

City of Orange, Texas



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

City of Orange, Texas

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2011

Shawn Oubre, City Manager

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



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INTRODUCTORY SECTION







March 14, 2012

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, 2011 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, 2011, 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, 2011, 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 on pages 163 through 172.

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 six other members. The number of council members was changed from four to six by special election on May 8, 2010. The governing council is responsible, among other things, for passing ordinances and resolutions, adopting the budget, appointing committees, and hiring the government's City Manager, City Secretary, City Attorney and City Judge.

The council is elected on a non-partisan basis. Two council members and the mayor are elected from the city at-large. Four council members are elected by the qualified voters residing in single-member districts. The City began the redistricting process in fiscal year 2011 and it was completed in December 2011. The mayor and council members are elected to serve three-year staggered terms. No member of the Council can hold office for more than five consecutive terms.

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 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 27th day of the last month of the fiscal year (September 27th). 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 89.

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.

On September 23, 2005 the City of Orange was hit by Hurricane Rita a category three hurricane. The damage to the area was extensive. 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.

The last two City facilities to be rebuilt after Hurricane Ike are the Central Fire Station and the

Senior Center Meals-On Wheels Building. During fiscal year 2011 the City started construction on these buildings and they are both scheduled to be completed during fiscal year 2012. Most of the replacement cost 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 \$3,200,677 in fiscal year 2011. The City will also use insurance claims proceeds, Bush Coastal Clinton Recovery Grant Funds and Stark Foundation Grant Funds to complete the Central Fire Station project.

The changes in revenues and expenditures associated with the years following a major hurricane make it harder for the City to track revenue and expenditures over time. By fiscal year 2011 most of the City's revenue items had returned to a more normal (pre-hurricane) level. The City did see the settlement of the final flood insurance claims during fiscal year 2011. This settlement also resulted in the deobligation of FEMA reimbursement funds that the City had received in prior fiscal year. These two items gave the City an additional \$605,441 in revenue for fiscal year 2011.

While most hurricane recovery cost occur in the years directly following the hurricane the City continues to have hurricane recovery costs outside the Special Revenue Governmental Funds. The City had \$136,698 in hurricane recovery costs during fiscal year 2010 and hurricane recovery cost of \$173,125 in fiscal year 2011. There will be additional hurricane recovery costs in fiscal year 2012 as the City expends non grant funds to complete the City facilities.

Sales taxes have varied widely over the last six fiscal years. In the fiscal year following the major hurricanes the City saw large spikes in the collections of sales tax due to repairs. These then declined to a more normal level over time. In fiscal year 2009 the City saw a 35.43% jump in sales tax. Since the City saw the sales tax fall 18.64% in fiscal year 2010 and 6.54% in fiscal year 2011. The declines in sales tax revenue had been anticipated and the City was just 2.8% below projected sales tax collection for the fiscal year.

Long-term financial planning.

The City's ad valorem tax rate has remained constant, at \$0.745/\$100, since fiscal year 2008. The tax rate was held at the same level for fiscal year 2012. During budget preparations it is always a high priority, of the present Council, to control the tax rate. With this commitment in mind the Council looks for ways to hold down costs while still providing the services that the citizens want and need.

Industrial District Contracts (IDCs) provided 31.4% of the revenue for the City's general fund in fiscal year 2011. The City presently has seventeen IDCs in place with five year terms. In fiscal year 2012 four of the IDCs will be up for renewal. During the renewal process the City will review the IDCs for any possible adjustments to rates or terms. It is always the City's goal to achieve parity between the rates and services for both ad valorem taxes and IDC rates.

The Orange Economic Development Corporation continues to pursue the development of the City. The goals of the EDC are to assist the development retail growth, promote housing development and help businesses with the retention of jobs. The establishment of the Downtown Master Plan had the goal of revitalizing and developing the downtown area of Orange as a priority. In fiscal year 2012

the EDC will proceed with the Downtown Riverfront Project which includes the stabilization of the river front, development of a boardwalk/park area, and the construction of a performance pavilion. The construction of this project is expected to start in Spring 2012.

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 started in fiscal year 2011.

In fiscal year 2011 the City was awarded an additional grant from the Texas Department of Rural Affairs (TDRA) for the rehabilitation of the City's Coopers Gully Lift Station as well as the resurfacing and repair of various streets and bridges. The total grant award is \$6,401,138. Initial planning, engineering and construction will begin in fiscal year 2012.

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 and continued into 2011.

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 River. This project will continue into fiscal year 2012 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.

In January 2012 the Orange Economic Development Corporation approved a resolution expressing the intent to finance a portion of the Downtown Master Plan projects. The maximum

borrowing is to be \$5,650,000 in sales tax revenue bonds.

In January 2012 the Orange Economic Development Corporation also approved additional alternate bid projects for the Downtown Master Plan in the amount \$1,091,000. These additional projects will be funded through the use Orange Economic Development Fund and Hotel/Motel Tax Fund reserves on a 50% split. The Orange Economic Development Corporation entered into a contract with the Stark Foundation pledging an anticipated \$500,000 over the next two years for the project.

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, 2010. This was the nineteenth consecutive year (1992-2010) 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, 2010

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.



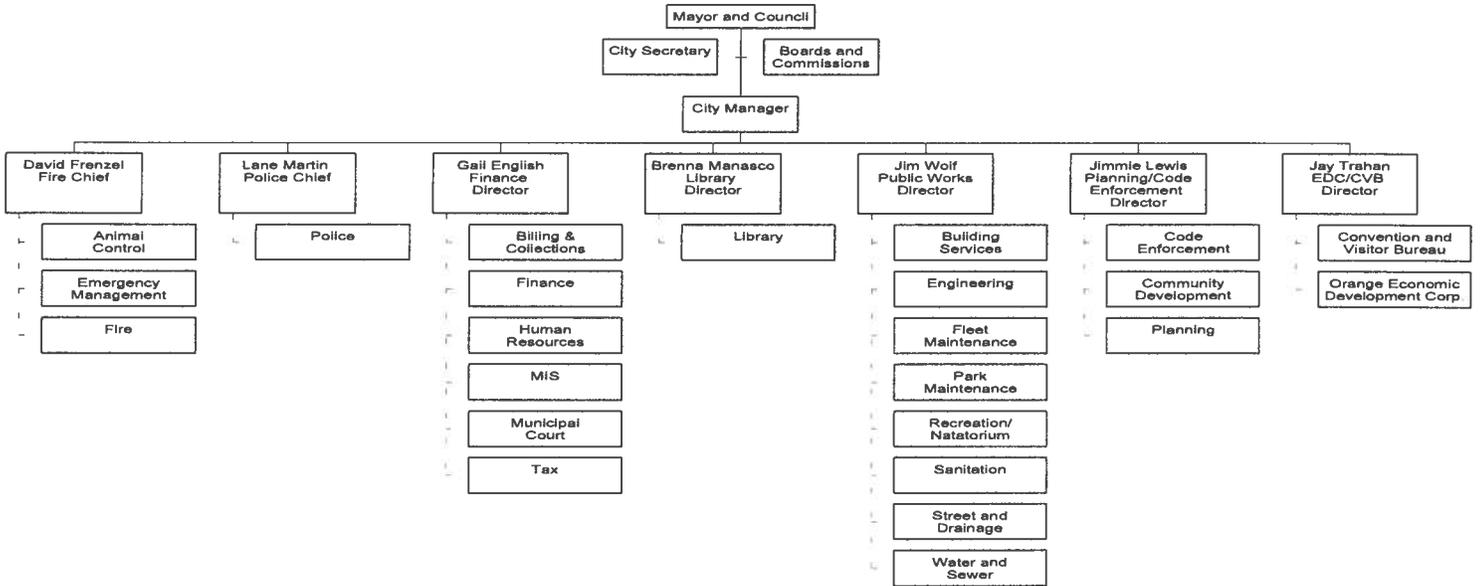
Linda C. Danison

President

Jeffrey R. Emer

Executive Director

City of Orange, Texas Organizational Chart



City of Orange, Texas

City Council

William Brown Claybar, Mayor
Jeff Holland, Mayor Pro-Tem (Position 3)
Theresa Beauchamp, Council Member Position 1
Cullin Smith - Council Member District 2
Annette Pernell - Council Member District 4
Bill Mello - Council Member at Large Position 5
Charles Guillory - Council Member at Large Position 6

City Manager

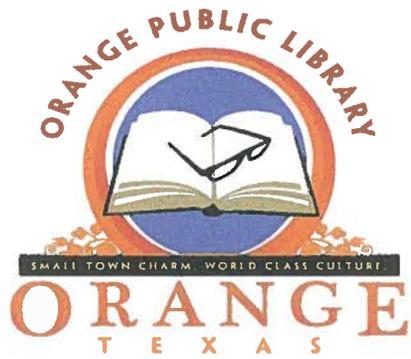
Shawn Oubre

Directors

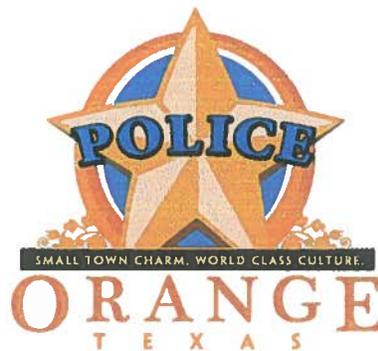
Gail English, Director of Finance
Lane Martin, Police Chief
David Frenzel, Fire Chief
James Wolf, Director of Public Works
Jimmie Lewis, Director of Community and Economic Development
Brenna Manasco, Library Director
Jay Trahan, EDC/CVB Director

City Secretary

Kerry Kittrell



FINANCIAL SECTION





Gary L. Zimmerman, CPA
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 Charlotte M. Jungen, CPA, CFP®
 Charlotte A. Yeates, CPA
 Sheri K. DellMage, CPA

Wm. Tim Edgar, CPA
 Charles A. Kiker, Jr., CPA
 Nathan H. Cross, CPA
 Ellis M. (Mike) Frank, CPA



Cheryl Ray, CPA
 Greg Roy, CPA
 Megan Gallien, CPA
 Marylyn Gibbs, CPA
 Amanda Bishop, CPA
 Bethany Badgett, CPA

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
 A PROFESSIONAL CORPORATION

March 12, 2012

INDEPENDENT AUDITOR'S 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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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, 2011, 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 12, 2012 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 84 through 87 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 financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, 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

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

BDB/mg

Management's Discussion and Analysis For the year ended September 30, 2011

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, 2011. 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 \$53,745,796 (net assets). Of this amount, \$8,908,938 (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 \$3,228,533, a 6.4% increase for the fiscal year. Governmental activities had a increase in total net assets of \$2,379,663 which is a 14.6% increase over the prior fiscal year. The business type activities had an increase in total net assets of \$848,870 which is a 2.5% increase from the prior fiscal year.*
- *The largest component of change in net assets was for changes in capital assets. The amount invested in capital assets (net of related debt) increased by \$3,609,878, which is a 9.1% increase. This change was due to construction in progress, of \$3,596,097, at the end of the fiscal year. Two of the largest construction projects at year end were the new Central Fire Station and Senior Center - Meals on Wheels Facility.*
- *As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,368,048, a decrease of \$558,430 in comparison with the prior year. Of the total amount, \$4,340,641 is available for spending at the government's discretion (unassigned fund balance). The largest fund balance change was in the general fund for a decrease of \$405,573. This decrease was for budgeted expenditures that were approved to be funded by the use of prior unreserved fund balance.*
- *The major uses of fund balance in the general fund were for Hurricane Ike recovery costs for the Central Fire Station hurricane recovery costs, the cost of the new municipal software system, and the additional costs associated with redistricting of the City's Council places.*
- *Unassigned fund balance for the General Fund was \$4,340,641 or 26.1% of total general fund expenditures at September 30, 2011.*
- *The City's total long-term bonded debt decreased by \$2,355,000. There were routine bond payments of \$865,000 in Governmental Activities. During fiscal year 2011 the Business-Type Activities issued Series 2010 GO Refunding Bonds to refund the Series 2001 GO Refunding Bonds. The refunding along with routine bond payments reduced the long-term bonded debt for the Business-Type Activities by \$1,490,000.*
- *The City had additional Hurricane Ike recovery costs during fiscal year 2011. 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 2011 for the hurricane associated costs was \$173,125. In the prior two fiscal years the city had \$4,596,105 in hurricane related cost. This is in addition to any hurricane related direct grant funding.*
- *In fiscal year 2011 the City received hurricane related revenue of \$897,594 from our insurance provider to settle the flood claims still outstanding from Hurricane Ike. The amount was offset by the deobligation of \$292,153 in US Federal Emergency Management Agency (FEMA) funds received in prior fiscal years. As of September 30, 2011 the only outstanding Hurricane Ike insurance claim is for the payment of the temporary location of the Fire Department. This will be closed once the new facility is completed in fiscal year 2012.*
- *In fiscal year 2010 City was fortunate to be awarded funds, through a Texas Department of Rural Affairs Grant (Round 1), in the amended amount of \$7,766,134, to fund specific hurricane recovery projects. The construction on the Central Fire Station, Senior Center - Meals on Wheels and other various hurricane related projects began in fiscal year 2011. In fiscal years 2010 and 2011 the City had \$3,804,588 in expenditures related to this grant.*
- *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 which will be completed in fiscal year 2012.*
- *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 completed in fiscal year 2011.*
- *In fiscal year 2011 the City was once again fortunate to be awarded Supplemental Disaster Recovery Funds (Round 2.1), from the Texas Department of Rural Affairs, in the amount of \$6,401,138. This grant was awarded to fund the repair of the Cooper's Gully pump station as well as various street and bridge repairs. Construction under this grant will begin in fiscal year 2012.*
- *The City was awarded a 2009 Port Security Grant in fiscal year 2011. This grant was awarded for the purchase of an industrial aerial fire apparatus. The total amount awarded was \$769,556 which is 75% of the cost. The City's 25% match was budgeted in fiscal year 2012.*
- *The City was awarded a 2007 Supplemental Port Security Grant for the City's portion of a regional interoperability radio system. The amount awarded was \$1,299,984 and is 100% of the City's cost of the project. This project will continue in fiscal year 2012.*

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 government-wide 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 83 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 84 to 87 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 89 to 138 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 \$53,745,796 at the close of the most recent fiscal year.

By far the largest portion of the City of Orange's net assets (81%) 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.

City of Orange's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<i>Current and other assets</i>	\$11,103,962	\$11,153,925	\$4,662,219	\$4,436,315	\$15,766,181	\$15,590,240
<i>Capital assets</i>	<u>21,512,007</u>	<u>19,469,521</u>	<u>42,676,281</u>	<u>43,339,711</u>	<u>64,188,288</u>	<u>62,809,232</u>
<i>Total assets</i>	<u>32,615,969</u>	<u>30,623,446</u>	<u>47,338,500</u>	<u>47,776,026</u>	<u>79,954,469</u>	<u>78,399,472</u>
<i>Long-term liabilities outstanding</i>	12,432,415	13,203,429	11,555,850	13,094,902	23,988,265	26,298,331
<i>Other liabilities</i>	<u>1,480,706</u>	<u>1,096,832</u>	<u>739,702</u>	<u>487,046</u>	<u>2,220,408</u>	<u>1,583,878</u>
<i>Total liabilities</i>	<u>13,913,121</u>	<u>14,300,261</u>	<u>12,295,552</u>	<u>13,581,948</u>	<u>26,208,673</u>	<u>27,882,209</u>
<i>Net assets:</i>						
<i>Invested in capital assets, net of related debt</i>	11,848,783	8,955,990	31,493,491	30,776,406	43,342,274	39,732,396
<i>Restricted</i>	65,900	71,058	1,428,684	1,443,873	1,494,584	1,514,931
<i>Unrestricted</i>	<u>6,788,165</u>	<u>7,296,137</u>	<u>2,120,773</u>	<u>1,973,799</u>	<u>8,908,938</u>	<u>9,269,936</u>
<i>Total net assets</i>	<u>\$18,702,848</u>	<u>\$16,323,185</u>	<u>\$35,042,948</u>	<u>\$34,194,078</u>	<u>\$53,745,796</u>	<u>\$50,517,263</u>

An additional portion of the City of Orange's net assets, \$1,494,584 (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$8,908,938 may be used to meet the governments'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 \$3,228,533 during the current fiscal year. Net assets for the governmental activities increased \$2,379,663 and net assets for the business-type activities increased \$848,870.

Capital assets changes were the largest component of the increase. The City had \$3,596,097 in construction in progress at September 30, 2011. The largest projects are the Central Fire Station and the Senior Center - Meals on Wheels. Overall capital assets increased by \$3,609,878 net of related depreciation and debt.

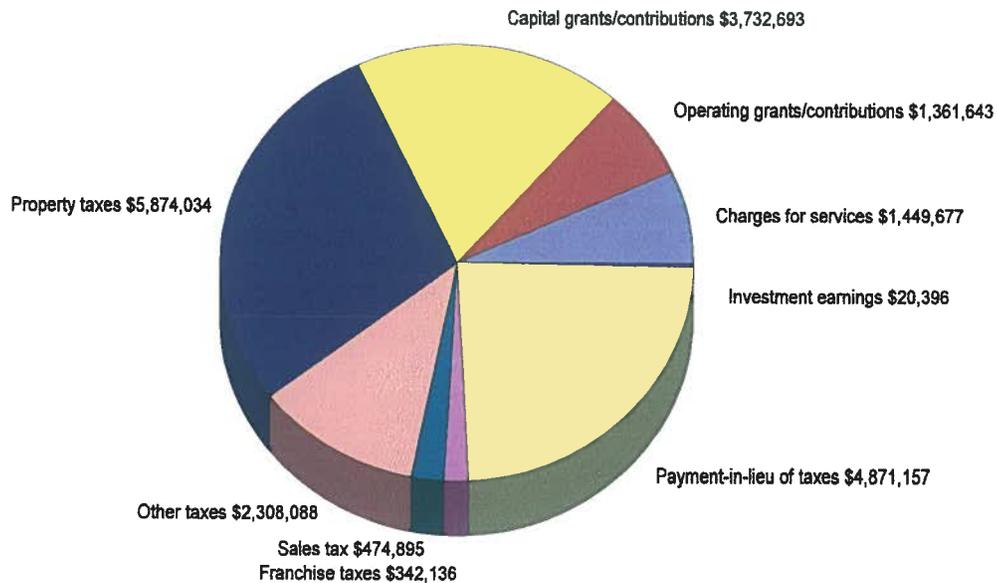
The business-type activities received infrastructure capital assets that were funded through the Governmental Funds, by the Texas Department of Rural Affairs, Community Development Block Grant, and Community Development Block Grant Recovery funds, and then transferred to the business-type upon completion. These infrastructure capital assets totaled \$611,194 in fiscal year 2011.

City of Orange's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$1,449,677	\$1,530,741	\$8,868,971	\$8,378,104	\$10,318,648	\$9,908,845
Operating grants and contributions	1,361,643	1,907,942	0	172,009	1,361,643	2,079,951
Capital grants and contributions	3,732,693	894,502	84,246	378,519	3,816,939	1,273,021
General revenues:						
Property taxes	5,874,034	5,666,502	--	--	5,874,034	5,666,502
Sales tax	2,308,088	2,469,558	--	--	2,308,088	2,469,558
Other taxes	474,895	497,900	--	--	474,895	497,900
Franchise taxes	342,136	329,673	--	--	342,136	329,673
Payment-in-lieu of taxes	4,871,157	4,503,987	--	--	4,871,157	4,503,987
Unrestricted investment earnings	<u>20,396</u>	<u>26,853</u>	<u>7,686</u>	<u>6,602</u>	<u>28,082</u>	<u>33,455</u>
	<u>20,434,719</u>	<u>17,827,658</u>	<u>8,960,903</u>	<u>8,935,234</u>	<u>29,395,622</u>	<u>26,762,892</u>
Expenses:						
General government	1,382,505	1,338,566	--	--	1,382,505	1,338,566
Cultural and recreation	1,597,544	1,702,697	--	--	1,597,544	1,702,697

Public safety	9,807,217	9,870,932	--	--	9,807,217	9,870,932
Public works	4,195,605	4,694,527	--	--	4,195,605	4,694,527
Interest on long term debt	460,991	493,648	--	--	460,991	493,648
Water	--	--	2,664,708	2,551,573	2,664,708	2,551,573
Sewer	--	--	4,399,089	4,171,001	4,399,089	4,171,001
Sanitation	--	--	<u>1,659,430</u>	<u>1,582,983</u>	<u>1,659,430</u>	<u>1,582,983</u>
Total expenses	<u>17,443,862</u>	<u>18,100,370</u>	<u>8,723,227</u>	<u>8,305,557</u>	<u>26,167,089</u>	<u>26,405,927</u>
Increase (decrease) before transfers	2,990,857	(272,712)	237,676	629,677	3,228,533	356,965
Transfers	<u>(611,194)</u>	<u>(682,404)</u>	<u>611,194</u>	<u>682,404</u>	<u>0</u>	<u>0</u>
Increase (decrease) in net assets	2,379,663	(955,116)	848,870	1,312,081	3,228,533	356,965
Net assets - beginning	<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>
Net assets - ending	<u>\$18,702,848</u>	<u>\$18,127,171</u>	<u>\$35,042,948</u>	<u>\$34,194,078</u>	<u>\$53,745,796</u>	<u>\$50,517,263</u>

Governmental Activities - Revenues by Source

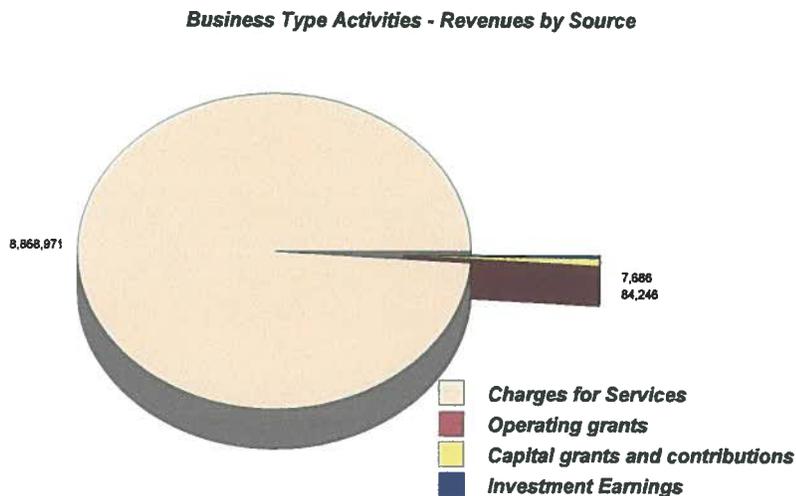
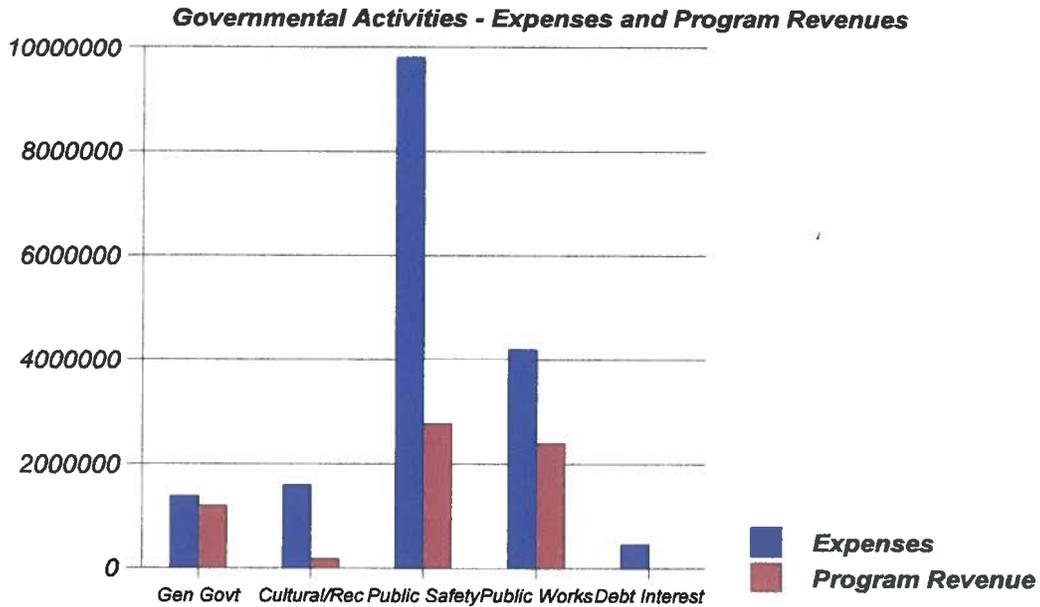


Governmental activities: Governmental activities increased the City of Orange's net assets by \$2,379,663. Major elements of this change are as follows:

- The largest change, for governmental activities net assets, was the increase in capital assets

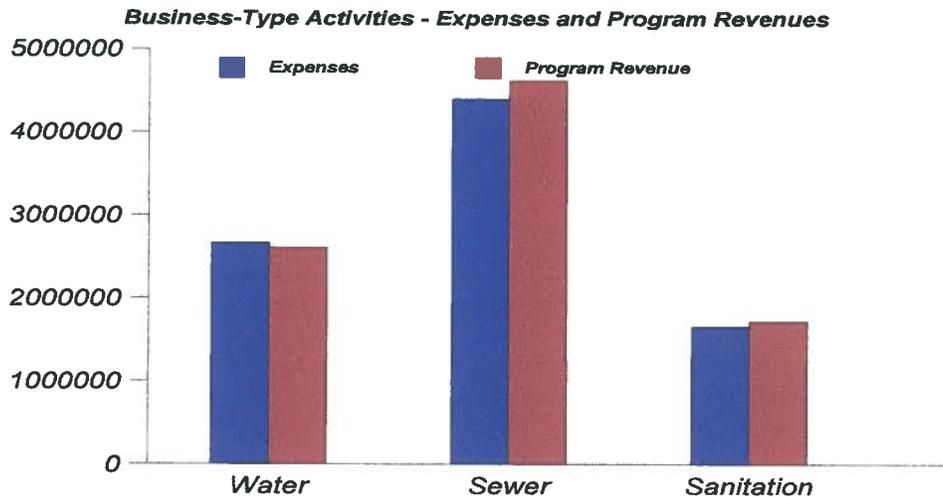
(net of related debt) of \$2,892,793. The governmental activities had construction in progress at September 30, 2011 for the new Cental Fire Station and the Senior Center Meals-on-Wheels Building.

- Overall unrestricted net assets decreased by \$507,972. This decrease occurred from the budgeted expenditures of reserves for capital outlay and other expenses. Major items included the expenditures of \$173,125 in hurricane recovery costs, \$308,229 in capital cost for the City software conversion project, and \$99,728 in additional legal cost.



Business-type activities: Business-type activities increased the City of Orange’s net assets by \$848,870, thereby accounting for 26% of the total increase in the net assets of the City of Orange.

- The largest change in business-type activities was in investments in capital assets (net of related debt) with an increase of \$717,085.
- The special revenue governmental activities made capital assets transfers of \$611,194 to the water and sewer business-type activity.



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 \$7,368,048, a decrease of \$558,430 in comparison with the prior year.

- The largest component of change was in the General Fund. The General Fund fund balance decreased by \$405,573.
- The General Fund overall revenue increased by \$515,600.
- The city saw an increase of \$367,170 in industrial district payments. These payments had decreased in the prior two fiscal years due mainly to property damage due to Hurricane Ike. Fiscal year 2011 saw the billings start to return to pre fiscal year 2009 levels.
- Charges for services increased by \$239,333. This was due to increase costs of various services

that are paid for by governmental funds and passed on as charges for services to the business-type activities.

- Other financing sources increase by \$690,216. The City settled Hurricane Ike flood insurance claims in fiscal year 2011. This was offset by deobligation of prior year FEMA reimbursements.
- General fund expenditures increased by \$1,001,062.
- Capital outlay costs increased by \$553,407. \$318,000 of the increase was for the City's new Integrated Municipal Software System.
- Overall recurring operating cost increased by \$328,623, a 2% increase.
- Hurricane recovery costs increased by \$119,032 due to the start of construction on Central Fire Station.

The City of Orange implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the government's fund balance more transparent. Under Statement No. 54 the City's governmental funds had the following fund balance components at the end of fiscal year 2011.

Nonspendable	Inventories	\$ 66,951
Restricted for:	Cultural and recreation	\$ 114,391
	Debt service	\$ 114,024
	Hurricane recovery	\$ 246,134
	Public safety	\$ 877,088
	Public works	\$ 53,137
	Tourism and promotion	\$ 835,280
	Assigned to:	Capital outlay
Economic development		\$ 2,268
Hurricane recovery		\$ 249,752
Unassigned		\$4,340,641

Of the total fund balance, \$4,340,641 (59%) constitutes unassigned fund balance and is available for spending at the government's discretion.

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.

Net assets at the end of the fiscal year were in Water and Sewer Fund \$33,940,705 and in Sanitation Fund \$1,118,938. The total change, in net assets, for both funds was a \$766,418 increase for Water and Sewer and a \$64,694 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 2011. The two amendments totaled \$765,749 in additional appropriations.

<i>Amendment #1</i>	<i>\$587,749</i>	<i>To amend the budget for expenditures for cost associated with redistricting of Council Places, cost of new integrated municipal finance software, additional cost associated with Orange County Appraisal District and additional Hurricane Ike recovery expenses associated with Central Fire Station.</i>
<i>Amendment #2</i>	<i><u>178,000</u></i>	<i>To amend the budget for expenditures for increased costs of petroleum and additional legal expenses.</i>
<i>Total</i>	<i><u>\$765,749</u></i>	

At the time of the amendments it was budgeted that the increases would come from unassigned fund balance. This included \$245,200 from unassigned insurance proceeds.

The General Fund actual revenues was under amended budget by \$386,375, 2.4%. Contributing to the decrease in revenue were:

- Tax collections in the general fund were under budget by \$293,257. This was offset by an additional collection of delinquent taxes, \$89,376, in the debt service fund. The City also had to repay prior years taxes in the amount of \$88,329 due to a appraisal tax suit that was settled in fiscal year 2011.*
- Payments in lieu of taxes were under budget by \$122,166, 2.4%. The City still had a contract adjustment in fiscal year 2011 due to Hurricane Ike property value reduction.*
- Franchise payments were over budget by \$54,381, 4.4%.*

General Fund actual expenditures were under budget by \$153,103, 0.9%. This amount was made up of various amounts within the different departments.

Other Financing Sources was also over budget for the year by \$690,216. This amount was the result of the City settling Hurricane Ike flood insurance claims and the offsetting deobligation of FEMA funding from prior years.

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, 2011, amounts to \$64,188,288 (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 increased by \$2,042,486 (10.5%) in this fiscal year. Capital assets in the business-type activities decreased by \$663,430 (01.5%).

City of Orange Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
<i>Land</i>	\$1,585,658	\$1,406,220	\$725,560	\$733,495	\$2,311,218	\$2,139,715
<i>Buildings</i>	11,757,356	12,038,597	370,056	398,855	12,127,412	12,437,452
<i>Furniture, fixtures and books</i>	942,449	1,081,278	--	--	942,449	1,081,278
<i>Improvements other than buildings</i>	--	--	40,409,016	41,499,598	40,409,016	41,499,598
<i>Machinery, equipment, vehicles and improvements</i>	2,472,908	2,888,072	331,286	373,752	2,804,194	3,261,824
<i>Vehicles</i>	--	--	310,349	328,011	310,349	328,011
<i>Streets</i>	1,687,553	1,729,342	--	--	1,687,553	1,729,342
<i>Construction in progress</i>	<u>3,066,083</u>	<u>326,012</u>	<u>530,014</u>	<u>6,000</u>	<u>3,596,097</u>	<u>332,012</u>
<i>Total</i>	<u>\$21,512,007</u>	<u>\$19,469,521</u>	<u>\$42,676,281</u>	<u>\$43,339,711</u>	<u>\$64,188,288</u>	<u>\$62,809,232</u>

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

Governmental Activities

In fiscal year 2011 the governmental activities had a change in capital assets, before depreciation, of \$3,146,026. The major components of change in fiscal year 2011 were:

- Land increased by \$179,438 for land purchase for Central Fire Station.
- Construction in progress increased by \$2,740,071. This amount is \$2,035,753 for Central Fire Station, \$289,013 for Computer System Conversion, \$269,809 Senior Center Meals-on-Wheels, and \$145,496 Police Department Chiller Upgrade.
- Buildings increase by \$32,477 for improvements made in the City Council Chambers.
- Office furniture, fixtures and books increased by \$36,209 for various items. This included \$25,076 in computer equipment and \$11,133 in books. There was also a reduction of \$38,912 for the removal of obsolete assets.
- Machinery, equipment, vehicles and improvements increased by \$277,971. This included \$145,186 in police vehicles, \$20,205 for CDBG vehicle, \$37,877 public works vehicles, \$36,938 for upgrades to Coopers Gully Pump Station Equipment, \$23,529 for police in car license plate reader system, and \$14,236 in various other equipment items. There was also reductions of \$205,405 due to trade ins and asset deletions.
- Infrastructure increase by \$123,491 for street overlay repairs.

Business Type Activities

In fiscal year 2011 business-type activities had a increase in capital assets, before depreciation, of \$748,504. The major capital expenditures included:

- Governmental Funds contributed \$611,194 in Water and Sewer infrastructure projects. The Texas Department of Rural Affairs Grant started the lift station generator projects in the

amount of \$522,314. This amount increased construction in progress. The Community Development Block Grant Recovery Funds contributed \$75,495 in water/sewer system improvements. The Community Development Block Grant contributed \$13,385 in water/sewer system improvements.

- Improvements other than building increased by \$277,533. Some of the items included \$118,735 in meters and service connections, \$64,866 in upgrades and rehabilitation at the wastewater treatment plant, \$44,194 in lift station rehabilitations, and \$37,600 in storage tank rehabilitation.
- Vehicles increased by \$104,557. This included \$36,515 for a jet rodder for water and sewer, \$53,600 for a brush loader for the sanitation brush truck and \$14,442 for a breaker attachment for the backhoe.

Additional information on the City of Orange's capital assets can be found in note IV.C on pages 60 to 63 of this report.

Long-term debt. At the end of the current fiscal year, the City of Orange has total bonded debt outstanding of \$21,370,000. Of the outstanding debt \$16,810,000 is backed by the full faith and credit of the government and \$4,560,000 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	
	2011	2010	2011	2010	2011	2009
Certificates of Obligation	\$6,270,000	\$6,520,000	\$0	\$0	\$6,270,000	\$6,520,000
General Obligation Bonds	3,500,000	3,875,000	6,790,000	8,095,000	10,290,000	11,970,000
Revenue Bonds	0	0	4,560,000	4,745,000	4,560,000	4,745,000
Tax Notes	<u>250,000</u>	<u>490,000</u>	<u>0</u>	<u>0</u>	<u>250,000</u>	<u>490,000</u>
Total	<u>\$10,020,000</u>	<u>\$10,885,000</u>	<u>\$11,350,000</u>	<u>\$12,840,000</u>	<u>\$21,370,000</u>	<u>\$23,725,000</u>

The City's total debt decreased by \$2,355,000, or 9.9%, during the current fiscal year. Total bonded debt for governmental activities decreased by \$865,000 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 \$1,305,000 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 2011 and the change in general obligation debt due to the issuance of Series 2010 GO Refunding Bonds in the amount of \$6,920,000. The revenue bonds for business-type activities decreased by \$185,000 which represents the debt principal payment for the fiscal year.

Revenue Debt

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 covers the Series 2007 Water and Sewer Revenue Bonds.

General Obligation Debt

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.

On the Series 2010 General Obligation Refunding Bonds the City of Orange was assigned an "Aa3" rating from Moody's Investors Services.

In July 2011 Standard and Poor's reaffirmed the City "A+" rating on all City of Orange General Obligation Debt which includes the Series 2005 and Series 2008 issues.

Additional information on the City's long-term debt can be found in note IV.F on pages 65 to 70 of this report.

Economic Factors and Next Year's Budget and Rates

Economic factors fiscal year 2011-

- *Sales tax collections decreased 6.54%. The City had anticipated the that there would be additional reductions 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 \$2,469,558 in fiscal year 2010 to \$2,308,088 in fiscal year 2011. These amount have 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 1.22%.*
- *Hotel/motel tax collections continued to be lower that normal. The collections decreased by 3.9% during the fiscal year. Collections went from \$475,276 in fiscal year 2010 to \$456,639 in fiscal year 2011. Hotel occupancy has been down during the two years. A downturn in the economy has been sited 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 2011 the unemployment rate was 11.4% while the statewide rate was 8.5% and the national rate was 9.1% (according to the US Bureau of Labor Statistics). The unemployment rate for the local metropolitan area is up from the prior year rate of 10.8%.*

Economic factors budgeted fiscal year 2012 -

- *The ad valorem tax certified taxable values for the new budget increased by 2.3% over the prior fiscal year. The certified taxable values went from \$806,792,530 in January 2010 to*

\$825,038,965 in January 2011. 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 11.6%. The values went from \$956,865,642 in January 2010 to \$1,067,531,087 in January 2011. The rebuilding and repairs due to Hurricane Ike continued during fiscal year 2011. At January 2010 most industries were back to full operations. In fiscal year 2011, the City did have one industry that filed for a "Force Majeure" reduction, in the billable value, under their IDC contract, for continued hurricane operational impact.*
- Sales tax was down 6.54% in fiscal year 2011. This was due to a loss of sales tax that had occurred from hurricane recovery costs as well as a slow down in the general economy. In fiscal year 2012 it was budgeted that the sales tax collections would be the same as fiscal year 2011. It is assumed that the City has returned to 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 2012 will be the third year under new Industrial District Contracts for our second group of 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.*
- Fiscal year 2012 will be the last year of the Industrial District Contracts for our first group of industries with five year contract. There are four contracts in this group. The City will begin negotiations with the industries in early 2012. The rate of the present contract is \$.50/\$100.*
- The water and sewer rates were adjusted 5% in fiscal year 2012. This change helped keep the revenue in line with budgeted expenses.*
- The City extended the sanitation services contract with Waste Management for an additional three year period. By extending the contract the City was able to have the CPI increase waived for fiscal year 2012. The base sanitation rate was held at the fiscal year 2011 level. The only adjustments that may occur in fiscal year 2012 will be fuel adjustment if applicable.*
- The City has negotiated a one year contract with both the Orange Municipal Police Association and the Orange Association of Firefighters Local 1432. Both contracts include a 2% cost of living increase.*
- The City granted 2% cost of living increase for non-union employees.*
- 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 2012 the City did not change medical insurance providers. We currently use Aetna for medical, Blue Cross/Blue Shield for dental, and Vision Care for dental. The costs increased 5% for medical, 6% for dental, and 3% for vision. The City will be paying the increased cost of medical and dental premiums for fiscal year 2012. The City did adjust the amount that was being contributed to make it consistent, whether the employee was a collective bargaining employee or general employee. By making the City contribution rates consistent some employees actually saw a reduction in the amount that they had to contribute.*

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. A copy of the Comprehensive Annual Finance Report is available on the City's website at orangetexas.net.

BASIC FINANCIAL STATEMENTS



City of Orange, Texas
Statement of Net Assets
September 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
Assets				
Cash and cash equivalents	\$5,708,960	\$1,460,243	\$7,169,203	\$2,255,998
Investments	499,990	0	499,990	0
Receivables (net of allowance for uncollectibles)	4,252,801	1,099,190	5,351,991	82,324
Internal balances	87,214	(87,214)	0	0
Inventories and prepaids	66,951	104,834	171,785	0
Deferred charges	356,776	247,659	604,435	96,606
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	131,270	1,837,507	1,968,777	45,754
Capital assets (net of accumulated depreciation)				
Land	1,585,658	725,560	2,311,218	750,599
Buildings	11,757,356	370,056	12,127,412	0
Furniture, fixtures, books	942,449	0	942,449	0
Improvements other than buildings	0	40,409,016	40,409,016	0
Machinery, equipment, vehicles & improvements	2,472,908	331,286	2,804,194	0
Vehicles	0	310,349	310,349	0
Streets	1,687,553	0	1,687,553	0
Construction in progress	3,066,083	530,014	3,596,097	999,509
Total assets	32,615,969	47,338,500	79,954,469	4,230,790
Liabilities				
Accounts payable and other current liabilities	1,382,526	680,212	2,062,738	11,099
Accrued interest payable	65,350	59,490	124,840	14,829
Unearned revenue	32,830	0	32,830	0
Noncurrent liabilities				
Due within one year payable from restricted assets	131,270	1,480,000	1,611,270	45,754
Due within one year	1,645,742	84,613	1,730,355	99,246
Due in more than one year	10,655,403	9,991,237	20,646,640	2,040,000
Total liabilities	13,913,121	12,295,552	26,208,673	2,210,928
Net Assets				
Invested in capital assets net of related debt	11,848,783	31,493,491	43,342,274	1,750,108
Restricted for:				
Debt service payments	65,900	1,428,684	1,494,584	45,754
Unrestricted	6,788,165	2,120,773	8,908,938	224,000
Total net assets	\$18,702,848	\$35,042,948	\$53,745,796	\$2,019,862

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, 2011

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	
Primary Government:								
Governmental Activities:								
General government	1,382,505	1,112,058	88,459	0	(\$181,988)	--	(\$181,988)	--
Cultural and recreation	1,597,544	36,020	18,763	126,979	(\$1,415,782)	--	(1,415,782)	--
Public safety	9,807,217	199,371	247,351	2,316,708	(\$7,043,787)	--	(7,043,787)	--
Public works	4,195,605	102,228	1,007,070	1,289,006	(\$1,797,301)	--	(1,797,301)	--
Interest on long-term debt	460,991	0	0	0	(460,991)	--	(460,991)	--
Total governmental activities	17,443,862	1,449,677	1,361,643	3,732,693	(10,899,849)	--	(10,899,849)	--
Business-type activities:								
Water	2,664,708	2,596,037	0	10,110	--	(58,561)	(58,561)	--
Sewer	4,399,089	4,548,118	0	74,136	--	223,165	223,165	--
Sanitation	1,659,430	1,724,816	0	0	--	65,386	65,386	--
Total business-type activities	8,723,227	8,868,971	0	84,246	--	229,990	229,990	--
Total primary government	\$26,167,089	\$10,318,648	\$1,361,643	\$3,816,939	(10,899,849)	229,990	(10,669,859)	--
Component Unit:								
Economic Development Corporation	\$325,539	\$0	\$0	\$0	--	--	--	(\$325,539)
Total component unit	\$325,539	\$0	\$0	\$0	--	--	--	(325,539)
General revenues:								
Property taxes					5,874,034	--	5,874,034	--
Sales tax					2,308,088	--	2,308,088	1,154,044
Other taxes					474,895	--	474,895	--
Franchise taxes					342,136	--	342,136	--
Payment in-lieu of taxes					4,871,157	--	4,871,157	--
Unrestricted investment earnings					20,396	7,686	28,082	7,561
Transfers					(611,194)	611,194	0	--
Total revenues					13,279,512	618,880	13,898,392	1,161,605
Change in net assets					2,379,663	848,870	3,228,533	836,066
Net assets (deficit) - beginning					16,323,185	34,194,078	50,517,263	1,183,796
Net assets - ending					\$18,702,848	\$35,042,948	\$53,745,796	\$2,019,862

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

**City of Orange, Texas
Balance Sheet
Governmental Funds
September 30, 2011**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$2,998,746	\$131,270	\$98,789	\$2,135,233	\$5,364,038
Investments	499,990	0	0	0	499,990
Receivables (net of allowance for uncollectibles)					
Taxes	644,314	152,177	0	0	796,491
Accounts	641,570	0	0	2,005,811	2,647,381
Due from other funds	1,676,038	0	0	0	1,676,038
Due from others	9,464	2,046	0	0	11,510
Inventories, at cost	66,951	0	0	0	66,951
Total assets	\$6,537,073	\$285,493	\$98,789	\$4,141,044	\$11,062,399
Liabilities and fund balances:					
Liabilities					
Accounts payable	\$859,196	\$19,292	\$0	\$374,397	\$1,252,885
Partial payment of taxes	1,565	0	0	0	1,565
Deferred revenue	644,314	152,177	0	32,830	829,321
Due to others	0	0	0	0	0
Due to other funds	0	0	0	1,605,519	1,605,519
Liability for municipal court	5,061	0	0	0	5,061
Total liabilities	1,510,136	171,469	0	2,012,746	3,694,351
Fund balances					
Nonspendable					
Inventory	66,951	0	0	0	66,951
Restricted for:					
Cultural and recreation	0	0	0	114,391	114,391
Debt service	0	114,024	0	0	114,024
Hurricane recovery	0	0	0	246,134	246,134
Public safety	0	0	0	877,088	877,088
Public works	0	0	0	53,137	53,137
Tourism and promotion	0	0	0	835,280	835,280
Assigned to:					
Capital outlay	369,593	0	98,789	0	468,382
Economic Development	0	0	0	2,268	2,268
Hurricane recovery	249,752	0	0	0	249,752
Unassigned	4,340,641	0	0	0	4,340,641
Total fund balance	5,026,937	114,024	98,789	2,128,298	7,368,048
Total liabilities and fund balances	\$6,537,073	\$285,493	\$98,789	\$4,141,044	

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.	21,512,007
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,950,686
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	369,872
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.	(12,497,765)
Net assets of governmental activities	\$18,702,848

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, 2011

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$6,849,296	\$1,261,441	\$0	\$456,639	\$8,567,376
Payment in lieu of taxes	4,871,157	0	0	0	4,871,157
Franchises	1,289,831	0	0	0	1,289,831
Licenses and permits	387,541	0	0	0	387,541
Intergovernmental	90,295	0	0	743,295	833,590
Charges for services	1,950,949	0	0	0	1,950,949
Donations	0	0	0	45,375	45,375
Grant income	0	0	0	3,387,878	3,387,878
Investment income	13,699	760	290	5,647	20,396
Program income	0	0	0	79,576	79,576
Forfeitures	0	0	0	57,701	57,701
Miscellaneous	53,350	0	0	0	53,350
Total revenues	15,506,118	1,262,201	290	4,776,111	21,544,720
Expenditures					
Current					
General government	1,431,652	0	0	0	1,431,652
Cultural and recreation	1,032,272	0	0	448,475	1,480,747
Public safety	8,452,158	0	0	278,197	8,730,355
Public works	2,885,077	0	1,500	1,024,920	3,911,497
Non departmental hurricane recovery	173,125	0	0	0	173,125
Non departmental	1,796,074	0	0	0	1,796,074
Debt Service					
Principal	0	865,000	0	0	865,000
Interest and fiscal charges	0	425,565	0	0	425,565
Capital Outlay					
Books	5,045	0	0	1,724	6,769
Building maintenance	32,477	0	0	2,199,409	2,231,886
Land	0	0	0	327,441	327,441
Machinery	195,792	0	0	508,357	704,149
Other capital outlay	308,230	0	0	0	308,230
Streets	123,491	0	0	0	123,491
Vehicles	166,514	0	0	21,991	188,505
Water construction	0	0	0	88,880	88,880
Total expenditures	16,601,907	1,290,565	1,500	4,899,394	22,793,366
Excess (deficiency) of revenues over (under) expenditures	(1,095,789)	(28,364)	(1,210)	(123,283)	(1,248,646)
Other financing sources (uses)					
Insurance proceeds	690,216	0	0	0	690,216
Total other financing sources and uses	690,216	0	0	0	690,216
Net change in fund balances	(405,573)	(28,364)	(1,210)	(123,283)	(558,430)
Fund balances- beginning	5,432,510	142,388	99,999	2,251,581	7,926,478
Fund balances - ending	\$5,026,937	\$114,024	\$98,789	\$2,128,298	\$7,368,048

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, 2011

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)	(\$558,430)
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.	2,042,486
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	82,529
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.	829,575
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.	(103,837)
Internal service funds are used by management to charge the cost of workers' compensation and medical insurance to individual funds.	<u>87,340</u>
Change in net assets of governmental activities (page 35).	<u><u>\$2,379,663</u></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, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Over (Under)
	Original	Final		
Revenues				
Taxes	\$7,142,553	\$7,142,553	\$6,849,296	(\$293,257)
Payment in lieu of taxes	4,993,323	4,993,323	4,871,157	(122,166)
Franchises	1,235,000	1,235,000	1,289,831	54,831
Licenses and permits	403,460	403,460	387,541	(15,919)
Intergovernmental	92,500	92,500	90,295	(2,205)
Charges for services	1,945,657	1,945,657	1,950,949	5,292
Investment income	25,000	25,000	13,699	(11,301)
Miscellaneous	55,000	55,000	53,350	(1,650)
Total revenues	15,892,493	15,892,493	15,506,118	(386,375)
Expenditures				
Current				
General government	1,421,634	1,496,183	1,431,652	(64,531)
Cultural and recreation	1,037,859	1,037,859	1,032,272	(5,587)
Public safety	8,321,032	8,334,532	8,452,158	117,626
Public works	2,990,438	3,086,896	2,885,077	(201,819)
Non departmental hurricane recovery	0	245,200	173,125	(72,075)
Non departmental	1,775,875	1,850,875	1,796,074	(54,801)
Capital Outlay				
Books	5,000	5,000	5,045	45
Buildings	30,000	32,500	32,477	(23)
Machinery	69,923	56,423	195,792	139,369
Other capital outlay	50,000	318,000	308,230	(9,770)
Streets	125,000	125,000	123,491	(1,509)
Vehicles	162,500	166,542	166,514	(28)
Total expenditures	15,989,261	16,755,010	16,601,907	(153,103)
Excess (deficiency) of revenues over (under) expenditures	(96,768)	(862,517)	(1,095,789)	(233,272)
Other financing sources (uses)				
Insurance proceeds	0	0	690,216	690,216
Total other financing sources and uses	0	0	690,216	690,216
Net change in fund balances	(96,768)	(862,517)	(405,573)	456,944
Fund balances- beginning	5,432,510	5,432,510	5,432,510	0
Fund balances - ending	\$5,335,742	\$4,569,993	\$5,026,937	\$456,944

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, 2011

	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	
Assets						
Current assets:						
Cash and cash equivalents	\$543,181	\$564,147	\$917,062	\$891,647	\$1,460,243	\$450,192
Cash with fiscal agent	0	0	0	0	0	26,000
Due from other funds	0	0	1,210	0	1,210	0
Receivables (net of allowance for uncollectibles)	888,797	806,717	210,393	213,370	1,099,190	0
Inventories	104,834	101,265	0	0	104,834	0
Cash and cash equivalents - restricted	1,837,507	1,535,194	0	0	1,837,507	0
Total current assets	3,374,319	3,007,323	1,128,665	1,105,017	4,502,984	476,192
Noncurrent assets:						
Capital assets (net of accumulated depreciation)						
Land	725,560	733,495	0	0	725,560	0
Buildings	370,056	398,855	0	0	370,056	0
Improvements other than buildings	40,409,016	41,499,598	0	0	40,409,016	0
Machinery and equipment	330,788	373,015	498	737	331,286	0
Transportation vehicles	118,199	121,598	192,150	206,413	310,349	0
Construction in progress	530,014	6,000	0	0	530,014	0
Total noncurrent assets	42,483,633	43,132,561	192,648	207,150	42,676,281	0
Total assets	45,857,952	46,139,884	1,321,313	1,312,167	47,179,265	476,192
Liabilities						
Current liabilities:						
Accounts payable and other current liabilities	569,168	286,387	111,044	109,338	680,212	123,015
Accrued interest payable	59,490	91,321	0	0	59,490	0
Capital lease payable	0	0	50,467	49,316	50,467	0
Due to other funds	69,750	37,259	1,979	10,774	71,729	0
Liability for employee benefits	34,146	21,638	0	4,469	34,146	0
Current portion of long-term debt	1,480,000	1,390,000	0	0	1,480,000	0
Total current liabilities	2,212,554	1,826,605	163,490	173,897	2,376,044	123,015
Noncurrent liabilities:						
Capital lease payable	0	0	29,982	80,449	29,982	0
Liability for employee benefits	82,352	95,452	8,903	3,577	91,255	0
General obligation bonds payable (net of unamortized discounts and deferred amounts on refundings)	9,622,341	11,043,540	0	0	9,622,341	0
Total noncurrent liabilities	9,704,693	11,138,992	38,885	84,026	9,743,578	0
Total liabilities	11,917,247	12,965,597	202,375	257,923	12,119,622	123,015
Net Assets						
Invested in capital assets net of related debt	31,381,292	29,820,373	112,199	77,385	31,493,491	0
Restricted for debt service	1,488,174	1,331,263	0	0	1,488,174	0
Unrestricted	1,071,239	2,022,651	1,006,739	976,859	2,077,978	353,177
Total net assets	\$33,940,705	\$33,174,287	\$1,118,938	\$1,054,244	35,059,643	\$353,177
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(16,695)	
Net assets of business-type activities					<u>\$35,042,948</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, 2011

	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	
Operating revenues:						
Charges for service- water	\$2,500,834	\$2,308,714	\$0	\$0	\$2,500,834	\$0
Charges for service - sewer	4,452,914	4,189,715	0	0	4,452,914	0
Charges for service - sanitation	0	0	1,724,816	1,678,957	1,724,816	0
Other services	190,407	200,718	0	0	190,407	213,390
Total operating revenues	<u>7,144,155</u>	<u>6,699,147</u>	<u>1,724,816</u>	<u>1,678,957</u>	<u>8,868,971</u>	<u>213,390</u>
Operating expenses:						
Personnel services	1,487,558	1,475,677	70,662	68,072	1,558,220	0
Employee benefits	880,458	887,776	47,398	45,889	927,856	0
Contractual services	666,374	656,244	1,171,611	1,151,065	1,837,985	0
Supplies	288,326	281,627	1,159	1,291	289,485	0
Utilities	486,109	471,853	0	0	486,109	0
Depreciation	1,384,974	1,387,803	68,101	42,444	1,453,075	0
Administrative expense	1,089,375	916,104	301,122	269,846	1,390,497	11,249
Amortization expense	28,099	47,227	0	0	28,099	0
Claims	0	0	0	0	0	68,597
Premiums	0	0	0	0	0	29,537
Total operating expenses	<u>6,311,273</u>	<u>6,124,311</u>	<u>1,660,053</u>	<u>1,578,607</u>	<u>7,971,326</u>	<u>109,383</u>
Operating income (loss)	<u>832,882</u>	<u>574,836</u>	<u>64,763</u>	<u>100,350</u>	<u>897,645</u>	<u>104,007</u>
Nonoperating revenues (expenses):						
Insurance proceeds	84,246	0	0	0	84,246	0
Intergovernmental	(169,021)	21,919	0	150,089	(169,021)	0
Investment income	5,277	4,289	2,409	2,313	7,686	1,092
Interest expense	(465,860)	(583,752)	(2,478)	(1,406)	(468,338)	0
Gain (loss) on capital asset disposition	(132,300)	0	0	39,505	(132,300)	0
Total nonoperating revenue (expense) before contributions and transfers	<u>(677,658)</u>	<u>(557,544)</u>	<u>(69)</u>	<u>190,501</u>	<u>(677,727)</u>	<u>1,092</u>
Income (loss) before contributions and transfers	<u>155,224</u>	<u>17,292</u>	<u>64,694</u>	<u>290,851</u>	<u>219,918</u>	<u>105,099</u>
Capital contributions	611,194	641,573	0	0	611,194	0
Transfers in	0	379,846	0	0	0	0
Change in net assets	<u>766,418</u>	<u>1,038,711</u>	<u>64,694</u>	<u>290,851</u>	<u>831,112</u>	<u>105,099</u>
Total net assets - beginning	<u>33,174,287</u>	<u>32,135,576</u>	<u>1,054,244</u>	<u>763,393</u>		<u>248,078</u>
Total net assets - ending	<u>33,940,705</u>	<u>33,174,287</u>	<u>1,118,938</u>	<u>1,054,244</u>		<u>353,177</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					<u>17,758</u>	
Change in net assets by business-type activities (page 35)					<u>\$848,870</u>	

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, 2011

	Water & Sewer Current Year	Water & Sewer Prior Year	Sanitation Current Year	Sanitation Prior Year	Total Current Year	Governmental Activities- Internal Service Funds
Cash flows from operating activities:						
Receipts from customers and users	\$7,252,337	\$6,632,686	\$1,727,793	\$1,671,370	\$8,980,130	\$213,390
Receipts from interfund services provided	0	0	0	0	0	(187,953)
Payments to suppliers	(2,123,803)	(2,263,787)	(1,169,546)	(1,127,353)	(3,293,349)	0
Payments to employees	(1,519,309)	(1,487,785)	(118,721)	(111,010)	(1,638,030)	0
Payments for interfund services used	(1,089,375)	(916,104)	(311,127)	(269,846)	(1,400,502)	0
Net cash provided by operating activities	2,519,850	1,965,010	128,399	163,161	2,648,249	25,437
Cash flows from noncapital financing activities:						
Subsidy from federal grant	(169,021)	138,428	0	285,053	(169,021)	0
Subsidy from insurance proceeds	84,246	27,020	0	0	84,246	0
Subsidy from general government	0	379,846	0	0	0	0
Net cash provided (used) by noncapital financing activities	(84,775)	545,294	0	285,053	(84,775)	0
Cash flows from capital and related financing activities:						
Proceeds from capital debt	0	0	0	149,979	0	0
Purchases of capital assets	(278,169)	(332,104)	(53,599)	(152,979)	(331,768)	0
Sales of capital assets	7,005				7,005	
Principal paid on capital debt	(1,390,000)	(1,340,000)	(49,316)	(26,730)	(1,439,316)	0
Interest paid on capital debt	(497,691)	(592,728)	(2,478)	(1,406)	(500,169)	0
Net cash provided (used) by capital and related financing activities	(2,158,855)	(2,264,832)	(105,393)	(31,136)	(2,264,248)	0
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	0	2,897,705	0	350,000	0	195,000
Purchase of investments	0	(1,925,979)	0	(350,000)	0	(195,000)
Interest and dividends received	5,128	4,438	2,409	2,312	7,537	1,092
Net cash provided by investing activities	5,128	976,164	2,409	2,312	7,537	1,092
Net increase (decrease) in cash and cash equivalents	281,348	1,221,636	25,415	419,390	306,763	26,529
Cash and cash equivalents October 1	2,099,340	877,704	891,647	472,257	2,990,987	423,663
Cash and cash equivalents September 30	\$2,380,688	\$2,099,340	\$917,062	\$891,647	\$3,297,750	\$450,192
Reconciliation of operating income to net cash provided by operating activities:						
Operating Income (Loss)	\$832,882	\$574,836	\$64,763	\$100,350	\$897,645	\$104,007
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation expense	1,384,974	1,387,803	68,101	42,444	1,453,075	0
Amortization of bond issue costs	28,099	47,227	0	0	28,099	0
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(94,842)	(66,461)	1,767	(120,062)	(93,075)	0
(Increase) decrease in inventory	(3,569)	(7,332)	0	0	(3,569)	0
Increase (decrease) in accounts payable	372,306	28,937	(6,232)	140,429	366,074	(78,570)
Net cash provided by operating activities	\$2,519,850	\$1,965,010	\$128,399	\$163,161	\$2,648,249	\$25,437
Noncash investing, capital and financing activities						
Contributions of capital assets from government	611,194	641,573	0	0	611,194	0
Increase (decrease) in fair value of investments	0	(971,877)	0	0	0	0

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, 2011

	<u>Total Fiduciary Funds</u>
Assets	
Cash	\$38,544
Total assets	<u>38,544</u>
Liabilities	
Accounts payable	12,150
Other liabilities	26,394
Total liabilities	<u>\$38,544</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, 2011

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 six-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, 2011

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*

CITY OF ORANGE, TEXAS

Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

fund.

*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

CITY OF ORANGE, TEXAS
Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

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 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

CITY OF ORANGE, TEXAS

Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

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" (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, 2011.

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.

CITY OF ORANGE, TEXAS

Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

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 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 \$5,000. 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 capitalization threshold was changed from \$1,000 to \$5,000 in fiscal year 2011. The change in the capitalization threshold did not affect any prior fixed assets.

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

CITY OF ORANGE, TEXAS

Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

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 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 February 2009 the Governmental Accounting Standards Board (GASB) issued Statement No. 54 on "Fund Balance Reporting and Governmental Fund Type Definitions". The City of Orange implemented Statement No. 54 during fiscal year 2011.

The components of funds balance under GASB 54 are:

Nonspendable - *portion of fund balance that cannot be spent because of their form or because they must be maintained intact. These funds are either long term receivables or inventories.*

CITY OF ORANGE, TEXAS

Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

Restricted for - portion of fund balance that has external limitation on the use. Limitations may be imposed by creditors, grantors, contributors, or laws and regulations of other governments. They may also be imposed by law.

It is the City's policy that when an expenditures occurs, that may be funded by either restricted or unrestricted funds, the restricted funds will be expended first.

Committed to - portion of fund balance that has self-imposed limitations set in place by the City Council. Committed funds must be assigned for a specific purpose by an action of the City Council which may include motions, resolutions or ordinances. It would also take the same Council action to change or cancel the authorized purpose.

Assigned to - portion of fund balance that has limitation because of the intended use. The segregation of funds within a specific governmental fund established the intended use of the funds by the City. The segregation of these funds are established during the budgetary process or may be accomplished by specific funds transfers during the year.

Unassigned - the portion of fund balance that is in excess of nonspendable, restricted, committed and assigned funds. Unassigned balances will only arise in the General Fund.

It is the City's policy that when an expenditure occurs, that my be funded by either committed, assigned or unassigned funds, the committed or assigned will be expended first.

The City has a standard policy to maintain a minimum 20% fund balance of annual budgeted operating expenditures. This amount is reaffirmed annually during the City's budget process. The amount of minimum fund balance included within the unassigned governmental fund balance is \$3,215,927 at September 30, 2011.

The City of Orange has the following fund balance components at the end of the fiscal year:

Nonspendable	Inventory
Restricted for:	Cultural and recreation
	Debt Service
	Hurricane recovery
	Public safety
	Public works
	Tourism and promotion

CITY OF ORANGE, TEXAS
Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

Assigned to: *Capital outlay*
 Economic development
 Hurricane recovery

Unassigned

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

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 \$21,512,007 are as follows:

<i>Capital assets</i>	<i>\$42,226,457</i>
<i>Less: Accumulated depreciation</i>	<i>(20,714,450)</i>
<i>Net adjustment to increase fund balances - total governmental funds to arrive at net assets - governmental funds.</i>	<u><u><i>\$21,512,007</i></u></u>

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 \$1,950,686 are as follows:

<i>Accrued municipal court revenue</i>	<i>\$764,976</i>
<i>Accrued property tax revenue</i>	<i>828,934</i>

CITY OF ORANGE, TEXAS

Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

<i>Amortized issuance costs, discount, and deferred charges for refunding</i>	330,602
<i>Negative net pension obligation</i>	<u>26,174</u>
<i>Net adjustment to increase fund balances - total governmental funds to arrive at net assets - governmental funds.</i>	<u>\$1,950,686</u>

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 (\$12,497,765) difference are as follows:

<i>Bonds and tax notes payable</i>	(\$10,020,000)
<i>Accrued interest payable</i>	(65,350)
<i>Other post employment benefits</i>	(357,754)
<i>Compensated absences</i>	<u>(2,054,661)</u>
<i>Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental funds</i>	<u>(\$12,497,765)</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 \$369,872 are as follows:

<i>Net assets of the internal service funds</i>	\$353,177
<i>Plus: Internal receivable representing charges less than cost to business-type activities - prior years</i>	34,453
<i>Less: Internal receivable representing charges more than cost to business-type activities - current year</i>	<u>(17,758)</u>
<i>Net adjustment to increase fund balances - total governmental funds to arrive at net assets - governmental funds.</i>	<u>\$369,872</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.

CITY OF ORANGE, TEXAS

Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

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 \$2,042,486 difference are as follows:

Capital outlay	\$3,368,157
Assets deleted during year	(41,398)
Depreciation expense	<u>(1,284,273)</u>
Net adjustment to decrease net changes in fund balances - total governmental fund to arrive at changes in net assets of governmental activities	<u>\$2,001,088</u>

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 \$82,529 difference are as follows:

Municipal court revenue	(\$7,112)
Property tax revenue	<u>89,641</u>
Net adjustment to increase net changes in fund balances - total governmental fund to arrive at changes in net assets of governmental activities.	<u>\$82,529</u>

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 \$829,575 difference are as follows:

Bonds paid	\$865,000
Bond issuance costs, discount and deferred refunding charges	(40,867)
Change in interest payable	<u>5,442</u>

CITY OF ORANGE, TEXAS
Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

<i>Net adjustment to increase net changes in fund balances - total government funds to arrive at changes in net assets of governmental funds</i>	<u>\$829,575</u>
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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 (\$103,837) difference are as follows:

<i>Compensated absences</i>	\$7,986
<i>Other post employment benefits</i>	(101,971)
<i>Net pension obligation</i>	<u>(9,852)</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>(\$103,837)</u>

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 \$87,340 difference are as follows:

<i>Workers' compensation internal service fund</i>	<u>\$87,340</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>\$87,340</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 2011 annual budgets were adopted for all governmental funds except the Home Program Fund and the TCEQ Supplemental Environmental Project Fund. These two funds did receive revenue during the fiscal year, but did not have any expenditures.

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 (27th) day of September or the budget as submitted by the City Manager will be

CITY OF ORANGE, TEXAS

Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

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...”

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:

Amendment #1	General Fund	\$587,749	expenditures for cost associated with redistricting of Council Places, cost of new integrated municipal finance software, additional cost associated with Orange County Appraisal District and additional Hurricane Ike recovery expenses associated with Central Fire Station.
	General Capital Projects Fund	1,500	expenditures for warranty inspection costs associated with annexation projects.
	Special Revenue Funds	752,227	expenditures for additional special revenue funds received or carried forward from a prior fiscal year with the largest being the Bush-Clinton Recovery Fund.
Amendment #2	General Fund	\$178,000	expenditures for increased costs of petroleum purchases and additional legal expenses.

CITY OF ORANGE, TEXAS
Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

<i>Water and Sewer Fund</i>	18,250	<i>expenditures for additional water system maintenance cost and increase in sewer bad debt.</i>
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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, 2011.

B. Excess of Expenditures Over Appropriations

Special Revenue Funds - The Emergency Management Fund was overbudget by \$1,171, the Texas Comptroller's Tobacco Grant was overbudget by \$100, and the Texas Loanstar Library Grant was overbudget by \$71. These over expenditures were the result of additional funding within the grants and were supported by additional revenues.

C. Deficit Fund Balance

At September 30, 2011 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, 2011 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.

CITY OF ORANGE, TEXAS

Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

	Original Cost	Fair Value	Weighted Average Maturity (Days)
<i>U. S. Government Securities</i>	<u>\$499,856</u>	<u>\$499,990</u>	173
<i>Total U. S. Government Investments</i>	<u>\$499,856</u>	<u>\$499,990</u>	

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, 100% 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, 2011. 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

CITY OF ORANGE, TEXAS

Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

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:

Carrying amount of deposits - cash and cash equivalents	\$9,176,524
Fair value of investments - U. S. Government securities	<u>499,990</u>
Total	<u>\$9,676,514</u>
Cash and cash equivalents	\$7,169,203
Cash and cash equivalents - temporarily restricted	1,968,777
Cash and cash equivalents - fiduciary fund	38,544
Fair value of investments	<u>499,990</u>
Total	<u>\$9,676,514</u>

B. Receivables

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

	Governmental Activities	Business-Type Activities	Total
Receivables:			
Taxes	\$861,431	\$0	\$861,431
Accounts	3,412,357	1,119,599	4,531,956
Due from others	<u>11,510</u>	<u>0</u>	<u>11,510</u>
Subtotal	4,285,298	1,119,599	5,404,897
Less: allowance for uncollectible	<u>(32,497)</u>	<u>(20,409)</u>	<u>(52,906)</u>
Net total receivables	<u>\$4,252,801</u>	<u>\$1,099,190</u>	<u>\$5,351,991</u>

CITY OF ORANGE, TEXAS
Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

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>	\$26,288
<i>Ad valorem taxes - Debt Service</i>	6,209
<i>Water sales</i>	5,523
<i>Sewer usage fees</i>	8,411
<i>Sanitation fees</i>	<u>6,475</u>
<i>Total uncollectibles of the current fiscal year</i>	<u>\$52,906</u>

C. Capital Assets

Capital asset activity for the year ended September 30, 2011 was as follows:

<i>Primary Government</i>	<i>Balance at 9/30/10</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance at 9/30/11</i>
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
<i>Land</i>	\$1,406,220	\$179,438	\$0	\$1,585,658
<i>Construction in progress</i>	<u>326,012</u>	<u>2,740,071</u>	<u>0</u>	<u>3,066,083</u>
<i>Total capital assets, not being depreciated</i>	<u>1,732,232</u>	<u>2,919,509</u>	<u>0</u>	<u>4,651,741</u>
<i>Capital assets, being depreciated</i>				
<i>Buildings</i>	15,496,931	32,477	686	15,530,094
<i>Office furniture, fixtures and books</i>	4,340,717	36,209	(38,912)	4,338,014
<i>Machinery, equipment, vehicles and improvements</i>	11,584,478	277,971	(205,405)	11,657,044
<i>Infrastructure</i>	<u>5,926,073</u>	<u>123,491</u>	<u>0</u>	<u>6,049,564</u>

CITY OF ORANGE, TEXAS
Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

Primary Government	Balance at 9/30/10	Increases	Decreases	Balance at 9/30/11
Governmental Activities:				
<i>Total assets being depreciated</i>	<u>37,348,199</u>	<u>470,148</u>	<u>(243,631)</u>	<u>37,574,716</u>
<i>Less accumulated depreciation for:</i>				
<i>Buildings</i>	(3,458,334)	(304,681)	(9,723)	(3,772,738)
<i>Office furniture, fixtures and books</i>	(3,259,439)	(175,355)	39,229	(3,395,565)
<i>Machinery, equipment, vehicles and improvements</i>	(8,696,406)	(638,957)	151,227	(9,184,136)
<i>Infrastructure</i>	<u>(4,196,731)</u>	<u>(165,280)</u>	<u>0</u>	<u>(4,362,011)</u>
<i>Total accumulated depreciation</i>	<u>(19,610,910)</u>	<u>(1,284,273)</u>	<u>180,733</u>	<u>(20,714,450)</u>
<i>Total capital assets, being depreciated, net</i>	<u>17,737,289</u>	<u>(814,125)</u>	<u>(62,898)</u>	<u>16,860,266</u>
<i>Governmental activities capital assets, net</i>	<u>\$19,469,521</u>	<u>\$2,105,384</u>	<u>(\$62,898)</u>	<u>\$21,512,007</u>
Business-type Activities:				
<i>Capital assets, not being depreciated:</i>				
<i>Land</i>	\$733,495	\$0	(\$7,935)	\$725,560
<i>Construction in progress</i>	<u>6,000</u>	<u>524,014</u>	<u>0</u>	<u>530,014</u>
<i>Total capital assets, not being depreciated</i>	<u>739,495</u>	<u>524,014</u>	<u>(7,935)</u>	<u>1,255,574</u>
<i>Buildings</i>	482,767	0	(19,507)	463,260
<i>Improvements - other than buildings</i>	63,737,882	263,520	(95,775)	63,905,627
<i>Machinery & equipment</i>	1,109,294	29,853	(35,468)	1,103,679
<i>Vehicles</i>	<u>1,275,076</u>	<u>104,557</u>	<u>(14,755)</u>	<u>1,364,878</u>
<i>Total capital assets, being depreciated</i>	<u>66,605,019</u>	<u>397,930</u>	<u>(165,505)</u>	<u>66,837,444</u>

CITY OF ORANGE, TEXAS
Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

Primary Government	Balance at 9/30/10	Increases	Decreases	Balance at 9/30/11
Business-type Activities:				
<i>Less: accumulated depreciation for:</i>				
<i>Buildings</i>	(83,912)	(9,265)	(27)	(93,204)
<i>Improvements other than buildings</i>	(22,238,284)	(1,265,912)	7,585	(23,496,611)
<i>Machinery & equipment</i>	(735,542)	(55,679)	18,828	(772,393)
<i>Vehicles</i>	<u>(947,065)</u>	<u>(122,219)</u>	<u>14,755</u>	<u>(1,054,529)</u>
<i>Total accumulated depreciation</i>	<u>(24,004,803)</u>	<u>(1,453,075)</u>	<u>41,141</u>	<u>(25,416,737)</u>
<i>Total capital assets, being depreciated, net</i>	<u>42,600,216</u>	<u>(1,055,145)</u>	<u>(124,364)</u>	<u>41,420,707</u>
<i>Business-type activities capital assets, net</i>	<u>\$43,339,711</u>	<u>(\$531,131)</u>	<u>(\$132,299)</u>	<u>\$42,676,281</u>

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

Government activities:

<i>General government</i>	\$33,685
<i>Cultural and recreation</i>	221,330
<i>Public safety</i>	595,887
<i>Public works</i>	<u>433,371</u>
<i>Total depreciation expense - governmental activities</i>	<u>\$1,284,273</u>

Business-type activities:

<i>Water</i>	\$455,464
<i>Sewer</i>	929,510
<i>Sanitation</i>	<u>68,101</u>
<i>Total depreciation expense - business-type activities</i>	<u>\$1,453,075</u>

CITY OF ORANGE, TEXAS
Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

Construction commitments

Construction in progress capital assets consists of the following as of September 30, 2011:

Governmental Activities

Central Fire Station Building Construction Project	\$2,323,853
Computer System Conversion	289,013
Police Department Chiller Upgrade	145,496
Senior Center-Meals on Wheels Building Construction Project	<u>307,721</u>
Total Governmental Activities	<u>\$3,066,083</u>

Business-Type Activities

TDRA Water and Sewer Generator Project	<u>\$530,014</u>
Total Business-Type Activities	<u>\$530,014</u>

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, 2011 is as follows:

Due to/from other

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds:		
General Fund	Special Revenue - Department of Justice Grant Fund	21,174
General Fund	Special Revenue - Emergency Management Fund	30,411
General Fund	Special Revenue - FEMA Fire Act Grant Fund	33,179
General Fund	Special Revenue - HUD Home Consortium Fund	6,019
General Fund	Special Revenue - Texas Department of Rural Affairs Grant Fund	<u>1,514,736</u>
Total Governmental		<u>\$1,605,519</u>

CITY OF ORANGE, TEXAS
Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

Proprietary Funds

General Fund	Sanitation Fund	\$1,979
General Fund	Water and Sewer Fund	69,750
Water and Sewer Fund	General Fund	<u>1,210</u>
Total Between Governmental and Proprietary Funds		<u>\$72,939</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:

Special Revenue Funds	Water and sewer infrastructure projects	<u>\$611,194</u>
Total Capital Assets Transferred		<u>\$611,194</u>

E. Lease

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:

Asset:	Business-Type Activity
Vehicles	\$149,979
Less: accumulated depreciation	<u>(60,894)</u>
Total	<u>\$ 89,085</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011 were as follows:

Year Ending September 30,	
2012	\$ 51,793
2013	<u>\$ 30,213</u>

CITY OF ORANGE, TEXAS
Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

Total minimum lease payments	\$ 82,006
Less: amount representing interest	<u>(1,557)</u>
Present value of minimum lease payments	<u>\$ 80,449</u>

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 \$24,695,000.

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:

Purpose	Interest Rates	Original Issue	Outstanding
Governmental Activities:			
General Obligation Refunding Bonds Series 2005	3.0% - 4.0%	4,360,000	3,500,000
Tax Notes Series 2005	3.25% - 3.75%	1,560,000	250,000
Tax and Revenue Certificates of Obligation Series 2008	4.5% - 4.0%	6,760,000	6,270,000
Business-types activities - refunding:			
Water and Sewer Revenue Bonds Series 2007	4.0% - 4.3%	5,095,000	4,560,000
General Obligation Advance Refunding Series 2010	2.0% - 3.0%	<u>6,920,000</u>	<u>6,790,000</u>
		<u>\$24,695,000</u>	<u>\$21,370,000</u>

Annual individual debt service requirements to maturity for the governmental activities and

CITY OF ORANGE, TEXAS
Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

business-type activities bonds are as follows:

Governmental Activities

General Obligation Refunding Bonds Series 2005

Year Ending September 30, 2011	Principal	Interest	Total
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
2015-2016	450,000	75,000	525,000
2016-2019	<u>1,425,000</u>	<u>115,600</u>	<u>1,540,600</u>
	<u>\$3,500,000</u>	<u>\$653,675</u>	<u>\$4,153,675</u>

Tax Notes Series 2005

Year Ending September 30, 2011	Principal	Interest	Total
2011-2012	<u>250,000</u>	<u>4,688</u>	<u>254,688</u>
	<u>\$250,000</u>	<u>\$4,688</u>	<u>\$254,688</u>

Tax and Revenue Certificates of Obligation Series 2008

Year Ending September 30, 2011	Principal	Interest	Total
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
2015-2016	310,000	196,215	506,215
2016-2028	<u>4,845,000</u>	<u>1,246,724</u>	<u>6,091,725</u>
	<u>\$6,270,000</u>	<u>\$2,359,087</u>	<u>\$8,629,088</u>

CITY OF ORANGE, TEXAS
Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

Business-type activities

Water and Sewer Revenue Bonds Series 2007

<i>Year Ending September 30, 2011</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
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	225,000	155,046	380,046
2016-2028	<u>3,560,000</u>	<u>1,001,000</u>	<u>4,561,000</u>
6790000	<u>\$4,560,000</u>	<u>\$1,891,230</u>	<u>\$6,451,230</u>

General Obligation Advance Refunding Series 2010

<i>Year Ending September 30, 2011</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2011-2012	1,290,000	164,525	1,454,525
2012-2013	1,320,000	135,125	1,455,125
2013-2014	1,355,000	101,688	1,456,688
2014-2015	1,395,000	63,825	1,458,825
2015-2016	<u>1,430,000</u>	<u>21,450</u>	<u>1,451,450</u>
	<u>\$6,790,000</u>	<u>\$486,613</u>	<u>\$7,276,613</u>

Annual Debt Service

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

CITY OF ORANGE, TEXAS
Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

<i>Year Ending September 30, 2011</i>	<u><i>Governmental Activities</i></u>			<u><i>Business-type Activities</i></u>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2011-2012	895,000	390,278	1,285,278	1,480,000	351,971	1,831,971
2012-2013	670,000	360,190	1,030,190	1,520,000	314,971	1,834,971
2013-2014	705,000	331,703	1,036,703	1,560,000	273,534	1,833,534
2014-2015	720,000	301,740	1,021,740	1,610,000	227,471	1,837,471
2015-2016	760,000	371,215	1,131,215	1,655,000	176,496	1,831,496
2016-2028	<u>6,270,000</u>	<u>1,262,325</u>	<u>7,532,325</u>	<u>3,525,000</u>	<u>1,033,400</u>	<u>4,558,400</u>
	<u>\$10,020,000</u>	<u>\$3,017,451</u>	<u>\$13,037,451</u>	<u>\$11,350,000</u>	<u>\$2,377,843</u>	<u>\$13,727,843</u>

Changes in Long-Term Liabilities

Advance Refunding on General Obligation Advance Refunding Series 2001 - Defeased Debt

On December 1, 2010 the City issued \$6,920,000 in General Obligation Refunding Bonds, Series 2010 with an average interest rate of 2.68 percent to advance refund the \$6,890,000 bonds outstanding on the General Obligation Refunding Bonds, Series 2001. The refunded bonds had an average interest rate of 4.61 percent. The General Obligation Refunding Bonds were sold at a premium, and after paying closing cost of \$101,450 the net proceeds were \$7,047,022. The net proceeds from the issuance of the bonds were deposited in an irrevocable trust with an escrow agent until the bonds were called on February 1, 2011. As a result, the refunded bonds are considered defeased, and the liability for those bonds were removed from the Water Sewer Proprietary Fund Long Term Debt in fiscal year 2011.

The City advance refunded the old bonds to reduce its total debt service payment over the next 6 years by \$511,913, which resulted in a net present value savings of \$491,186 or 7.128977%. The difference between the reacquisition price of \$7,047,459 and the net carrying amount of the refunded bonds of \$6,834,486 is \$212,972. This amount is deferred and amortized as deferred interest over the remaining life of the bonds.

Long-term liability activity for the year ended September 30, 2011 was as follows:

CITY OF ORANGE, TEXAS
Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
<i>Bonds Payable:</i>					
General Obligation Bonds and Notes	\$10,885,000	\$0	(\$865,000)	\$10,020,000	(\$895,000)
Compensated absences	2,062,646	32,259	(40,244)	2,054,661	(882,012)
Other post employment benefits	<u>255,783</u>	<u>101,971</u>	<u>0</u>	<u>357,754</u>	=
Governmental activity long-term liabilities	<u>\$13,203,429</u>	<u>\$134,230</u>	<u>(\$905,244)</u>	<u>\$12,432,415</u>	<u>(\$1,777,012)</u>
Business-type activities:					
<i>Bonds payable:</i>					
General obligation bonds	\$8,095,000	\$6,920,000	(\$8,225,000)	\$6,790,000	(\$1,290,000)
Revenue bonds	4,745,000	0	(185,000)	4,560,000	(190,000)
Capital lease payable	<u>129,765</u>	<u>0</u>	<u>(49,316)</u>	<u>80,449</u>	<u>(50,467)</u>
Total bonds and capital lease payable	12,969,765	6,920,000	(8,459,316)	11,430,449	(1,530,467)
Compensated absences	<u>125,137</u>	<u>9,800</u>	<u>(9,536)</u>	<u>125,401</u>	<u>(34,146)</u>
Business-type activity long-term liabilities	<u>\$13,094,902</u>	<u>\$6,929,800</u>	<u>(\$8,468,852)</u>	<u>\$11,555,850</u>	<u>(\$1,564,613)</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 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Deferred charges on refunding	(\$204,567)	\$0	\$23,159	(\$181,408)	\$23,159
Bond issue costs	(166,902)	0	17,708	(149,194)	17,708

CITY OF ORANGE, TEXAS
Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

Negative net pension obligation	<u>(36,026)</u>	<u>1,954</u>	<u>11,806</u>	<u>(26,174)</u>	=
Governmental activities deferred assets	<u>(\$407,495)</u>	<u>\$1,954</u>	<u>\$52,673</u>	<u>(\$356,776)</u>	<u>\$40,867</u>
Business-type activities:					
Deferred interest	(\$85,147)	\$0	\$85,147	\$0	\$0
Bond issue costs	<u>(321,314)</u>	<u>101,450</u>	<u>175,105</u>	<u>(247,659)</u>	<u>28,099</u>
Business-type activities deferred assets	<u>(\$406,461)</u>	<u>\$101,450</u>	<u>\$260,252</u>	<u>(\$247,659)</u>	<u>\$28,099</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 65,900

Business-type activities:

Debt service payments 1,428,684

Total \$1,494,584

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

CITY OF ORANGE, TEXAS
Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

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 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, 2011, the Workers' Compensation Fund has a designated balance for insurance claim liability of \$328,806 and an undesignated balance of \$24,341. 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 \$353,177.

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

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments and Liability Expensed</u>	<u>Balance at Fiscal Year End</u>
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, 2011

2010-2011 \$399,562 (\$2,159) (\$68,597) \$328,806

2010-2011 2009-2010 2008-2009 2007-2008 2006-2007

Claim Liability Expensed

<i>Unpaid claim liability beginning of year</i>	\$143,488	\$22,062	\$54,055	\$58,238	\$41,889
<i>Claims incurred in current year</i>	120,339	242,686	69,713	67,790	82,882
<i>Increase (decrease) in provision for insured events of prior year</i>	(13,316)	83,144	(34,018)	15,307	26,250
<i>Claim payments attributable to current year claims</i>	(61,756)	(76,554)	(50,338)	(27,976)	(41,758)
<i>Claim payments attributable to prior year claims</i>	<u>(118,710)</u>	<u>(127,850)</u>	<u>(17,350)</u>	<u>(59,304)</u>	<u>(51,025)</u>
<i>Unpaid claim liability expensed at end of year</i>	<u>\$70,045</u>	<u>\$143,488</u>	<u>\$22,062</u>	<u>\$54,055</u>	<u>\$58,238</u>

Designated for Catastrophic Claim

<i>Designated for future catastrophic claims - beginning of year</i>	\$399,562	\$278,136	\$334,078	\$316,997	\$300,527
<i>Increase (decrease) in reserve</i>	<u>(70,756)</u>	<u>121,426</u>	<u>(55,942)</u>	<u>17,081</u>	<u>16,470</u>
<i>Designated for future catastrophic claims - end of year</i>	<u>\$328,806</u>	<u>\$399,562</u>	<u>\$278,136</u>	<u>\$334,078</u>	<u>\$316,997</u>

B. Insurance Recoveries

In fiscal year 2011 the City received hurricane related revenues of \$897,594, from our insurance provider to settle the flood claims still outstanding from Hurricane Ike. The amount was offset by the deobligation of \$292,153 in US Federal Emergency Management Agency (FEMA) fund received in prior fiscal years. As of September 30, 2011 the only outstanding Hurricane Ike insurance claim outstanding is for the payment of the temporary location of the Fire Department. This will be closed once the new facility is completed in fiscal year 2012.

CITY OF ORANGE, TEXAS
Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

The General Governmental Fund reported this as an other financing sources and the insurance received and the offsetting deobligation were netted for an amount of \$690,216. The Water and Sewer Proprietary Fund reported this was a nonoperating revenue, for insurance proceeds, of \$84,246 and a nonoperating expense, for deobligation of (\$169,021).

C. Prior Period Adjustment

In the City Comprehensive Annual Financial Report, for fiscal year ended September 30, 2011, the General Fund reflected a "Due to other funds" of \$125,000 payable from Fiduciary Funds and an amount of \$125,000 for "Prepayments". Offsetting entries were also shown in the Fiduciary Funds. This entry was made to reflect an required insurance prepayment on medical insurance at the time that the City changed insurance providers.

This entry should have been reflected in the fiduciary funds only and the fund has been restated to reflect the proper presentation of this entry.

D. Subsequent Events

City of Orange Economic Development Corporation - Component Unit

On January 3, 2012, the Orange Economic Development Corporation and the City Council of the City of Orange, Texas approved a resolution expressing the intent to finance the base bid portion of the Downtown Master Plan Projects. The maximum to be borrowed is \$5,650,000 in sales tax revenue bonds held by the Corporation.

On January 3, 2012, the Orange Economic Development Corporation approved a resolution to proceed with the alternate project bids in the amount of \$1,091,000. The alternates are to be funded from a use of reserves and Stark Foundation funding. The reserves will be a 50% split between the Economic Development Corporation and the hotel occupancy tax reserves held in the City Orange Development Fund.

On January 3, 2012 the Orange Economic Development Corporation also approved a resolution authorizing the use of \$545,500 of reserves existing as of September 30, 2011 for the Downtown Master Plan.

On January 3, 2012 the Orange Economic Development Corporation approved a resolution to enter into a contract with the Stark Foundation. It is anticipated that \$500,000 will be received from the Stark Foundation over a two year period to help defray costs for the Downtown Master Plan.

CITY OF ORANGE, TEXAS
Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

E. 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.

F. 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-three (23) retirees receiving this benefit and there are no more employees eligible. The present cost to the City is \$676 annually. This cost is funded out of the General Fund revenues on a pay-as-you-go annual basis.

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

CITY OF ORANGE, TEXAS
Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

offered in the respective collective bargaining agreements.

As of September 30, 2011 the City had two (2) 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 \$11,651. This is the amount that was contributed in fiscal year 2011. The contributions were paid from the City General Fund. 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 December 31, 2010. The fiscal year 2011 annual unfunded OPEB cost, of \$101,982, is based on an Unfunded PAYGO assumption as established within the valuation report. This amount also accounts for the interest and amortization adjustment on the OPEB.. If any net postemployment benefit obligations would be required to be paid they would be funded from the City General Fund.

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:

<i>Annual OPEB cost</i>	<i>\$113,115</i>
<i>Contributions made</i>	<i>(11,651)</i>

CITY OF ORANGE, TEXAS
Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

Interest on net OPEB	4,566
Amortization adjustment on net OPEB	<u>(4,059)</u>
Increase in net OPEB obligation	101,971
Net OPEB obligation - beginning of year	<u>255,783</u>
Net OPEB obligation - end of year	<u><u>\$357,754</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 are as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Actual Amount</u> <u>Contributed</u>	<u>Interest on</u> <u>Prior</u> <u>OPEB</u>	<u>Adjustment for</u> <u>Amortization of</u> <u>Prior OPEB</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
09/30/2009	\$154,136	(\$27,729)	n/a	n/a	18%	\$126,407
09/30/2010	\$154,136	(\$25,392)	\$5,688	(\$5,056)	16%	\$255,783
09/30/2011	\$113,115	(\$11,651)	\$4,566	(\$4,059)	10%	\$357,754

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.

Amortization period	30 years - open
Cost method	Projected Unit Credit Cost Method, Level Percent of Payroll
Inflation rate	3.0%
Investment rate of return	4.5% (unfunded PAYGO)
ARC annual increase	3%
Projected salary increases	3%
Post-retirement benefit increases	4%
Healthcare cost trend rate	6% in excess of general inflation ("intermediate" assumption)

CITY OF ORANGE, TEXAS

Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

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 December 31, 2010 actuarial valuation was as follows:

	<u>Unfunded PAYGO</u>	<u>Funding Policy</u>
A. Present value (PV) of future benefits		
i) Retirees and beneficiaries	\$212,944	\$190,303
ii) Vested terminated members	0	0
iii) Active members	1,588,673	984,537
Total PV of Future Benefits	\$1,801,617	\$1,174,840
B. Present value (PV) of future normal costs	\$684,367	\$364,146
C. Actuarial accrued liabilities (A-B)	\$1,117,250	\$810,694
D. Actuarial value of assets	\$0	\$0
E. Unfunded actuarial accrued liability (C-D)	\$1,117,250	\$810,694
F. Funded ratio (D/C)	0.00%	0.00%
G. Annual covered payroll	\$9,672,807	\$9,672,807
H. Ratio of unfunded actuarial accrued liability to the annual covered payroll (G/E)	11.55%	8.38%

G. 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

CITY OF ORANGE, TEXAS

Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

(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 from TMRS' website at www.TMRS.com.

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

	<u>Plan Year 2010</u>	<u>Plan Year 2011</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 the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

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

CITY OF ORANGE, TEXAS

Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

<u>Fiscal Year Ending</u>	<u>9/30/2011</u>	<u>09/30/2010</u>	<u>09/30/2009</u>
Annual pension cost (APC)	\$1,948,452	\$1,997,406	\$1,603,387
Actual contribution made	\$1,948,452	\$1,997,406	\$1,603,387
Percentage of APC contributed	100%	100%	100%
Net pension obligation/(asset)	\$0	\$0	\$0

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

<u>Valuation date</u>	<u>12/31/10</u> <u>Restructured</u>	<u>12/31/2010 Prior to</u> <u>Restructuring</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining amortization period	26.9 Years; closed period	26.9 years; closed period	28 years; closed period	29 years; closed period
Asset valuation method	10 year Smoothed Market	10 year Smoothed Market	10 year Smoothed Market	Amortized Cost

Actuarial assumptions:

Investment rate of return *	7%	7.5%	7.5%	7.0%
Projected salary increases *	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
* Includes inflation at	3.0%	3.0%	3.0%	3.0%
Cost-of-living adjustments	2.1%	2.1%	2.1%	2.1%

Funded Status and Funding Progress

In June, 2011, SB 350 was enacted by the Texas Legislature resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had

CITY OF ORANGE, TEXAS

Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding rations, please see the December 31, 2010 TMRS Comprehensive Annual Finance Report (CAFR).

The funded status as of December 31, 2010, the most recent actuarial valuation date, is as follows:

<u>Actuarial Valuation Date</u>		<u>12/31/2010 Prior to Restructuring</u>	<u>12/31/2010 Restructured</u>
		<u>(1)</u>	<u>(2)</u>
(1)	Actuarial Value of Assets	\$25,814,440	\$42,678,330
(2)	Actuarial Accrued Liability (AAL)	\$39,584,405	\$53,166,559
(3)	Funded Ratio (1)/(2)	65.2%	80.3%
(4)	Unfunded AAL (UAAL) (2)-(1)	\$13,769,965	\$10,488,229
(5)	Covered Payroll	\$7,533,365	\$7,533,365
(6)	UAAL as a Percentage of Covered Payroll (4)/(5)	182.8%	139.2%

(1) Actuarial valuation performed under the original fund structure.

(2) Actuarial valuation performed under the new fund structure.

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

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

CITY OF ORANGE, TEXAS

Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

Orange Firemen's Relief and Retirement Fund

Annual Pension Cost

For the fiscal year ending September 30, 2011, the City of Orange's annual pension contributions, of \$286,682, for the Orange Firefighter's Relief and Retirement Fund, was equal to the City's required and actual contributions during the year. While the required contributions were not actuarially determined, the plan of benefits has been approved by the Board's actuary as having an adequate financing arrangement based on the level of the firefighter and City of Orange contribution rates. The funding policy of the fund requires the firefighters to contribute 11% of payroll and the City to contribute 14% of payroll for fiscal year ending September 30, 2007 and thereafter.

The annual required contributions for the periods December 31, 2008, December 31, 2009, and December 31, 2010 were based on the December 31, 2006, December 31, 2008 and December 31, 2010 actuarial valuations. The entry age actuarial cost method was used, with the normal cost calculated as a level percentage of payroll. The actuarial value of assets was market value smoothed with a five-year deferred recognition method with the actuarial value will not be more than 120% or less than 80% of the actual market value of assets.

The actuarial assumptions included an investment return assumption (net of expenses) of 8% per year for the December 31, 2010, December 31, 2008 and December 31, 2006 valuations, 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 3% 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 27.4 years as of the December 31, 2006 actuarial valuation, 30.1 years as of the December 31, 2008 actuarial valuation, and 34.3 years as of the December 31, 2010 actuarial valuation. All three valuations satisfied the parameters of GASB Statement No. 27.

Trend Information

<u>Year</u> <u>Ending</u>	<u>Actual</u> <u>Amount</u> <u>Contributed</u>	<u>Annual</u> <u>Required</u> <u>Contributions</u> <u>(ARC)</u>	<u>Percentage</u> <u>of ARC</u> <u>Contributed</u>	<u>Interest on</u> <u>Prior NPO</u>	<u>Adjustment</u> <u>to ARC</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u> <u>(Asset)</u>
12/31/08	\$287,362	\$275,056	104%	(\$823)	\$607	(\$22,799)
12/31/09	\$280,069	\$278,923	100%	(\$1,824)	\$1,346	(\$24,423)

CITY OF ORANGE, TEXAS
Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

12/31/10 \$284,686 \$283,447 100% (\$1,954) \$1,442 (\$26,174)

Schedule of Funding Progress

<i>Actuarial Valuation Date</i>	<i>12/31/10</i> ^{1,2,4}	<i>12/31/08</i> ^{1,2,3}	<i>12/31/06</i> ^{1,2,3}
<i>Actuarial Value of Assets</i> (a)	\$9,035,613	\$8,115,580	\$8,211,861
<i>Entry Age Actuarial Accrued Liability</i> (AAL) (b)	\$13,679,257	\$12,687,217	\$11,390,544
<i>Unfunded AAL (UAAL)</i> (b-a)	\$4,643,644	\$4,571,637	\$3,178,683
<i>Funded Ratio (a/b)</i>	66.1%	64.0%	72.1%
<i>Annual Covered Payroll</i> (c)	\$1,907,382	\$1,999,997	\$1,716,803
<i>UAAL as a Percentage of Covered Payroll</i> ((b-a)/c)	243.5%	228.6%	185.2%

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 February 1, 2006.
4. Reflects plan benefit provisions effective February 1, 2009.

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, 2010, 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, 2010.
 - a. Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them. 34
 - b. Current Employees

CITY OF ORANGE, TEXAS

Notes to the Financial Statements For the Fiscal Year Ended September 30, 2011

i. Fully vested	09
ii. Nonvested	<u>28</u>
c. Total	<u>71</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 February 1, 2009 provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity. The monthly benefit equals 2.60 percent of the member's highest 60 month average salary multiplied by his or her number of years of service not in excess of 20, and \$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 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		12/31/2010 ²	12/31/2010 ¹	12/31/2009	12/31/2008
Actuarial value of assets	(A)	\$42,678,330	\$25,814,440	\$25,536,784	\$24,156,735
Actuarial accrued liability	(B)	\$53,166,559	\$39,584,405	\$39,363,083	\$38,025,164
Percentage funded	(C) = (A)/(B)	80.3%	65.2%	64.9%	63.5%
Unfunded actuarial accrued liability (UAAL)	(D) = (B)-(A)	\$10,488,229	\$13,769,965	\$13,826,299	\$13,868,429
Annual covered payroll	(E)	\$7,533,365	\$7,533,365	\$7,210,736	\$6,993,912
UAAL as a percentage of covered payroll	(D)/(E)	139.2%	182.8%	191.7%	198.3%

(1) Actuarial valuation performed under the original fund structure.

(2) Actuarial valuation performed under the new fund structure.

Required Supplementary Information

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

	12/31/10 ^{2,3,4}	12/31/08 ^{2,3,4}	12/31/06 ^{2,3}
Actuarial valuation date			
Actuarial value of assets (a)	\$9,035,613	\$8,115,580	\$8,211,861
Entry Age Actuarial Accrual Liability AAL (b)	\$13,679,257	\$12,687,217	\$11,390,544
Unfunded actuarial accrued liability (UAAL) (b-1)	\$4,643,644	\$4,571,637	\$3,178,683
Funded Ratio (a/b)	66.1%	64.0%	72.1%
¹ Annual Covered Payroll (c)	\$1,907,382	\$1,999,997	\$1,716,803
UAAL as a percentage of Covered Payroll ((g-a)/c)	243.5%	228.6%	185.2%

- 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 February 1, 2006
- ⁴ 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	12/31/2010 ³	12/31/2009 ³	12/31/2008 ²	12/31/2007	12/31/2006 ¹	09/30/2006
Annual pension cost:						
Annual required contribution (ARC)	283,447	278,923	275,055	242,133	225,714	226,474
Percentage of ARC Contributed	105%	105%	105%	104%	100%	100%
Change in net pension obligation (asset)	(1,239)	(1,146)	(12,307)	(10,277)	0	0
Interest on net pension obligation (asset)	(1,954)	(1,824)	(822)			
ARC Adjustment	1,442	1,346	607			
Net pension obligation (asset)	(26,174)	(24,423)	(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 Reflect NPO as stated in the Actuarial Valuation as of 12/31/10.

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		12/31/2010	04/30/2008 (1)
Actuarial value of assets	(A)	\$0	\$0
Actuarial accrued liability	(B)	\$1,117,250	\$1,733,169
Percentage funded	(C) = (A)/(B)	0.0%	0.0%
Unfunded actuarial accrued liability (UAAL)	(D) = (B)-(A)	\$1,117,250	\$1,733,169
Annual Covered Payroll	(E)	\$9,672,807	\$8,993,909
Ratio of the unfunded actuarial liability to the annual covered payroll	(F) = (D) / (E)	11.55%	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, 2011

	Budget	Actual	Variance Over (Under)
<u>Council</u>			
Personal services	\$8,544	\$8,441	(\$103)
Supplies	350	396	46
Other services and charges	103,500	96,991	(6,509)
Total Council	112,394	105,828	(6,566)
<u>City Manager</u>			
Personal services	205,397	202,982	(2,415)
Supplies	2,949	1,531	(1,418)
Other services and charges	34,851	25,995	(8,856)
Total City Manager	243,197	230,508	(12,689)
<u>City Secretary</u>			
Personal services	165,321	164,939	(382)
Supplies	16,700	7,008	(9,692)
Other services and charges	10,650	7,552	(3,098)
Total City Secretary	192,671	179,499	(13,172)
<u>Municipal Court</u>			
Personal services	119,546	118,725	(821)
Supplies	7,250	5,416	(1,834)
Other services and charges	91,200	86,110	(5,090)
Total Municipal Court	217,996	210,251	(7,745)
<u>Human Resources</u>			
Personal services	77,752	78,336	584
Supplies	17,350	14,512	(2,838)
Other services and charges	24,400	22,143	(2,257)
Total Human Resources	119,502	114,991	(4,511)
<u>Finance</u>			
Personal services	348,862	352,410	3,548
Supplies	40,083	30,214	(9,869)
Other services and charges	46,917	36,553	(10,364)
Total Finance	435,862	419,177	(16,685)
<u>Tax</u>			
Other services and charges	120,146	118,577	(1,569)
Total Tax	120,146	118,577	(1,569)
<u>MIS</u>			
Personal services	24,815	27,288	2,473
Supplies	12,000	8,703	(3,297)
Other services and charges	17,600	16,830	(770)
Total MIS	54,415	52,821	(1,594)
Total General Government	1,496,183	1,431,652	(64,531)

(Continued)

City of Orange
Schedule of Expenditures Division Level - Budget and Actual
General Fund
For the Year Ending September 30, 2011

	Budget	Actual	Variance Over (Under)
<u>Library</u>			
Personal services	391,513	391,470	(43)
Supplies	8,800	8,057	(743)
Other services and charges	32,700	29,620	(3,080)
Total Library	433,013	429,147	(3,866)
<u>Natatorium</u>			
Personal services	42,594	51,116	8,522
Supplies	4,353	3,041	(1,312)
Other services and charges	6,947	6,854	(93)
Total Natatorium	53,894	61,011	7,117
<u>Recreation</u>			
Personal services	143	978	835
Supplies	2,600	967	(1,633)
Other services and charges	1,630	0	(1,630)
Total Recreation	4,373	1,945	(2,428)
<u>Park Maintenance</u>			
Personal services	496,329	497,231	902
Supplies	15,150	11,707	(3,443)
Other services and charges	35,100	31,231	(3,869)
Total Park Maintenance	546,579	540,169	(6,410)
Total Cultural and Recreation	1,037,859	1,032,272	(5,587)
<u>Police</u>			
Personal services	4,829,345	4,927,286	97,941
Supplies	84,500	82,958	(1,542)
Other services and charges	147,600	140,194	(7,406)
Total Police	5,061,445	5,150,438	88,993
<u>Emergency Management</u>			
Supplies	8,150	7,045	(1,105)
Other services and charges	6,200	4,834	(1,366)
Total Emergency Management	14,350	11,879	(2,471)
<u>Fire</u>			
Personal services	2,979,771	3,020,464	40,693
Supplies	84,500	90,147	5,647
Other services and charges	70,800	66,002	(4,798)
Total Fire	3,135,071	3,176,613	41,542
<u>Animal Control</u>			
Personal services	102,316	96,813	(5,503)
Supplies	16,300	12,631	(3,669)
Other services and charges	5,050	3,784	(1,266)
Total Animal Control	123,666	113,228	(10,438)
Total Public Safety	8,334,532	8,452,158	117,626

(Continued)

City of Orange
Schedule of Expenditures Division Level - Budget and Actual
General Fund
For the Year Ending September 30, 2011

	Budget	Actual	Variance Over (Under)
<u>Planning</u>			
Personal services	126,213	98,289	(27,924)
Supplies	4,100	2,614	(1,486)
Other services and charges	6,700	6,083	(617)
Total Planning	137,013	106,986	(30,027)
<u>Code Enforcement</u>			
Personal services	223,601	221,198	(2,403)
Supplies	2,261	1,961	(300)
Other services and charges	3,639	3,545	(94)
Total Code Enforcement	229,501	226,704	(2,797)
<u>Building Services</u>			
Personal services	276,283	273,641	(2,642)
Supplies	14,158	11,323	(2,835)
Other services and charges	163,422	136,679	(26,743)
Total Building Services	453,863	421,643	(32,220)
<u>Street & Drainage</u>			
Personal services	878,317	764,081	(114,236)
Supplies	15,800	14,038	(1,762)
Other services and charges	182,850	175,967	(6,883)
Total Street & Drainage	1,076,967	954,086	(122,881)
<u>Public Works Administration</u>			
Personal services	196,017	205,774	9,757
Supplies	5,000	2,786	(2,214)
Other services and charges	4,950	3,744	(1,206)
Total Public Works Administration	205,967	212,304	6,337
<u>Fleet Maintenance</u>			
Personal services	269,203	263,876	(5,327)
Supplies	12,000	7,946	(4,054)
Other services and charges	619,900	611,389	(8,511)
Total Fleet Maintenance	901,103	883,211	(17,892)
<u>Engineering</u>			
Personal services	71,382	71,197	(185)
Supplies	6,500	5,608	(892)
Other services and charges	4,600	3,338	(1,262)
Total Engineering	82,482	80,143	(2,339)
Total Public Works	3,086,896	2,885,077	(201,819)

(Continued)

City of Orange
Schedule of Expenditures Division Level - Budget and Actual
General Fund
For the Year Ending September 30, 2011

	Budget	Actual	Variance Over (Under)
<u>Hurricane - Recovery</u>			
Supplies	245,200	173,125	(72,075)
Total Hurricane Ike Recovery	245,200	173,125	(72,075)
<u>Non Departmental</u>			
Other services and charges	1,850,875	1,796,074	(54,801)
Total Non Departmental	1,850,875	1,796,074	(54,801)
<u>Capital Outlay</u>			
Capital Outlay	703,465	831,549	128,084
Total Capital Outlay	703,465	831,549	128,084
Total General Fund	\$16,755,010	\$16,601,907	(\$153,103)

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Debt Service Fund
For the Year Ended September 30, 2011

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Taxes	\$1,172,065	\$1,172,065	\$1,261,441	\$89,376
Investment income	1,125	1,125	760	(365)
Total revenues	1,173,190	1,173,190	1,262,201	89,011
Expenditures:				
Principal retirement	865,000	865,000	865,000	0
Interest and fiscal charges	427,065	427,065	425,565	(1,500)
Total expenditures	1,292,065	1,292,065	1,290,565	(1,500)
Excess (deficiency) of revenues over (under) expenditures	(118,875)	(118,875)	(28,364)	90,511
Net change in fund balance	(118,875)	(118,875)	(28,364)	90,511
Fund balances beginning	142,388	142,388	142,388	0
Fund balances ending	\$23,513	\$23,513	\$114,024	\$90,511

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects Fund
For the Year Ended September 30, 2011

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Investment income	\$0	\$0	\$290	\$290
Total revenues	0	0	290	290
Expenditures:				
Public works	0	1,500	1,500	0
Total expenditures	0	1,500	1,500	0
Excess (deficiency) of revenues over (under) expenditures	0	(1,500)	(1,210)	290
Net change in fund balance	0	(1,500)	(1,210)	290
Fund balances beginning	99,999	99,999	99,999	0
Fund balances ending	<u>\$99,999</u>	<u>\$98,499</u>	<u>\$98,789</u>	<u>\$290</u>

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 Energy Grant Fund - This fund is used to account for federal funds received from the U. S. Department of Energy under the State Energy Conservation Office (SECO) Energy Efficiency and Conservation Block Grant.

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 Commission on Environmental Quality SEP Fund - This fund is used to account for fund received through Texas Commission on Environmental Quality agreed enforcement actions to be used for related energy efficiency projects.

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 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.

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.

**City of Orange
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2011**

	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
Assets					
Cash and cash equivalents	\$66,006	\$246,134	\$25,109	\$0	\$65,350
Grant or other receivable	0	0	42,100	0	0
Total assets	\$66,006	\$246,134	\$67,209	\$0	\$65,350
Liabilities					
Accounts payable	\$0	\$0	\$28,011	\$0	\$992
Deferred revenue	0	0	0	0	0
Due to other funds	0	0	0	0	0
Total liabilities	0	0	28,011	0	992
Fund balances					
Restricted for:					
Cultural and recreation	0	0	0	0	0
Hurricane recovery	0	246,134	0	0	0
Public safety	66,006	0	0	0	64,358
Public works	0	0	39,198	0	0
Tourism and promotion	0	0	0	0	0
Assigned to:					
Economic development	0	0	0	0	0
Total fund balances	66,006	246,134	39,198	0	64,358
Total liabilities and fund balances	\$66,006	\$246,134	\$67,209	\$0	\$65,350

(Continued)

**City of Orange
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2011**

	Special Revenue			
	Department of Energy Grant Fund	Department of Justice Grant Fund	Economic Development Fund	Emergency Management Fund
Assets				
Cash and cash equivalents	\$0	\$0	\$2,268	\$0
Grant or other receivable	0	22,355	0	30,411
Total assets	\$0	\$22,355	\$2,268	\$30,411
Liabilities				
Accounts payable	\$0	\$1,181	\$0	\$0
Deferred revenue	0	0	0	0
Due to other funds	0	21,174	0	30,411
Total liabilities	0	22,355	0	30,411
Fund balances				
Restricted for:				
Cultural and recreation	0	0	0	0
Hurricane recovery	0	0	0	0
Public safety	0	0	0	0
Public works	0	0	0	0
Tourism and promotion	0	0	0	0
Assigned to:				
Economic development	0	0	2,268	0
Total fund balances	0	0	2,268	0
Total liabilities and fund balances	\$0	\$22,355	\$2,268	\$30,411

(Continued)

**City of Orange
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2011**

	Special Revenue				
	FEMA Fire Act Grant Fund	Fire Department Donation Fund	Home Program Fund	HUD Home Consortium Fund	Law Enforcement Seizure Fund
Assets					
Cash and cash equivalents	\$0	\$31,095	\$9,903	\$0	\$593,742
Grant or other receivable	33,179	0	0	24,191	0
Total assets	\$33,179	\$31,095	\$9,903	\$24,191	\$593,742
Liabilities					
Accounts payable	\$0	\$6,865	\$0	\$18,172	\$0
Deferred revenue	0	0	0	0	32,830
Due to other funds	33,179	0	0	6,019	0
Total liabilities	33,179	6,865	0	24,191	32,830
Fund balances					
Restricted for:					
Cultural and recreation	0	0	0	0	0
Hurricane recovery	0	0	0	0	0
Public safety	0	24,230	0	0	560,912
Public works	0	0	9,903	0	0
Tourism and promotion	0	0	0	0	0
Assigned to:					
Economic development	0	0	0	0	0
Total fund balances	0	24,230	9,903	0	560,912
Total liabilities and fund balances	\$33,179	\$31,095	\$9,903	\$24,191	\$593,742

(Continued)

**City of Orange
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2011**

	Special Revenue				
	Library Donation Fund	Municipal Court Technology Fund	Nelda C & HJ Lutcher Stark Foundation Grant Fund	Orange Development Fund	Parks Donation Fund
Assets					
Cash and cash equivalents	\$100,744	\$67,723	\$24,387	\$815,617	\$9,812
Grant or other receivable	0	0	0	45,471	0
Total assets	\$100,744	\$67,723	\$24,387	\$861,088	\$9,812
Liabilities					
Accounts payable	\$0	\$0	\$0	\$25,808	\$0
Deferred revenue	0	0	0	0	0
Due to other funds	0	0	0	0	0
Total liabilities	0	0	0	25,808	0
Fund balances					
Restricted for:					
Cultural and recreation	100,744	0	3,835	0	9,812
Hurricane recovery	0	0	0	0	0
Public safety	0	67,723	16,516	0	0
Public works	0	0	4,036	0	0
Tourism and promotion	0	0	0	835,280	0
Assigned to:					
Economic development	0	0	0	0	0
Total fund balances	100,744	67,723	24,387	835,280	9,812
Total liabilities and fund balances	\$100,744	\$67,723	\$24,387	\$861,088	\$9,812

(Continued)

**City of Orange
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2011**

	Special Revenue				
	Police Donation Fund	Texas Commission on Environmental Quality SEP Fund	Texas Comptroller's Tobacco Grant Fund	Texas Dept. of Rural Affairs Grant Fund	Texas Forrest Service TIFMAS Grant Fund
Assets					
Cash and cash equivalents	\$30,989	\$43,854	\$2,500	\$0	\$0
Grant or other receivable	0	0	0	1,808,104	0
Total assets	\$30,989	\$43,854	\$2,500	\$1,808,104	\$0
Liabilities					
Accounts payable	\$0	\$0	\$0	\$293,368	\$0
Deferred revenue	0	0	0	0	0
Due to other funds	0	0	0	1,514,736	0
Total liabilities	0	0	0	1,808,104	0
Fund balances					
Restricted for:					
Cultural and recreation	0	0	0	0	0
Hurricane recovery	0	0	0	0	0
Public safety	30,989	43,854	2,500	0	0
Public works	0	0	0	0	0
Tourism and promotion	0	0	0	0	0
Assigned to:					
Economic development	0	0	0	0	0
Total fund balances	30,989	43,854	2,500	0	0
Total liabilities and fund balances	\$30,989	\$43,854	\$2,500	\$1,808,104	\$0

(Continued)

**City of Orange
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2011**

	Texas Loanstar Library Grant Fund	Total Nonmajor Governmental Funds
Assets		
Cash and cash equivalents	\$0	\$2,135,233
Grant or other receivable	0	2,005,811
Total assets	\$0	\$4,141,044
Liabilities		
Accounts payable	\$0	\$374,397
Deferred revenue	0	32,830
Due to other funds	0	1,605,519
Total liabilities	0	2,012,746
Fund balances		
Restricted for:		
Cultural and recreation	0	114,391
Hurricane recovery	0	246,134
Public safety	0	877,088
Public works	0	53,137
Tourism and promotion	0	835,280
Assigned to:		
Economic development	0	2,268
Total fund balances	0	2,128,298
Total liabilities and fund balances	\$0	\$4,141,044

City of Orange
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2011

	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
Revenues					
Taxes	\$0	\$0	\$0	\$0	\$0
Intergovernmental	0	0	273,130	76,800	0
Donations	1,446	0	0	0	26,000
Grant income	0	0	0	0	0
Investment income	196	997	0	0	169
Program income	0	0	17,271	0	0
Forfeitures	0	0	0	0	0
Total revenues	1,642	997	290,401	76,800	26,169
Expenditures					
Current:					
Cultural & recreation	0	0	0	0	0
Public safety	3,274	9,500	0	0	20,499
Public works	0	0	255,271	1,306	0
Capital outlay:					
Books	0	0	0	0	0
Building	0	0	0	0	0
Land	0	147,441	0	0	0
Machinery	0	0	0	0	0
Vehicles	0	0	19,705	0	0
Water construction	0	0	13,386	75,494	0
Total expenditures	3,274	156,941	288,362	76,800	20,499
Excess (deficiency) of revenues over (under) expenditures	(1,632)	(155,944)	2,039	0	5,670
Net change in fund balances	(1,632)	(155,944)	2,039	0	5,670
Fund balances beginning	67,638	402,078	37,159	0	58,688
Fund balances ending	\$66,006	\$246,134	\$39,198	\$0	\$64,358

(Continued)

City of Orange
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2011

	Department of Energy Grant Fund	Department of Justice Grant Fund	Economic Development Fund	Emergency Management Fund
Revenues				
Taxes	\$0	\$0	\$0	\$0
Intergovernmental	0	0	0	0
Donations	0	0	0	0
Grant income	6,224	80,359	0	30,411
Investment income	0	0	7	0
Program income	0	0	0	0
Forfeitures	0	0	0	0
Total revenues	6,224	80,359	7	30,411
Expenditures				
Current:				
Cultural & recreation	0	0	0	0
Public safety	0	80,359	0	30,411
Public works	6,224	0	0	0
Capital outlay:				
Books	0	0	0	0
Building	0	0	0	0
Land	0	0	0	0
Machinery	0	0	0	0
Vehicles	0	0	0	0
Water construction	0	0	0	0
Total expenditures	6,224	80,359	0	30,411
Excess (deficiency) of revenues over (under) expenditures	0	0	7	0
Net change in fund balances	0	0	7	0
Fund balances beginning	0	0	2,261	0
Fund balances ending	\$0	\$0	\$2,268	\$0

(Continued)

City of Orange
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2011

	Special Revenue				
	FEMA Fire Act Grant Fund	Fire Department Donation Fund	Home Program Fund	HUD Home Consortium Fund	Law Enforcement Seizure Fund
Revenues					
Taxes	\$0	\$0	\$0	\$0	\$0
Intergovernmental	0	0	0	393,365	0
Donations	0	1,465	0	0	0
Grant income	33,179	0	0	0	0
Investment income	0	93	30	0	1,499
Program income	0	0	0	0	0
Forfeitures	0	0	0	0	57,701
Total revenues	33,179	1,558	30	393,365	59,200
Expenditures					
Current:					
Cultural & recreation	0	0	0	0	0
Public safety	33,179	19,664	0	0	60,712
Public works	0	0	300	393,365	0
Capital outlay:					
Books	0	0	0	0	0
Building	0	0	0	0	0
Land	0	0	0	0	0
Machinery	0	0	0	0	23,529
Vehicles	0	0	0	0	2,286
Water construction	0	0	0	0	0
Total expenditures	33,179	19,664	300	393,365	86,527
Excess (deficiency) of revenues over (under) expenditures	0	(18,106)	(270)	0	(27,327)
Net change in fund balances	0	(18,106)	(270)	0	(27,327)
Fund balances beginning	0	42,336	10,173	0	588,239
Fund balances ending	\$0	\$24,230	\$9,903	\$0	\$560,912

(Continued)

City of Orange
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2011

	Special Revenue				
	Library Donation Fund	Municipal Court Technology Fund	Nelda C & HJ Lutcher Stark Foundation Grant Fund	Orange Development Fund	Parks Donation Fund
Revenues					
Taxes	\$0	\$0	\$0	\$456,639	\$0
Intergovernmental	0	0	0	0	0
Donations	6,953	0	0	9,511	0
Grant income	0	0	19,765	0	0
Investment income	258	159	72	2,045	29
Program income	1,411	8,993	8,061	0	0
Forfeitures	0	0	0	0	0
Total revenues	8,622	9,152	27,898	468,195	29
Expenditures					
Current:					
Cultural & recreation	2,707	0	0	444,309	0
Public safety	0	5,605	0	0	0
Public works	0	0	27,650	0	0
Capital outlay:					
Books	0	0	0	0	0
Building	0	0	0	0	0
Land	0	0	0	0	0
Machinery	4,364	0	0	0	0
Vehicles	0	0	0	0	0
Water construction	0	0	0	0	0
Total expenditures	7,071	5,605	27,650	444,309	0
Excess (deficiency) of revenues over (under) expenditures	1,551	3,547	248	23,886	29
Net change in fund balances	1,551	3,547	248	23,886	29
Fund balances beginning	99,193	64,176	24,139	811,394	9,783
Fund balances ending	\$100,744	\$67,723	\$24,387	\$835,280	\$9,812

(Continued)

City of Orange
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2011

	Special Revenue				
	Police Donation Fund	Texas Commission on Environmental Quality SEP Fund	Texas Comptroller's Tobacco Grant Fund	Texas Dept. of Rural Affairs Grant Fund	Texas Forest Service TIFMAS Grant Fund
Revenues					
Taxes	\$0	\$0	\$0	\$0	\$0
Intergovernmental	0	0	0	0	0
Donations	0	0	0	0	0
Grant income	0	0	2,500	3,200,677	11,580
Investment income	79	14	0	0	0
Program income	0	43,840	0	0	0
Forfeitures	0	0	0	0	0
Total revenues	79	43,854	2,500	3,200,677	11,580
Expenditures					
Current:					
Cultural & recreation	0	0	0	0	0
Public safety	414	0	3,000	0	11,580
Public works	0	0	0	340,804	0
Capital outlay:					
Books	0	0	0	0	0
Building	0	0	0	2,199,409	0
Land	0	0	0	180,000	0
Machinery	0	0	0	480,464	0
Vehicles	0	0	0	0	0
Water construction	0	0	0	0	0
Total expenditures	414	0	3,000	3,200,677	11,580
Excess (deficiency) of revenues over (under) expenditures	(335)	43,854	(500)	0	0
Net change in fund balances	(335)	43,854	(500)	0	0
Fund balances beginning	31,324	0	3,000	0	0
Fund balances ending	\$30,989	\$43,854	\$2,500	\$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, 2011

	Texas Loanstar Library Grant Fund	Total Nonmajor Governmental Funds
Revenues		
Taxes	\$0	\$456,639
Intergovernmental	0	743,295
Donations	0	45,375
Grant income	3,183	3,387,878
Investment income	0	5,647
Program income	0	79,576
Forfeitures	0	57,701
Total revenues	<u>3,183</u>	<u>\$4,776,111</u>
Expenditures		
Current:		
Cultural & recreation	1,459	448,475
Public safety	0	278,197
Public works	0	1,024,920
Capital outlay:		
Books	1,724	1,724
Building	0	2,199,409
Land	0	327,441
Machinery	0	508,357
Vehicles	0	21,991
Water construction	0	88,880
Total expenditures	<u>3,183</u>	<u>4,899,394</u>
Excess (deficiency) of revenues over (under) expenditures	<u>0</u>	<u>(123,283)</u>
Net change in fund balances	0	(123,283)
Fund balances beginning	0	2,251,581
Fund balances ending	<u>\$0</u>	<u>\$2,128,298</u>

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, 2011

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Donations	\$200	\$200	\$1,446	\$1,246
Investment income	100	100	196	96
Total revenues	300	300	1,642	1,342
Expenditures:				
Public safety	4,000	4,000	3,274	(726)
Total expenditures	4,000	4,000	3,274	(726)
Net change in fund balance	(3,700)	(3,700)	(1,632)	2,068
Fund balances beginning	67,638	67,638	67,638	0
Fund balances ending	\$63,938	\$63,938	\$66,006	\$2,068

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Bush Clinton Coastal Recovery Fund
For the Year Ended September 30, 2011

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Investment income	\$1,000	\$1,000	\$997	(\$3)
Total revenues	1,000	1,000	997	(3)
Expenditures:				
Public safety	0	247,236	9,500	(237,736)
Capital outlay				
Land	0	152,764	147,441	(5,323)
Total expenditures	0	400,000	156,941	(243,059)
Net change in fund balance	1,000	(399,000)	(155,944)	243,056
Fund balances beginning	402,078	402,078	402,078	0
Fund balances ending	\$403,078	\$3,078	\$246,134	\$243,056

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, 2011

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Intergovernmental	\$611,818	\$611,818	\$273,130	(\$338,688)
Investment income	0	0	0	0
Program income	21,000	21,000	17,271	(3,729)
Total revenues	<u>632,818</u>	<u>632,818</u>	<u>290,401</u>	<u>(342,417)</u>
Expenditures:				
Public works	591,818	578,727	255,271	(323,456)
Capital outlay				
Water constructon	0	13,386	13,386	0
Vehicles	20,000	19,705	19,705	0
Total expenditures	<u>611,818</u>	<u>611,818</u>	<u>288,362</u>	<u>(323,456)</u>
Net change in fund balance	21,000	21,000	2,039	(18,961)
Fund balances beginning	37,159	37,159	37,159	0
Fund balances ending	<u>\$58,159</u>	<u>\$58,159</u>	<u>\$39,198</u>	<u>(\$18,961)</u>

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, 2011

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Intergovernmental	\$0	\$0	\$76,800	\$76,800
Total revenues	0	0	76,800	76,800
Expenditures:				
Public works	0	1,308	1,306	(2)
Capital outlay				
Water construction	0	75,495	75,494	(1)
Total expenditures	0	76,803	76,800	(3)
Net change in fund balance	0	(76,803)	0	76,803
Fund balances beginning	0	0	0	0
Fund balances ending	\$0	(\$76,803)	\$0	\$76,803

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, 2011

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Donations	\$18,000	\$18,000	\$26,000	\$8,000
Investment income	250	250	169	(81)
Total revenues	18,250	18,250	26,169	7,919
Expenditures:				
Public safety	40,000	40,000	20,499	(19,501)
Total expenditures	40,000	40,000	20,499	(19,501)
Excess (deficiency) of revenues over (under) expenditures	(21,750)	(21,750)	5,670	27,420
Net change in fund balance	(21,750)	(21,750)	5,670	27,420
Fund balances beginning	58,688	58,688	58,688	0
Fund balances ending	\$36,938	\$36,938	\$64,358	\$27,420

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Department of Energy Grant Fund
For the Year Ended September 30, 2011

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Grant income	\$0	\$0	\$6,224	\$6,224
Total revenues	0	0	6,224	6,224
Expenditures:				
Public works	0	6,224	6,224	0
Capital outlay				
Building	0	51,352	0	(51,352)
Total expenditures	0	57,576	6,224	(51,352)
Net change in fund balance	0	(57,576)	0	57,576
Fund balances beginning	0	0	0	0
Fund balances ending	\$0	(\$57,576)	\$0	\$57,576

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, 2011

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Grant income	\$191,726	\$191,726	\$80,359	(\$111,367)
Total revenues	191,726	191,726	80,359	(111,367)
Expenditures:				
Public safety	131,726	131,726	80,359	(51,367)
Capital outlay				
Machinery	60,000	60,000	0	(60,000)
Total expenditures	191,726	191,726	80,359	(111,367)
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
Economic Development Fund
For the Year Ended September 30, 2011

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Investment income	\$5	\$5	\$7	\$2
Total revenues	5	5	7	2
Net change in fund balance	5	5	7	2
Fund balances beginning	2,261	2,261	2,261	0
Fund balances ending	<u>\$2,266</u>	<u>\$2,266</u>	<u>\$2,268</u>	<u>\$2</u>

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Emergency Management Fund
For the Year Ended September 30, 2011

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Grant income	\$29,240	\$29,240	\$30,411	\$1,171
Total revenues	29,240	29,240	30,411	1,171
Expenditures:				
Public safety	29,240	29,240	30,411	1,171
Total expenditures	29,240	29,240	30,411	1,171
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, 2011

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Grant income	\$0	\$0	\$33,179	\$33,179
Total revenues	0	0	33,179	33,179
Expenditures:				
Public safety	0	0	33,179	33,179
Capital outlay				
Machinery	0	34,492	0	(34,492)
Total expenditures	0	34,492	33,179	(1,313)
Net change in fund balance	0	(34,492)	0	34,492
Fund balances beginning	0	0	0	0
Fund balances ending	\$0	(\$34,492)	\$0	\$34,492

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, 2011

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Donations	\$0	\$0	\$1,465	\$1,465
Investment income	75	75	93	18
Total revenues	75	75	1,558	1,483
Expenditures:				
Public safety	20,000	20,000	19,664	(336)
Total expenditures	20,000	20,000	19,664	(336)
Net change in fund balance	(19,925)	(19,925)	(18,106)	1,819
Fund balances beginning	42,336	42,336	42,336	0
Fund balances ending	\$22,411	\$22,411	\$24,230	\$1,819

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, 2011

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Intergovernmental	\$777,314	\$777,314	\$393,365	(\$383,949)
Total revenues	<u>777,314</u>	<u>777,314</u>	<u>393,365</u>	<u>(383,949)</u>
Expenditures:				
Public works	777,314	790,951	393,365	(397,586)
Total expenditures	<u>777,314</u>	<u>790,951</u>	<u>393,365</u>	<u>(397,586)</u>
Net change in fund balance	0	(13,637)	0	13,637
Fund balances beginning	0	0	0	0
Fund balances ending	<u>\$0</u>	<u>(\$13,637)</u>	<u>\$0</u>	<u>\$13,637</u>

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, 2011

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Investment income	\$1,510	\$1,510	\$1,499	(\$11)
Forfeiture	50,000	50,000	57,701	7,701
Total revenues	51,510	51,510	59,200	7,690
Expenditures:				
Public safety	82,000	98,308	60,712	(37,596)
Capital outlay				
Machinery	12,500	25,000	23,529	(1,471)
Vehicles	25,000	25,000	2,286	(22,714)
Total expenditures	119,500	148,308	86,527	(61,781)
 Net change in fund balance	 (67,990)	 (96,798)	 (27,327)	 69,471
Fund balances beginning	588,239	588,239	588,239	0
Fund balances ending	\$520,249	\$491,441	\$560,912	\$69,471

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Library Donation Fund
For the Year Ended September 30, 2011

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Donations	\$4,000	\$4,000	\$6,953	\$2,953
Investment income	250	250	258	8
Program income	1,700	1,700	1,411	(289)
Total revenues	5,950	5,950	8,622	2,672
Expenditures:				
Cultural and recreation	18,800	18,800	2,707	(16,093)
Capital outlay				
Books	10,000	10,000	0	(10,000)
Machinery	10,000	10,000	4,364	(5,636)
Total expenditures	38,800	38,800	7,071	(31,729)
Net change in fund balance	(32,850)	(32,850)	1,551	34,401
Fund balances beginning	99,193	99,193	99,193	0
Fund balances ending	\$66,343	\$66,343	\$100,744	\$34,401

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, 2011

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Investment income	\$200	\$200	\$159	(\$41)
Program income	11,500	11,500	8,993	(2,507)
Total revenues	11,700	11,700	9,152	(2,548)
Expenditures:				
Public safety	14,000	14,000	5,605	(8,395)
Total expenditures	14,000	14,000	5,605	(8,395)
Net change in fund balance	(2,300)	(2,300)	3,547	5,847
Fund balances beginning	64,176	64,176	64,176	0
Fund balances ending	\$61,876	\$61,876	\$67,723	\$5,847

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, 2011

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Grant proceeds	\$8,529	\$8,529	\$19,765	\$11,236
Investment income	60	60	72	12
Program income	0	0	8,061	8,061
Total revenues	<u>8,589</u>	<u>8,589</u>	<u>27,898</u>	<u>19,309</u>
Expenditures:				
Public safety	8,529	8,529	0	(8,529)
Public works	0	31,676	27,650	(4,026)
Total expenditures	<u>8,529</u>	<u>40,205</u>	<u>27,650</u>	<u>(12,555)</u>
Net change in fund balance	60	(31,616)	248	31,864
Fund balances beginning	24,139	24,139	24,139	0
Fund balances ending	<u>\$24,199</u>	<u>(\$7,477)</u>	<u>\$24,387</u>	<u>\$31,864</u>

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Orange Development Fund
For the Year Ended September 30, 2011

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Taxes	\$470,000	\$470,000	\$456,639	(\$13,361)
Donations	4,500	4,500	9,511	5,011
Investment income	2,000	2,000	2,045	45
Total revenues	476,500	476,500	468,195	(8,305)
Expenditures:				
Cultural and recreation	531,507	476,000	444,309	(31,691)
Total expenditures	531,507	476,000	444,309	(31,691)
Net change in fund balance	(55,007)	500	23,886	23,386
Fund balances beginning	811,394	811,394	811,394	0
Fund balances ending	\$756,387	\$811,894	\$835,280	\$23,386

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Parks Donation Fund
For the Year Ended September 30, 2011

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Investment income	\$20	\$20	\$29	\$9
Total revenues	20	20	29	9
Net change in fund balance	20	20	29	9
Fund balances beginning	9,783	9,783	9,783	0
Fund balances ending	<u>\$9,803</u>	<u>\$9,803</u>	<u>\$9,812</u>	<u>\$9</u>

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Police Donation Fund
For the Year Ended September 30, 2011

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Investment income	\$100	\$100	\$79	(\$21)
Total revenues	100	100	79	(21)
Expenditures:				
Public safety	25,000	25,000	414	(24,586)
Total expenditures	25,000	25,000	414	(24,586)
Net change in fund balance	(24,900)	(24,900)	(335)	24,565
Fund balances beginning	31,324	31,324	31,324	0
Fund balances ending	\$6,424	\$6,424	\$30,989	\$24,565

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Texas Comptroller's Tobacco Grant Fund
For the Year Ended September 30, 2011

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Grant income	\$0	\$0	\$2,500	\$2,500
Total revenues	0	0	2,500	2,500
Expenditures:				
Public safety	0	2,900	3,000	100
Total expenditures	0	2,900	3,000	100
Net change in fund balance	0	(2,900)	(500)	2,400
Fund balances beginning	3,000	3,000	3,000	0
Fund balances ending	<u>\$3,000</u>	<u>\$100</u>	<u>\$2,500</u>	<u>\$2,400</u>

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, 2011

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Grant income	\$7,008,284	\$7,008,284	\$3,200,677	(\$3,807,607)
Total revenues	7,008,284	7,008,284	3,200,677	(3,807,607)
Expenditures:				
Public works	561,598	600,648	340,804	(259,844)
Capital outlay				
Building	5,725,415	5,725,415	2,199,409	(3,526,006)
Land	55,000	183,000	180,000	(3,000)
Machinery	560,871	540,871	480,464	(60,407)
Other capital outlay	105,400	105,400	0	(105,400)
Total expenditures	7,008,284	7,155,334	3,200,677	(3,954,657)
Net change in fund balance	0	(147,050)	0	147,050
Fund balances beginning	0	0	0	0
Fund balances ending	\$0	(\$147,050)	\$0	\$147,050

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, 2011

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Grant income	\$0	\$0	\$11,580	\$11,580
Total revenues	0	0	11,580	11,580
Expenditures:				
Public safety	0	11,580	11,580	0
Total expenditures	0	11,580	11,580	0
Net change in fund balance	0	(11,580)	0	11,580
Fund balances beginning	0	0	0	0
Fund balances ending	\$0	(\$11,580)	\$0	\$11,580

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, 2011

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Grant income	\$0	\$0	\$3,183	\$3,183
Total revenues	0	0	3,183	3,183
Expenditures:				
Cultural and recreation	0	1,488	1,459	(29)
Capital outlay				
Books	0	1,624	1,724	100
Total expenditures	0	3,112	3,183	71
Net change in fund balance	0	(3,112)	0	3,112
Fund balances beginning	0	0	0	0
Fund balances ending	\$0	(\$3,112)	\$0	\$3,112

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, 2011**

	Workers' Compensation Insurance Fund
Assets	
Cash and cash equivalents	\$450,192
Cash with fiscal agent	26,000
Total assets	<u>476,192</u>
Liabilities	
Accounts payable	52,970
Claims payable	70,045
Total liabilities	<u>123,015</u>
Net Assets	
Unrestricted	<u>353,177</u>
Total net assets	<u><u>\$353,177</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, 2011

	Workers' Compensation Insurance Fund
Operating revenues:	
Charges for services	\$213,390
Total operating revenues	213,390
Operating expenses:	
Administrative	11,249
Claims	68,597
Premiums	29,537
Total operating expenses	109,383
Operating income	104,007
Nonoperating revenues (expenses):	
Investment income	1,092
Change in net assets	105,099
Total net assets - beginning	248,078
Total net assets - ending	\$353,177

**City of Orange, Texas
Statement of Cash Flows
Internal Service Fund
For the Year Ended September 30, 2011**

	Workers' Compensation Insurance Fund
Cash flows from operating activities:	
Cash received from customers	\$213,390
Cash paid to suppliers	(187,953)
Net cash provided by operating activities	25,437
 Cash flows from investing activities:	
Proceeds from sales and maturities of investments	195,000
Purchase of investments	(195,000)
Interest received	1,092
Net cash provided by investing activities	1,092
Net increase in cash and cash equivalents	26,529
Cash and cash equivalents beginning of year	423,663
Cash and cash equivalents end of year	\$450,192
 Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	104,007
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Increase (decrease) in accounts payable	(78,570)
Total adjustments	(78,570)
Net cash provided by operating activities	\$25,437

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, 2011

	Municipal Court Escrow Agency Fund	Employee Flex Plan Agency Fund	Orange Employee Benefit Trust Fund	Total Fiduciary Funds
Assets				
Cash	\$6,141	\$18,101	\$14,302	\$38,544
Total assets	<u>6,141</u>	<u>18,101</u>	<u>14,302</u>	<u>38,544</u>
Liabilities				
Accounts payable	0	0	12,150	12,150
Other liabilities	6,141	18,101	2,152	26,394
Total liabilities	<u>\$6,141</u>	<u>\$18,101</u>	<u>\$14,302</u>	<u>\$38,544</u>

City of Orange, Texas
Combining Statement of Changes in Fiduciary Assets and Liabilities
For the Year Ended September 30, 2011

	Municipal Court Escrow Agency Fund 10/01/2010	Additions	Deletions	Municipal Court Escrow Agency Fund 09/30/2011
Cash and cash equivalents	\$4,452	\$41,338	\$39,649	\$6,141
Total assets	<u>4,452</u>	<u>41,338</u>	<u>39,649</u>	<u>6,141</u>
Other liabilities - held in trust for municipal court bonds	4,452	41,338	39,649	6,141
Total liabilities	<u>\$4,452</u>	<u>\$41,338</u>	<u>\$39,649</u>	<u>\$6,141</u>
	Employee Flex Plan Agency Fund 10/01/2010	Additions	Deletions	Employee Flex Plan Agency Fund 09/30/2011
Cash and cash equivalents	\$19,969	\$24,760	\$26,628	\$18,101
Total assets	<u>19,969</u>	<u>24,760</u>	<u>26,628</u>	<u>18,101</u>
Other liabilities - held in trust for flexible spending accounts	19,969	24,760	26,628	18,101
Total liabilities	<u>\$19,969</u>	<u>\$24,760</u>	<u>\$26,628</u>	<u>\$18,101</u>
	Orange Employee Benefit Trust Fund 10/01/2010	Additions	Deletions	Orange Employee Benefit Trust Fund 09/30/2011
Cash and cash equivalents	\$0	\$2,143,221	\$2,128,919	\$14,302
Total assets	<u>0</u>	<u>2,143,221</u>	<u>2,128,919</u>	<u>14,302</u>
Accounts payable	0	12,150	0	12,150
Other liabilities - held in trust for employee insurance costs	0	2,131,071	2,128,919	2,152
Total liabilities	<u>\$0</u>	<u>\$2,143,221</u>	<u>\$2,128,919</u>	<u>\$14,302</u>
	Total Fiduciary Funds 10/01/2010	Additions	Deletions	Total Fiduciary Funds 09/30/2011
Cash and cash equivalents	\$24,421	\$2,209,319	\$2,195,196	\$38,544
Total assets	<u>24,421</u>	<u>2,209,319</u>	<u>2,195,196</u>	<u>38,544</u>
Accounts payable	0	12,150	0	12,150
Other liabilities - held in trust for municipal court bonds	4,452	41,338	39,649	6,141
Other liabilities - held in trust for flexible spending accounts	19,969	24,760	26,628	18,101
Other liabilities - held in trust for employee insurance costs	0	2,131,071	2,128,919	2,152
Total liabilities	<u>\$24,421</u>	<u>\$2,209,319</u>	<u>\$2,195,196</u>	<u>\$38,544</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.

<u>Contents</u>	<u>Page</u>
<i>Financial Trends</i>	
<i>These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.</i>	141
<i>Revenue Capacity</i>	
<i>These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.</i>	147
<i>Debt Capacity</i>	
<i>These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i>	151
<i>Demographic and Economic Information</i>	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i>	156
<i>Operating Information</i>	
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report related to the services the government provides and the activities it performs.</i>	158



Table 1

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

	Fiscal Year									
	2002 (a)	2003	2004	2005	2006	2007	2008	2009	2010 (b)	2011
Government activities										
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	\$11,848,783
Restricted	--	257,432	447,841	1,750,990	1,567,244	914,538	0	57,354	71,058	65,900
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	6,788,165
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	18,702,848
Business-type activities										
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	31,493,491
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	1,428,684
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	2,120,773
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	35,042,948
Primary government										
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	43,342,274
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	1,494,584
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	8,908,938
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	\$53,745,796

(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									
	2002 (a)	2003	2004	2005	2006	2007	2008	2009	2010 (c), (d)	2011
Expenses										
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	\$1,382,505
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	1,597,544
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	9,807,217
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	4,195,605
Interest on long-term debt	--	300,271	291,035	178,801	317,323	288,522	328,931	556,581	493,648	460,991
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	17,443,862
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	2,664,708
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	4,399,089
Sanitation	--	857,676	850,612	991,354	1,051,813	1,179,005	1,546,541	1,566,280	1,582,983	1,659,430
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	8,723,227
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	26,167,089
Program Revenues										
Governmental activities										
Charges for services										
General government	--	106,549	759,891	914,912	798,225	799,177	848,857	830,125	1,134,214	1,112,058
Cultural and recreation	--	69,041	65,650	62,831	32,111	51,212	37,715	36,527	27,011	36,020
Public safety	--	380,253	243,227	198,655	260,488	227,100	194,897	259,217	270,964	199,371
Public works	--	19,725	87,982	104,710	72,905	138,584	108,543	225,303	98,552	102,228
Operating grants and contributions										
General government	--	0	65,373	73,037	73,918	82,384	210,540	164,470	83,547	88,459
Cultural and recreation	--	18,212	11,877	10,319	80,833	45,483	13,075	16,991	16,752	18,763
Public safety	--	86,794	60,628	56,065	579,559	439,073	671,362	753,682	395,027	247,351
Public works	--	445,684	509,598	916,850	1,265,790	1,052,904	1,295,456	1,416,415	1,412,616	1,007,070
Capital grants and contributions										
General government	--	0	0	2,917	39,851	27,775	12,418	89,964	0	0
Cultural and recreation	--	0	967,831	2,074,602	746,533	0	28,516	213,396	8,185	126,979
Public safety	--	101,838	286,991	293,492	313,354	332,579	410,248	1,339,349	663,321	2,316,708
Public works	--	252,355	4,540	178,404	979,749	412,792	854,619	813,231	222,996	1,289,006
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	6,544,013

(Continued)

Table 2 (Continued)

	Fiscal Year									
	2002 (a)	2003	2004	2005	2006	2007	2008	2009	2010 (c), (d)	2011
Business-type activities										
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	2,596,037
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	4,548,118
Sanitation	--	907,484	883,025	976,221	1,157,739	1,284,458	1,664,792	1,579,773	1,678,957	1,724,816
Operating grants and contributions										
Water	--	0	0	39,216	150,718	11,263	35,678	30,574	10,960	0
Sewer	--	0	0	0	150,719	11,262	35,678	201,440	10,960	0
Sanitation	--	0	0	0	0	0	0	164,116	150,089	0
Capital grants and contributions										
Water	--	0	6,432	186,833	136,019	3,275	689,420	942,491	284,074	10,110
Sewer	--	126,925	123,936	40,800	142,964	101,310	710,511	1,336,866	74,940	74,136
Sanitation	--	0	0	0	0	0	0	0	39,505	0
Total governmental activities program revenues	--	5,890,317	5,872,223	6,218,726	7,118,691	7,034,819	8,829,950	10,234,976	8,928,632	8,953,217
Total primary government program revenues	--	7,370,768	8,935,811	11,105,520	12,362,007	10,643,882	13,516,196	16,393,646	13,261,817	15,497,230
Net (expense)/revenue	--	(10,668,271)	(9,578,037)	(9,058,970)	(9,580,180)	(11,722,870)	(11,477,841)	(11,164,208)	(13,767,185)	(10,899,849)
Governmental activities	--	51,352	(282,672)	(199,033)	360,121	51,769	1,141,347	2,305,489	623,075	229,990
Business-type activities	--	(10,616,919)	(9,860,709)	(9,258,003)	(9,220,059)	(11,671,101)	(10,336,494)	(8,858,719)	(13,144,110)	(10,669,859)
Total primary government net expense	--									
General Revenues and Other Changes in Net Assets										
Governmental Activities										
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	5,874,034
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	2,308,088
Other taxes	--	278,581	298,648	362,076	452,242	599,959	684,480	598,063	497,900	474,895
Franchise taxes	--	978,005	264,046	281,104	266,850	312,356	336,533	334,756	329,673	342,136
Payment in-lieu of taxes	--	3,915,438	3,968,504	5,288,809	4,858,529	4,965,279	5,042,846	5,087,347	4,503,987	4,871,157
Licenses and permits	--	63,810	(b)	(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	20,396
Transfers	--	0	0	0	0	(83,593)	(1,012,067)	(6,820,071)	(682,404)	(611,194)
Total governmental activities	--	10,750,178	9,853,206	11,659,512	12,520,866	12,490,028	11,957,782	7,724,398	12,812,069	13,279,512
Business-type activities										
Unrestricted investment earnings	--	39,857	25,619	65,151	103,282	127,797	168,601	50,334	6,602	7,686
Transfers	--	0	0	0	0	83,593	1,012,067	6,820,071	682,404	611,194
Total business-type activities	--	39,857	25,619	65,151	103,282	211,390	1,180,668	6,870,405	689,006	618,880
Total primary government	--	10,790,035	9,878,825	11,724,663	12,624,148	12,701,418	13,138,450	14,594,803	13,501,075	13,898,392
Change in Net Assets										
Governmental activities	--	81,907	275,169	2,600,542	2,940,686	767,158	479,941	(3,439,810)	(955,116)	2,379,663
Business-type activities	--	91,209	(257,053)	(133,882)	463,403	263,159	2,322,015	9,175,894	1,312,081	848,870
Total primary government	--	\$173,116	\$18,116	\$2,466,660	\$3,404,089	\$1,030,317	\$2,801,956	\$5,736,064	\$356,965	\$3,228,533

(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>
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
2011	\$5,874,034	\$2,308,088	\$474,895	\$342,136	\$8,999,153

(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>2002-2010 (a)</u>	<u>2011</u>
General fund		
Nonspendable:		
Inventory	\$0	\$66,951
Assigned to:		
Capital outlay	0	369,593
Hurricane recovery	0	249,752
Restricted for:		
Hurricane recovery	0	0
Unassigned	0	4,340,641
Total general fund	<u>\$0</u>	<u>\$5,026,937</u>
Debt service		
Restricted for:		
Debt service	<u>\$0</u>	<u>\$114,024</u>
Total debt service	<u>\$0</u>	<u>\$114,024</u>
Capital projects		
Assigned to:		
Capital projects	<u>\$0</u>	<u>\$98,789</u>
Total capital projects	<u>\$0</u>	<u>\$98,789</u>
Other governmental funds		
Special revenue funds		
Restricted for:		
Cultural and recreation	\$0	\$114,391
Hurricane recovery	0	246,134
Public safety	0	877,088
Public works	0	53,137
Tourism and promotion	0	835,280
Assigned to:		
Economic development	0	2,268
Total all other governmental funds	<u>\$0</u>	<u>\$2,128,298</u>

(a) Prior to implementation of GASB 54 information not available in requested format.

Table 5

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

	Fiscal Year									
	2002 (a)	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
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	\$8,567,376
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	4,871,157
Franchises	--	978,005	960,286	951,492	899,597	989,629	1,044,480	985,522	1,302,854	1,289,831
Licenses and permits	--	299,065	366,284	359,267	310,512	399,478	407,416	531,419	417,235	387,541
Intergovernmental	--	747,854	555,136	1,505,200	1,518,494	909,526	1,215,187	1,908,101	1,448,148	833,590
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	1,950,949
Donations	--	60,116	29,237	29,554	192,071	78,447	170,720	183,515	61,207	45,375
Grant income	--	123,767	208,234	277,094	624,347	886,200	782,590	400,000	822,476	3,387,878
Investment income	--	69,518	51,766	143,669	341,737	464,724	287,263	143,408	26,855	20,396
Program income	--	41,934	170,218	21,441	45,225	87,708	66,527	39,061	50,087	79,576
Forfeitures	--	1,878	5,480	4,050	53,541	354,764	563,239	429,966	275,257	57,701
Restitution	--	590	500	108	40	96	0	0	0	0
Miscellaneous	--	39,175	15,687	34,145	53,625	42,074	83,294	41,124	21,571	53,350
Total revenues	--	13,124,291	13,200,469	16,142,333	17,522,198	17,615,071	18,662,444	20,401,879	19,267,182	21,544,720
Expenditures										
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	1,431,652
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	1,480,747
Public safety	--	5,983,480	6,282,977	6,782,778	7,028,542	7,203,623	7,678,323	8,102,070	8,601,402	8,730,355
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	3,911,497
Non departmental Hurricane	--	0	0	0	475,699	68,947	667,723	785,822	54,093	173,125
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	1,796,074
Debt Service										
Principal	--	220,000	235,000	245,000	480,000	515,000	545,000	555,000	830,000	865,000
Interest and fiscal charges	--	301,858	292,769	166,809	290,035	256,668	235,593	534,562	458,003	425,565
Bond issuance costs	--	0	0	152,174	0	0	0	0	0	0
Capital Outlay	--	745,061	518,250	1,040,538	1,957,120	2,122,744	3,332,853	8,674,015	1,418,833	3,979,351
Total expenditures	--	13,198,289	13,379,906	15,668,199	17,836,753	17,884,618	20,252,419	26,561,578	20,105,706	22,793,366
Excess of revenues over (under) expenditures	--	(73,998)	(179,437)	474,134	(314,555)	(269,547)	(1,589,975)	(6,159,699)	(838,524)	(1,248,646)
Other financing sources (uses)										
Transfers in	--	274,484	114,682	114,682	0	0	0	0	0	0
Transfers out	--	(274,484)	(114,682)	(114,682)	0	0	0	(579,846)	(379,846)	0
Bond proceeds	--	0	0	0	0	0	6,807,605	0	0	0
Bond issuance costs	--	0	0	0	0	0	(159,670)	0	0	0
Insurance proceeds	--	0	0	0	1,414,588	365,929	697,971	2,007,303	76,214	690,216
Sales of fixed asset	--	0	0	0	0	165,100	17,280	5,700	1,750	0
Refunding bonds issued	--	0	4,360,000	4,360,000	0	0	0	0	0	0
Tax notes issued	--	0	1,560,000	1,560,000	0	0	0	0	0	0
Premium on refunding bonds issued	--	0	14,386	14,386	0	0	0	0	0	0
Premium on tax notes issued	--	0	7,095	7,095	0	0	0	0	0	0
Payment of refunded bond escrow account	--	0	(4,376,153)	(4,376,153)	0	0	0	0	0	0
Total other financing sources and uses	--	0	1,565,328	1,565,328	1,414,588	531,029	7,363,186	1,433,157	(301,882)	690,216
Net changes in fund balances	--	(73,998)	1,365,891	2,039,462	1,100,033	261,482	5,773,211	(4,726,542)	(1,140,406)	(558,430)
Debt service as a percentage of noncapital expenditures	--	4.19%	4.10%	2.82%	4.85%	4.90%	4.61%	6.09%	6.89%	6.86%

(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

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Real Property</u>		<u>Personal Property</u>		<u>Taxable Assessed Value (a) (b)</u>	<u>Total Direct Tax Rate</u>	<u>Est. True Value</u>	<u>Percentage of Total Assessed Value to True Value</u>
		<u>Assessed Value</u>	<u>Percent</u>	<u>Assessed Value</u>	<u>Percent</u>				
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%
2011	2010	\$620,990,969	78.37%	\$171,359,393	21.63%	\$792,350,362	\$0.74500	\$792,350,362	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		Orangefield		West Orange		Orange County + (Lateral Road)	Orange County Drainage District	Port and Navigation District	Total (a)	Total (b)	Total (c)	Total (d)
				Bridge City School District	Mauriceville School District	School District	School District	Cove School District	West Orange District							
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	
2011	\$0.57930	\$0.16570	\$0.74500	\$1.19000	\$1.15721	\$1.17000	\$1.35270	\$1.35270	\$0.53559	\$0.09869	\$0.00832	\$2.57760	\$2.54481	\$2.55760	\$2.74030	

(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, 2011

Name	FY 2011 (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>
Exxonmobil Chemical Co.	\$29,238,910	1		
Signal International Texas, LP	\$17,797,310	2		
Entergy Texas Inc.	\$11,453,680	3		
Orange Shipbuilding Inc.	\$11,160,444	4		
Webco Industriels, Inc.	\$9,676,550	5		
Honeywell (Allied)	\$6,569,240	6		
Firestone	\$6,124,730	7		
Cloeren Company	\$5,507,660	8	\$5,056,300	8
Delsasso International	\$5,241,981	9		1.1487%
Southwestern Bell Telephone Co.	\$5,038,739	10		
Bayer			\$8,604,680	5
Friede Goldman Offshore			\$14,568,610	1
Gulf States Utilities			\$12,285,200	2
Dal Sasso, Anton			\$12,064,120	3
Wickersham, Charles T.			\$11,629,020	4
Stark Foundation, Nelda C.			\$7,379,710	6
Texas Cable Partners			\$7,213,010	7
Allied Corporation			\$4,550,380	9
			\$3,929,100	10
	<u>\$107,809,244</u>	<u>13.6060%</u>	<u>\$87,280,130</u>	<u>19.8284%</u>

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

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

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
2002	\$3,682,346	\$3,503,304	94.71%	\$158,632		\$3,661,936	99.45%
2003	\$3,666,876	\$3,538,939	95.82%	\$103,270		\$3,642,209	99.33%
2004	\$3,732,134	\$3,569,104	95.41%	\$131,509		\$3,700,613	99.16%
2005	\$3,792,181	\$3,644,860	95.97%	\$112,357		\$3,757,217	99.08%
2006	\$4,089,679	\$3,934,316	96.20%	\$108,486		\$4,042,802	98.85%
2007	\$4,018,536	\$3,819,191	95.04%	\$138,434		\$3,957,625	98.48%
2008	\$4,277,390	\$4,075,986	95.29%	\$131,185		\$4,207,172	98.36%
2009	\$5,268,462	\$5,062,658	96.09%	\$117,409		\$5,180,067	98.32%
2010	\$5,549,987	\$5,365,446	96.67%	\$60,736		\$5,426,182	97.77%
2011	\$5,887,962	\$5,657,735	96.09%	\$0		\$5,657,735	96.09%

(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				
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	
2011	\$10,020,000	\$0	\$6,790,000	\$4,560,000	\$80,449	\$16,890,449	n/a	\$908.33	

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				
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	\$1,514,931	\$17,465,069	2.35%	\$939.23
2011	\$10,020,000	\$6,790,000	\$1,607,640	\$15,202,360	1.92%	\$817.55

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	\$9,900,534 (a)(b)	100.00%	\$9,900,534
Orange County	\$275,738	100.00%	\$275,738
Bridge City ISD	\$20,214,734	0.57%	\$115,224
Little Cypress Mauriceville ISD	\$17,932,215	9.00%	\$1,613,899
Orangefield ISD	\$10,482,329	1.27%	\$133,126
West Orange Cove CISD	\$73,669,137	26.00%	\$19,153,976
Subtotal Overlapping Debt	<u>\$122,574,153</u>		<u>\$21,291,963</u>
Total Direct and Overlapping Debt	<u>\$132,474,687</u>		<u>\$31,192,497</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.

(b) Debt outstanding is reduced by governmental net assets restricted for debt service payments.

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

	<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>	<u>2011</u>
Debt Limit	\$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	\$100,307,453
Total net debt applicable to limit	\$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	\$9,905,976
Legal debt margin	\$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	\$90,401,477
Total net debt applicable to the limit as a percentage of debt limit	15.42%	14.78%	11.66%	15.26%	11.52%	10.32%	19.71%	14.59%	12.82%	10.96%
Legal Debt Margin Calculation										
For Fiscal Year 2011										
Total assessed value (a)	\$1,003,074,532									
Debt limit 10% of assessed value (b)	\$100,307,453									
Amount of debt applicable to debt margin:										
Total bonded debt	\$21,370,000									
Less:										
Assets available in governmental debt service fund balance	\$114,024									
Self supported bonds and certificates (c)	\$11,350,000									
Total amount of debt applicable to debt limit (d)	\$9,905,976									
Legal debt limit	\$90,401,477									

(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 2007 Water and Sewer Revenue Bonds of \$4,560,000 and the 2010 General Obligation Refunding Bonds of \$6,790,000..
(d) This includes the 2005 General Obligation Refunding Bonds of \$3,500,000, the 2005 Tax Notes of \$250,000 and the 2008 Tax and Revenue Certificates of Obligation of \$6,270,000.

Table 14

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

Fiscal Year	Water and Sewer Charges and Other (a)	Less: Operating Expenses (b)	Net Available Revenue	Series 2007 WS System Revenue Bonds			2001 GO Refunding Bonds (c)			2010 GO Refunding Bonds (d),(e)		
				Principal	Interest	Coverage	Principal	Interest	Principal	Interest		
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	8.86	1,070,000	472,128	--	--	--	
2009	5,962,767	4,523,215	1,439,552	170,000	208,846	3.80	1,115,000	435,406	--	--	--	
2010	6,703,436	4,689,281	2,014,155	180,000	202,046	5.27	1,160,000	389,181	--	--	--	
2011	7,149,432	4,898,200	2,251,232	185,000	193,640	5.95	1,047,978	123,075	130,000	147,645	--	

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 GO Advance Refunding Bonds, Series 2001 from surplus revenues of the City's Water and Sewer System.

(d) The GO Advance Refunding, Series 2010 refunded the GO Advance Refunding Bonds, Series 2001.

(e) The GO Advance Refunding, Series 2010 is being paid 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 (a) (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>
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	\$23,155 (a)	39.1	85.80%	n/a	10.8%
2011	18,595	n/a	\$23,155 (a)	39.1	85.80%	n/a	11.4%

Data Sources

- (a) Bureau of the Census, year 2010 uses Census for Orange County.
- (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

	2011 (a)			2002 (c)		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment (b)</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
El Dupont de Nemours & Co.	900	1	2.37%	n/a	n/a	n/a
Little Cypress-Mauriceville ISD	584	2	1.54%	n/a	n/a	n/a
Orange County	500	3	1.32%	n/a	n/a	n/a
West Orange Cove Consolidated ISD	450	4	1.18%	n/a	n/a	n/a
Invista	375	5	0.99%	n/a	n/a	n/a
International Paper	345	6	0.91%	n/a	n/a	n/a
Lanxess, Inc.	330	7	0.87%	n/a	n/a	n/a
Firestone Polymers	300	8	0.79%	n/a	n/a	n/a
Kellogg - Brown & Root	300	9	0.79%	n/a	n/a	n/a
Lamar State College - Orange	274	10	0.72%	n/a	n/a	n/a
Cloeren Company, Inc.	250	11	0.66%	n/a	n/a	n/a
Orangefield ISD	249	12	0.66%	n/a	n/a	n/a
Memorial Hermann Baptist Orange	210	13	0.55%	n/a	n/a	n/a
City of Orange	193	14	0.51%	n/a	n/a	n/a
Signal International	180	15	0.47%	n/a	n/a	n/a
Printpack, Inc.	162	16	0.43%	n/a	n/a	n/a
Chevron Phillips Chemical Co.	145	17	0.38%	n/a	n/a	n/a
Texas Polymer Services, Inc.	130	18	0.34%	n/a	n/a	n/a
Orange Shipbuilding & Dry Dock, Inc.	120	19	0.32%	n/a	n/a	n/a
Beacon Maritime, Inc.	100	20	0.26%	n/a	n/a	n/a
	<u>6,097</u>		<u>16.05%</u>			

(a) Greater Orange Area Chamber of Commerce, local school districts. 2011 information updated by City staff.
 (b) In labor force, population 16 years and over, per Southeast Texas Workforce Development Board 2011, 37,995.
 (c) Year 2002 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>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>	<u>2011</u>
City Manager	1	1	1	1	1	1	1	1	1	1
City Secretary	2	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	4	4	4	4	4	4	4	4	4
Animal Control	2	2	2	2	2	2	2	2	2	2
Library	8	6	6	6	6	6	6	6	6	6
Police	55	53	52	53	53	53	53	53.5	55	56
Fire	40	38	38	38	38	38	38	38.5	38	38
Engineering	1	1	1	1	1	1	1	1	1	1
Planning	2	1	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	15	15	15	15	15	15	15	15	15	15
Public Works Administration	1	1	1	1	2	2	2	2	2	2
Fleet Maintenance	5	4	4	4	4	4	4	4	4	4
Park Maintenance	7	7	7	8	8	8	8	8	8	8
Orange Development	0	1	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	2	2	2	2	2	0	1
Fire Special Revenue	0	0	0	0	0	0	0	0	1	0
Sewer Operations	9	9	9	9	9	9	9	9	9	9
Water Operations	8	8	8	8	8	8	8	8.5	8	8
Wastewater Treatment Plant	7	7	7	7	7	7	7	7	8	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	1
Total	<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>	<u>193.0</u>

Source: City Annual Budget

Table 18

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

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Physical arrests	1,460	1,565	1,641	1,641	1,342	1,426	1,236	1,430	1,764	1,521
Parking violations	74	42	18	18	20	54	180	25	30	32
Traffic violations	3,422	3,001	2,069	2,069	1,848	2,360	2,699	2,645	2,019	2,068
Fire										
Number of calls answered	1,599	1,598	1,737	2,153	2,809	3,253	3,976	2,753	2,725	2,803
Inspections	1,135	1,214	1,205	1,050	642	1,122	834	608	581	64
Street & Drainage										
Street resurfacing (miles)	0	10	0	4	0	0.6	0.6	3.0	0.0	1.2
Potholes repaired	3,675	3,675	3,675	3,675	3,675	3,675	3,675	4,400	5,060	5,550
Sanitation										
Refuse collected (tons/day)	n/a									
Culture and recreation										
Recreation center (use fees)	18,856	16,318	12,115	9,275	2,898	3,009	1,441	362	390	360
Natorium patrons (use fees)	22,280	19,656	21,559	23,585	13,978	11,328	6,650	14,181	7,651	4,291
Library patrons (use fees)	21,372	20,605	20,307	19,606	15,236	18,906	18,145	21,984	18,970	17,674
Water										
New connections	13	13	21	25	37	65	28	43	585	38
Water main breaks	976	930	885	921	1,265	899	940	1,039	970	863
Average daily consumption (thousands of gallons)	1,787	1,715	1,686	1,713	1,722	1,624	1,658	1,634	1,646	1,719
Wastewater										
Average daily sewage treatment (thousands of gallons)	5,093	4,709	3,350	2,383	2,626	3,240	2,422	2,847	2,770	1,940

Source: Various city departments

Table 19

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

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	55	53	53	55	55	55	55	55	57	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	40	38	38	38	38	38	38	38	38	38
Sanitation										
Collection Trucks	n/a	n/a	n/a	1	1	2	2	2	2	2
Street and Drainage										
Streets (miles)	148	148	148	148	148	161	161	162	162	162
Streetlights	1,553	1,553	1,553	1,553	1,553	1,562	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	490	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	156	156	156
Fire hydrants	556	556	556	556	556	556	556	726	726	726
Maximum daily capacity (thousand of gallons)	7,500	7,500	7,500	7,500	7,500	7,500	7,500	10,613	10,613	10,613
Service connections	6,535	6,472	6,398	6,433	6,347	6,361	6,360	6,921	6,999	7,041
Wastewater										
Sanitary sewers (miles)	135	135	135	135	135	135	135	149	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	6,383	6,312	6,235	6,253	6,160	6,173	6,166	6,632	6,763	6,808

Source: Various city departments

Table 20

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

	<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>	<u>2011</u>
Water Consumption										
October	51,955	53,454	49,059	55,159	60,689	57,929	50,672	46,343	48,724	50,873
November	53,163	49,469	46,770	47,748	49,475	48,585	55,468	49,117	42,087	45,481
December	49,092	48,726	47,415	46,500	50,002	46,004	44,196	44,395	49,571	45,275
January	52,343	50,856	49,954	49,271	49,067	45,730	49,334	45,973	44,805	44,798
February	48,844	46,490	45,990	47,754	46,808	45,789	48,734	44,704	43,222	45,690
March	48,597	42,893	44,969	39,579	42,626	42,725	45,855	45,037	42,894	41,356
April	56,211	45,493	50,376	48,748	50,719	49,053	44,012	45,620	46,106	50,695
May	56,725	56,579	46,292	52,633	50,066	44,765	50,929	44,214	58,221	51,130
June	61,488	62,893	53,265	59,111	59,742	54,004	53,749	53,127	61,731	68,903
July	57,929	55,540	53,053	60,423	54,366	51,581	55,276	68,324	55,648	59,881
August	57,213	57,508	60,611	57,111	56,172	53,605	55,306	53,127	53,234	58,388
September	58,814	56,177	67,738	61,078	58,937	53,054	51,806	56,539	54,534	64,823
Total	652,374	626,078	615,492	625,115	628,669	592,824	605,337	596,520	600,777	627,293

Water Rates

Minimum 3/4"	6.76	6.76	6.76	6.87	7.56	7.82	7.82	8.37	9.21	9.58
Minimum 1"	8.25	8.25	8.25	8.39	9.23	9.55	9.55	10.22	11.24	11.69
Minimum 1 1/2"	11.92	11.92	11.92	12.12	13.33	13.80	13.80	14.77	16.25	16.90
Minimum 2"	16.35	16.35	16.35	16.63	18.29	18.93	18.93	20.26	22.29	23.18
Minimum 3"	26.66	26.66	26.66	27.11	29.82	30.86	30.86	33.02	36.32	37.77
Minimum 4"	41.39	41.39	41.39	42.09	46.30	47.92	47.92	51.27	56.40	58.66
Minimum 6"	78.23	78.23	78.23	79.55	87.51	90.57	90.57	96.91	106.60	110.86
Minimum 8"	122.44	122.44	122.44	124.51	136.96	141.75	141.75	151.67	166.84	173.51
Minimum 10"	174.00	174.00	174.00	176.94	194.63	201.44	201.44	215.54	237.09	246.57
Minimum 12"	232.94	232.94	232.94	236.88	260.57	269.69	269.69	288.57	317.43	330.13
Over 1,000 gallon minimum	1.61	1.61	1.61	1.64	1.80	1.86	1.86	1.99	2.19	2.28

Sewer Rates

Minimum	8.64	8.64	8.37	8.64	9.50	9.83	9.83	10.52	11.57	12.03
Over 1,000 gallon minimum	5.34	5.34	5.46	5.64	6.20	6.42	6.42	6.87	7.56	7.86

Source: Various city departments



CITY OF ORANGE, TEXAS

FEDERAL SINGLE AUDIT REPORTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

**CITY OF ORANGE, TEXAS
FEDERAL SINGLE AUDIT REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
 A PROFESSIONAL CORPORATION

March 12, 2012

**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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 12, 2012. 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 designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City'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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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

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

This report is intended solely for the information and use of management, City Council, others within the entity and the 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

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

BDB/cr

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CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
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March 12, 2012

**INDEPENDENT AUDITOR'S 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, 2011. 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 compliance 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, 2011.

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 the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, 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.

This report is intended solely for the information and use of the Honorable Mayor and Members of the City Council, management, others within the entity, 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

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, 2011**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Orange, Texas.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances 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*, were disclosed during the audit.
4. No significant deficiencies in internal control over the major federal award programs were disclosed during the audit.
5. The independent auditor's report on compliance for the major federal award programs expresses an unqualified opinion on the major federal programs.
6. No audit findings relative to the major federal award programs are reported in 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 State-Administered Cluster CFDA # 14.228

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.

C. FINDINGS - MAJOR FEDERAL AWARD PROGRAM AUDITED

No findings or questioned costs noted by auditors.

**CITY OF ORANGE, TEXAS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Finding M1001: Auditee's Comments on Audit Resolution Matters Relating to HUD Programs

U.S. Department of Housing and Urban Development – CFDA #14.218

Condition. Lack of income eligibility documentation noted during visits to nonprofits awarded 2008 Public Service Contracts.

Current Status. The City has changed their policy and will provide the documentation going forward, but asserts that their nonprofits serve populations that fit the “presumed benefit” category and have always maintained documentation to prove they serve these identified populations. This finding has been closed.

Finding 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.

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.

Finding M9004: Commitment of Funds Prior to Environmental Review

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

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

Current Status. The City requested from HUD that the monies be set aside and that offset occurred during the fiscal year ended September 30, 2011.

**CITY OF ORANGE, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

<u>Federal Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Energy			
ARRA Energy Efficiency & Conservation Block Grant	81.128	DE-EE0000893	\$ 6,224
Total U.S. Department of Energy			<u>\$ 6,224</u>
Department of Housing and Urban Development			
Community Development Block Grant Entitlements	14.218	N/A	\$ 288,662
HOME Investment Partnership Agreement	14.239	N/A	393,365
ARRA CDBG Funding	14.253	B-09-MY-48-0004	76,800
Passed through the State:			
Texas Department of Rural Affairs (TDRA)	14.228	10-5128-000-5109	3,200,677
Total Department of Housing and Urban Development			<u>\$ 3,959,504</u>
Department of Justice			
ARRA 2009 Edward Byrne Memorial Justice Assistance Grant	16.804	2009-DJ-BX-333	\$ 4,503
ARRA 2010 Edward Byrne Memorial Justice Assistance Grant	16.804	2010-DJ-BX-0665	22,769
Community Oriented Policing Services (COPS) Grant	16.710	2010-UM-WX-0316	47,887
Bullet Proof Vest Partnership Program	16.607		5,200
Total Department of Justice			<u>\$ 80,359</u>
Department of Homeland Security			
2010 AFG Assistance to Firefighters Grant	97.044	EMW-2010-FO04736	\$ 33,178
Passed through the State:			
Texas Department of Public Safety - Emergency Management Performance Grant	97.042	11TX-EMPG-0412	30,411
Total Department of Homeland Security			<u>\$ 63,589</u>
Total Expenditures of Federal Awards			<u>\$ 4,109,676</u>

CITY OF ORANGE, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Orange, Texas under programs of the federal government for the year ended September 30, 2011. 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. 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.

Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.