461</b>	<b>0</b>
<b>Fund balances</b>					
Designated program income	0	0	0	0	0
Undesignated	31,324	3,000	0	0	0
<b>Total fund balances</b>	<b>31,324</b>	<b>3,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total liabilities and fund balances</b>	<b>\$31,324</b>	<b>\$3,000</b>	<b>\$361,031</b>	<b>\$7,461</b>	<b>\$0</b>

( Continued)

**City of Orange  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2010**

	<b>Special Revenue</b>	
	<b>Texas Office of Governor JAG Recovery Grant Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>		
Cash and cash equivalents	\$0	\$2,225,047
Grant or other receivable	0	1,257,709
Due from other funds	0	0
<b>Total assets</b>	<b>\$0</b>	<b>\$3,482,756</b>
<b>Liabilities</b>		
Accounts payable	\$0	\$201,997
Deferred revenue	0	32,830
Due to other funds	0	996,348
<b>Total liabilities</b>	<b>0</b>	<b>1,231,175</b>
<b>Fund balances</b>		
Designated program income	0	32,375
Undesignated	0	2,219,206
<b>Total fund balances</b>	<b>0</b>	<b>2,251,581</b>
<b>Total liabilities and fund balances</b>	<b>\$0</b>	<b>\$3,482,756</b>

**City of Orange**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended September 30, 2010**

	Special Revenue				
	Animal Shelter Donation Fund	Bush Clinton Coastal Recovery Fund	Community Development Block Grant Fund	Comm. Dev. Block Grant Recovery Fund	Confined Space Rescue Fund
<b>Revenues</b>					
Taxes	\$0	\$0	\$0	\$0	\$0
Intergovernmental	0	0	376,797	41,662	0
Donations	112	0	0	0	22,500
Grant income	0	0	0	0	0
Investment income	226	1,152	301	0	177
Program income	0	0	32,075	0	0
Forfeitures	0	0	0	0	0
<b>Total revenues</b>	<b>338</b>	<b>1,152</b>	<b>409,173</b>	<b>41,662</b>	<b>22,677</b>
<b>Expenditures</b>					
<b>Current:</b>					
Cultural & recreation	0	0	0	0	0
Public safety	803	0	0	0	10,561
Public works	0	0	288,491	8,662	0
<b>Capital outlay:</b>					
Books	0	0	0	0	0
Building	0	0	0	0	6,081
Land	0	0	0	0	0
Machinery	1,880	0	62,400	0	15,909
Streets	0	0	15,752	33,000	0
Vehicles	0	0	21,299	0	0
Water construction	0	0	0	0	0
<b>Total expenditures</b>	<b>2,683</b>	<b>0</b>	<b>387,942</b>	<b>41,662</b>	<b>32,551</b>
<b>Excess ( deficiency) of revenues over ( under) expenditures</b>	<b>( 2,345)</b>	<b>1,152</b>	<b>21,231</b>	<b>0</b>	<b>( 9,874)</b>
<b>Net change in fund balances</b>	<b>( 2,345)</b>	<b>1,152</b>	<b>21,231</b>	<b>0</b>	<b>( 9,874)</b>
Fund balances beginning	69,983	400,926	15,928	0	68,562
<b>Fund balances ending</b>	<b>\$67,638</b>	<b>\$402,078</b>	<b>\$37,159</b>	<b>\$0</b>	<b>\$58,688</b>

( Continued)

**City of Orange**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended September 30, 2010**

	Special Revenue			
	Department of Homeland Security Grant Funds	Department of Justice LLEB Grant Fund	Economic Development Fund	Emergency Management Fund
<b>Revenues</b>				
Taxes	\$0	\$0	\$0	\$0
Intergovernmental	0	0	0	0
Donations	0	0	0	0
Grant income	13,178	100,735	0	29,240
Investment income	0	0	8	0
Program income	0	0	0	0
Forfeitures	0	0	0	0
<b>Total revenues</b>	<b>13,178</b>	<b>100,735</b>	<b>8</b>	<b>29,240</b>
<b>Expenditures</b>				
<b>Current:</b>				
Cultural & recreation	0	0	0	0
Public safety	13,178	44,027	0	29,240
Public works	0	0	0	0
<b>Capital outlay:</b>				
Books	0	0	0	0
Building	0	0	0	0
Land	0	0	0	0
Machinery	0	56,708	0	0
Streets	0	0	0	0
Vehicles	0	0	0	0
Water construction	0	0	0	0
<b>Total expenditures</b>	<b>13,178</b>	<b>100,735</b>	<b>0</b>	<b>29,240</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>0</b>
<b>Net change in fund balances</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>0</b>
Fund balances beginning	0	0	2,253	0
<b>Fund balances ending</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,261</b>	<b>\$0</b>

( Continued)

**City of Orange**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended September 30, 2010**

	Special Revenue				
	FEMA Fire Act Grant Fund	Fire Department Donation Fund	Home Program Fund	HUD Home Consortium Fund	Law Enforcement Seizure Fund
<b>Revenues</b>					
Taxes	\$0	\$0	\$0	\$0	\$0
Intergovernmental	0	0	0	873,784	0
Donations	0	20,000	0	0	0
Grant income	41,202	0	0	0	0
Investment income	0	70	24	0	1,742
Program income	0	0	0	0	0
Forfeitures	0	0	0	0	275,257
<b>Total revenues</b>	<b>41,202</b>	<b>20,070</b>	<b>24</b>	<b>873,784</b>	<b>276,999</b>
<b>Expenditures</b>					
<b>Current:</b>					
Cultural & recreation	0	0	0	0	0
Public safety	0	650	0	0	76,238
Public works	0	0	0	873,784	0
<b>Capital outlay:</b>					
Books	0	0	0	0	0
Building	0	0	0	0	0
Land	0	0	0	0	0
Machinery	0	0	0	0	43,696
Streets	0	0	0	0	0
Vehicles	41,202	0	0	0	152,444
Water construction	0	0	0	0	0
<b>Total expenditures</b>	<b>41,202</b>	<b>650</b>	<b>0</b>	<b>873,784</b>	<b>272,378</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>0</b>	<b>19,420</b>	<b>24</b>	<b>0</b>	<b>4,621</b>
<b>Net change in fund balances</b>	<b>0</b>	<b>19,420</b>	<b>24</b>	<b>0</b>	<b>4,621</b>
Fund balances beginning	0	22,916	10,149	0	583,618
<b>Fund balances ending</b>	<b>\$0</b>	<b>\$42,336</b>	<b>\$10,173</b>	<b>\$0</b>	<b>\$588,239</b>

( Continued)

**City of Orange**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended September 30, 2010**

	Special Revenue				
	Library Donation Fund	Municipal Court Technology Fund	Nelda C & HJ Lutcher Stark Foundation Grant Fund	Orange Development Fund	Parks Donation Fund
<b>Revenues</b>					
Taxes	\$0	\$0	\$0	\$475,276	\$0
Intergovernmental	0	0	0	0	0
Donations	6,348	0	0	7,922	4,325
Grant income	0	0	10,235	0	0
Investment income	295	174	65	2,415	35
Program income	3,289	10,873	3,850	0	0
Forfeitures	0	0	0	0	0
<b>Total revenues</b>	<b>9,932</b>	<b>11,047</b>	<b>14,150</b>	<b>485,613</b>	<b>4,360</b>
<b>Expenditures</b>					
<b>Current:</b>					
Cultural & recreation	2,643	0	0	469,476	4,091
Public safety	0	6,157	0	0	0
Public works	0	0	10,235	0	0
<b>Capital outlay:</b>					
Books	4,896	0	0	0	0
Building	0	0	0	0	0
Land	0	0	0	0	0
Machinery	0	0	0	0	0
Streets	0	0	0	0	0
Vehicles	0	0	0	0	0
Water construction	0	0	0	135,313	0
<b>Total expenditures</b>	<b>7,539</b>	<b>6,157</b>	<b>10,235</b>	<b>604,789</b>	<b>4,091</b>
<b>Excess ( deficiency) of revenues over ( under) expenditures</b>	<b>2,393</b>	<b>4,890</b>	<b>3,915</b>	<b>( 119,176)</b>	<b>269</b>
<b>Net change in fund balances</b>	<b>2,393</b>	<b>4,890</b>	<b>3,915</b>	<b>( 119,176)</b>	<b>269</b>
Fund balances beginning	96,800	59,286	20,224	930,570	9,514
Fund balances ending	<b>\$99,193</b>	<b>\$64,176</b>	<b>\$24,139</b>	<b>\$811,394</b>	<b>\$9,783</b>

( Continued)

**City of Orange**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended September 30, 2010**

	Special Revenue				
	Police Donation Fund	Texas Comptroller's Tobacco Grant Fund	Texas Dept. of Rural Affairs Grant Fund	Texas Forest Service TIFMAS Grant Fund	Texas Loanstar Library Grant Fund
<b>Revenues</b>					
Taxes	\$0	\$0	\$0	\$0	\$0
Intergovernmental	0	0	0	0	0
Donations	0	0	0	0	0
Grant income	0	3,000	603,911	7,461	3,514
Investment income	96	0	0	0	0
Program income	0	0	0	0	0
Forfeitures	0	0	0	0	0
Total revenues	96	3,000	603,911	7,461	3,514
<b>Expenditures</b>					
<b>Current:</b>					
Cultural & recreation	0	0	0	0	1,461
Public safety	2,110	0	0	7,461	0
Public works	0	0	216,899	0	0
<b>Capital outlay:</b>					
Books	0	0	0	0	2,053
Building	0	0	326,012	0	0
Land	0	0	55,000	0	0
Machinery	0	0	6,000	0	0
Streets	0	0	0	0	0
Vehicles	0	0	0	0	0
Water construction	0	0	0	0	0
Total expenditures	2,110	0	603,911	7,461	3,514
 Excess (deficiency) of revenues over (under) expenditures	 ( 2,014)	 3,000	 0	 0	 0
 Net change in fund balances	 ( 2,014)	 3,000	 0	 0	 0
Fund balances beginning	33,338	0	0	0	0
Fund balances ending	\$31,324	\$3,000	\$0	\$0	\$0

( Continued)

**City of Orange**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended September 30, 2010**

	<b>Special Revenue</b>	
	<b>Texas Office of Governor JAG Recovery Grant Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>		
Taxes	\$0	\$475,276
Intergovernmental	0	1,292,243
Donations	0	61,207
Grant income	10,000	822,476
Investment income	0	6,780
Program income	0	50,087
Forfeitures	0	275,257
<b>Total revenues</b>	<b>10,000</b>	<b>\$2,983,326</b>
<b>Expenditures</b>		
<b>Current:</b>		
Cultural & recreation	0	477,671
Public safety	10,000	200,425
Public works	0	1,398,071
<b>Capital outlay:</b>		
Books	0	6,949
Building	0	332,093
Land	0	55,000
Machinery	0	186,593
Streets	0	48,752
Vehicles	0	214,945
Water construction	0	135,313
<b>Total expenditures</b>	<b>10,000</b>	<b>3,055,812</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>0</b>	<b>( 72,486)</b>
<b>Net change in fund balances</b>	<b>0</b>	<b>( 72,486)</b>
<b>Fund balances beginning</b>	<b>0</b>	<b>2,324,067</b>
<b>Fund balances ending</b>	<b>\$0</b>	<b>\$2,251,581</b>

**City of Orange**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Animal Shelter Donation Fund**  
**For the Year Ended September 30, 2010**

	Original	Final	Actual Amounts	Variance Over ( under)
<b>Revenues:</b>				
Donations	\$1,000	\$200	\$112	( \$88)
Investment income	0	0	226	226
<b>Total revenues</b>	<b>1,000</b>	<b>200</b>	<b>338</b>	<b>138</b>
<b>Expenditures:</b>				
Public safety	2,000	4,000	803	( 3,197)
Capital outlay				
Machinery	0	0	1,880	1,880
<b>Total expenditures</b>	<b>2,000</b>	<b>4,000</b>	<b>2,683</b>	<b>( 1,317)</b>
<b>Net change in fund balance</b>	<b>( 1,000)</b>	<b>( 3,800)</b>	<b>( 2,345)</b>	<b>1,455</b>
Fund balances beginning	69,983	69,983	69,983	0
<b>Fund balances ending</b>	<b>\$68,983</b>	<b>\$66,183</b>	<b>\$67,638</b>	<b>\$1,455</b>

**City of Orange**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Community Development Block Grant Fund**  
**For the Year Ended September 30, 2010**

	Original	Final	Actual Amounts	Variance Over ( under)
<b>Revenues:</b>				
Intergovernmental	\$621,407	\$621,407	\$376,797	( \$244,610)
Investment income	0	0	301	301
Program income	13,800	13,800	32,075	18,275
Total revenues	635,207	635,207	409,173	( 226,034)
<b>Expenditures:</b>				
Public works	592,996	597,216	288,491	( 308,725)
Capital outlay				
Machinery	0	3,000	62,400	59,400
Streets	0	0	15,752	15,752
Vehicles	22,000	24,150	21,299	( 2,851)
Total expenditures	614,996	624,366	387,942	( 236,424)
Net change in fund balance	20,211	10,841	21,231	10,390
Fund balances beginning	15,928	15,928	15,928	0
Fund balances ending	\$36,139	\$26,769	\$37,159	\$10,390

**City of Orange**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Community Development Block Grant Recovery Fund**  
**For the Year Ended September 30, 2010**

	Original	Final	Actual Amounts	Variance Over ( under)
<b>Revenues:</b>				
Intergovernmental	\$117,480	\$117,480	\$41,662	( \$75,818)
Total revenues	117,480	117,480	41,662	( 75,818)
<b>Expenditures:</b>				
Public works	117,480	118,462	8,662	( 109,800)
Capital outlay				
Streets	0	0	33,000	33,000
Total expenditures	117,480	118,462	41,662	( 76,800)
Net change in fund balance	0	( 982)	0	982
Fund balances beginning	0	0	0	0
Fund balances ending	\$0	( \$982)	\$0	\$982

**City of Orange**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Confined Space Rescue Fund**  
**For the Year Ended September 30, 2009**

	Original	Final	Actual Amounts	Variance Over ( under)
<b>Revenues:</b>				
Donations	\$18,000	\$18,000	\$22,500	\$4,500
Investment income	1,600	1,600	177	( 1,423)
Total revenues	19,600	19,600	22,677	3,077
<b>Expenditures:</b>				
Public safety	47,000	42,000	10,561	( 31,439)
Capital outlay				
Land	15,000	30,000	18,623	( 11,377)
Machinery	10,000	10,000	3,367	( 6,633)
Total expenditures	72,000	82,000	32,551	( 49,449)
Excess (deficiency) of revenues over (under) expenditures	( 52,400)	( 62,400)	( 9,874)	52,526
<b>Other financing sources:</b>				
Sales of fixed asset	0	0	0	0
Total other financing sources	0	0	0	0
Net change in fund balance	( 52,400)	( 62,400)	( 9,874)	52,526
Fund balances beginning	68,562	68,562	68,562	0
Fund balances ending	\$16,162	\$6,162	\$58,688	\$52,526

**City of Orange**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Department of Justice Grant Fund**  
**For the Year Ended September 30, 2010**

	Original	Final	Actual Amounts	Variance Over ( under)
<b>Revenues:</b>				
Grant income	\$123,175	\$123,175	\$100,735	( \$22,440)
Total revenues	123,175	123,175	100,735	( 22,440)
<b>Expenditures:</b>				
Public safety	63,175	89,175	44,027	( 45,148)
Capital outlay				
Machinery	60,000	60,000	56,708	( 3,292)
Total expenditures	123,175	149,175	100,735	( 48,440)
Net change in fund balance	0	( 26,000)	0	26,000
Fund balances beginning	0	0	0	0
Fund balances ending	\$0	( \$26,000)	\$0	\$26,000

**City of Orange**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Emergency Management Fund**  
**For the Year Ended September 30, 2010**

	Original	Final	Actual Amounts	Variance Over ( under)
<b>Revenues:</b>				
Grant income	\$26,892	\$26,892	\$29,240	\$2,348
Total revenues	26,892	26,892	29,240	2,348
<b>Expenditures:</b>				
Public safety	26,892	26,892	29,240	2,348
Total expenditures	26,892	26,892	29,240	2,348
Net change in fund balance	0	0	0	0
Fund balances beginning	0	0	0	0
Fund balances ending	\$0	\$0	\$0	\$0

**City of Orange**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**FEMA Fire Act Grant Fund**  
**For the Year Ended September 30, 2010**

	Original	Final	Actual Amounts	Variance Over ( under)
<b>Revenues:</b>				
Grant income	\$0	\$0	\$41,202	\$41,202
Total revenues	0	0	41,202	41,202
<b>Expenditures:</b>				
Capital outlay				
Machinery	0	41,202	41,202	0
Total expenditures	0	41,202	41,202	0
Net change in fund balance	0	( 41,202)	0	41,202
Fund balances beginning	0	0	0	0
Fund balances ending	\$0	( \$41,202)	\$0	\$41,202

**City of Orange**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Fire Department Donation Fund**  
**For the Year Ended September 30, 2010**

	Original	Final	Actual Amounts	Variance Over ( under)
<b>Revenues:</b>				
Donations	\$0	\$0	\$20,000	\$20,000
Investment income	700	700	70	( 630)
Total revenues	700	700	20,070	19,370
<b>Expenditures:</b>				
Public safety	20,000	20,000	650	( 19,350)
Total expenditures	20,000	20,000	650	( 19,350)
Net change in fund balance	( 19,300)	( 19,300)	19,420	38,720
Fund balances beginning	22,916	22,916	22,916	0
Fund balances ending	\$3,616	\$3,616	\$42,336	\$38,720

**City of Orange**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Housing and Urban Development (HUD) Home Consortium Fund**  
**For the Year Ended September 30, 2010**

	Original	Final	Actual Amounts	Variance Over ( under)
<b>Revenues:</b>				
Intergovernmental	\$740,349	\$740,349	\$873,784	\$133,435
Total revenues	740,349	740,349	873,784	133,435
<b>Expenditures:</b>				
Public works	737,849	838,349	873,784	35,435
Capital outlay				
Vehicles	2,500	2,500	0	( 2,500)
Total expenditures	740,349	840,849	873,784	32,935
Net change in fund balance	0	( 100,500)	0	100,500
Fund balances beginning	0	0	0	0
Fund balances ending	\$0	( \$100,500)	\$0	\$100,500

**City of Orange**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Law Enforcement Seizure Fund**  
**For the Year Ended September 30, 2010**

	Original	Final	Actual Amounts	Variance Over ( under)
<b>Revenues:</b>				
Investment income	\$6,540	\$6,540	\$1,742	( \$4,798)
Forfeiture	50,000	50,000	275,257	225,257
Total revenues	<u>56,540</u>	<u>56,540</u>	<u>276,999</u>	<u>220,459</u>
<b>Expenditures:</b>				
Public safety	45,000	153,000	76,238	( 76,762)
Capital outlay				
Machinery	22,500	12,500	43,696	31,196
Vehicles	7,500	157,500	152,444	( 5,056)
Total expenditures	<u>75,000</u>	<u>323,000</u>	<u>272,378</u>	<u>( 50,622)</u>
Net change in fund balance	( 18,460)	( 266,460)	4,621	271,081
Fund balances beginning	583,618	583,618	583,618	0
Fund balances ending	<u>\$565,158</u>	<u>\$317,158</u>	<u>\$588,239</u>	<u>\$271,081</u>

**City of Orange**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Library Donation Fund**  
**For the Year Ended September 30, 2010**

	Original	Final	Actual Amounts	Variance Over ( under)
<b>Revenues:</b>				
Donations	\$5,000	\$5,000	\$6,348	\$1,348
Investment income	2,000	2,000	295	( 1,705)
Program income	1,700	1,700	3,289	1,589
Total revenues	8,700	8,700	9,932	1,232
<b>Expenditures:</b>				
Cultural and recreation	16,800	18,300	2,643	( 15,657)
Capital outlay				
Books	10,000	10,000	4,896	( 5,104)
Total expenditures	26,800	28,300	7,539	( 20,761)
Net change in fund balance	( 18,100)	( 19,600)	2,393	21,993
Fund balances beginning	96,800	96,800	96,800	0
Fund balances ending	\$78,700	\$77,200	\$99,193	\$21,993

**City of Orange**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Municipal Court Technology Fund**  
**For the Year Ended September 30, 2010**

	Original	Final	Actual Amounts	Variance Over ( under)
<b>Revenues:</b>				
Investment income	\$1,500	\$1,500	\$174	( \$1,326)
Program income	0	10,600	10,873	273
Total revenues	1,500	12,100	11,047	( 1,053)
<b>Expenditures:</b>				
Public safety	14,000	14,000	6,157	( 7,843)
Total expenditures	14,000	14,000	6,157	( 7,843)
Net change in fund balance	( 12,500)	( 1,900)	4,890	6,790
Fund balances beginning	59,286	59,286	59,286	0
Fund balances ending	\$46,786	\$57,386	\$64,176	\$6,790

**City of Orange**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Nelda C and HJ Lutcher Stark Foundation Grant Fund**  
**For the Year Ended September 30, 2010**

	Original	Final	Actual Amounts	Variance Over ( under)
<b>Revenues:</b>				
Grant proceeds	\$8,529	\$8,529	\$10,235	\$1,706
Investment income	\$300	\$300	\$65	( \$235)
Program income	0	0	3,850	3,850
<b>Total revenues</b>	<b>8,829</b>	<b>8,829</b>	<b>14,150</b>	<b>5,321</b>
<b>Expenditures:</b>				
Public safety	8,529	8,529	0	( 8,529)
Public works	0	0	10,235	10,235
<b>Total expenditures</b>	<b>8,529</b>	<b>8,529</b>	<b>10,235</b>	<b>1,706</b>
 Net change in fund balance	 300	 300	 3,915	 3,615
Fund balances beginning	20,224	20,224	20,224	0
<b>Fund balances ending</b>	<b>\$20,524</b>	<b>\$20,524</b>	<b>\$24,139</b>	<b>\$3,615</b>

**City of Orange**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Orange Development Fund**  
**For the Year Ended September 30, 2010**

	Original	Final	Actual Amounts	Variance Over ( under)
<b>Revenues:</b>				
Taxes	\$675,000	\$675,000	\$475,276	( \$199,724)
Donations	5,000	5,000	7,922	2,922
Investment income	16,500	16,500	2,415	( 14,085)
Total revenues	696,500	696,500	485,613	( 210,887)
<b>Expenditures:</b>				
Cultural and recreation	531,332	531,332	469,476	( 61,856)
Capital outlay				
Water system construcion	275,000	275,000	135,313	( 139,687)
Total expenditures	806,332	806,332	604,789	( 201,543)
Net change in fund balance	( 109,832)	( 109,832)	( 119,176)	( 9,344)
Fund balances beginning	930,570	930,570	930,570	0
Fund balances ending	\$820,738	\$820,738	\$811,394	( \$9,344)

**City of Orange**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Parks Donation Fund**  
**For the Year Ended September 30, 2010**

	Original	Final	Actual Amounts	Variance Over ( under)
<b>Revenues:</b>				
Donations	\$500	\$500	\$4,325	\$3,825
Investment income	250	250	35	( 215)
Total revenues	750	750	4,360	3,610
<b>Expenditures:</b>				
Cultural and recreation	0	4,091	4,091	0
Total expenditures	0	4,091	4,091	0
Net change in fund balance	750	( 3,341)	269	3,610
Fund balances beginning	9,514	9,514	9,514	0
Fund balances ending	\$10,264	\$6,173	\$9,783	\$3,610

**City of Orange**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Police Donation Fund**  
**For the Year Ended September 30, 2010**

	Original	Final	Actual Amounts	Variance Over ( under)
<b>Revenues:</b>				
Investment income	\$500	\$500	\$96	( \$404)
Total revenues	500	500	96	( 404)
<b>Expenditures:</b>				
Public safety	25,000	25,000	2,110	( 22,890)
Total expenditures	25,000	25,000	2,110	( 22,890)
Net change in fund balance	( 24,500)	( 24,500)	( 2,014)	22,486
Fund balances beginning	33,338	33,338	33,338	0
Fund balances ending	\$8,838	\$8,838	\$31,324	\$22,486

**City of Orange**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Texas Department of Rural Community Affairs Grant Fund**  
**For the Year Ended September 30, 2010**

	Original	Final	Actual Amounts	Variance Over ( under)
<b>Revenues:</b>				
Grant income	\$6,594,980	\$6,594,980	\$603,911	( \$5,991,069)
Total revenues	6,594,980	6,594,980	603,911	( 5,991,069)
<b>Expenditures:</b>				
Public works	134,980	539,730	216,899	( 322,831)
Capital outlay				
Land		0	55,000	55,000
Building	5,610,825	5,267,769	326,012	( 4,941,757)
Machinery	439,415	560,871	6,000	( 554,871)
Other capital outlay	226,610	226,610	0	( 226,610)
Sewer construction	183,150	0	0	0
Total expenditures	6,594,980	6,594,980	603,911	( 5,991,069)
Net change in fund balance	0	0	0	0
Fund balances beginning	0	0	0	0
Fund balances ending	\$0	\$0	\$0	\$0

**City of Orange**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Texas Forest Service TIFMAS Grant Fund**  
**For the Year Ended September 30, 2010**

	Original	Final	Actual Amounts	Variance Over ( under)
<b>Revenues:</b>				
Grant income	\$0	\$0	\$7,461	\$7,461
Total revenues	0	0	7,461	7,461
<b>Expenditures:</b>				
Public safety	0	54,129	7,461	( 46,668)
Total expenditures	0	54,129	7,461	( 46,668)
Net change in fund balance	0	( 54,129)	0	54,129
Fund balances beginning	0	0	0	0
Fund balances ending	\$0	( \$54,129)	\$0	\$54,129

**City of Orange**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Texas Loanstar Library Grant Fund**  
**For the Year Ended September 30, 2009**

	Original	Final	Actual Amounts	Variance Over ( under)
<b>Revenues:</b>				
Grant income	\$0	\$0	\$3,514	\$3,514
Total revenues	0	0	3,514	3,514
<b>Expenditures:</b>				
Cultural and recreation	0	1,485	1,461	( 24)
Capital outlay				
Books	0	2,029	2,053	24
Total expenditures	0	3,514	3,514	0
Net change in fund balance	0	( 3,514)	0	3,514
Fund balances beginning	0	0	0	0
Fund balances ending	\$0	( \$3,514)	\$0	\$3,514

### ***Internal Service Funds***

*Internal service funds are used to account for the financing of good or services provided by one department or agency to other departments or agencies of the government and to other governmental units, on a cost reimbursement basis.*

***Workers' Compensation Insurance Fund*** - *This fund is used to account for funds collected to provide workers' compensation insurance to the various funds of the City. The City is partially self-insured with specific stop loss coverage.*

**City of Orange, Texas  
Statement of Net Assets  
Internal Service Fund  
September 30, 2010**

	<b>Workers' Compensation Insurance Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$423,663
Cash with fiscal agent	12,000
Investments	0
Total assets	<u>435,663</u>
<b>Liabilities</b>	
Accounts payable	44,097
Claims payable	143,488
Total liabilities	<u>187,585</u>
<b>Net Assets</b>	
Unrestricted	248,078
Total net assets	<u><u>\$248,078</u></u>

**City of Orange, Texas**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Internal Service Fund**  
**For the Year Ended September 30, 2010**

	<b>Workers' Compensation Insurance Fund</b>
<b>Operating revenues:</b>	
Charges for services	\$222,586
Total operating revenues	222,586
<b>Operating expenses:</b>	
Administrative	11,073
Claims	275,716
Premiums	44,295
Total operating expenses	331,084
Operating income	(108,498)
<b>Nonoperating revenues (expenses):</b>	
Investment income	1,297
Change in net assets	(107,201)
Total net assets - beginning	355,279
Total net assets - ending	\$248,078

**City of Orange, Texas  
Statement of Cash Flows  
Internal Service Fund  
For the Year Ended September 30, 2010**

	<b>Workers' Compensation Insurance Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$241,055
Cash paid to suppliers	(162,561)
Net cash provided by operating activities	78,494
<b>Cash flows from investing activities:</b>	
Proceeds from sales and maturities of investments	125,000
Purchase of investments	0
Interest received	1,297
Net cash provided by investing activities	126,297
Net (decrease) in cash and cash equivalents	204,791
Cash and cash equivalents beginning of year	218,872
Cash and cash equivalents end of year	\$423,663
 <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>	
Operating income (loss)	(108,498)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
(Increase) decrease in accounts receivable	18,469
Increase (decrease) in accounts payable	168,523
Total adjustments	186,992
Net cash provided by operating activities	\$78,494

## ***Fiduciary Funds***

*Fiduciary funds are used to account for resources legally held in trust by the City.*

***Municipal Court Escrow Agency Fund*** - This fund is used to account for bonds collected by the City Municipal Court.

***Employee Flex Plan Agency Fund*** - This fund is used to account for funds in accordance with the City of Orange Flexible Benefit Plan.

***City of Orange “Orange Employee Benefit” Trust Fund*** - This fund is used to account for funds collected to pay premiums under the City’s health insurance programs for the City employees.

**City of Orange, Texas**  
**Combining Statement of Fiduciary Net Assets**  
**September 30, 2010**

	<b>Municipal Court Escrow Agency Fund</b>	<b>Employee Flex Plan Agency Fund</b>	<b>Orange Employee Benefit Trust Fund</b>	<b>Total Fiduciary Funds</b>
<b>Assets</b>				
Cash	\$4,452	\$19,969	\$0	\$24,421
Due from other funds	0	0	125,000	125,000
<b>Total assets</b>	<u>4,452</u>	<u>19,969</u>	<u>125,000</u>	<u>149,421</u>
<b>Liabilities</b>				
Due to other funds	0	0	124,647	124,647
Other liabilities	4,452	19,969	353	24,774
<b>Total liabilities</b>	<u>\$4,452</u>	<u>\$19,969</u>	<u>\$125,000</u>	<u>\$149,421</u>

**City of Orange, Texas**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
**For the Year Ended September 30, 2010**

	<b>Municipal Court Escrow Agency Fund 10/01/2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>Municipal Court Escrow Agency Fund 09/30/2010</b>
Cash and cash equivalents	\$3,168	\$40,226	\$38,942	\$4,452
Total assets	<u>3,168</u>	<u>40,226</u>	<u>38,942</u>	<u>4,452</u>
Other liabilities - held in trust for municipal court bonds	3,168	40,226	38,942	4,452
Total liabilities	<u>\$3,168</u>	<u>\$40,226</u>	<u>\$38,942</u>	<u>\$4,452</u>
	<b>Employee Flex Plan Agency Fund 10/01/2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>Employee Flex Plan Agency Fund 09/30/2010</b>
Cash and cash equivalents	\$14,121	\$120,592	\$114,744	\$19,969
Total assets	<u>14,121</u>	<u>120,592</u>	<u>114,744</u>	<u>19,969</u>
Other liabilities - held in trust for flexible spending accounts	14,121	120,592	114,744	19,969
Total liabilities	<u>\$14,121</u>	<u>\$120,592</u>	<u>\$114,744</u>	<u>\$19,969</u>
	<b>Orange Employee Benefit Trust Fund 10/01/2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>Orange Employee Benefit Trust Fund 09/30/2010</b>
Cash and cash equivalents	\$6,715	\$2,154,763	\$2,161,478	\$0
Due from other funds	0	125,000	0	125,000
Prepays	0	125,000	125,000	0
Total assets	<u>6,715</u>	<u>2,404,763</u>	<u>2,286,478</u>	<u>125,000</u>
Due to other funds	0	124,647	0	124,647
Other liabilities - held in trust for employee insurance costs	6,715	2,280,116	2,286,478	353
Total liabilities	<u>\$6,715</u>	<u>\$2,404,763</u>	<u>\$2,286,478</u>	<u>\$125,000</u>
	<b>Total Fiduciary Funds 10/01/2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>Total Fiduciary Funds 09/30/2010</b>
Cash and cash equivalents	\$24,004	\$2,315,581	\$2,315,164	\$24,421
Due from other funds	0	125,000	0	125,000
Prepays	0	125,000	125,000	0
Total assets	<u>24,004</u>	<u>2,565,581</u>	<u>2,440,164</u>	<u>149,421</u>
Due to other funds	0	124,647	0	124,647
Other liabilities - held in trust for municipal court bonds	3,168	40,226	38,942	4,452
Other liabilities - held in trust for flexible spending accounts	14,121	120,592	114,744	19,969
Other liabilities - held in trust for employee insurance costs	6,715	2,280,116	2,286,478	353
Total liabilities	<u>\$24,004</u>	<u>\$2,565,581</u>	<u>\$2,440,164</u>	<u>\$149,421</u>



# **STATISTICAL SECTION**

*This part of the City of Orange’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 government’s overall financial health.*

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Table 1

**City of Orange, Texas**  
**Net Assets by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year									
	2001-2002 (a)	2003	2004	2005	2006	2007	2008	2009	2010 (b)	
<b>Government activities</b>										
Invested in capital assets, net of related debt	--	\$7,725,806	\$9,360,796	\$10,067,933	\$11,349,801	\$12,430,810	\$12,887,162	\$8,524,217	\$8,955,990	
Restricted	--	257,432	447,841	1,750,990	1,567,244	914,538	0	57,354	71,058	
Unrestricted	--	4,456,413	4,098,348	4,688,604	6,531,168	6,870,023	7,808,150	8,673,931	7,296,187	
Total government activities net assets	--	12,439,651	13,906,985	16,507,527	19,448,213	20,215,371	20,695,312	17,255,502	16,323,235	
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	--	16,440,414	16,784,004	17,591,804	17,832,837	18,144,331	20,888,515	29,423,794	30,776,406	
Restricted	--	1,552,882	1,519,887	1,516,207	1,526,676	1,624,697	1,493,068	1,749,284	1,443,873	
Unrestricted	--	3,055,165	2,487,517	1,549,515	1,761,416	1,615,060	1,324,520	1,708,919	1,973,799	
Total business-type activities net assets	--	21,048,461	20,791,408	20,657,526	21,120,929	21,384,088	23,706,103	32,881,997	34,194,078	
<b>Primary government</b>										
Invested in capital assets, net of related debt	--	24,166,220	26,144,800	27,659,737	29,182,638	30,575,141	33,775,677	37,948,011	39,732,396	
Restricted	--	1,810,314	1,967,728	3,267,197	3,093,920	2,539,235	1,493,068	1,806,638	1,514,931	
Unrestricted	--	7,511,578	6,585,865	6,238,119	8,292,584	8,485,083	9,132,670	10,382,850	9,269,986	
Total primary government net assets	--	\$33,488,112	\$34,698,393	\$37,165,053	\$40,569,142	\$41,599,459	\$44,401,415	\$50,137,499	\$50,517,313	

(a) Prior to implementation of GASB 34 information not available in requested format.

(b) In fiscal year 2010 there was a prior period adjustment related to a negative net pension obligation. Fiscal year 2009 was restated in the government wide financial statements.

Table 2

City of Orange, Texas  
 Changes in Net Assets  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	Fiscal Year									
	2001-2002 (a)	2003	2004	2005	2006	2007	2008	2009	2010 (c), (d)	
<b>Expenses</b>										
Governmental Activities										
General government	--	\$1,198,787	\$1,106,808	\$1,162,509	\$1,166,696	\$1,235,297	\$1,262,411	\$1,444,316	\$1,338,566	
Cultural and recreation	--	1,228,989	1,234,912	1,307,649	1,312,439	1,385,314	1,446,538	1,486,749	1,702,697	
Public safety	--	6,835,084	7,102,739	7,537,592	7,812,215	8,280,559	8,931,939	9,399,380	9,870,932	
Public works	--	2,585,591	2,906,131	3,759,213	4,214,823	4,142,241	4,194,268	4,435,852	4,694,527	
Interest on long-term debt	--	300,271	291,035	178,801	317,323	288,522	328,931	556,561	493,648	
Total governmental activities	--	12,148,722	12,641,625	13,945,764	14,823,496	15,331,933	16,164,087	17,322,878	18,100,370	
Business-type activities										
Water	--	1,565,009	1,709,064	1,739,179	2,115,515	2,025,692	2,221,629	2,355,024	2,551,573	
Sewer	--	3,416,280	3,595,219	3,687,226	3,591,242	3,694,760	3,920,433	4,008,183	4,171,001	
Sanitation	--	857,676	850,612	991,354	1,051,813	1,179,005	1,546,541	1,566,280	1,582,983	
Total business-type activities	--	5,838,965	6,154,895	6,417,759	6,758,570	6,899,457	7,688,603	7,929,487	8,305,557	
Total primary government	--	17,987,687	18,796,520	20,363,523	21,582,066	22,231,390	23,852,690	25,252,365	26,405,927	
<b>Program Revenues</b>										
Governmental activities										
Charges for services										
General government	--	106,549	759,891	914,912	798,225	799,177	848,857	830,125	1,134,214	
Cultural and recreation	--	69,041	65,650	62,831	32,111	51,212	37,715	36,527	27,011	
Public safety	--	380,253	243,227	198,655	280,488	227,100	194,897	259,217	270,964	
Public works	--	19,725	87,982	104,710	72,905	138,584	108,543	225,303	98,552	
Operating grants and contributions										
General government	--	0	65,373	73,037	73,918	82,384	210,540	164,470	83,547	
Cultural and recreation	--	18,212	11,877	10,319	80,833	45,483	13,075	16,991	16,752	
Public safety	--	86,794	60,628	56,065	579,559	439,073	671,362	753,682	395,027	
Public works	--	445,684	509,598	916,850	1,265,790	1,052,904	1,295,456	1,416,415	1,412,616	
Capital grants and contributions										
General government	--	0	0	2,917	39,851	27,775	12,418	89,964	0	
Cultural and recreation	--	0	967,831	2,074,602	746,533	0	28,516	213,396	8,185	
Public safety	--	101,838	286,991	293,492	313,354	332,579	410,248	1,339,349	663,321	
Public works	--	252,355	4,540	178,404	979,749	412,792	854,619	813,231	222,996	
Total governmental activities program revenues	--	1,480,451	3,063,588	4,886,794	5,243,316	3,609,063	4,686,246	6,158,670	4,333,185	

(Continued)

**Table 2 (Continued)**

	Fiscal Year									
	1997-2002 (a)	2003	2004	2005	2006	2007	2008	2009	2010 (c), (d)	
<b>Business-type activities</b>										
Charges for services										
Water	--	1,660,100	1,666,926	1,699,153	1,755,655	1,881,226	1,996,487	2,140,507	2,409,073	
Sewer	--	3,195,808	3,191,904	3,276,503	3,624,877	3,742,025	3,697,384	3,839,209	4,290,074	
Sanitation	--	907,484	883,025	976,221	1,157,739	1,284,458	1,664,792	1,579,773	1,678,957	
Operating grants and contributions										
Water	--	0	0	39,216	150,718	11,283	35,678	30,574	10,960	
Sewer	--	0	0	0	150,719	11,262	35,678	201,440	10,960	
Sanitation	--	0	0	0	0	0	0	164,116	150,089	
Capital grants and contributions										
Water	--	0	6,432	186,833	136,019	3,275	689,420	942,491	264,074	
Sewer	--	126,925	123,936	40,800	142,964	101,310	710,511	1,336,866	74,940	
Sanitation	--	0	0	0	0	0	0	0	39,505	
<b>Total governmental activities program revenues</b>	--	5,890,317	5,872,223	6,218,726	7,118,691	7,034,819	8,829,950	10,234,976	8,928,632	
<b>Total primary government program revenues</b>	--	7,370,768	8,935,811	11,105,520	12,362,007	10,643,882	13,516,196	16,393,646	13,261,817	
<b>Net (expense)/revenue</b>	--	(10,668,271)	(9,578,037)	(9,058,970)	(9,580,180)	(11,722,870)	(11,477,841)	(11,164,208)	(13,767,185)	
<b>Business-type activities</b>	--	51,352	(282,672)	(199,033)	360,121	51,769	1,141,347	2,305,489	623,075	
<b>Total primary government net expense</b>	--	(10,616,919)	(9,860,709)	(9,258,003)	(9,220,059)	(11,671,101)	(10,336,494)	(8,858,719)	(13,144,110)	
<b>General Revenues and Other Changes In Net Assets</b>										
<b>Governmental Activities</b>										
Property taxes	--	3,918,609	3,768,207	3,754,181	4,159,139	4,078,832	4,377,602	5,345,422	5,666,502	
Sales taxes	--	1,526,217	1,502,035	1,829,671	2,442,369	2,152,471	2,241,325	3,035,472	2,469,558	
Other taxes	--	278,581	298,648	362,076	452,242	599,959	684,480	598,063	497,900	
Franchise taxes	--	978,005	264,046	281,104	266,850	312,356	336,533	334,756	329,673	
Payment in-lieu of taxes	--	3,915,438	3,988,504	5,288,809	4,858,529	4,965,279	5,042,646	5,087,347	4,503,987	
Licenses and permits	--	63,810	(b)	(b)	(b)	(b)	(b)	(b)	(b)	
Unrestricted investment earnings	--	69,518	51,766	143,671	341,737	464,724	287,263	143,409	26,853	
Transfers	--	0	0	0	0	(83,593)	(1,012,067)	(6,820,071)	(682,404)	
<b>Total governmental activities</b>	--	10,750,178	9,853,206	11,659,512	12,520,866	12,490,028	11,957,782	7,724,398	12,812,069	
<b>Business-type activities</b>										
Unrestricted investment earnings	--	39,857	25,619	65,151	103,282	127,797	168,601	50,334	6,602	
Transfers	--	0	0	0	0	83,593	1,012,067	6,820,071	682,404	
<b>Total business-type activities</b>	--	39,857	25,619	65,151	103,282	211,390	1,180,668	6,870,405	689,006	
<b>Total primary government</b>	--	10,790,035	9,878,825	11,724,663	12,624,148	12,701,418	13,138,450	14,594,803	13,501,075	
<b>Change in Net Assets</b>										
Governmental activities	--	81,907	275,169	2,600,542	2,940,686	767,158	479,941	(3,439,810)	(955,116)	
Business-type activities	--	91,209	(257,053)	(133,882)	463,403	263,159	2,322,015	9,175,894	1,312,081	
<b>Total primary government</b>	--	\$173,116	\$18,116	\$2,466,660	\$3,404,089	\$1,030,317	\$2,801,956	\$5,736,084	\$356,965	

(a) Prior to implementation of GASB 34 information not available in requested format.

(b) Licenses and permits split among governmental activities under charges for service.

(c) Starting in fiscal year 2010 the deferred bond issuance costs are shown as a deferred asset. Fiscal year 2009 was restated in the government wide financial statements.

(d) In fiscal year 2010 there was a prior period adjustment related to a negative net pension obligation. Fiscal year 2009 was restated in the government wide financial statements.

Table 3

**City of Orange, Texas**  
**Governmental Activities Tax Revenues by Source**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

<u>Fiscal Year</u>	<u>Property Tax (a)</u>	<u>Sales Tax</u>	<u>Other Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
2001-2002 (a)	n/a	n/a	n/a	n/a	n/a
2003	\$3,918,609	\$1,526,217	\$278,581	\$978,005 (b)	\$6,701,412
2004	\$3,768,207	\$1,502,035	\$298,648	\$264,046	\$5,832,936
2005	\$3,754,181	\$1,829,671	\$362,076	\$281,104	\$6,227,032
2006	\$4,159,139	\$2,442,369	\$452,242	\$266,850	\$7,320,600
2007	\$4,078,832	\$2,152,471	\$599,959	\$312,356	\$7,143,618
2008	\$4,377,602	\$2,241,325	\$684,480	\$336,533	\$7,639,940
2009	\$5,345,422	\$3,035,472	\$598,063	\$334,756	\$9,313,713
2010	\$5,666,502	\$2,469,558	\$497,900	\$329,673	\$8,963,633

(a) Prior to implementation of GASB 34 information not available in requested format.

(b) In fiscal year 2003 franchise taxes were all shown seperately. In later fiscal years the portion of the taxes were shown as charges for services in the appropriate governmental activities.

Table 4

**City of Orange, Texas**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(accrual basis on accounting)**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>General fund</b>										
Reserved	\$0	\$0	\$0	\$0	\$0	\$659,281	\$109,674	\$0	\$0	\$0
Unreserved	<u>3,639,529</u>	<u>545,961</u>	<u>3,480,630</u>	<u>3,488,610</u>	<u>4,213,252</u>	<u>5,366,032</u>	<u>5,785,286</u>	<u>5,884,620</u>	<u>6,344,719</u>	<u>5,432,510</u>
Total general fund	<u>\$3,639,529</u>	<u>\$545,961</u>	<u>\$3,480,630</u>	<u>\$3,488,610</u>	<u>\$4,213,252</u>	<u>\$6,025,313</u>	<u>\$5,894,960</u>	<u>\$5,884,620</u>	<u>\$6,344,719</u>	<u>\$5,432,510</u>
<b>Debt service</b>										
Reserved	\$0	\$0	\$0	\$0	\$25,657	\$23,561	\$637	\$92,494	\$138,208	\$142,388
Total debt service	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$25,657</u>	<u>\$23,561</u>	<u>\$637</u>	<u>\$92,494</u>	<u>\$138,208</u>	<u>\$142,388</u>
<b>Capital projects</b>										
Reserved	\$901,748	\$545,961	\$360,343	\$299,947	\$1,725,333	\$884,402	\$804,227	\$6,080,339	\$259,890	\$99,999
Total capital projects	<u>\$901,748</u>	<u>\$545,961</u>	<u>\$360,343</u>	<u>\$299,947</u>	<u>\$1,725,333</u>	<u>\$884,402</u>	<u>\$804,227</u>	<u>\$6,080,339</u>	<u>\$259,890</u>	<u>\$99,999</u>
<b>Other governmental funds</b>										
<b>Special revenue funds</b>										
Unreserved	\$343,465	\$402,526	\$702,690	\$824,430	\$694,458	\$825,457	\$1,320,391	\$1,735,973	\$2,324,067	\$2,251,581
Total all other governmental funds	<u>\$343,465</u>	<u>\$402,526</u>	<u>\$702,690</u>	<u>\$824,430</u>	<u>\$694,458</u>	<u>\$825,457</u>	<u>\$1,320,391</u>	<u>\$1,735,973</u>	<u>\$2,324,067</u>	<u>\$2,251,581</u>

Table 5

City of Orange, Texas  
 Changes in Fund Balances of Governmental Funds  
 Last Ten Fiscal Years  
 (modified accrual basis on accounting)

	Fiscal Year									
	2001-2002 (a)	2003	2004	2005	2006	2007	2008	2009	2010	
<b>Revenues</b>										
Taxes	--	\$5,569,212	\$5,541,831	\$6,107,047	\$7,019,320	\$6,827,323	\$7,251,694	\$8,962,140	\$8,625,889	
Payments in lieu of taxes	--	3,915,438	3,968,504	5,288,809	4,858,529	4,965,279	5,042,646	5,087,347	4,503,987	
Franchises	--	978,005	960,286	951,492	899,597	989,629	1,044,480	985,522	1,302,854	
Licenses and permits	--	299,065	366,264	359,267	310,512	399,478	407,416	531,419	417,235	
Intergovernmental	--	747,854	555,136	1,505,200	1,518,494	909,526	1,215,187	1,908,101	1,448,148	
Charges for services	--	1,277,741	1,327,326	1,420,457	1,605,160	1,609,823	1,747,388	1,690,276	1,711,616	
Donations	--	60,116	29,237	29,554	192,071	78,447	170,720	183,515	61,207	
Grant income	--	123,767	208,234	277,094	624,347	886,200	782,590	400,000	822,476	
Investment income	--	69,518	51,766	143,669	341,737	464,724	287,263	143,408	26,855	
Program income	--	41,934	170,218	21,441	45,225	87,708	66,527	39,061	50,087	
Forfeitures	--	1,876	5,480	4,050	53,541	354,764	563,239	429,966	275,257	
Restitution	--	590	500	108	40	96	0	0	0	
Miscellaneous	--	39,175	15,687	34,145	53,625	42,074	83,294	41,124	21,571	
<b>Total revenues</b>	--	13,124,291	13,200,489	16,142,333	17,522,198	17,615,071	18,662,444	20,401,879	19,287,182	
<b>Expenditures</b>										
General government	--	1,151,954	1,015,711	1,188,131	1,114,903	1,159,666	1,189,026	1,317,887	1,318,867	
Cultural and recreation	--	1,006,520	1,014,696	1,118,608	1,072,498	1,171,112	1,247,902	1,363,852	1,510,032	
Public safety	--	5,983,480	6,282,977	6,762,778	7,028,542	7,203,623	7,678,323	8,102,070	8,601,402	
Public works	--	2,410,378	2,467,911	3,461,438	3,658,157	3,670,623	3,554,757	3,660,947	4,249,819	
Non departmental Hurricane	--	0	0	0	475,699	68,947	667,723	785,822	54,093	
Non departmental	--	1,379,038	1,552,592	1,532,723	1,759,799	1,716,235	1,801,242	1,567,423	1,664,657	
Debt Service	--	220,000	235,000	245,000	480,000	515,000	545,000	555,000	830,000	
Principal	--	301,858	292,769	166,809	290,035	256,668	235,593	534,562	458,003	
Interest and fiscal charges	--	0	0	152,174	0	0	0	0	0	
Bond issuance costs	--	745,061	518,250	1,040,538	1,957,120	2,122,744	3,332,853	8,674,015	1,418,833	
Capital Outlay	--	13,198,289	13,379,906	15,668,199	17,836,753	17,884,618	20,252,419	26,561,578	20,105,706	
<b>Total expenditures</b>	--	(73,998)	(179,437)	474,134	(314,555)	(269,547)	(1,589,975)	(6,159,699)	(838,524)	
Excess of revenues over (under) expenditures	--	274,484	114,682	114,682	0	0	0	0	0	
<b>Other financing sources (uses)</b>										
Transfers in	--	(274,484)	(114,682)	(114,682)	0	0	0	(579,846)	(379,846)	
Transfers out	--	0	0	0	0	0	6,807,605	0	0	
Bond proceeds	--	0	0	0	0	0	(159,670)	0	0	
Bond issuance costs	--	0	0	0	0	0	697,971	2,007,303	76,214	
Insurance proceeds	--	0	0	0	1,414,588	365,929	17,280	5,700	1,750	
Sales of fixed asset	--	0	0	0	0	165,100	0	0	0	
Refunding bonds issued	--	0	4,360,000	4,360,000	0	0	0	0	0	
Tax notes issued	--	0	1,560,000	1,560,000	0	0	0	0	0	
Premium on refunding bonds issued	--	0	14,386	14,386	0	0	0	0	0	
Premium on tax notes issued	--	0	7,095	7,095	0	0	0	0	0	
Payment of refunded bond escrow account	--	0	(4,376,153)	(4,376,153)	0	0	0	0	0	
<b>Total other financing sources and uses</b>	--	0	1,565,328	1,565,328	1,414,588	531,029	7,363,186	1,433,157	(301,882)	
<b>Net changes in fund balances</b>	--	(73,998)	1,385,891	2,039,462	1,100,033	261,482	5,773,211	(4,726,542)	(1,140,406)	
Debt service as a percentage of noncapital expenditures	--	4.19%	4.35%	3.20%	4.92%	4.67%	4.61%	6.09%	11.27%	

(a) Prior to implementation of GASB 34 information not available in requested format.

Table 6

**City of Orange, Texas**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

Fiscal Year	Tax Year	Real Property		Personal Property		Taxable Assessed Value (a) (b)		Total Direct Tax Rate	Est. True Value	Percentage of Total Assessed Value to True Value
		Assessed Value	Percent	Assessed Value	Percent	Value (a)	Value (b)			
2001	2000	\$332,760,732	71.79%	\$130,854,310	28.21%	\$463,615,042	\$0.84600	\$463,615,042	100.00%	
2002	2001	\$333,803,356	75.83%	\$106,373,060	24.17%	\$440,176,416	\$0.84600	\$440,176,416	100.00%	
2003	2002	\$336,862,728	76.66%	\$102,561,140	23.34%	\$439,423,868	\$0.84600	\$439,423,868	100.00%	
2004	2003	\$348,741,322	81.81%	\$94,503,370	18.19%	\$443,244,692	\$0.84600	\$443,244,692	100.00%	
2005	2004	\$355,372,278	81.32%	\$99,472,730	18.68%	\$454,845,008	\$0.83600	\$454,845,008	100.00%	
2006	2005	\$383,377,767	77.61%	\$110,633,874	22.39%	\$494,011,641	\$0.81000	\$494,011,641	100.00%	
2007	2006	\$388,520,228	77.86%	\$110,484,248	22.14%	\$499,004,476	\$0.81655	\$499,004,476	100.00%	
2008	2007	\$434,219,778	75.43%	\$141,459,950	24.57%	\$575,679,728	\$0.74500	\$575,679,728	100.00%	
2009	2008	\$563,980,966	79.95%	\$141,457,516	20.05%	\$705,438,482	\$0.74500	\$705,438,482	100.00%	
2010	2009	\$572,672,308	76.97%	\$171,366,286	23.03%	\$744,038,594	\$0.74500	\$744,038,594	100.00%	

(a) Certified Tax Roll - Orange County Appraisal District.

(b) Net Taxable Less Frozen beginning Tax year 2007

Table 7

**City of Orange, Texas  
Property Tax Rates  
Direct and Overlapping Governments  
Last Ten Fiscal Years**

Fiscal Year	General Fund	Debt Service	Total City Tax Rate	Little Cypress		Bridge City		Orangefield		West Orange		Orange County Drainage District	Port and Navigation District	Total (a)	Total (b)	Total (c)	Total (d)
				Mauriceville School District	School District	School District	School District	Cove School District	School District	Orange County + (Lateral Road)							
2001	\$0.73413	\$0.11187	\$0.84600	\$1.56223	\$1.70276	\$1.56128	\$1.55786	\$1.55786	\$0.48788	\$0.12000	\$0.01671	\$3.03282	\$3.17335	\$3.03187	\$3.02845		
2002	\$0.72776	\$0.11824	\$0.84600	\$1.56223	\$1.63018	\$1.58539	\$1.55786	\$1.55786	\$0.50216	\$0.12000	\$0.01250	\$3.04289	\$3.11084	\$3.06605	\$3.03852		
2003	\$0.72711	\$0.11889	\$0.84600	\$1.61720	\$1.61580	\$1.58539	\$1.54609	\$1.54609	\$0.52914	\$0.12160	\$0.01250	\$3.12644	\$3.12504	\$3.09463	\$3.05533		
2004	\$0.72693	\$0.11907	\$0.84600	\$1.66320	\$1.60000	\$1.58500	\$1.57357	\$1.57357	\$0.53913	\$0.12111	\$0.01250	\$3.18194	\$3.11874	\$3.10374	\$3.09231		
2005	\$0.72009	\$0.11591	\$0.83600	\$1.75775	\$1.60000	\$1.78000	\$1.58926	\$1.58926	\$0.57958	\$0.12156	\$0.01125	\$3.30614	\$3.14839	\$3.32839	\$3.13765		
2006	\$0.65654	\$0.15346	\$0.81000	\$1.66870	\$1.60000	\$1.65000	\$1.58265	\$1.58265	\$0.55946	\$0.11529	\$0.01067	\$3.16412	\$3.09542	\$3.14542	\$3.07807		
2007	\$0.66342	\$0.15313	\$0.81655	\$1.56750	\$1.50525	\$1.50000	\$1.46040	\$1.46040	\$0.56227	\$0.11814	\$0.01067	\$3.07513	\$3.01288	\$3.00763	\$2.96803		
2008	\$0.59275	\$0.15225	\$0.74500	\$1.22000	\$1.15059	\$1.17000	\$1.13175	\$1.13175	\$0.54261	\$0.10856	\$0.00980	\$2.62597	\$2.55656	\$2.57597	\$2.53772		
2009	\$0.58245	\$0.16255	\$0.74500	\$1.21000	\$1.14823	\$1.17000	\$1.24858	\$1.24858	\$0.51700	\$0.10080	\$0.00909	\$2.58189	\$2.52012	\$2.54189	\$2.62047		
2010	\$0.57087	\$0.17413	\$0.74500	\$1.29000	\$1.14667	\$1.17000	\$1.43204	\$1.43204	\$0.57075	\$0.10770	\$0.00909	\$2.72254	\$2.57921	\$2.60254	\$2.86458		

(a) Total for taxpayers living in the Bridge City School District.  
 (b) Total for taxpayers living in the Little Cypress Mauriceville School District.  
 (c) Total for taxpayers living in the Orangefield School District.  
 (d) Total for taxpayers living in the West Orange Cove School District.

Table 8

City of Orange, Texas  
Principal Property Taxpayers  
September 30, 2010

Name	FY 2010 (a)		FY 2001 (b)	
	<u>Assessed Value</u>	<u>Percent of Total Assessed Value</u>	<u>Assessed Value</u>	<u>Percent of Total Assessed Value</u>
Webco Industries, Inc.	\$13,365,810	1		
Entergy Texas Inc.	\$10,482,710	2		
Signal International Texas, LP	\$10,141,310	3		
Orange Shipbuilding Inc.	\$9,911,221	4		
Gloeren Company	\$7,113,910	5	\$5,056,300	7
Exxonmobil Chemical Co.	\$6,877,030	6		
Southwestern Bell Telephone Co.	\$6,295,597	7	\$8,666,060	5
Dal Sasso International	\$5,354,625	8		
Home Depot	\$5,335,442	9		
TX Majestic, Ltd.	\$5,305,767	10		
Friede Goldman Offshore			\$40,785,200	1
Dal Sasso, Anton			\$11,809,810	2
Gulf States Utilities			\$11,256,140	3
Bayer			\$9,204,790	4
Stark, Nelda C.			\$7,929,300	6
Wickersham, Charles T.			\$7,312,990	7
Texas Cable Partners			\$4,758,120	9
Allied Corporation			\$4,024,830	10
	<u>\$80,183,422</u>	<u>11.3665%</u>	<u>\$110,803,540</u>	<u>23.8897%</u>

(a) Tax roll for Fiscal Year 2010, tax year 2009.

(b) Tax roll for Fiscal Year 2001, tax year 2000.

Table 9

**City of Orange, Texas  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

Fiscal Year	Total Adj. Tax Levy For Fiscal Year (a)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years		Total Collections to Date	
		Amount	Percentage of Levy	Amount	Percentage of Levy	Amount	Percentage of Levy
2001	\$3,692,926	\$3,558,081	83.78%	\$114,290		\$3,672,371	99.44%
2002	\$3,683,146	\$3,503,304	94.71%	\$157,101		\$3,660,405	99.38%
2003	\$3,667,701	\$3,538,939	95.82%	\$101,639		\$3,640,578	99.26%
2004	\$3,732,727	\$3,569,104	95.41%	\$129,449		\$3,698,553	99.08%
2005	\$3,793,111	\$3,644,860	95.97%	\$108,856		\$3,753,716	98.96%
2006	\$4,091,036	\$3,934,316	96.17%	\$103,618		\$4,037,934	98.70%
2007	\$4,015,866	\$3,819,191	95.10%	\$127,911		\$3,947,102	98.29%
2008	\$4,274,463	\$4,075,986	95.36%	\$116,355		\$4,192,342	98.08%
2009	\$5,264,820	\$5,062,658	96.16%	\$94,013		\$5,156,671	97.95%
2010	\$5,181,905	\$5,000,329	96.50%	\$0		\$5,000,329	96.50%

(a) Tax levy adjusted for adjustments or supplements in subsequent years.

Table 10

City of Orange, Texas  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Government Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds & Notes	Capital Leases	General Obligation Bonds	Revenue Bonds	Capital Leases					
2001	\$6,090,000	\$0	\$16,870,000	\$0	\$0	\$22,960,000	11.65%	\$1,231.56		
2002	\$5,880,000	\$0	\$16,040,000	\$0	\$0	\$21,920,000	10.79%	\$1,175.78		
2003	\$5,660,000	\$0	\$15,255,000	\$0	\$0	\$20,915,000	9.83%	\$1,121.87		
2004	\$5,425,000	\$0	\$14,355,000	\$0	\$0	\$19,780,000	9.13%	\$1,060.99		
2005	\$7,050,000	\$0	\$13,430,000	\$0	\$115,094	\$20,595,094	n/a	\$1,104.71		
2006	\$6,570,000	\$0	\$12,470,000	\$0	\$62,898	\$19,102,898	n/a	\$1,024.67		
2007	\$6,055,000	\$0	\$11,440,000	\$0	\$89,819	\$17,584,819	n/a	\$943.24		
2008	\$12,270,000	\$0	\$10,370,000	\$5,095,000	\$44,514	\$22,684,514	n/a	\$1,216.78		
2009	\$11,715,000	\$0	\$9,255,000	\$4,925,000	\$6,516	\$20,976,516	n/a	\$1,125.17		
2010	\$10,885,000	\$0	\$8,095,000	\$4,745,000	\$129,765	\$19,109,765	n/a	\$1,027.68		

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

(1) See the Schedule of Demographic and Economic Statistics, Table 15, for personal income and population data.

Table 11

**City of Orange, Texas**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

Fiscal Year	General Obligation Debt		Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (a)	Per Capita (b)
	Governmental Activities	Business-Type Activities				
2000	\$6,290,000	\$16,755,000	\$1,574,021	\$21,470,979	4.52%	\$1,151.69
2001	\$6,090,000	\$16,870,000	\$1,572,190	\$21,387,810	4.61%	\$1,147.23
2002	\$5,880,000	\$16,040,000	\$1,573,178	\$20,346,822	4.62%	\$1,091.39
2003	\$5,660,000	\$15,255,000	\$1,552,882	\$19,362,118	4.41%	\$1,038.57
2004	\$5,425,000	\$14,355,000	\$1,519,887	\$18,260,113	4.12%	\$979.46
2005	\$7,050,000	\$13,430,000	\$1,541,864	\$18,938,136	4.16%	\$1,015.83
2006	\$6,570,000	\$12,470,000	\$1,543,293	\$17,496,707	3.54%	\$938.51
2007	\$6,055,000	\$11,440,000	\$1,625,334	\$15,869,666	3.18%	\$851.24
2008	\$12,270,000	\$10,370,000	\$1,585,562	\$21,054,438	3.66%	\$1,129.35
2009	\$11,715,000	\$9,255,000	\$1,584,049	\$19,385,951	2.75%	\$1,039.85
2010	\$10,885,000	\$8,095,000	\$1,677,044	\$17,302,956	2.33%	\$930.52

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

(a) See Assessed Value & Estimated Actual Value of Taxable Property (Table 6) for Actual Taxable assessed value.

(b) See Demographic and Economic Statistics, Table 15, for Population information.

Table 12

**City of Orange, Texas  
Direct and Overlapping Governmental Activities Debt**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
City of Orange	\$10,743,150 (a)	100.00%	\$10,743,150
Orange County	\$746,775	100.00%	\$746,775
Bridge City ISD	\$20,934,734	0.57%	\$119,328
Little Cypress Mauriceville ISD	\$18,596,902	9.00%	\$1,673,721
Orangefield ISD	\$10,490,000	1.27%	\$133,223
West Orange Cove CISD	\$60,312,872	26.00%	\$15,681,347
Subtotal Overlapping Debt	<u>\$111,081,283</u>		<u>\$18,354,394</u>
Total Direct and Overlapping Debt	<u>\$121,824,433</u>		<u>\$29,097,544</u>

Source: Debt outstanding data provided by overlapping entities.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Orange. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden born by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government. The applicable percentages were recalculated in fiscal year 2008.

(a) Excluding general obligation bonds reported in the enterprise funds and any debt service funds available for repayment.

**Table 13**  
**City of Orange, Texas**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit	\$46,381,504	\$44,017,622	\$43,942,387	\$51,958,013	\$53,236,562	\$63,587,723	\$64,713,191	\$73,955,148	\$90,912,109	\$94,533,047
Total net debt applicable to limit	\$6,090,000	\$5,880,000	\$5,660,000	\$5,425,000	\$7,050,000	\$6,570,000	\$6,055,000	\$12,177,506	\$11,576,792	\$10,742,612
Legal debt margin	\$40,291,504	\$38,137,622	\$38,282,387	\$46,533,013	\$46,186,562	\$57,017,723	\$58,658,191	\$61,785,148	\$79,335,317	\$83,790,435
Total net debt applicable to the limit as a percentage of debt limit	15.11%	15.42%	14.78%	11.66%	15.26%	11.52%	10.32%	19.71%	14.59%	12.82%

**Legal Debt Margin Calculation for Fiscal Year 2009**

Total assessed value (a)	\$945,330,474
Debt limit 10% of assessed value (b)	\$94,533,047
Amount of debt applicable to debt margin:	
Total bonded debt	\$23,725,000
Less:	
Assets available in debt service fund	\$142,388
Self supported bonds and certificates (c)	\$12,840,000
Total amount of debt applicable to debt limit (d)	\$10,742,612
Legal debt limit	\$83,790,435

(a) The assessed value is the certified value from Orange County Appraisal District upon which the City Council established the City Tax Rate.  
(b) Article 1331.051 for the State of Texas, Government Code, prescribes a legal debt limit of 10% of the assessed valuation of property applicable to cities with a population of six hundred thousand or more according to the latest federal census. Therefore, this limitation does not apply. This information is provided for comparison purposes only.  
(c) This includes the 2001 General Obligation Refunding Bonds of \$8,095,000 and the 2007 Water and Sewer Revenue Bonds of \$4,745,000.  
(d) This includes the 2005 General Obligation Refunding Bonds of \$3,875,000, the 2005 Tax Notes of \$490,000 and the 2008 Tax and Revenue Certificates of Obligation of \$6,520,000.

Table 14

City of Orange, Texas  
Pledged-Revenue Coverage  
Last Ten Fiscal Years

Fiscal Year	Water and Sewer Charges and Other (a)	Less:		Net Available Revenue	Series 2007 WS System Revenue Bonds		2001 GO Refunding Bonds (c)	
		Operating Expenses (b)			Principal	Interest	Principal	Interest
2000	\$5,244,151	\$3,081,275		2,162,876	--	--	\$645,000	\$922,355
2001	\$5,228,795	\$3,062,291		2,166,504	--	--	\$675,000	\$829,421
2002	5,150,361	2,956,917		2,193,444	--	--	830,000	735,406
2003	4,895,505	3,250,169		1,645,336	--	--	885,000	613,005
2004	4,883,688	3,459,224		1,424,464	--	--	900,000	615,359
2005	5,038,069	3,623,281		1,414,788	--	--	925,000	585,628
2006	5,478,213	3,978,035		1,500,178	--	--	960,000	553,506
2007	5,742,709	4,059,422		1,683,287	--	--	1,030,000	515,389
2008	5,852,386	4,317,360		1,535,026	0	173,282	1,070,000	472,128
2009	5,962,767	4,523,215		1,439,552	170,000	208,846	1,115,000	435,406
2010	6,703,436	4,689,281		1,535,194	180,000	202,046	1,160,000	389,181

Note: Details regarding the government's outstanding debt can be found in the notes in the financial statements.

(a) Water and Sewer Charges and Other also includes interest earnings.

(b) Operating expenses do not include depreciation or amortization.

(c) Historically the City has paid the Series 2001 General Obligation Refunding Bonds from surplus revenues of the City's Water and Sewer System.

Table 15

City of Orange, Texas  
Demographic and Economic Statistics  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (a)</u>	<u>Personal Income (b)</u>	<u>Per Capita Personal Income (b)</u>	<u>Median Age (a)</u>	<u>% Completing High School or Higher (a)</u>	<u>School Enrollment (a)</u>	<u>Unemployment Rate (c)</u>
2001	18,643	\$1,970,403	\$23,319	36.1	78.10%	4,945	8.5%
2002	18,643	\$2,031,083	\$24,068	36.1	78.10%	4,945	8.6%
2003	18,643	\$2,106,630	\$24,925	36.1	78.10%	4,945	9.5%
2004	18,643	\$2,166,894	\$25,576	36.1	78.10%	4,945	9.4%
2005	18,643	n/a	n/a	36.1	78.10%	4,945	7.4%
2006	18,643	n/a	n/a	36.1	78.10%	4,945	6.0%
2007	18,643	n/a	n/a	36.1	78.10%	4,945	5.6%
2008	18,643	n/a	n/a	36.1	78.10%	4,945	7.1%
2009	18,643	n/a	n/a	36.1	78.10%	4,945	11.1%
2010	18,595	n/a	\$24,769	39.1	87.50%	n/a	10.8%

**Data Sources**

- (a) Bureau of the Census, year 2010 uses Census for total population and 2009 estimated data for other information.
- (b) US Department of Commerce, Bureau of Economic Analysis
- (c) US Department of Labor, Bureau of Labor Statistics by State and Metropolitan Area.

Table 16

City of Orange, Texas  
Principal Employers  
Current Year and Nine Years Ago

	2010 (a)			2001		
	Employees	Rank	Percentage of Total County Employment (b)	Employees	Rank	Percentage of Total City Employment
El Dupont de Nemours & Co.	866	1	2.23%	n/a	n/a	n/a
Mundy Industrial Contractors, Inc.	600	2	1.55%	n/a	n/a	n/a
Little Cypress-Mauriceville ISD	565	3	1.46%	n/a	n/a	n/a
Temple Inland	500	4	1.29%	n/a	n/a	n/a
Orange County	430	5	1.11%	n/a	n/a	n/a
West Orange Cove Consolidated ISD	405	6	1.04%	n/a	n/a	n/a
Invista	400	7	1.03%	n/a	n/a	n/a
Lanxess, Inc.	348	8	0.90%	n/a	n/a	n/a
Chevron Phillips Chemical Co.	300	9	0.77%	n/a	n/a	n/a
Cloeren Company, Inc.	300	10	0.77%	n/a	n/a	n/a
Firestone Polymers	300	11	0.77%	n/a	n/a	n/a
Memorial Hermann Baptist Orange	276	12	0.71%	n/a	n/a	n/a
Lamar State College - Orange	250	13	0.64%	n/a	n/a	n/a
Orangefield ISD	249	14	0.64%	n/a	n/a	n/a
City of Orange	192	15	0.50%	n/a	n/a	n/a
Signal International	180	16	0.46%	n/a	n/a	n/a
Printpack, Inc.	162	17	0.42%	n/a	n/a	n/a
Texas Polymer Services, Inc.	130	18	0.34%	n/a	n/a	n/a
Beacon Maritime, Inc.	100	19	0.26%	n/a	n/a	n/a
Orange Shipbuilding & Dry Dock, Inc.	<u>100</u>	20	<u>0.26%</u>	n/a	n/a	n/a
	<u>6,653</u>		<u>17.16%</u>			

(a) Greater Orange Area Chamber of Commerce, local school districts.

(b) In labor force, population 16 years and over, per 2000 US Census Bureau - 38,778.

(c) Year 2001 not available at this time.

Table 17

**City of Orange, Texas**  
**Full-Time Equivalent City Government Employees by Function**  
**Last Ten Fiscal Years**

<u>Employer</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
City Manager	1	1	1	1	1	1	1	1	1	1
City Secretary	3	2	2	2	2	2	2	2	2	2
Municipal Court	2	2	2	2	2	2	2	2	2	2
Personnel	1	1	1	1	1	1	1	1	1	1
Finance	5	5	4	4	4	4	4	4	4	4
MIS-Information Services	2	2	2	2	2	2	2	2	2	2
Animal Control	2	8	6	6	6	6	6	6	6	6
Library	2									
Recreation	2									
Police	56	55	53	52	53	53	53	53	53.5	55
Fire	41	40	38	38	38	38	38	38	38.5	38
Engineering	2	1	1	1	1	1	1	1	1	1
Planning	3	2	1	1	1	1	1	1	1	1
Inspections	3	3	3	3	3	3	3	3	3	3
Building Services	4	4	4	4	4	4	4	4	4	4
Street & Drainage	17	15	15	15	15	15	15	15	15	15
Public Works Administration	2	1	1	1	1	2	2	2	2	2
Fleet Maintenance	5	5	4	4	4	4	4	4	4	4
Park Maintenance	7	7	7	7	8	8	8	8	8	8
Orange Development	0	0	1	1	1	1	1	1	1	1
Community Development	2	2	2	2	2	2	2	2	2	2
Police Special Revenue	0	0	0	0	2	2	2	2	2	0
Fire Special Revenue	0	0	0	0	0	0	0	0	0	1
Sewer Operations	9	9	9	9	9	9	9	9	9	9
Water Operations	8	8	8	8	8	8	8	8	8.5	8
Wastewater Treatment Plant	7	7	7	7	7	7	7	7	7	8
Water Productions	4	4	4	4	4	4	4	4	4	4
Customer Service	5	5	5	5	5	5	5	5	5	5
Meter Readers	3	3	3	3	3	3	3	3	3	3
Sanitation										
Street Sweeping			1	1	1	1	1	1	1	1
<b>Total</b>	<u>205</u>	<u>192</u>	<u>185</u>	<u>184</u>	<u>189</u>	<u>190</u>	<u>190</u>	<u>190</u>	<u>191.5</u>	<u>192.0</u>

Source: City Annual Budget

Table 18

City of Orange, Texas  
 Operating Indicators by Function  
 Last Ten Fiscal Years

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Police</b>										
Physical arrests	1,378	1,460	1,565	1,641	1,641	1,342	1,426	1,236	1,430	1,764
Parking violations	32	74	42	18	18	20	54	180	25	30
Traffic violations	3,921	3,422	3,001	2,069	2,069	1,848	2,360	2,699	2,645	2,019
<b>Fire</b>										
Number of calls answered	1,673	1,599	1,598	1,737	2,153	2,809	3,253	3,976	2,753	2,725
Inspections	1,121	1,135	1,214	1,205	1,050	642	1,122	834	608	581
<b>Street &amp; Drainage</b>										
Street resurfacing (miles)	8	0	10	0	4	0	0.6	0.6	3.0	0.0
Potholes repaired	3,675	3,675	3,675	3,675	3,675	3,675	3,675	3,675	4,400	5,060
<b>Sanitation</b>										
Refuse collected (tons/day)	n/a									
<b>Culture and recreation</b>										
Recreation center (use fees)	20,482	18,856	16,318	12,115	9,275	2,898	3,009	1,441	362	390
Natorium patrons (use fees)	29,854	22,280	19,656	21,559	23,585	13,978	11,328	6,650	14,181	7,651
Library patrons (use fees)	22,790	21,372	20,605	20,307	19,606	15,236	18,906	18,145	21,984	18,970
<b>Water</b>										
New connections	20	13	13	21	25	37	65	28	43	585
Water main breaks	480	976	930	885	921	1,265	899	940	1,039	970
Average daily consumption (thousands of gallons)	1,830	1,787	1,715	1,686	1,713	1,722	1,624	1,658	1,634	1,646
<b>Wastewater</b>										
Average daily sewage treatment (thousands of gallons)	3,465	5,093	4,709	3,350	2,383	2,626	3,240	2,422	2,847	2,770

Source: Various city departments

Table 19

City of Orange, Texas  
Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	28	28	28	28	28	28	28	28	28	28
Personnel & officers	56	55	53	53	55	55	55	55	55	57
Fire										
Fire stations	3	3	3	3	3	3	3	3	3	3
Fire trucks	6	6	6	6	6	6	6	6	6	6
Personnel & officers	41	40	38	38	38	38	38	38	38	38
Sanitation										
Collection Trucks	n/a	n/a	n/a	n/a	1	1	2	2	2	2
Street and Drainage										
Streets (miles)	148	148	148	148	148	148	161	161	162	162
Streetlights	1,553	1,553	1,553	1,553	1,553	1,553	1,562	1,562	1,562	1,562
Traffic Signals	7	7	7	7	7	7	7	7	7	7
Cultural and Recreation										
Parks acreage	290	290	290	490	490	490	490	490	490	490
Parks	20	20	20	20	20	20	20	20	20	20
Library	1	1	1	1	1	1	1	1	1	1
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	6	6	6	6	6	6	6	6	6	6
Recreation centers	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	140	140	140	140	140	140	140	140	156	156
Fire hydrants	556	556	556	556	556	556	556	556	692	692
Maximum daily capacity (thousand of gallons)	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	10,613	10,613
Service connections	6,504	6,535	6,472	6,398	6,433	6,347	6,361	6,360	6,921	6,999
Wastewater										
Sanitary sewers (miles)	135	135	135	135	135	135	135	135	149	149
Storm sewers (miles)	72	72	72	72	72	72	72	72	72	72
Maximum daily treatment capacity (thousands of gallons)	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Treatment plants	1	1	1	1	1	1	1	1	1	1
Service connections	6,341	6,383	6,312	6,235	6,253	6,160	6,173	6,166	6,632	6,763

Source: Various city departments

Table 20

**City of Orange, Texas  
Operational Statistics for Water and Sewer Enterprise Fund  
Last Ten Fiscal Years**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Water Consumption</b>										
October	58,201	51,955	53,454	49,059	55,159	60,689	57,929	50,672	46,343	48,724
November	56,517	53,163	49,469	46,770	47,748	49,475	48,585	55,468	49,117	42,087
December	48,335	49,092	48,726	47,415	46,500	50,002	46,004	44,196	44,395	49,571
January	56,628	52,343	50,856	49,954	49,271	49,067	45,730	49,334	45,973	44,805
February	51,033	48,844	46,490	45,990	47,754	46,808	45,789	48,734	44,704	43,222
March	46,714	48,597	42,893	44,969	39,579	42,626	42,725	45,855	45,037	42,894
April	52,081	56,211	45,493	50,376	48,748	50,719	49,053	44,012	45,620	46,106
May	56,181	56,725	56,579	46,292	52,633	50,066	44,765	50,929	44,214	58,221
June	63,086	61,488	62,893	53,265	59,111	59,742	54,004	53,749	53,127	61,731
July	57,762	57,929	55,540	53,053	60,423	54,366	51,581	55,276	68,324	55,648
August	63,878	57,213	57,508	60,611	57,111	56,172	53,605	55,306	53,127	53,234
September	57,382	58,814	56,177	67,738	61,078	58,937	53,054	51,806	56,539	54,534
<b>Total</b>	<b>667,798</b>	<b>652,374</b>	<b>626,078</b>	<b>615,492</b>	<b>625,115</b>	<b>628,669</b>	<b>592,824</b>	<b>605,337</b>	<b>596,520</b>	<b>600,777</b>

**Water Rates**

Minimum 3/4"	6.76	6.76	6.76	6.76	6.87	7.56	7.82	7.82	8.37	9.21
Minimum 1"	8.25	8.25	8.25	8.25	8.39	9.23	9.55	9.55	10.22	11.24
Minimum 1 1/2"	11.92	11.92	11.92	11.92	12.12	13.33	13.80	13.80	14.77	16.25
Minimum 2"	16.35	16.35	16.35	16.35	16.63	18.29	18.93	18.93	20.26	22.29
Minimum 3"	26.66	26.66	26.66	26.66	27.11	29.82	30.86	30.86	33.02	36.32
Minimum 4"	41.39	41.39	41.39	41.39	42.09	46.30	47.92	47.92	51.27	56.40
Minimum 6"	78.23	78.23	78.23	78.23	79.55	87.51	90.57	90.57	96.91	106.60
Minimum 8"	122.44	122.44	122.44	122.44	124.51	136.96	141.75	141.75	151.67	166.84
Minimum 10"	174.00	174.00	174.00	174.00	176.94	194.63	201.44	201.44	215.54	237.09
Minimum 12"	232.94	232.94	232.94	232.94	236.88	260.57	269.69	269.69	288.57	317.43
Over 1,000 gallon minimum	1.61	1.61	1.61	1.61	1.64	1.80	1.86	1.86	1.99	2.19

**Sewer Rates**

Minimum	8.64	8.64	8.64	8.37	8.64	9.50	9.83	9.83	10.52	11.57
Over 1,000 gallon minimum	5.34	5.34	5.34	5.46	5.64	6.20	6.42	6.42	6.87	7.56

Source: Various city departments



**FEDERAL SINGLE AUDIT REPORTS**



**CITY OF ORANGE, TEXAS  
FEDERAL SINGLE AUDIT REPORTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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March 8, 2011

**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***

Honorable Mayor and Members of the City Council  
 City of Orange, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Orange, Texas, (the “City”) as of and for the year ended September 30, 2010, which collectively comprise the City’s basis financial statements and have issued our report thereon dated March 8, 2011. 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**

In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designating our auditing procedures for the purpose of expressing our opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’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 misstatements on a timely basis. A material weakness is a deficiency, or combination of control 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.

Honorable Mayor and Members of the City Council  
City of Orange, Texas

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. This deficiency is described in the Schedule of Findings and Questioned Costs as M1001. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 one instance of noncompliance outstanding that was brought to the City's attention in a HUD monitor visit. This matter is described in the accompanying schedule of findings and questioned costs as item C. There are no other matters that are required to be reported under *Government Auditing Standards*. We did not identify any deficiencies in compliance that we consider to be material weaknesses, as defined above. We did not audit the City's response to these findings, and accordingly, we express no opinion on it.

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

Very truly yours,

*Edgar, Kiker & Cross*

EDGAR, KIKER & CROSS, PC  
Certified Public Accountants and Consultants

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CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS  
 A PROFESSIONAL CORPORATION

March 8, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A  
 DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
 INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
 OMB CIRCULAR A-133**

Honorable Mayor and Members of the City Council  
 City of Orange, Texas

Compliance

We have audited the City of Orange, Texas' compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Orange, Texas' major federal programs for the year ended September 30, 2010. The City of Orange, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of The City of Orange, Texas, management. Our responsibility is to express an opinion on the City of Orange, Texas' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Orange, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Orange, Texas' compliance with those requirements.

In our opinion, the City of Orange, Texas, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item M1001.

Honorable Mayor and Members of the City Council  
City of Orange, Texas

Internal Control Over Compliance

The management of the City of Orange, Texas, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Orange, Texas' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Orange, Texas' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item M1001.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City of Orange, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Honorable Mayor and Members of the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



EDGAR, KIKER & CROSS, PC  
Certified Public Accountants and Consultants

BDB/cr

**CITY OF ORANGE, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the City of Orange, Texas.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. One instance of noncompliance material to the financial statements of the City of Orange, Texas, which would be required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit. This instance was noted in the testing of the major federal award programs and there were no instances of noncompliance noted on financial reporting.
4. One significant deficiency in internal control over the major federal award programs was disclosed during the audit. This deficiency is listed in Part C. This finding was not considered to be a material weakness.
5. The auditors' report on compliance for the major federal award programs expresses an unqualified opinion on the major federal programs.
6. Audit findings relative to the major federal award programs are reported in Part C of this schedule.
7. The programs tested as major programs included:  
US Department of Housing and Urban Development HOME Investment Partnership Program CFDA # 14.239  
US Department of Housing and Urban Development Community Block Grant Entitlements and CDBG-R(ARRA Entitlement Grants) CFDA # 14.253 and 14.218
4. The threshold for distinguishing Type A and B programs was \$300,000.
5. The City of Orange, Texas, did not qualify as a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

No findings reported.

**CITY OF ORANGE, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**C. FINDINGS - MAJOR FEDERAL AWARD PROGRAM AUDITED**

**No findings or questioned costs noted by auditors.**

**Auditee's Comments on Audit Resolution Matters Relating to HUD Programs  
U.S. Department of Housing and Urban Development – CFDA #14.218**

Finding M1001 Lack of income eligibility documentation

Status The City has provided the documentation for some of the files sampled. However, documentation cannot be obtained at this time for the remaining files as these were hospice patients at the last stage of their life. The city has requested clearance of the pending items and asked for a follow-up visit by HUD so they can review the new procedures put in place by the City for the subrecipient to obtain the necessary information.

**CITY OF ORANGE, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**D. SCHEDULE OF PRIOR AUDIT FINDINGS**

**01-2009 Managing Subrecipients**

**U.S. Department of Housing and Urban Development – CFDA #14.239**

*Condition.* The City of Orange, as Lead Entity, did not accomplish draws from the Line-of-Credit-Control-System (LOCCS) in a timely manner. They did not receive invoices and supporting documentation from the subrecipients in a timely manner, which delayed making draws.

*Recommendation.* The City should establish a monitoring system to allow them to track the actions of the subrecipient and to ensure that they receive the proper documentation that will allow them to make draws in a timely manner.

*Current Status.* The City adopted a Monitoring Plan during the year ended September 30, 2010 and did monitor the subrecipients in accordance with that plan. The subrecipient, as administrative agent for the HOME program, is not complying with the City's repeated requests that the invoices and supporting documentation be obtained in a timely manner. The City is continuing to make frequent requests of the administrator.

**Auditee's Comments on Audit Resolution Matters Relating to HUD Programs**

**Finding M9001 Management of Construction Activities and Costs for Rental Housing Programs**

*Condition.* The Consortium is not managing construction activities and costs for its' rental housing programs.

*Status.* This finding should be closed. The City has amended their guidelines, written agreements, and property standards to ensure they are in compliance with the HUD requirements. The City has also modified their subrecipient contract to include a specific set of clauses to clearly outline its' policies.

**Finding M9004 Commitment of Funds Prior to Environmental Review**

*Condition.* Monies expended on projects were not approved by HUD because appropriate environmental review procedures were not followed.

*Status.* The City has respectfully requested from HUD that the monies be set aside and that offset is pending.

**CITY OF ORANGE, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**D. SCHEDULE OF PRIOR AUDIT FINDINGS (continued)**

**Finding M9008 Monitoring**

*Condition.* The PJ has not reviewed the performance of the Southeast Texas Regional Planning Commission (SETRPC), the HOME administration contractor, annually as required.

*Status.* The City has developed a monitoring policy and has done its' annual monitoring review of the administration contractor.

**CITY OF ORANGE, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

<u>Federal Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Emergency Management</b>			
Federal Emergency Management Agency	97.036	Various - FEMA list	\$ 231,329
<b>Total U.S. Department of Emergency Management</b>			<u>\$ 231,329</u>
<b>Department of Housing and Urban Development</b>			
Community Development Block Grant Entitlements	14.218	N/A	\$ 376,797
HOME Investment Partnership Agreement	14.239	N/A	873,784
ARRA CDBG Funding	14.253	N/A	41,662
Passed through the State:			
Texas Department of Rural Affairs (TDRA)	14.228	DRS010131	603,911
<b>Total Department of Housing and Urban Development</b>			<u>\$ 1,896,154</u>
<b>Department of Justice</b>			
ARRA 2009 Edward Byrne Memorial Justice Assistance Grant	16.804	2009-DJ-BX-333	\$ 19,597
ARRA 2009 Recovery Act Justice Assistance Grant	16.579	2009-SB-B9-374	79,188
Bullet Proof Vest Partnership Program	16.607		1,950
<b>Total Department of Justice</b>			<u>\$ 100,735</u>
<b>Department of Homeland Security</b>			
2008 AFG Assistance to Firefighters Grant	97.044	EMW-2008-FO-02554	\$ 41,202
2007 Supplemental Port Security Grant-Jefferson Co. is fiduciary agent	97.056		13,178
Passed through the State:			
Texas Department of Public Safety - Emergency Management Performance Grant	97.042	10TX-EMPG-0412	29,240
<b>Total Department of Homeland Security</b>			<u>\$ 83,620</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 2,311,838</u></u>

**CITY OF ORANGE, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

<b>NOTE 1: BASIS OF ACCOUNTING</b>
------------------------------------

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Orange, Texas and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

The expenditures of the federal awards are reported in the City's Comprehensive Annual Financial Report, within the governmental fund types. Governmental funds are used to account for the City's general governmental activities. Expenditures are recorded when the fund liability is incurred.