

City of Orange, Texas



*Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2014*

City of Orange, Texas

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2014

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







February 12, 2015

Honorable Mayor Jimmy Sims 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, 2014 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 Charles E. Reed and Associates , 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, 2014, 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, 2014, 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 157 through 166.

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 compliment 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 a 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 departments 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 and major Special Revenue Funds these comparisons are presented on pages 41, 42 and 43 as part of the basic financial statements for the governmental funds. For governmental funds, other than the General Fund and major Special Revenue Funds, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 95.

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 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.

While most hurricane recovery cost occur in the years directly following the hurricane, the City continues to have hurricane recovery costs within the Special Revenue Governmental Funds. In fiscal year 2014 the City was still working to complete several infrastructure projects associated with two (2) 2008 Supplemental Disaster Recovery Fund Grants passed through the Texas General

Land Office (GLO). These grants are Supplemental Disaster Recovery Grant Round 2.1 and Round 2.2.

Sales taxes have varied widely over the last nine 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 then the City saw the sales tax fall (18.64%) in fiscal year 2010, (6.54%) in fiscal year 2011 and (3.41%) in fiscal year 2012. In the last two fiscal years the City saw an increase in sales tax. In fiscal year 2013 sales tax collections increased by 3.61% and in fiscal year 2014 by 2.08%. The City had not anticipated any growth in sales tax and budgeted sales tax revenue growth would be fairly flat. The increase in sales tax, over what was anticipated, did result in sales tax revenue being up by \$48,070 for the fiscal year.

Long-term financial planning.

Industrial District Contracts (IDCs) provided 35.4% of the operating revenue for the City's general fund in fiscal year 2014. The City presently has seventeen IDCs in place. In fiscal year 2012 four of the IDCs came up for renewal. During the renewal process the City was able to renegotiate seven IDCs for a new longer term of 15 years. These renewals included the four that were up for renewal and three others that wanted to take advantage of the new contracts that were being offered. The new contracts are set at 93% of the ad valorem tax rate.

The remainder of the IDCs were in the process of negotiating new contracts for fiscal year 2015. The remainder of the IDCs are being offered the same longer term contract negotiated in fiscal year 2012. In the future all the City IDCs will expire at the same time.

In prior years the City's ad valorem tax rate had remained constant, at \$0.745/\$100, from fiscal year 2008 to fiscal year 2012. During budget preparations it was always a high priority of the Council to lower the tax rate. When the new Industrial District Contracts were being negotiated it was part of the discussion that any additional funds would, in part, help offset the ad valorem tax rate. The City was able to lower the ad valorem tax rate to \$0.70/\$100 in fiscal year 2013. In fiscal year 2014 the ad valorem tax rate was lowered to \$0.69/\$100. In the upcoming fiscal year 2015 the ad valorem tax rate was lowered to the effective tax rate of \$0.68131/\$100.

Going forward the City will review the property and industrial values on an annual basis. If property and industrial values remain fairly constant it is anticipated that the tax rate will be fairly constant in upcoming fiscal years.

The Orange Economic Development Corporation (EDC) 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.

Relevant Financial Policies

With the location of the City along the Gulf Coast, the possibility of hurricane activities is always present yearly. The City of Orange Charter established 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 where hurricane repairs were needed immediately.

Major Initiatives

In fiscal year 2011 the City was awarded an additional grant from the Texas General Land Office (GLO), formerly 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 Round 2.1 grant award is \$6,401,138. Initial planning and engineering were begun in fiscal year 2012. The City had grant related expenditures of \$405,998 in fiscal year 2012 and \$1,824,296 in fiscal year 2013. In fiscal year 2014 there was an additional \$3,194,924 in grant related expenditures. This grant will be ongoing in fiscal year 2015.

In fiscal year 2012 the City was awarded another additional grant from the Texas General Land Office (GLO) for drainage improvement in Cooper's Gully and security lighting at Central Fire Station. The total Round 2.2 grant award is \$3,532,892. Initial planning started on the grant in fiscal year 2012. In fiscal year 2013 the City had \$18,937 in grant related expenditures. In fiscal year 2014 there was an additional \$85,421 in grant related expenditures. This grant is ongoing in fiscal year 2015.

The City of Orange is located along the banks of the Sabine River and the proximity to water has always been viewed as a valuable development tool that needed to be used. . The Downtown Master Plan, completed by the Orange Economic Development Corporation (EDC), acknowledged the importance of the river in developing the downtown area.

In May 2013 the EDC completed the construction of the Riverfront Park Project. The project included the stabilization of the river front and the development of a river front park and walkway. In fiscal year 2014 the City was able to make full use of the park and schedule various events throughout the fiscal year.

The City has prepared for the Texas Department of Transportation rebuilding of IH 10 within its boundaries. In doing so, the City is completely "Quiet Zone" at applicable railroad crossings throughout the City and obtained two at grade crossings included in the interstate project. This will leverage existing and new commercial real estate along the interstate for commercial development.

The City will use its infrastructure, developer contacts and EDC to secure development in those areas.

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, 2013. This was the 22nd consecutive year (1992-2013) 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*



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

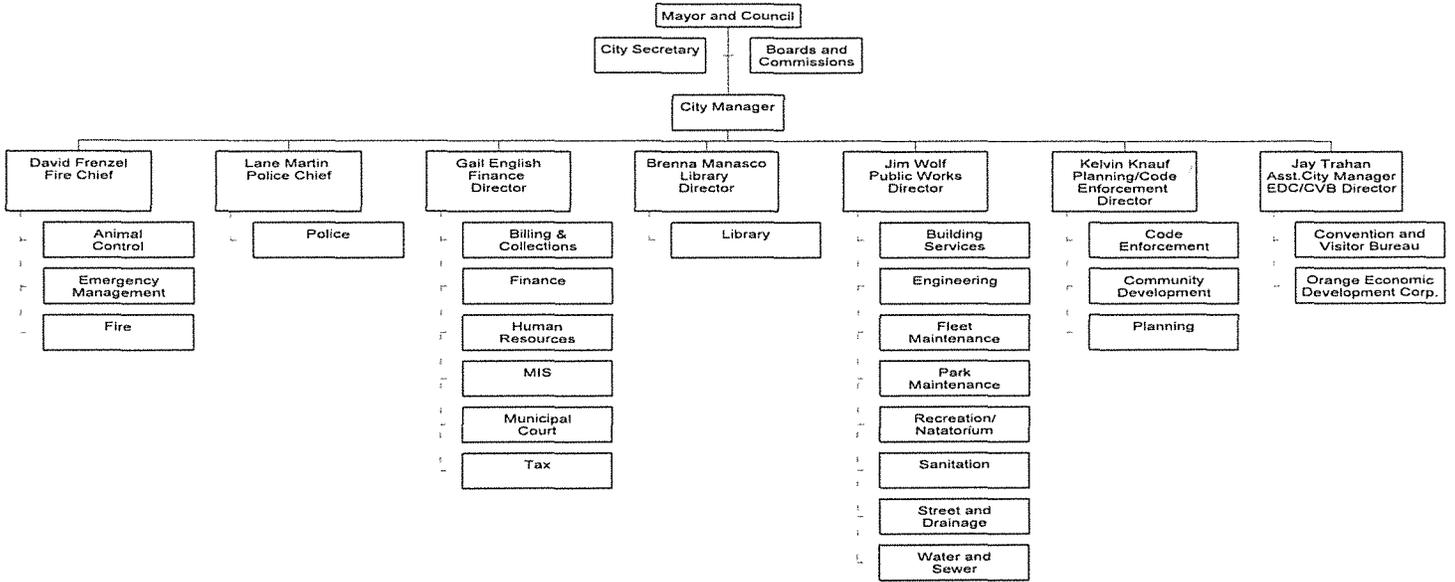
**City of Orange
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO

City of Orange, Texas Organizational Chart



City of Orange, Texas

City Council

Jimmy Simms, Mayor

Theresa Beauchamp, Mayor Pro-Tem, Council Member District 1

Tommy Ferguson - Council Member District 2

Essie Bellfield, Council Member District 3

Mary McKenna - Council Member District 4

Bill Mello - Council Member at Large Position 5

Larry Spears, Jr. - Council Member at Large Position 6

City Manager

Shawn Oubre, Ph. D.

Directors

Gail English, Director of Finance

David Frenzel, Fire Chief

Kelvin Knauf, Director of Planning and Community Development

Brenna Manasco, Library Director

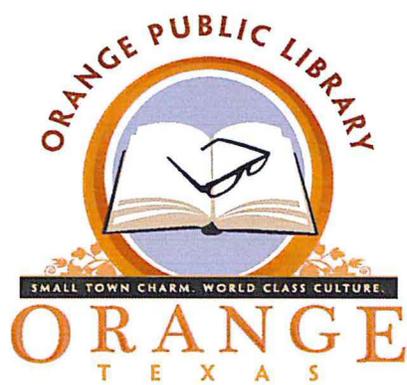
Lane Martin, Police Chief

Jay Trahan, Assistant City Manager/EDC/CVB Director

James Wolf, Director of Public Works

City Secretary

Rhonda Haskins



FINANCIAL SECTION







INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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 City of Orange, Texas as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Texas Department of Transportation Grant Fund, and the Texas General Land Office Grant Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17–34 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Orange, Texas's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic 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 any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2015, on our consideration of the City of Orange, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Orange, Texas's internal control over financial reporting and compliance.

Very truly yours,

Charles E. Reed + Associates, P.C.

Charles E. Reed and Associates, P.C.
Certified Public Accountants and Consultants
Port Arthur, Texas

February 11, 2015

Management's Discussion and Analysis For the year ended September 30, 2014

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, 2014. 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 \$69,207,407 (net position). Of this amount, \$9,304,779 (unrestricted net position), may be used to meet the government's ongoing obligations to citizens and creditors.*
- *The City's total net position increased by \$5,019,441, a 7.8% increase for the fiscal year. Governmental activities had an increase in total net position of \$3,712,083 which is a 13.7% increase over the prior fiscal year. The business type activities had an increase in total net position of \$1,307,358 which is a 3.5% increase from the prior fiscal year.*
- *The largest component of change in net position was for changes in capital assets. The amount invested in capital assets (net of related debt) increased by \$5,441,487, which is a 10.3% increase. This change was due, in large part, to the Texas General Land Office Grants for storm sewer construction, street construction and security lighting projects in the amounts of \$3,241,316 and the Texas Department of Transportation Grants for IH10 utility relocation and rail road quiet zone project in the amount of \$949,467.*
- *As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,009,046, an increase of \$526,255 in comparison with the prior year. Of the total amount, \$5,531,403 is available for spending at the government's discretion (unassigned fund balance). The largest fund balance change was in the general fund for an increase of \$565,582. The general fund expenditures were under budget by \$798,388.*
- *Within the general fund the largest budgetary savings were in personnel services (\$209,701) and maintenance services (\$345,344) line item categories.*
- *Unassigned fund balance for the General Fund was \$5,531,403 or 32.2% of total general fund expenditures at September 30, 2014.*
- *The City's total long-term bonded debt decreased by \$2,190,000. There were routine bond payments of \$755,000 in Governmental Activities: There were routine bond payments of \$1,585,000 in the Business-Type Activities. There were \$3,900,000 in new bonds issued to refund \$3,750,000 in water and sewer revenue bonds.*
- *The City had additional Hurricane Ike recovery costs during fiscal year 2014 that were paid through grants. 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.*
- *In fiscal year 2011 the City was awarded Supplemental Disaster Recovery Funds (Round 2.1),*

from the Texas General Land Office (GLO), 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. In fiscal years 2012 and 2013 the City had \$2,230,294 in expenditures related to this grant. In fiscal year 2014 the City had \$3,194,924 in additional expenditures related to this grant. This grant will be ongoing in fiscal year 2015.

- In fiscal year 2012 the City was once again awarded Supplemental Disaster Recovery Funds (Round 2.2) from the Texas General Land Office (GLO), in the amount of \$3,532,892. This grant was awarded to fund additional concrete lining of Cooper's Gully and security lighting at Central Fire Station. In fiscal year 2013 City had \$18,937 in expenditures related to the grant. In fiscal year 2014 the City had \$85,421 in additional expenditures related to this grant. This grant will be ongoing in fiscal year 2015.
- The City also received other special revenue grants to fund various other projects.
- In fiscal year 2013 the City was awarded a Federal Highway Administration, Texas Department of Transportation Grant, in the completed amount of \$733,864, to reimburse the City for cost associated with the relocation of utilities along IH 10. In fiscal year 2013 the City had \$30,555 in expenditures. In fiscal year 2014 the City had \$703,309 in additional expenditures related to this grant.
- In fiscal year 2013 the City was awarded a Federal Highway Administration, Texas Department of Transportation Grant, in the completed amount of \$322,579, to pay highway-railroad crossing consolidation and closure costs in conjunction with a Rail Road Quiet Zone. In fiscal year 2013 the City had \$76,421 in expenditures. In fiscal year 2014 the City had \$246,158 in additional expenditures related to this grant.
- The City also had ongoing expenditures related to recurring federal grants such as the Department of Housing and Urban Development Community Development Block Grant Entitlements \$244,609, Department of Justice Assistance Grant and Seizure funds \$79,002, and Department of Homeland Security Emergency Management Performance \$33,102.

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 are comprised of 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 position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 36 and 37 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 two (22) 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, capital projects fund, Texas Department of Transportation Grant and Texas General Land Office Grant all of which are considered to be major funds. Data from the other seventeen (17) 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 budgetary comparison statements for the two major Special Revenue Funds are also presented within the basic governmental fund financial statements.

The basic governmental fund financial statements can be found on pages 38 to 43 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 44 to 46 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 47 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 48 to 89 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 90 to 93 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 95 to 131 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Orange, assets and deferred outflows exceeded liabilities and deferred inflows by \$69,207,407 at the close of the most recent fiscal year.

By far, the largest portion of the City of Orange's net position (84%) 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 Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<i>Current and other assets</i>	\$11,352,351	\$11,357,911	\$4,476,833	\$5,213,245	\$15,829,184	\$16,571,156
<i>Capital assets</i>	<u>30,965,303</u>	<u>28,432,542</u>	<u>42,046,865</u>	<u>41,322,737</u>	<u>73,012,168</u>	<u>69,755,279</u>
<i>Total assets</i>	<u>42,317,654</u>	<u>39,790,453</u>	<u>46,523,698</u>	<u>46,535,982</u>	<u>88,841,352</u>	<u>86,326,435</u>
<i>Deferred outflow of resources (a)</i>	<u>235,560</u>	<u>267,991</u>	<u>26,842</u>	<u>0</u>	<u>262,402</u>	<u>267,991</u>
<i>Long-term liabilities outstanding</i>	10,897,898	11,427,711	7,027,714	8,469,739	17,925,612	19,897,450
<i>Other liabilities</i>	<u>942,627</u>	<u>1,630,627</u>	<u>1,021,233</u>	<u>868,821</u>	<u>1,963,860</u>	<u>2,499,448</u>
<i>Total liabilities</i>	<u>11,841,025</u>	<u>13,058,338</u>	<u>8,048,947</u>	<u>9,338,560</u>	<u>19,889,972</u>	<u>22,396,898</u>
<i>Deferred inflow of resources (a)</i>	<u>0</u>	<u>0</u>	<u>6,375</u>	<u>9,562</u>	<u>6,375</u>	<u>9,562</u>
<i>Net position:</i>						
<i>Net investment in capital assets</i>	23,215,863	19,963,533	35,152,332	32,963,175	58,368,195	52,926,708
<i>Restricted</i>	76,887	155,728	1,457,546	1,488,660	1,534,433	1,644,388
<i>Unrestricted</i>	<u>7,419,439</u>	<u>6,880,845</u>	<u>1,885,340</u>	<u>2,736,025</u>	<u>9,304,779</u>	<u>9,616,870</u>
<i>Total net position</i>	<u>\$30,712,189</u>	<u>\$27,000,106</u>	<u>\$38,495,218</u>	<u>\$37,187,860</u>	<u>\$69,207,407</u>	<u>\$64,187,966</u>

(a) The City implemented GASB 65, Items Previously Reported As Assets and Liabilities, in fiscal year 2013.

An additional portion of the City of Orange's net position, \$1,534,433 (2.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$9,304,779 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 position, 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 position increased by \$5,019,441 during the current fiscal year. Net position for the governmental activities increased \$3,712,083 and net position for the business-type activities increased \$1,307,358.

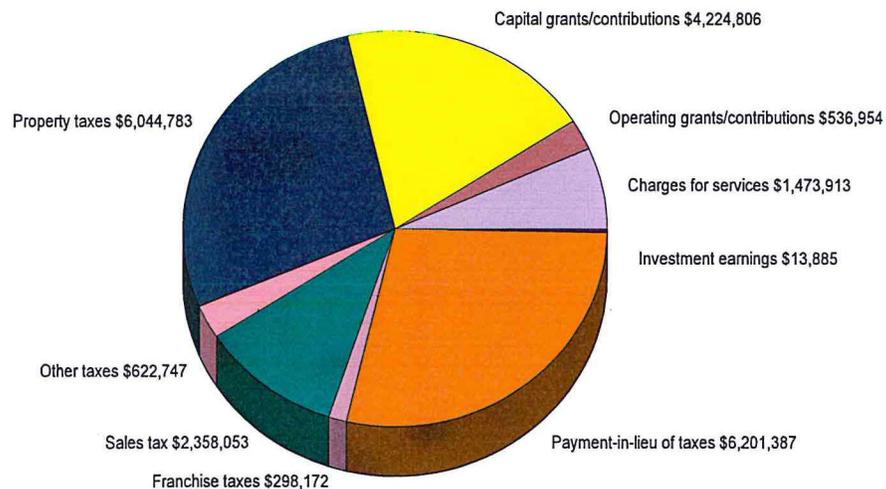
Capital asset changes were the largest component of the increase. The largest assets added were \$3,084,526 additional construction in progress on the Coppers Gully Pump Station improvements, \$703,309 construction in progress on the IH 10 utility relocation project, \$699,127 in construction in progress on the TCEQ UV structure upgrade at Jackson Street WWTP, \$276,770 additional construction in progress on the Rail Road Quite Zone project, \$172,928 in utility meters and settings, \$129,014 for sanitation Freightliner Grapppler Truck, and \$108,672 to complete East Town Street improvement project (\$1,344,976 was in construction in progress in prior fiscal year). Overall capital assets increased by \$5,441,487, net of related depreciation and debt.

City of Orange's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$1,473,913	\$1,500,305	\$9,118,490	\$9,482,465	\$10,592,403	\$10,982,770
Operating grants and contributions	536,954	721,281	0	0	536,954	721,281
Capital grants and contributions	4,224,806	1,916,105	821,987	772,900	5,046,793	2,689,005
General revenues:						
Property taxes	6,044,783	5,868,244	--	--	6,044,783	5,868,244
Sales tax	2,358,053	2,309,982	--	--	2,358,053	2,309,982
Other taxes	622,747	603,799	--	--	622,747	603,799
Franchise taxes	298,172	282,092	--	--	298,172	282,092
Payment-in-lieu of taxes	6,201,387	6,457,311	--	--	6,201,387	6,457,311
Unrestricted investment earnings	<u>13,885</u>	<u>20,490</u>	<u>10,015</u>	<u>9,141</u>	<u>23,900</u>	<u>29,631</u>
Total revenues	<u>21,774,700</u>	<u>19,679,609</u>	<u>9,950,492</u>	<u>10,264,506</u>	<u>31,725,192</u>	<u>29,944,115</u>
Expenses:						
General government	1,155,305	1,686,907	--	--	1,155,305	1,686,907

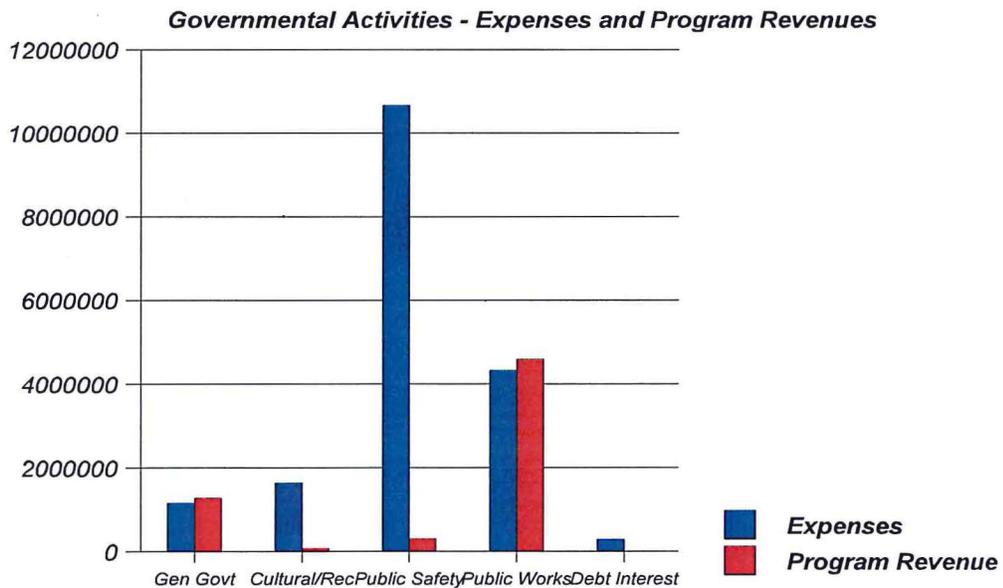
<i>Cultural and recreation</i>	1,636,053	1,721,378	--	--	1,636,053	1,721,378
<i>Public safety</i>	10,666,744	10,244,710	--	--	10,666,744	10,244,710
<i>Public works</i>	4,323,317	3,593,133	--	--	4,323,317	3,593,133
<i>Interest on long term debt</i>	281,198	299,216	--	--	281,198	299,216
<i>Water</i>	--	--	2,965,856	2,800,457	2,965,856	2,800,457
<i>Sewer</i>	--	--	3,985,926	4,367,032	3,985,926	4,367,032
<i>Sanitation</i>	--	--	<u>1,691,352</u>	<u>1,661,963</u>	<u>1,691,352</u>	<u>1,661,963</u>
<i>Total expenses</i>	<u>18,062,617</u>	<u>17,545,344</u>	<u>8,643,134</u>	<u>8,829,452</u>	<u>26,705,751</u>	<u>26,374,796</u>
<i>Increase (decrease) before transfers</i>	3,712,083	2,134,265	1,307,358	1,435,054	5,019,441	3,569,319
<i>Transfers</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Increase (decrease) in net position</i>	3,712,083	2,134,265	1,307,358	1,435,054	5,019,441	3,569,319
<i>Net position - beginning</i>	27,000,106	24,997,327	37,187,860	35,988,303	64,187,966	60,985,630
<i>Net position restatement - prior year GASB 65</i>	<u>\$0</u>	<u>(\$131,486)</u>	<u>\$0</u>	<u>(\$235,497)</u>	<u>\$0</u>	<u>(\$366,983)</u>
<i>Net position - ending</i>	<u>\$30,712,189</u>	<u>\$27,000,106</u>	<u>\$38,495,218</u>	<u>\$37,187,860</u>	<u>\$69,207,407</u>	<u>\$64,187,966</u>

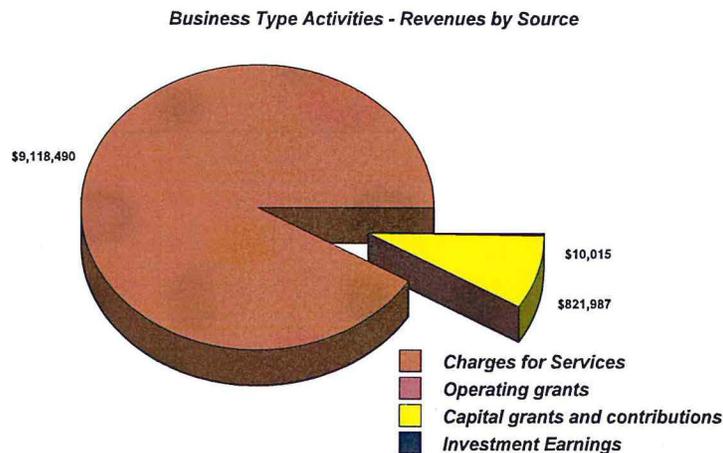
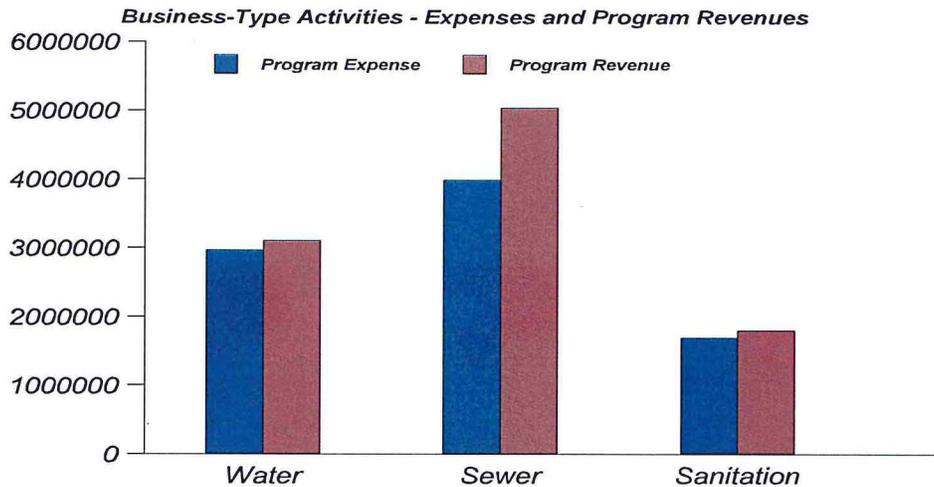
Governmental Activities - Revenues by Source



Governmental activities: Governmental activities increased the City of Orange’s net position by \$3,712,083, which is 74% of the total change in City wide net position. Major elements of this change are as follows:

- The largest change, for governmental activities net position, was the increase in capital assets (net of related debt) of \$3,252,330. The governmental funds had grant related expenditures on the East Town Street Improvements, Cooper’s Gully upgrades, and Railroad Quiet Zone Project. The governmental funds also had the purchase of fourteen (14) vehicles for various departments.
- Overall unrestricted net position increased by \$538,594. The major component were budget under runs in the General Fund. Various budget line-items, for personnel services and maintenance services, ended up under budget at the end of the fiscal year. This was the result of many factors but some of the largest are personnel changes during the year and utility, fuel and some maintenance costs being less that anticipated. Personnel costs were under budget (\$209,701) and maintenance services were under budget (\$345,344).





Business-type activities: Business-type activities increased the City of Orange’s net position by \$1,307,358, thereby accounting for 26% of the total increase in the net position of the City of Orange.

- The largest change, for business-type activities net position, was the increase in capital assets (net of related debt) of \$2,189,157.
- Some of the largest capital items additions were \$796,263 in construction in progress for UV structure and SCADA system upgrades at the JWWTP , \$234,897 for four (4) vehicles which included a sanitation Freightliner grapppler truck and \$172,928 for utility meters and settings.
- The business-types activities also had capital grants and contributions in the amount of \$821,987. This amount was made up of \$719,292 from governmental funds consisting of

\$703,310 for the IH 10 utility relocation project paid for by Texas Department of Transportation grant, and \$15,981 for air conditioning system for JWWTP office building and lab paid for by General Fund. There was also \$102,695 from the Orange EDC consisting of \$99,386 for the completion of the MLK water line extension and \$3,310 to start engineering on the 15th Street utility line relocation.

- The business-type activities did see a decline in utility charges for services of \$363,975, 3.8%, due to a drop in consumption for the year. The water and sewer enterprise fund did not have an increase in utility rates during fiscal year 2014. The sanitation fund did see an utility adjustment of 3% to offset the CIP increase incurred from the City's contracted service provider.
- The business-type activities saw operating expenses decrease by \$186,318, 2% for the fiscal year. A contributing factor, in the decrease from the prior year, was that in fiscal year 2013 the water and sewer fund had a capital loss on disposition of assets in the amount of \$534,800. In fiscal year 2014 the water and sewer fund did have a nonoperating expenses of deferred outflow of resources on refunding in the amount of \$122,515. The additional changes was accounted for in increases in various expense categories.

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 \$8,009,046, an increase of \$526,255 in comparison with the prior year. The unassigned fund balance total was \$5,531,403 which is 69% of total fund balance. The unassigned fund balance is available for spending at the government's discretion.

Nonspendable	Inventories	\$ 103,939
	Prepays	\$ 140,902
Restricted for:	Cultural and recreation	\$ 104,655
	Debt service	\$ 114,126
	Public safety	\$ 827,899
	Public works	\$ 69,615
	Tourism and promotion	\$1,082,085
Assigned to:	Capital outlay	\$ 32,130
	Economic development	\$ 2,292
Unassigned		\$5,531,403

The General Fund is the chief operating fund of the City of Orange. At the end of fiscal year 2014 the General Fund had an unassigned fund balance of \$5,531,403, which is \$422,699 more than the prior fiscal year. The unassigned fund balance is 32% of the expenditures of the General Fund for fiscal year 2014.

The change in unassigned fund balance was composed of:

- *The General Fund's overall revenue increased by \$264,317.*
- *The City saw an increase of \$343,184, 5%, in general fund tax collections. This increase was offset by a reduction in IDC contract payments of \$255,924. The changes were the results of tax rate and property values. The ad valorem property tax rate went from \$0.70/\$100 in fiscal year 2013 to \$0.69/\$100 in fiscal year 2014, but at the same time the certified property tax values increased by 5.85%. The continued reduction in the ad valorem tax rate is the result of the renegotiation of some of the IDC contracts in fiscal year 2012. The IDC contract certified values remain fairly constant with a 0.1% increase.*
- *Charges for services increased by \$226,224 caused by two major changes. The amount charged to other funds to provide consolidated services increased by \$138,341 due to changes in costs to provide services and utilities. The amount received for property rentals increased by \$89,000 due to the receipt of oil royalties.*
- *General Fund expenditures increased overall by \$888,920, which is a 5.5% increase. The General Fund saw changes in various categories of expenditures. The two major increases were in personnel costs and capital assets.*
- *The City was able to give a 2% cost of living to all full time and part time employees. The City also bid medical insurance and was able to provide similar coverage with not addition cost to employees. Overall General Fund wages and benefits increased by \$389,681 which is a 3% increase.*
- *The amount expended for budgeted capital assets increased by \$235,996.*

The Debt Service Fund had a fund balance of \$114,126 which is restricted for debt service payments. This is an decrease of \$41,602 and represents the fluctuation in property tax collection for the fiscal year.

The Capital Projects Fund was established to account for funds that are to be used for general capital improvement projects of the City and has a fund balance of \$32,130 which is assigned to capital outlay. There was a reduction of \$30,469 to cover City portion of railroad quiet zone project.

The Texas Department of Transportation Grant, Texas General Land Office Grant, and Other Governmental Funds are all Special Revenue Funds and as such are legally restricted or assigned to the established use of the fund. The Other Governmental Funds had fund balances totaling \$2,087,155. This is a increase of \$32,744 from the prior year.

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.*

The total net position of the water and sewer fund increased by \$1,122,647. With a large portion of this change coming from fixed asset capital contribution from the Governmental Funds and the Orange EDC in the amount of \$821,986.

While the net position did increase operating revenue decreased for the year. The water and sewer utility rates were not adjusted in fiscal year 2014. The City experienced a decline in water consumption of 7.06% for the fiscal year. This decline in consumption resulted in a reduction of \$395,882 in operating revenues.

Operating expenses increased for the fiscal year by \$321,917. The largest area of change was in contractual services. Sewer system maintenance and machinery maintenance both increase by a total of \$218,975. The Fund also had a deferred outflow of resources on a bond refunding of \$122,515 in fiscal year 2014.

The unrestricted net position of the Water and Sewer Fund was \$775,107 which is a decrease of \$962,019. There was an offsetting increase in net investment in capital assets of \$2,115,780. The Water and Sewer Fund actually expended \$1,193,018 on capital assets in fiscal year 2014. This does not include the capital assets transferred into the fund.

The unrestricted net position of the Sanitation Fund was \$1,119,009. This is a \$84,251 increase from the prior fiscal year. The sanitation rates were increased 3% in fiscal year 2014. This was to offset the CIP adjustment allowed by our contracted sanitation vendor on an annual basis. The operating revenues increase \$31,908 for the fiscal year. Operating expenses increased by \$35,336.

In fiscal year 2012 there was a transfer in/out between the Sanitation Fund and the Water and Sewer Fund for \$250,000. The amount was transferred from the Sanitation Fund to the Water and Sewer Fund to pay for the construction of a Sewer Septic Receiving Station. The project was started in fiscal year 2012 and completed in fiscal year 2013. This station started operations in fiscal year 2013 on a fee basis. In fiscal year 2014 the Water and Sewer Fund transferred \$50,000 back to the Sanitation Fund from fees collected by the operations of the Sewer Septic Receiving Station.

General Fund Budgetary Highlights

There was one budget amendment that affected the General Fund for fiscal year 2014. The amendment totaled \$493,259 in additional appropriations.

Amendment #1	\$360,719	To amend the budget for expenditures for increased costs in various line items. The largest of these were (1) \$150,000 to budget proceeds from sale of City property to be used for Memorial Field Pavilion and City Boat Ramp comfort station and other approved park uses, (2) \$115,000 for vehicles and equipment for Alternate Response First Responder Plan, (3) \$50,312 additional cost for four vehicles in Police Department, and (4) \$29,907 for repair of the Fire Training Facility damaged in accident.
Amendment #6	(\$66,000)	To amend the budget for additional revenue received on standby time at local industries.
	198,540	To amend the budget for expenditures for increased costs in various line items. The largest of these increases were (1) \$78,010 additional costs need for Quite Zone Project, (2) \$66,000 additional payroll costs associated with payment of standby overtime costs, and (3) \$16,805 cost of insulation at Central Fire Station and repairs to AC at Senior Center.
Total	<u>\$493,259</u>	

This amendment was funded in part by the receipt of additional revenue for \$66,000, use of unassigned fund balance of \$277,259 and sale of City property of \$150,000.

Final budget comparison to actual results - The most significant differences between the actual budgeted expenditures and actual expenditures were as follows:

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Personnel Services	\$12,392,288	\$12,463,813	\$12,254,112	(\$209,701)
Maintenance & Services	3,943,485	3,982,577	3,637,233	(345,344)

During the fiscal year the general fund had various changes in employee within positions. These changes result from employees retiring or leaving during the year. Sometimes the positions were vacant for a period of time while they were being filled and in most cases the new employees enter at a lower grade on the City pay scale. This resulted in variances in salaries and benefits during the fiscal year.

The maintenance and services category saw various changes during the fiscal year. Special services were below budget by \$144,294. This was mainly due to the budgeting of a contingency fund of \$133,789, for the fiscal year, that was not used. The City also saw other accounts that were below budget due to usage or price. These accounts are (1) legal expense \$36,142, (2) machinery maintenance \$34,028, and (3) street maintenance \$31,082.

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, 2014, amounts to \$73,012,168 (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 \$2,532,761, 8.9%, in this fiscal year. Capital assets in the business-type activities increased by \$724,128, 1.8%.

City of Orange Capital Assets (net of depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$1,585,658	\$1,585,658	\$725,560	\$725,560	\$2,311,218	\$2,311,218
Buildings	17,134,730	17,436,669	342,261	351,526	17,476,991	17,788,195
Furniture, fixtures and books	593,952	706,989	--	--	593,952	706,989

<i>Improvements other than buildings</i>	--	--	38,758,364	38,223,371	38,758,364	38,223,371
<i>Machinery, equipment, vehicles and improvements</i>	4,159,590	4,483,456	985,938	996,991	5,145,528	5,480,447
<i>Vehicles</i>	--	--	375,119	258,114	375,119	258,114
<i>Streets</i>	3,195,474	1,819,196	--	--	3,195,474	1,819,196
<i>Construction in progress</i>	<u>4,295,899</u>	<u>2,400,574</u>	<u>859,623</u>	<u>767,175</u>	<u>5,155,522</u>	<u>3,167,749</u>
<i>Total</i>	<u>\$30,965,303</u>	<u>\$28,432,542</u>	<u>\$42,046,865</u>	<u>\$41,322,737</u>	<u>\$73,012,168</u>	<u>\$69,755,279</u>

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

Governmental Activities

In fiscal year 2014 the governmental activities had an increase in capital assets, before depreciation, of \$4,047,858. The major components of change in fiscal year 2014 were:

Buildings -

- *Comfort Stations at Northway Park and Boat Ramp \$77,852.*
- *Security lighting at Central Fire Station \$74,929.*
- *Sidewalk for Senior Center \$54,498.*
- *Various other improvement to City buildings \$145,880.*

Machinery, equipment, vehicles and improvements -

- *Vehicles for Animal Shelter, Building Services, Inspection, Parks, and Public Works Administration \$118,467.*
- *Four Police vehicles \$146,273.*
- *Three Fire vehicles \$77,430.*
- *In car cameras for police units \$70,165.*
- *TEREX backhoe for Streets \$78,057.*
- *Flatbed truck for Streets \$59,596.*
- *Tractor and mower for Parks \$39,451.*
- *Fuel pumps and recording system \$34,722.*
- *Nine vehicles traded in (\$224,031).*
- *Four vehicles being retired sold at auction (\$162,792).*
- *Vehicle removed due to damage (\$28,590).*
- *Obsolete equipment removed or sold for scrap (\$6,165).*

Furniture, fixtures and books -

- *Library materials \$11,704.*
- *In car camera software \$5,190.*

Infrastructure -

- *East Town street improvements \$1,453,648. Of the total \$1,344,976 was transferred in from construction in progress.*
- *Street overlay and resurfacing \$126,249.*

Construction in Progress -

- *Cooper's Gully upgrades \$3,084,526.*
- *Railroad Quiet Zone project \$276,770.*
- *Sale of Taggart House (\$114,495).*
- *Transfer out for East Town street improvements (\$1,344,976).*
- *Transfer out for Meals on Wheels sidewalk (\$6,500).*

Business Type Activities

In fiscal year 2014 business-type activities had an increase in capital assets, before depreciation, of \$2,026,642. The major capital expenditures included:

Improvements -

- *IH 10 Utility Relocation Project \$733,864, \$703,310 contributed by Governmental Fund fiscal year 2014 and \$30,555 transferred from construction in progress.*
- *MLK utility line extensions \$775,956. \$99,386 contributed by Orange EDC in fiscal year 2014 and \$656,570 transferred from construction in progress.*
- *Meters and settings \$172,946.*

Machinery, equipment and improvements -

- *Excavator for Water operations \$46,101.*
- *Various lift station pumps replaced \$42,582.*
- *Air conditioning repairs JWWTP buildings and lab \$29,494, \$15,981 contributed by Governmental Fund.*
- *Link Street plant pump overhaul \$15,728.*

Vehicles -

- *Three vehicles for Water and Sewer operations \$105,883.*
- *Grapple truck for Sanitation \$129,014.*
- *Vehicles traded in (\$62,830).*
- *Obsolete vehicle sold for scrap (\$34,588).*
- *Vehicle removed due to damage (\$19,956).*

Construction in progress -

- *SCADA System JWWTP \$97,136.*
- *UV Structure Upgrade JWWTP \$699,127.*
- *15th Street Utility Relocation Engineering contributed by Orange EDC \$3,310.*

- Transfer out for MLK utility line extensions and lift station (\$676,570).
- Transfer out for IH 10 utility line relocation project (\$30,555).

Additional information on the City of Orange's capital assets can be found in note IV.C on pages 66 to 69 of this report.

Long-term debt. At the end of the current fiscal year, the City of Orange has total bonded debt outstanding of \$14,900,000. Of the outstanding debt \$14,685,000 is backed by the full faith and credit of the government and \$215,000 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	
	2014	2013	2014	2013	2014	2013
Certificates of Obligation	\$300,000	\$585,000	\$0	\$0	\$300,000	\$585,000
General Obligation Bonds	7,685,000	8,155,000	6,700,000	4,180,000	14,385,000	12,335,000
Revenue Bonds	<u>0</u>	<u>0</u>	<u>215,000</u>	<u>4,170,000</u>	<u>215,000</u>	<u>4,170,000</u>
Total	<u>\$7,985,000</u>	<u>\$8,740,000</u>	<u>\$6,915,000</u>	<u>\$8,350,000</u>	<u>\$14,900,000</u>	<u>\$17,090,000</u>

The City's total debt decreased by \$2,190,000, or 12.8%, during the current fiscal year. The certificates of obligation for governmental activities decreased by \$285,000 which represents debt principal payments for the fiscal year. The general obligation bonds of the governmental activities decreased by \$470,000 which represents debt principal payments for the fiscal year.

The general obligation bonds for business-type activities increased by \$2,520,000 which represents an increase of \$3,900,000 for the Series 2014 General Obligation Refunding Bonds, that refunded a portion of the Series 2007 Water and Sewer Revenue Bonds, and a decrease of \$1,380,000 which represents debt principal payments for the fiscal year.

The revenue bonds for business-type activities decreased by \$3,955,000 which represents a decrease of \$3,750,000 for the refunding of revenue bonds and a decrease of \$205,000 which represents debt principal payments 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 February 2013 Moody's assigned an "Aa3" rating on the upcoming issue Series 2013 General Obligation Refunding Bonds that will refund the Tax and Revenue Certificates of Obligation, Series 2008. The new bond issue will close in April 2013. The Moody's "Aa3" rating affects \$14.9M in outstanding parity debt, inclusive of the current sale.

In April 2014 Moody's assigned an "Aa3" rating on the upcoming issue Series 2014 General Obligation Refunding Bonds that will refund the Series 2007 Water and Sewer Revenue Bonds. The Moody's rating affirms the "Aa3" rating on \$11.2M in outstanding parity debt.

Additional information on the City's long-term debt can be found in note IV.E on pages 70 to 75 of this report.

Economic Factors and Next Year's Budget and Rates

Economic factors fiscal year 2014-

- *Sales tax collections increased 2.08%. The City had anticipated that the sales tax for the year would be on line with the previous years collections, but sales did rise slightly for the fiscal year. Collections went from \$2,309,982 in fiscal year 2013 to \$2,358,053 in fiscal year 2014. 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 increased by 5.07%. The City has seen a 14.24% increase in sales tax collections for the first quarter of fiscal year 2015. This increase was due to a large state sales tax audit adjustment, from prior periods, that reduced payments within the first quarter of fiscal year 2014.*
- *Hotel/motel tax collections did show an increase in fiscal year 2014. The collections increased by 3.1% during the fiscal year. Collections went from \$584,541 in fiscal year 2013 to \$602,700 in fiscal year 2014. This increase was not the result on any major change in the number of hotels but overall increase in hotel/motel revenue within the area.*
- *The unemployment rate for the Beaumont-Port Arthur metropolitan area (in which Orange is grouped) remained above the state and national average. At September 2014 the unemployment rate was 7.5% while the statewide rate was 5.2% and the national rate was 5.9% (according to the US Bureau of Labor Statistics). The unemployment rate for the local metropolitan area is down from the prior year rate of 9.9%.*

Economic factors budgeted fiscal year 2015 -

- *The ad valorem tax certified taxable values for the new budget increased by 1.6% over the prior fiscal year. The certified taxable values went from \$891,551,563 in January 2013 to \$906,396,844 in January 2014. The City was once again able to reduce the ad valorem tax rate to \$0.68131 per \$100, which was the effective rate. This was based in part on the increase in taxable values and the renegotiation of seven Industrial District Contracts in fiscal year 2012. The City was also in the process of renegotiating the remainder of the Industrial District Contracts for fiscal year 2015.*
- *The Industrial District certified values increased by 1.1%. The values went from \$1,173,388,761 in January 2013 to \$1,163,014,506 in January 2014. Negotiations on the next group of expiring Industrial District Contract started in fiscal year 2014.*
- *Sales tax increased 2.08% in fiscal year 2014. The City did not budget an increase in sales tax for fiscal year 2015.*

Next years budgetary information and rates -

- *The ad valorem tax rate was reduced, by another \$0.00869/\$100, for fiscal year 2015. The new ad valorem tax rate is \$0.68131/\$100, the effective rate.*
- *In fiscal year 2012 the City was able to renegotiate the Industrial District Contract with seven local industries. The new contracts are for 15 years and based on 93% of the ad valorem tax rate. This IDC rate was equivalent to \$0.63362/\$100 in fiscal year 2015.*
- *The remainder of the Industrial District Contract are currently being renegotiated with terms to correspond with the prior group.*
- *The water and sewer rates were adjusted by 3.4% in fiscal year 2015 based on the utility CPI. Anticipated revenue was able to meet budget needs. Rates were not adjusted in the prior fiscal year.*
- *The sanitation rates were adjusted 2.7% in fiscal year 2015. The present contract for sanitation services allows the vendor to adjust rates annually for the prior twelve month CPI for sanitation services. This rate adjustment covers the CPI rate received.*
- *The City has negotiated three year contracts with both the Orange Municipal Police Association and the Orange Association of Firefighters Local 1432. Both groups received a 2.5% cost of living increase for fiscal year 2015.*
- *The City granted a 2.5% cost of living increase for non-union employees.*
- *The City budgeted step increases for non-union employees who have not reached their top step.*
- *In fiscal year 2015 the City changed medical insurance providers. We currently use Blue Cross Blue Shield for medical insurance. The City works with a consulting firm to assist with the bidding of our medical insurance providers. It was necessary for the City to make some plan modifications for fiscal year 2015. The budget was prepared with a 7% increase in health insurance cost.*

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 Position
September 30, 2014

	Primary Government			Component Unit Economic Development Corporation
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$5,272,980	\$1,215,596	\$6,488,576	\$1,650,152
Investments	249,535	0	249,535	0
Receivables (net of allowance for uncollectibles)	5,463,629	1,166,059	6,629,688	88,575
Internal balances	8,776	(8,776)	0	0
Inventories	103,939	34,537	138,476	0
Prepays	140,902	140,351	281,253	1,366
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	112,590	1,929,066	2,041,656	399,356
Capital assets (net of accumulated depreciation)				
Land	1,585,658	725,560	2,311,218	871,059
Buildings	17,134,730	342,261	17,476,991	0
Furniture, fixtures, books	593,952	0	593,952	0
Improvements other than buildings	0	38,758,364	38,758,364	7,172,342
Machinery, equipment, vehicles & improvements	4,159,590	985,938	5,145,528	0
Vehicles	0	375,119	375,119	0
Streets	3,195,474	0	3,195,474	0
Construction in progress	4,295,899	859,623	5,155,522	0
Total assets	<u>42,317,654</u>	<u>46,523,698</u>	<u>88,841,352</u>	<u>10,182,850</u>
Deferred Outflows of Resources				
Deferred outflows on refunding	235,560	26,842	262,402	0
Total deferred outflows of resources	<u>235,560</u>	<u>26,842</u>	<u>262,402</u>	<u>0</u>
Liabilities				
Accounts payable and other current liabilities	905,888	984,675	1,890,563	32,227
Accrued interest payable	37,239	36,558	73,797	39,295
Noncurrent liabilities				
Due within one year payable from restricted assets	0	1,457,546	1,457,546	295,000
Due within one year	1,880,905	221,814	2,102,719	0
Due in more than one year	9,016,993	5,348,354	14,365,347	6,705,000
Total liabilities	<u>11,841,025</u>	<u>8,048,947</u>	<u>19,889,972</u>	<u>7,071,522</u>
Deferred Inflow of Resources				
Deferred inflows on refunding	0	6,375	6,375	0
Total deferred inflows of resources	<u>0</u>	<u>6,375</u>	<u>6,375</u>	<u>0</u>
Net Position				
Net investment in capital assets	23,215,863	35,152,332	58,368,195	1,043,401
Restricted for:				
Debt service payments	76,887	1,457,546	1,534,433	360,062
Unrestricted	7,419,439	1,885,340	9,304,779	1,707,865
Total net position	<u>\$30,712,189</u>	<u>\$38,495,218</u>	<u>\$69,207,407</u>	<u>\$3,111,328</u>

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, 2014**

Function/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets			Component Unit Economic Development
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General government	1,155,305	1,141,978	137,756	0	\$124,429	--	\$124,429	--
Cultural and recreation	1,636,053	22,961	46,708	1,637	(\$1,564,747)	--	(1,564,747)	--
Public safety	10,666,744	183,055	84,408	32,386	(\$10,366,895)	--	(10,366,895)	--
Public works	4,323,317	125,919	268,082	4,190,783	\$261,467	--	261,467	--
Interest on long-term debt	281,198	0	0	0	(281,198)	--	(281,198)	--
Total governmental activities	18,062,617	1,473,913	536,954	4,224,806	(11,826,944)	--	(11,826,944)	--
Business-type activities:								
Water	2,965,856	2,495,113	0	607,885	--	137,142	137,142	--
Sewer	3,985,926	4,822,636	0	214,102	--	1,050,812	1,050,812	--
Sanitation	1,691,352	1,800,741	0	0	--	109,389	109,389	--
Total business-type activities	8,643,134	9,118,490	0	821,987	--	1,297,343	1,297,343	--
Total primary government	\$26,705,751	\$10,592,403	\$536,954	\$5,046,793	(11,826,944)	1,297,343	(10,529,601)	--
Component Unit:								
Economic Development Corporation	\$967,462	\$0	\$0	\$234,825	--	--	--	(\$732,637)
Total component unit	\$967,462	\$0	\$0	\$234,825	--	--	--	(732,637)
General revenues:								
Property taxes					6,044,783	--	6,044,783	--
Sales tax					2,358,053	--	2,358,053	1,179,026
Other taxes					622,747	--	622,747	--
Franchise taxes					298,172	--	298,172	--
Payment in-lieu of taxes					6,201,387	--	6,201,387	--
Investment earnings					13,885	10,015	23,900	3,774
Total revenues					15,539,027	10,015	15,549,042	1,182,800
Change in net position					3,712,083	1,307,358	5,019,441	450,163
Net position - beginning					27,000,106	37,187,860	64,187,966	2,661,165
Net position - ending					\$30,712,189	\$38,495,218	\$69,207,407	\$3,111,328

City of Orange, Texas
Balance Sheet
Governmental Funds
September 30, 2014

	General	Debt Service	Capital Projects	TX Department of Transportation (TX DOT) Grant	TX General Land Office (GLO) Grant	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$2,737,259	\$112,590	\$32,130	\$0	\$0	\$2,049,579	\$4,931,558
Investments	249,535	0	0	0	0	0	249,535
Receivables (net of allowance for uncollectibles)							
Taxes	1,085,618	249,124	0	0	0	0	1,334,742
Accounts	720,968	0	0	979,943	1,599,922	123,262	3,424,095
Due from other funds	2,503,430	0	0	0	0	0	2,503,430
Due from others	9,511	1,536	0	0	0	0	11,047
Inventories, at cost	103,939	0	0	0	0	0	103,939
Prepays	140,293	0	0	0	0	609	140,902
Total assets	\$7,550,553	\$363,250	\$32,130	\$979,943	\$1,599,922	\$2,173,450	\$12,699,248
Liabilities							
Accounts payable	\$680,391	\$0	\$0	\$0	\$115,293	\$47,437	\$843,121
Partial payment of taxes	1,565	0	0	0	0	0	1,565
Due to other funds	0	0	0	979,943	1,484,629	38,858	2,503,430
Liability for municipal court	7,344	0	0	0	0	0	7,344
Total liabilities	689,300	0	0	979,943	1,599,922	86,295	3,355,460
Deferred inflows of resources							
Unavailable revenue-property tax	1,085,618	249,124	0	0	0	0	1,334,742
Total deferred inflows of resources	1,085,618	249,124	0	0	0	0	1,334,742
Fund balances							
Nonspendable							
Inventory	103,939	0	0	0	0	0	103,939
Prepays	140,293	0	0	0	0	609	140,902
Restricted for:							
Cultural and recreation	0	0	0	0	0	104,655	104,655
Debt service	0	114,126	0	0	0	0	114,126
Public safety	0	0	0	0	0	827,899	827,899
Public works	0	0	0	0	0	69,615	69,615
Tourism and promotion	0	0	0	0	0	1,082,085	1,082,085
Assigned to:							
Capital outlay	0	0	32,130	0	0	0	32,130
Economic Development	0	0	0	0	0	2,292	2,292
Unassigned	5,531,403	0	0	0	0	0	5,531,403
Total fund balance	5,775,635	114,126	32,130	0	0	2,087,155	8,009,046
Total liabilities, deferred inflows of resources and fund balances	\$7,550,553	\$363,250	\$32,130	\$979,943	\$1,599,922	\$2,173,450	

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

Capital assets used in governmental activities are not financial resources and, therefore, are deferred in the funds.	30,965,303
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,028,487
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the	(10,699,577)
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 position.	408,930
Net position of governmental activities	<u>\$30,712,189</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
Governmental Funds
For the Year Ended September 30, 2014

	General	Debt Service	Capital Projects	Tx Department of Transportation (TX DOT) Grant	Texas General Land Office (GLO) Grant	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$7,333,701	\$966,374	\$0	\$0	\$0	\$602,700	\$8,902,775
Payment in lieu of taxes	6,201,387	0	0	0	0	0	6,201,387
Franchises	1,199,098	0	0	0	0	0	1,199,098
Licenses and permits	372,001	0	0	0	0	0	372,001
Intergovernmental	95,801	0	0	0	0	244,609	340,410
Charges for services	2,173,072	0	0	0	0	0	2,173,072
Donations	0	0	0	0	0	33,043	33,043
Grant income	0	0	0	949,467	3,280,345	60,051	4,289,863
Investment income	8,293	662	143	0	0	4,787	13,885
Program income	0	0	0	0	0	27,783	27,783
Forfeitures	0	0	0	0	0	32,386	32,386
Miscellaneous	112,644	0	0	0	0	0	112,644
Total revenues	17,495,997	967,036	143	949,467	3,280,345	1,005,359	23,698,347
Expenditures							
Current							
General government	1,358,661	0	0	0	0	0	1,358,661
Cultural and recreation	1,039,710	0	0	0	0	504,252	1,543,962
Public safety	8,862,099	0	0	0	0	129,123	8,991,222
Public works	3,087,435	0	0	0	39,029	215,641	3,342,105
Non departmental	1,921,167	0	0	0	0	0	1,921,167
Debt Service							
Principal	0	755,000	0	0	0	0	755,000
Interest and fiscal charges	0	253,638	0	0	0	0	253,638
Capital Outlay							
Books	10,067	0	0	0	0	1,637	11,704
Buildings	201,513	0	0	0	74,929	0	276,442
Machinery and equipment	142,231	0	0	0	0	72,870	215,101
Other capital	26,811	0	30,612	949,467	0	0	1,006,890
Storm sewer construction	0	0	0	0	3,057,715	0	3,057,715
Street construction	174,722	0	0	0	108,672	37,725	321,119
Vehicles	380,984	0	0	0	0	11,367	392,351
Total expenditures	17,205,400	1,008,638	30,612	949,467	3,280,345	972,615	23,447,077
Excess (deficiency) of revenues over (under) expenditures	290,597	(41,602)	(30,469)	0	0	32,744	251,270
Other financing sources (uses)							
Sale of general capital assets	274,985	0	0	0	0	0	274,985
Total other financing sources and uses	274,985	0	0	0	0	0	274,985
Net change in fund balances	565,582	(41,602)	(30,469)	0	0	32,744	526,255
Fund balances - beginning	5,210,053	155,728	62,599	0	0	2,054,411	7,482,791
Fund balances - ending	\$5,775,635	\$114,126	\$32,130	\$0	\$0	\$2,087,155	\$8,009,046

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, 2014

Amounts reported for governmental activities in the statement of activities (page 37) are different because:

Net change in fund balances - total governmental funds (page 39)	\$526,255
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.	2,532,761
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	19,053
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.	727,440
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.	(225,187)
Internal service funds are used by management to charge the cost of workers' compensation and medical insurance to individual funds.	<u>131,761</u>
Change in net position of governmental activities (page 37).	<u><u>\$3,712,083</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, 2014

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Over (Under)
	Original	Final		
Revenues				
Taxes	\$7,424,282	\$7,424,282	\$7,333,701	(\$90,581)
Payment in lieu of taxes	6,203,652	6,203,652	6,201,387	(2,265)
Franchises	1,225,000	1,225,000	1,199,098	(25,902)
Licenses and permits	369,300	369,300	372,001	2,701
Intergovernmental	92,508	92,508	95,801	3,293
Charges for services	2,033,287	2,033,287	2,173,072	139,785
Investment income	13,500	13,500	8,293	(5,207)
Miscellaneous	43,000	109,000	112,644	3,644
Total revenues	17,404,529	17,470,529	17,495,997	25,468
Expenditures				
Current				
General government	1,416,058	1,422,215	1,358,661	(63,554)
Cultural and recreation	1,070,823	1,085,917	1,039,710	(46,207)
Public safety	8,901,666	9,025,063	8,862,099	(162,964)
Public works	3,250,321	3,261,860	3,087,435	(174,425)
Non departmental	2,104,905	2,104,905	1,921,167	(183,738)
Capital Outlay				
Books	10,000	10,000	10,067	67
Buildings	118,548	293,455	201,513	(91,942)
Machinery	148,356	148,510	142,231	(6,279)
Other capital	14,465	92,475	26,811	(65,664)
Streets	150,000	166,000	174,722	8,722
Vehicles	259,387	393,388	380,984	(12,404)
Total expenditures	17,444,529	18,003,788	17,205,400	(798,388)
Excess (deficiency) of revenues over (under) expenditures	(40,000)	(533,259)	290,597	823,856
Other financing sources (uses)				
Sale of fixed assets	40,000	40,000	274,985	234,985
Total other financing sources and uses	40,000	40,000	274,985	234,985
Net change in fund balances	0	(493,259)	565,582	1,058,841
Fund balances - beginning	5,210,053	5,210,053	5,210,053	0
Fund balances - ending	\$5,210,053	\$4,716,794	\$5,775,635	\$1,058,841

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

City of Orange
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Texas Department of Transportation (TX DOT) Grant Fund
For the Year Ended September 30, 2014

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Grant income	\$389,042	\$913,446	\$949,467	\$36,021
Total revenues	389,042	913,446	949,467	36,021
Expenditures:				
Capital outlay				
Other capital	389,042	913,367	949,467	36,100
Total expenditures	389,042	913,367	949,467	36,100
Net change in fund balance	0	79	0	(79)
Fund balances beginning	0	0	0	0
Fund balances ending	\$0	\$79	\$0	(\$79)

City of Orange
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Texas General Land Office (GLO) Grant Fund
For the Year Ended September 30, 2014

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Grant income	\$0	\$7,277,510	\$3,280,345	(\$3,997,165)
Total revenues	0	7,277,510	3,280,345	(3,997,165)
Expenditures:				
Public works	0	57,450	39,029	(18,421)
Capital outlay				
Buildings	0	76,272	74,929	(1,343)
Storm sewer construction	0	7,037,266	3,057,715	(3,979,551)
Street construction	0	106,718	108,672	1,954
Total expenditures	0	7,277,706	3,280,345	(3,997,361)
Net change in fund balance	0	(196)	0	196
Fund balances beginning	0	0	0	0
Fund balances ending	\$0	(\$196)	\$0	\$196

City of Orange, Texas
Statement of Net Position
Proprietary Funds
September 30, 2014

	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	\$183,257	\$1,107,688	\$1,032,339	\$947,419	\$1,215,596	\$418,012
Cash with fiscal agent	0	0	0	0	0	36,000
Due from other funds	0	788	0	0	0	0
Receivables (net of allowance for uncollectibles)	946,014	969,823	220,045	219,929	1,166,059	0
Inventories	140,351	143,023	0	0	140,351	0
Prepays	32,973	30,431	1,564	1,442	34,537	0
Cash and cash equivalents - restricted	1,929,066	1,912,866	0	0	1,929,066	0
Total current assets	<u>3,231,661</u>	<u>4,164,619</u>	<u>1,253,948</u>	<u>1,168,790</u>	<u>4,485,609</u>	<u>454,012</u>
Noncurrent assets:						
Capital assets (net of accumulated depreciation)						
Land	725,560	725,560	0	0	725,560	0
Buildings	342,261	351,526	0	0	342,261	0
Improvements other than buildings	38,758,364	38,223,371	0	0	38,758,364	0
Machinery and equipment	985,938	996,991	0	0	985,938	0
Transportation vehicles	214,028	170,400	161,091	87,714	375,119	0
Construction in progress	859,623	767,175	0	0	859,623	0
Total noncurrent assets	<u>41,885,774</u>	<u>41,235,023</u>	<u>161,091</u>	<u>87,714</u>	<u>42,046,865</u>	<u>0</u>
Total assets	<u>45,117,435</u>	<u>45,399,642</u>	<u>1,415,039</u>	<u>1,256,504</u>	<u>46,532,474</u>	<u>454,012</u>
Deferred outflows of resources						
Deferred outflows on refunding	26,842	0	0	0	26,842	0
Combined assets and deferred outflows of resources	<u>45,144,277</u>	<u>45,399,642</u>	<u>1,415,039</u>	<u>1,256,504</u>	<u>46,559,316</u>	<u>454,012</u>
Liabilities						
Current liabilities:						
Accounts payable and other current liabilities	857,506	694,699	127,169	122,161	984,675	53,858
Accrued interest payable	36,558	51,961	0	0	36,558	0
Due to other funds	0	79,432	0	4,873	0	0
Liability for employee benefits	34,975	42,116	4,385	3,886	39,360	0
Current portion of long-term debt	1,640,000	1,560,000	0	0	1,640,000	0
Total current liabilities	<u>2,569,039</u>	<u>2,428,208</u>	<u>131,554</u>	<u>130,920</u>	<u>2,700,593</u>	<u>53,858</u>
Noncurrent liabilities:						
Liability for employee benefits	69,969	70,625	3,385	3,112	73,354	0
General obligation bonds payable	5,275,000	2,825,000	0	0	5,275,000	0
Revenue bonds payable	0	3,965,000	0	0	0	0
Total noncurrent liabilities	<u>5,344,969</u>	<u>6,860,625</u>	<u>3,385</u>	<u>3,112</u>	<u>5,348,354</u>	<u>0</u>
Total liabilities	<u>7,914,008</u>	<u>9,288,833</u>	<u>134,939</u>	<u>134,032</u>	<u>8,048,947</u>	<u>53,858</u>
Deferred inflows of resources						
Deferred inflows on refunding	6,375	9,562	0	0	6,375	0
Combined liabilities and deferred inflows of resources	<u>7,920,383</u>	<u>9,298,395</u>	<u>134,939</u>	<u>134,032</u>	<u>8,055,322</u>	<u>53,858</u>
Net Position						
Net investment in capital assets	34,991,241	32,875,461	161,091	87,714	35,152,332	0
Restricted:						
Debt Service	1,457,546	1,488,660	0	0	1,457,546	0
Unrestricted	775,107	1,737,126	1,119,009	1,034,758	1,894,116	400,154
Total net position	<u>\$37,223,894</u>	<u>\$36,101,247</u>	<u>\$1,280,100</u>	<u>\$1,122,472</u>	<u>38,503,994</u>	<u>\$400,154</u>
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service fund and the enterprise funds over time.					(8,776)	
Net position of business-type activities					<u>\$38,495,218</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 Net Position
Proprietary Funds
For the Year Ended September 30, 2014

	Business-Type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Water & Sewer Current Year	Water & Sewer Prior Year	Sanitation Current Year	Sanitation Prior Year	Total Current Year	
Operating revenues						
Charges for service- water	\$2,327,027	\$2,486,842	\$0	\$0	\$2,327,027	\$0
Charges for service - sewer	4,654,551	4,902,493	0	0	4,654,551	0
Charges for service - sanitation	0	0	1,800,741	1,768,833	1,800,741	0
Other services	336,172	324,297	0	0	336,172	233,089
Total operating revenues	<u>7,317,750</u>	<u>7,713,632</u>	<u>1,800,741</u>	<u>1,768,833</u>	<u>9,118,491</u>	<u>233,089</u>
Operating expenses						
Personnel services	1,567,477	1,570,104	72,947	70,582	1,640,424	0
Employee benefits	862,500	872,667	45,692	45,216	908,192	0
Contractual services	995,453	727,551	1,237,514	1,210,899	2,232,967	0
Supplies	227,191	250,776	683	2,884	227,874	0
Utilities	531,006	474,312	0	0	531,006	0
Depreciation	1,364,252	1,343,552	55,636	51,555	1,419,888	0
Administrative expense	1,090,101	1,077,101	283,401	279,401	1,373,502	4,955
Claims	0	0	0	0	0	37,649
Premiums	0	0	0	0	0	32,547
Total operating expenses	<u>6,637,980</u>	<u>6,316,063</u>	<u>1,695,873</u>	<u>1,660,537</u>	<u>8,333,853</u>	<u>75,151</u>
Operating income (loss)	<u>679,770</u>	<u>1,397,569</u>	<u>104,868</u>	<u>108,296</u>	<u>784,638</u>	<u>157,938</u>
Nonoperating revenues (expenses)						
Deferred inflow of resources on refunding	2,544	3,187	0	0	2,544	0
Deferred outflow of resources on refunding	(122,515)	0	0	0	(122,515)	0
Investment income	7,255	7,043	2,760	2,098	10,015	906
Interest expense	(228,431)	(313,938)	0	(231)	(228,431)	0
Gain (loss) on capital asset disposition	12,038	(534,800)	0	0	12,038	0
Total nonoperating revenue (expense) before contributions and transfers	<u>(329,109)</u>	<u>(838,508)</u>	<u>2,760</u>	<u>1,867</u>	<u>(326,349)</u>	<u>906</u>
Income (loss) before contributions and transfers	<u>350,661</u>	<u>559,061</u>	<u>107,628</u>	<u>110,163</u>	<u>458,289</u>	<u>158,844</u>
Capital contributions	821,986	772,900	0	0	821,986	0
Transfers in	0	0	50,000	0	50,000	0
Transfers out	(50,000)	0	0	0	(50,000)	0
Change in net position	<u>1,122,647</u>	<u>1,331,961</u>	<u>157,628</u>	<u>110,163</u>	<u>1,280,275</u>	<u>158,844</u>
Total net position - beginning	<u>36,101,247</u>	<u>34,769,286</u>	<u>1,122,472</u>	<u>1,012,309</u>		<u>241,310</u>
Total net position - ending	<u>37,223,894</u>	<u>36,101,247</u>	<u>1,280,100</u>	<u>1,122,472</u>		<u>400,154</u>

Adjustment for the net effect of the current
year activity between the internal service
fund and the enterprise funds.

27,083

Change in net position of business-type activities (page 37)

\$1,307,358

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, 2014

	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	\$7,353,102	\$7,661,124	\$1,800,625	\$1,789,289	9,153,727	\$233,089
Receipts from interfund services provided	0	0	0	0	0	0
Payments to suppliers	(2,547,466)	(2,416,557)	(1,238,476)	(1,202,305)	(3,785,942)	(193,978)
Payments to employees	(1,571,216)	(1,562,268)	(117,574)	(116,000)	(1,688,790)	0
Payments for interfund services used	(1,090,101)	(1,077,101)	(283,401)	(279,401)	(1,373,502)	0
Net cash provided (used) by operating activities	2,144,319	2,605,198	161,174	191,583	2,305,493	39,111
Cash flows from noncapital financing activities:						
Subsidy from (to) proprietary fund	(50,000)	0	50,000	0	0	0
Net cash provided (used) by noncapital financing activities	(50,000)	0	50,000	0	0	0
Cash flows from capital and related financing activities:						
Purchases of capital assets	(1,193,018)	(606,130)	(129,014)	0	(1,322,032)	0
Sales of capital assets	12,038	0	0	0	12,038	0
Principal paid on capital debt	(1,585,000)	(1,520,000)	0	(29,982)	(1,585,000)	0
Interest paid on capital debt	(243,834)	(316,021)	0	(231)	(243,834)	0
Net cash provided (used) by capital and related financing activities	(3,009,814)	(2,442,151)	(129,014)	(30,213)	(3,138,828)	0
Cash flows from investing activities:						
Interest and dividends received	7,264	7,036	2,760	2,098	785	906
Net cash provided by investing activities	7,264	7,036	2,760	2,098	785	906
Net increase (decrease) in cash and cash equivalents	(908,231)	170,083	84,920	163,468	(832,550)	40,017
Cash and cash equivalents October 1	3,020,554	2,850,471	947,419	783,951	3,967,973	377,995
Cash and cash equivalents September 30	<u>\$2,112,323</u>	<u>\$3,020,554</u>	<u>\$1,032,339</u>	<u>\$947,419</u>	<u>\$3,135,423</u>	<u>\$418,012</u>
Reconciliation of operating income to net cash provided by operating activities:						
Operating Income (Loss)	\$679,770	\$1,397,569	\$104,868	\$108,296	\$784,638	\$157,938
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation expense	1,364,252	1,343,552	55,636	51,555	1,419,888	0
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	24,596	(105,646)	(116)	19,805	24,480	0
(Increase) decrease in cash with fiscal agent	0	0	0	0	0	(12,000)
(Increase) decrease in inventory	2,672	(20,297)	0	0	2,672	0
(Increase) decrease in prepaids	(2,542)	990	(122)	0	(2,664)	0
Increase (decrease) in accounts payable	75,571	(10,970)	908	11,924	76,479	(106,827)
Net cash provided (used) by operating activities	<u>\$2,144,319</u>	<u>\$2,605,198</u>	<u>\$161,174</u>	<u>\$191,580</u>	<u>\$2,305,493</u>	<u>\$39,111</u>
Noncash investing, capital and financing activities						
Contributions of capital assets from government	821,986	772,900	0	0	821,986	0

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

City of Orange, Texas
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2014

	<u>Total Fiduciary Funds</u>
Assets	
Cash	\$17,849
Accounts receivable	25
Prepays	198,119
Total assets	<u>215,993</u>
Liabilities	
Accounts payable	8,990
Other liabilities	207,003
Total liabilities	<u>\$215,993</u>

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

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2014

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 position 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

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2014

operational or capital requirement of a particular function or segment. Taxes and other items not 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 at September 30, 2014:

*The **general fund** is the government's primary operating fund. It accounts for all financial*

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2014

resources of the general government, except those required to be accounted for in another 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 **Texas Department of Transportation (TXDOT) grant fund** accounts for grant funding received from the TX Department of Transportation.*

*The **Texas General Land Office (GLO) grant fund** accounts for grant funding received from the Texas General Land Office.*

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

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2014

limitation. The City has elected not to follow subsequent private-sector guidance.

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

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grant and 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, Deferred Outflows/Inflows of Resources and Net Position

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,

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2014

incurred by a fund are classified as “due to other funds”. The negative balances are assessed a charge against previous related earnings based upon effective rates at the time of the negative balance.

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

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (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, 2014.

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 within 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.

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3. Inventories and Prepaid Items

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

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

4. Restricted Assets

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

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

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items that are reported under this section. (1) The deferred charge on refunding are reported in the government-wide statement of net position and the proprietary funds statement of net position. A deferred inflow on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. (2) Under a modified accrual basis of accounting, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

7. 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

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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.

8. 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 position. 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.

9. 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.*

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.*

By resolution the City Council approves the acceptance of grant funding or other special revenue sources received and restricted to a specific purpose. By Ordinance the sale of any

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City bonded debt also sets out the specific legal requirement for the accumulation and payment of debt service funds.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

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 Council. The segregation of these funds are established during the budgetary process or may be accomplished by specific funds transfers during the year. The Budget is established by resolution adopted by the City Council prior to the start of the new fiscal year. Fund transfers are approved by resolution during the fiscal year. It takes another formal Council action to changes the fund designation of any balances.*

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.*

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components or unrestricted fund balance can be used for the same purpose committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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 \$3,348,755 at September 30, 2014.

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

<i>Nonspendable</i>	<i>Inventory</i>
<i>Restricted for:</i>	<i>Cultural and recreation</i>
	<i>Debt Service</i>
	<i>Hurricane recovery</i>
	<i>Public safety</i>
	<i>Public works</i>
	<i>Tourism and promotion</i>
<i>Assigned to:</i>	<i>Capital outlay</i>
	<i>Economic development</i>

Unassigned

10. 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 position.

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. 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 \$30,965,303 are as follows:

<i>Capital assets</i>	<i>\$54,779,443</i>
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CITY OF ORANGE, TEXAS
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<i>Less: Accumulated depreciation</i>	<u>(23,814,140)</u>
<i>Net adjustment to increase fund balances - total governmental funds to arrive at net position - governmental funds.</i>	<u>\$30,965,303</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 \$2,028,487 are as follows:

<i>Accrued municipal court revenue</i>	\$693,744
<i>Accrued property tax revenue</i>	<u>1,334,743</u>
<i>Net adjustment to increase fund balances - total governmental funds to arrive at net position - governmental funds.</i>	<u>\$2,028,487</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 (\$10,699,577) difference are as follows:

<i>Bonds payable</i>	(\$7,985,000)
<i>Accrued interest payable</i>	(37,239)
<i>Other post employment benefits</i>	(548,184)
<i>Compensated absences</i>	(2,134,065)
<i>Net pension obligation</i>	(230,649)
<i>Deferred outflows on refunding</i>	<u>235,560</u>
<i>Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental funds</i>	<u>(\$10,699,577)</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 position." The details of this \$408,930 are as follows:

<i>Net position of the internal service funds</i>	\$408,930
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CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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<i>Plus: Internal receivable representing charges less than cost to business-type activities - prior years</i>	35,859
<i>Less: Internal receivable representing charges more than cost to business-type activities - current year</i>	<u>(27,083)</u>
<i>Net adjustment to increase fund balances - total governmental funds to arrive at net position - governmental funds.</i>	<u>\$408,930</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$2,532,761 difference are as follows:

<i>Capital outlay</i>	\$5,281,322
<i>Assets deleted during year</i>	(894,479)
<i>Depreciation expense</i>	<u>(1,854,082)</u>
<i>Net adjustment to decrease net changes in fund balances - total governmental fund to arrive at changes in net position of governmental activities</i>	<u>\$2,532,761</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 \$19,053 difference are as follows:

<i>Municipal court revenue</i>	(\$103,756)
<i>Property tax revenue</i>	<u>122,809</u>
<i>Net adjustment to increase net changes in fund balances - total governmental fund to arrive at changes in net position of governmental activities.</i>	<u>\$19,053</u>

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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 position. 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 \$727,440 difference are as follows:

<i>Bonds paid</i>	\$755,000
<i>Deferred outflow on refundings</i>	(32,431)
<i>Change in interest payable</i>	<u>4,871</u>
<i>Net adjustment to increase net changes in fund balances - total government funds to arrive at changes in net position of governmental funds</i>	<u>\$727,440</u>

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 (\$225,187) difference are as follows:

<i>Compensated absences</i>	(\$56,237)
<i>Other post employment benefits</i>	(43,465)
<i>Net pension obligation</i>	<u>(125,485)</u>
<i>Net adjustment to decrease net changes in fund balances - total government funds to arrive at changes in net position of governmental funds</i>	<u>(\$225,187)</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 \$131,761 difference are as follows:

<i>Workers’ compensation internal service fund</i>	<u>\$131,761</u>
<i>Net adjustment to decrease net changes in fund balances- total government funds to arrive at changes in net position of governmental funds</i>	<u>\$131,761</u>

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Notes to the Financial Statements
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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 2014 annual budgets were adopted for all governmental funds except the Texas Commission on Environmental Quality SEP Fund. The City opted out of the SEP Program during fiscal year 2014. Any income of the fund was returned at that time.

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 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:

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<i>Amendment #1</i>	<i>General Fund</i>	<i>\$360,719</i>	<i>increased costs in various line items during the fiscal year with the major components being additional cost for purchase of police vehicles, repair of fire training facility damaged in accident, cost of vehicles and equipment approved for Alternate Response First Responder Plan, proceeds from sale of property to be used for Memorial Field pavilion and boat ramp comfort station, installation of window treatment, solar tint, new irrigation system and landscaping for new Senior Center.</i>
	<i>Water and Sewer Fund</i>	<i>561,026</i>	<i>increased costs in various line items during the fiscal year with the major components being additional cost of water line/meter project carry over from fy 2013, mandated TCEQ SEP Enforcement work at Jackson St. WWTP carry over from fy 2013, purchase of control system at Jackson St. WWTP, replacement of Jackson St. WWTP vehicle involved in an accident.</i>
	<i>Special Revenue Funds</i>	<i>232,177</i>	<i>additional special revenue funds received or adjustment to reflect estimated amount actually to be expended in fiscal year 2014. Major components were Hotel/Motel Tax Funding, TX GLO Disaster Recovery Grant, Law Enforcement Seizures, Fire Donations, Library Donations, and TX DOT IH 10 Utility Relocation Grant.</i>
<i>Amendment #2</i>	<i>General Fund</i>	<i>\$132,540</i>	<i>increased costs in various line items during the fiscal year with the major portions being for additional costs to complete RR Quiet Zone Project, additional overtime offset by additional revenue for standby time, and increase in unemployment rate.</i>
	<i>General CIP Fund</i>	<i>33,536</i>	<i>cost of portion of RR Quiet Zone Project carry forward from fy 2013.</i>

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Notes to the Financial Statements
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<i>Water and Sewer Fund</i>	86,397	<i>increased costs in various line items during the fiscal year with the major portions being for unforeseen maintenance issues at Jackson St. WWTP, and transfer from water and sewer to sanitation fund of revenue from Septic Receiving Station.</i>
<i>Sanitation Fund</i>	(49,604)	<i>transfer from water and sewer of revenue from Septic Receiving Station and change in unemployment rate.</i>
<i>Special Revenue Funds</i>	3,990	<i>additional special revenue funds received or adjustment to reflect estimated amount actually to be expended in fiscal year 2014. Major components were Orange Development Fund, CDBG Fund, Texas GLO Grant, and Law Enforcement Seizure.</i>

Annual appropriations lapse at the close of the fiscal year. Any outstanding obligation are then re-encumbered against funds of the succeeding year. Accordingly there was not a reservation for encumbrances at September 30, 2014.

B. Excess of Expenditures Over Appropriations

The City had three Special Revenue Funds that exceeded appropriations for fiscal year 2014. The Emergency Management Fund exceeded appropriations by \$5,285, the Municipal Court Technology Fund exceeded appropriations by \$2,560, and the Texas Department of Transportation (TX DOT) Fund exceeded appropriations by \$36,100. The Emergency Management Fund and the Texas Department of Transportation Fund had additional grant revenues to offset the additional costs. The Municipal Court Technology Fund use program income from prior years.

C. Deficit Fund Balance

At September 30, 2014 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*

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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 position 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. The FDIC coverage and additional collateral at the local depository are used to cover the cash accounts of the City.

	Original Cost	Fair Value	Weighted Average Maturity (Days)
<i>U. S. Government Securities</i>	<u>\$249,872</u>	<u>\$249,535</u>	309
<i>Total U. S. Government Investments</i>	<u>\$249,872</u>	<u>\$249,535</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, 2014. The City investment policy and depository contract requires that

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the cash, savings accounts and certificates of deposit are covered by collateralized securities that are held by the City's agent, a third party institution, in the City's name.

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

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

<i>Carrying amount of deposits - cash and cash equivalents</i>	<i>\$8,548,081</i>
<i>Fair value of investments - U. S. Government securities</i>	<i><u>249,535</u></i>
<i>Total</i>	<i><u>\$8,797,616</u></i>
<i>Cash and cash equivalents</i>	<i>\$6,488,576</i>
<i>Cash and cash equivalents - temporarily restricted</i>	<i>2,041,656</i>
<i>Cash and cash equivalents - fiduciary fund</i>	<i>17,849</i>
<i>Fair value of investments</i>	<i><u>249,535</u></i>
<i>Total</i>	<i><u>\$8,797,616</u></i>

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
<i>Receivables:</i>			
<i>Taxes</i>	<i>\$1,420,240</i>	<i>\$0</i>	<i>\$1,420,240</i>

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<i>Accounts</i>	3,424,095	1,172,179	4,596,274
<i>Due from others</i>	<u>11,047</u>	<u>0</u>	<u>11,047</u>
<i>Subtotal</i>	4,855,382	1,172,179	6,027,561
<i>Less: allowance for uncollectible</i>	<u>(85,498)</u>	<u>(6,120)</u>	<u>(91,618)</u>
<i>Net total receivables</i>	<u>\$4,769,884</u>	<u>\$1,166,059</u>	<u>\$5,935,943</u>

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

Uncollectibles related to:

<i>Ad valorem taxes - General</i>	\$69,540
<i>Ad valorem taxes - Debt Service</i>	15,958
<i>Water sales</i>	2,076
<i>Sewer usage fees</i>	3,246
<i>Sanitation fees</i>	<u>798</u>
<i>Total uncollectibles of the current fiscal year</i>	<u>\$91,618</u>

C. Capital Assets

Capital asset activity for the year ended September 30, 2014 was as follows:

<i>Primary Government</i>	<i>Balance at 9/30/13</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance at 9/30/14</i>
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
<i>Land</i>	\$1,585,658	\$0	\$0	\$1,585,658
<i>Construction in progress</i>	<u>2,400,574</u>	<u>3,361,296</u>	<u>(1,465,971)</u>	<u>4,295,899</u>
<i>Total capital assets, not being depreciated</i>	<u>3,986,232</u>	<u>3,361,296</u>	<u>(1,465,971)</u>	<u>5,881,557</u>

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Primary Government	Balance at 9/30/13	Increases	Decreases	Balance at 9/30/14
<i>Capital assets, being depreciated</i>				
<i>Buildings</i>	22,436,910	353,159	0	22,790,069
<i>Office furniture, fixtures and books</i>	4,148,573	16,894	0	4,165,467
<i>Machinery, equipment, vehicles and improvements</i>	13,615,614	624,161	(421,578)	13,818,197
<i>Infrastructure</i>	<u>6,544,256</u>	<u>1,579,897</u>	<u>0</u>	<u>8,124,153</u>
Governmental Activities:				
<i>Total assets being depreciated</i>	<u>46,745,353</u>	<u>2,574,111</u>	<u>(421,578)</u>	<u>48,897,886</u>
<i>Less accumulated depreciation for:</i>				
<i>Buildings</i>	(5,000,241)	(655,098)	0	(5,655,339)
<i>Office furniture, fixtures and books</i>	(3,441,584)	(129,931)		(3,571,515)
<i>Machinery, equipment, vehicles and improvements</i>	(9,132,158)	(865,434)	338,985	(9,658,607)
<i>Infrastructure</i>	<u>(4,725,060)</u>	<u>(203,619)</u>	<u>0</u>	<u>(4,928,679)</u>
<i>Total accumulated depreciation</i>	<u>(22,299,043)</u>	<u>(1,854,082)</u>	<u>338,985</u>	<u>(23,814,140)</u>
<i>Total capital assets, being depreciated, net</i>	<u>24,446,310</u>	<u>720,029</u>	<u>(82,593)</u>	<u>25,083,746</u>
<i>Governmental activities capital assets, net</i>	<u>\$28,432,542</u>	<u>\$4,081,325</u>	<u>(\$1,548,564)</u>	<u>\$30,965,303</u>
Business-type Activities:				
<i>Capital assets, not being depreciated:</i>				
<i>Land</i>	\$725,560	\$0	\$0	\$725,560
<i>Construction in progress</i>	<u>767,175</u>	<u>799,573</u>	<u>(707,125)</u>	<u>859,623</u>
<i>Total capital assets, not being depreciated</i>	<u>1,492,735</u>	<u>799,573</u>	<u>(707,125)</u>	<u>1,585,183</u>
<i>Buildings</i>	463,260	0	0	463,260

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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<i>Primary Government</i>	<i>Balance at 9/30/13</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance at 9/30/14</i>
<i>Improvements - other than buildings</i>	63,934,130	1,682,766	0	65,616,896
<i>Machinery & equipment</i>	1,961,643	133,905	0	2,095,548
<i>Vehicles</i>	<u>1,335,624</u>	<u>234,897</u>	<u>(117,374)</u>	<u>1,453,147</u>
<i>Total capital assets, being depreciated</i>	<u>67,694,657</u>	<u>2,051,568</u>	<u>(117,374)</u>	<u>69,628,851</u>
<i>Business-type Activities:</i>				
<i>Less: accumulated depreciation for:</i>				
<i>Buildings</i>	(111,734)	(9,265)	0	(120,999)
<i>Improvements other than buildings</i>	(25,710,759)	(1,147,773)	0	(26,858,532)
<i>Machinery & equipment</i>	(964,652)	(144,958)	0	(1,109,610)
<i>Vehicles</i>	<u>(1,077,510)</u>	<u>(117,892)</u>	<u>117,374</u>	<u>(1,078,028)</u>
<i>Total accumulated depreciation</i>	<u>(27,864,655)</u>	<u>(1,419,888)</u>	<u>117,374</u>	<u>(29,167,169)</u>
<i>Total capital assets, being depreciated, net</i>	<u>39,830,002</u>	<u>631,680</u>	<u>0</u>	<u>40,461,682</u>
<i>Business-type activities capital assets, net</i>	<u>\$41,322,737</u>	<u>\$1,431,253</u>	<u>(\$707,125)</u>	<u>\$42,046,865</u>

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

Government activities:

<i>General government</i>	\$51,991
<i>Cultural and recreation</i>	292,626
<i>Public safety</i>	1,065,019
<i>Public works</i>	<u>444,446</u>
<i>Total depreciation expense - governmental activities</i>	<u>\$1,854,082</u>

Business-type activities:

<i>Water</i>	\$401,668
<i>Sewer</i>	962,584

CITY OF ORANGE, TEXAS
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Sanitation	55,636
Total depreciation expense - business-type activities	<u>\$1,419,888</u>

Construction commitments

Construction in progress capital assets consists of the following as of September 30, 2014:

Governmental Activities

Cooper's Gully Upgrade GLO	\$3,940,624
Rail Road Quiet Zone Project TXDOT	355,275
Total Governmental Activities	<u>\$4,295,899</u>

Business-Type Activities

15 Street Utility Relocation	\$3,310
Jackson Street Treatment Plan SCADA System	97,136
SEP TCEQ UV Structure Upgrade	759,177
Total Business Type Activities	<u>\$859,623</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, 2014 is as follows:

Due to/from other

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds:		
General Fund	Special Revenue - Emergency Management Grant	\$32,275
General Fund	Special Revenue - Texas Department of Transportation Grant	979,943
	Special Revenue - Texas Forrest Service TIFMAS Grant	450

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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<i>General Fund</i>	<i>Special Revenue - Texas General Land Office GLO Grant</i>	<i>1,484,629</i>
<i>General Fund</i>	<i>Special Revenue - Texas Water Development Board Grant</i>	<u><i>6,133</i></u>
Total Governmental		<u><u>\$2,503,430</u></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:

<i>Texas Department of Transportation - IH 10 Utility Relocation</i>	<i>\$703,310</i>
<i>General Fund - Air Condition System Jackson Street Offices and Lab</i>	<i>15,981</i>

Capital Assets Transferred from Component Unit:

<i>Economic Development Corporation - MLK Utility Extension</i>	<i>99,385</i>
<i>Economic Development Corporation - 15th Street Closure/Utility Relocation</i>	<u><i>3,310</i></u>

Total Capital Assets Transferred	<u><u>\$821,986</u></u>
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E. 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 \$32,475,000.

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

CITY OF ORANGE, TEXAS
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Purpose	Interest Rates	Original Issue	Outstanding
Governmental Activities:			
General Obligation Refunding Bonds Series 2005	3.0% - 4.0%	4,360,000	2,295,000
Tax and Revenue Certificates of Obligation Series 2008	4.5% - 4.0%	6,760,000	300,000
General Obligation Refunding Bonds Series 2013	0.5% - 2.5%	5,440,000	5,390,000
Business-types activities - refunding:			
Water and Sewer Revenue Bonds Series 2007	4.0% - 4.3%	5,095,000	215,000
General Obligation Advance Refunding Series 2010	2.0% - 3.0%	6,920,000	2,825,000
General Obligation Refunding Series 2014	2.0% - 3.0%	<u>3,900,000</u>	<u>3,875,000</u>
		<u>\$32,475,000</u>	<u>\$14,900,000</u>

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

Governmental Activities

General Obligation Refunding Bonds Series 2005

Year Ending September 30, 2014	Principal	Interest	Total
2014-2015	420,000	91,800	511,800
2015-2016	450,000	75,000	525,000
2016-2017	455,000	57,000	512,000
2017-2018	475,000	38,800	513,800
2018-2019	<u>495,000</u>	<u>19,800</u>	<u>514,800</u>
	<u>\$2,295,000</u>	<u>\$282,400</u>	<u>\$2,577,400</u>

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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Tax and Revenue Certificates of Obligation Series 2008

<i>Year Ending September 30, 2014</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2014-2015	<u>300,000</u>	<u>6,750</u>	<u>306,750</u>
	<u>\$300,000</u>	<u>\$6,750</u>	<u>\$306,750</u>

General Obligation Refunding Bonds Series 2013

<i>Year Ending September 30, 2014</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2014-2015	50,000	122,975	172,975
2015-2016	355,000	121,963	476,963
2016-2017	360,000	116,575	476,575
2017-2018	370,000	107,450	477,450
2018-2019	380,000	98,075	478,075
2019-2024	2,045,000	341,885	2,386,885
2025-2028	<u>1,830,000</u>	<u>89,717</u>	<u>1,919,717</u>
	<u>\$5,390,000</u>	<u>\$998,640</u>	<u>\$6,388,640</u>

Business-type activities

Water and Sewer Revenue Bonds Series 2007

<i>Year Ending September 30, 2014</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2014-2015	<u>215,000</u>	<u>8,600</u>	<u>223,600</u>
	<u>\$215,000</u>	<u>\$8,600</u>	<u>\$223,600</u>

General Obligation Advance Refunding Series 2010

<i>Year Ending September 30, 2014</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
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>\$2,825,000</u>	<u>\$85,275</u>	<u>\$2,910,275</u>

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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General Obligation Advance Refunding Series 2010

Year Ending September 30, 2014	Principal	Interest	Total
2014-2015	\$30,000	\$102,650	\$132,650
2015-2016	\$255,000	\$102,050	\$357,050
2016-2017	\$260,000	\$96,950	\$356,950
2017-2018	\$270,000	\$91,750	\$361,750
2018-2019	\$270,000	\$86,350	\$356,350
2019-2024	\$1,460,000	\$330,700	\$1,790,700
2024-2028	<u>\$1,330,000</u>	<u>\$101,550</u>	<u>\$1,431,550</u>
	<u>\$3,875,000</u>	<u>\$912,000</u>	<u>\$4,787,000</u>

Annual Debt Service

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

Year Ending September 30, 2014	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	Principal	Interest	Total	Principal	Interest	Total
2014-2015	770,000	221,525	991,525	1,640,000	175,075	1,815,075
2015-2016	805,000	196,963	1,001,963	1,685,000	123,500	1,808,500
2016-2017	815,000	173,575	988,575	260,000	96,950	356,950
2017-2018	845,000	146,250	991,250	270,000	91,750	361,750
2018-2019	875,000	117,875	992,875	270,000	86,350	356,350
2019-2024	2,045,000	341,885	2,386,885	1,460,000	330,700	1,790,700
2024-2028	<u>1,830,000</u>	<u>89,717</u>	<u>1,919,717</u>	<u>1,330,000</u>	<u>101,550</u>	<u>1,431,550</u>
	<u>\$7,985,000</u>	<u>\$1,287,790</u>	<u>\$9,272,790</u>	<u>\$6,915,000</u>	<u>\$1,005,875</u>	<u>\$7,920,875</u>

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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Changes in Long-Term Liabilities

On May 1, 2014 the City issued \$3,900,000 in General Obligation Refunding Bonds, Series 2014 with an average interest rate of 2.314685 percent to refund \$3,750,000 of the outstanding Water and Sewer Revenue Bonds, Series 2007. The refunded bonds had an average interest rate of 3.9187 percent. The General Obligation Refunding Bonds were sold at a premium of \$174,468 and the City contributed \$25,000 of prior receipts. After paying closing cost of \$95,172 and purchaser's discount of \$27,343 the net proceeds were \$3,976,953. 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 August 1, 2015. As a result, the refunded bonds are considered defeased, and the liability for those bonds was removed from the Governmental Activities Long Term Debt in fiscal year 2014.

The City advanced the refunding of the old bonds to reduce its total debt service payment over the next thirteen (13) years by \$312,238, which resulted in a net present value savings of \$269,302 or 6.905170%. The reacquisition price exceeded the net carrying amount of the old debt by \$201,953. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt.

Long-term liability activity for the year ended September 30, 2014 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
<i>Bonds Payable:</i>					
General Obligation Bonds and Notes	\$8,740,000	\$0	(\$755,000)	\$7,985,000	(\$770,000)
Compensated absences	2,077,828	88,384	(32,147)	2,134,065	(1,110,905)
Net pension obligation	105,164	125,485	0	230,649	--
Other post employment benefits	<u>504,719</u>	<u>43,465</u>	<u>0</u>	<u>548,184</u>	--
Governmental activity long-term liabilities	<u>\$11,427,711</u>	<u>\$257,334</u>	<u>(\$787,147)</u>	<u>\$10,897,898</u>	<u>(\$1,880,905)</u>
Business-type activities:					
<i>Bonds payable:</i>					
General obligation bonds	\$4,180,000	\$3,900,000	(\$1,380,000)	\$6,700,000	(\$1,425,000)
Revenue bonds	<u>4,170,000</u>	<u>0</u>	<u>(3,955,000)</u>	<u>215,000</u>	<u>(215,000)</u>

CITY OF ORANGE, TEXAS
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	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Total bonds payable	8,350,000	3,900,000	(5,335,000)	6,915,000	(1,640,000)
Compensated absences	<u>119,739</u>	<u>1,568</u>	<u>(8,593)</u>	<u>112,714</u>	<u>(39,360)</u>
Business-type activity long-term liabilities	<u>\$8,469,739</u>	<u>\$3,901,568</u>	<u>(\$5,343,593)</u>	<u>\$7,027,714</u>	<u>(\$1,679,360)</u>

The City's compensated absences are liquidated from the corresponding employing activity. For governmental activities this would be the general fund or the corresponding special revenue fund. For business-type activities this would be either water and sewer or sanitation proprietary funds, depending on employment.

The City's other post employment benefits are funded through the General Fund.

The City of Orange has long-term deferred outflows/inflows that are related to the City's long-term liabilities. These deferred outflow/inflows are the result of refunding or advance refunding of City bond issues. These deferred outflows/inflows are listed below:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Deferred outflows of resources on refunding	(\$267,991)	\$0	\$32,431	(\$235,560)	\$32,431
Business-type activities:					
Deferred inflows of resources on refunding	9,562	0	(3,187)	6,375	(3,187)
Deferred outflows of resources on refunding	0	(201,953)	175,111	(26,842)	26,842

(a) The City of Orange implemented GASB 65 within fiscal year 2013. The details of this implementation are detailed in Section V (B) Prior Period Adjustment.

The City's long term bond liabilities are liquidated out of the applicable funds. The City's net pension obligation is liquidated out of the general fund.

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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F. Restricted Net Position

The balances of the restricted net position accounts are as follows:

Governmental activities:

<i>Debt service payments</i>	<i>\$112,590</i>
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Business-type activities:

<i>Customers Deposits</i>	<i>434,962</i>
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<i>Debt service payments</i>	<u><i>1,494,104</i></u>
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<i>Total</i>	<u><i>\$2,041,656</i></u>
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V. Other Information

A. Risk Management

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

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

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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, 2014, the Workers' Compensation Fund has a designated balance for insurance claim liability of \$369,785 and an undesignated balance of \$30,369. This insurance claim liability amount was established using prior claims information to establish a catastrophic claim estimate. The total unrestricted net position of the Workers' Compensation Fund was \$400,154. The designation for catastrophic claims is not a legal requirement but is an estimation used to project the future needs of the fund and to aid the City in the setting of rates in future periods.

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>
2009-2010	\$278,136	\$397,142	(\$275,716)	\$399,562
2010-2011	\$399,562	(\$2,159)	(\$68,597)	\$328,806
2011-2012	\$328,806	\$262,741	(\$247,093)	\$344,454
2012-2013	\$344,454	\$234,358	(\$208,192)	\$370,620
2013-2014	\$370,620	\$36,813	(\$37,648)	\$369,785

	<u>2013-2014</u>	<u>2012-2013</u>	<u>2011-2012</u>	<u>2010-2011</u>	<u>2009-2010</u>
<u>Claim Liability Expensed</u>					
Unpaid claim liability beginning of year	\$111,859	\$95,952	\$70,045	\$143,488	\$22,062
Claims incurred in current year	58,519	185,330	215,723	120,339	242,686
Increase (decrease) in provision for insured events of prior year	32,405	97,165	58,382	(13,316)	83,144

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	<u>2013-2014</u>	<u>2012-2013</u>	<u>2011-2012</u>	<u>2010-2011</u>	<u>2009-2010</u>
Claim payments attributable to current year claims	(47,345)	(81,574)	(144,019)	(61,756)	(76,554)
Claim payments attributable to prior year claims	<u>(117,006)</u>	<u>(185,014)</u>	<u>(104,179)</u>	<u>(118,710)</u>	<u>(127,850)</u>
Unpaid claim liability expensed at end of year	<u>\$38,432</u>	<u>\$111,859</u>	<u>\$95,952</u>	<u>\$70,045</u>	<u>\$143,488</u>

Designated for Catastrophic Claim

Designated for future catastrophic claims - beginning of year	\$370,620	\$344,454	\$328,806	\$399,562	\$278,136
Increase (decrease) in reserve	<u>(835)</u>	<u>26,166</u>	<u>15,648</u>	<u>(70,756)</u>	<u>121,426</u>
Designated for future catastrophic claims - end of year	<u>\$369,785</u>	<u>\$370,620</u>	<u>\$344,454</u>	<u>\$328,806</u>	<u>\$399,562</u>

B. Subsequent Events

The City of Orange did not have any subsequent events for fiscal year 2014 as reviewed through February 11, 2015.

C. 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.

D. Other Post Employment Benefits

CITY OF ORANGE, TEXAS
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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 position of the Plan is reported within the City of Orange Annual Financial Report as Fiduciary Net Position. 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 nineteen (19) retirees receiving this benefit and there are no more employees eligible. The present cost to the City is \$559 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 offered in the respective collective bargaining agreements.

As of September 30, 2014 the City had (1) retiree who still 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.

The table below summarizes the membership of the plan as of September 30, 2014:

<i>Current active plan members</i>	<i>188</i>
<i>Retirees and others currently receiving benefits</i>	<i>8</i>

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Terminated employees entitled to receive future benefits	<u>0</u>
Total	196

Funding Policy

The City of Orange has traditionally paid for the retiree's medical insurance authorized under prior incentive programs on an annual basis. The present annual cost to the City for these employees was \$48,817. The City contributed \$1,860 of these required costs and the retirees paid the balance of \$46,957. This is the amount that was contributed in fiscal year 2014. The City 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.

An actuarial valuation report was conducted on the City of Orange Retiree Health Care Plan as of September 30, 2014. The fiscal year 2014 annual unfunded OPEB cost, of \$92,282, is based on current plan provisions and certain demographic and economic assumptions established within the October 1, 2012 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 other postemployment benefit (NOPEB) obligation:

Annual required contribution (ARC)	\$90,614
Interest on prior NOPEB	22,712
Amortization adjustment on prior NOPEB	<u>(21,044)</u>
Annual OPEB cost	92,282
Contributions made	<u>(48,817)</u>
Increase in NOPEB obligation	43,465

CITY OF ORANGE, TEXAS
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NOPEB obligation - beginning of year	504,719
NOPEB obligation - end of year	\$548,184

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 are as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
09/30/2010	\$154,768	16.4%	\$255,783
09/30/2011	\$113,622	10.3%	\$357,754
09/30/2012	\$113,647	5.8%	\$464,774
09/30/2013	\$95,895	58.4%	\$504,719
09/30/2014	\$92,282	52.9%	\$548,184

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%
ARC annual increase	3%
Projected salary increases	3%
Post-retirement benefit increases	4%
Healthcare cost trend rate	9% in excess of general inflation ("intermediate" assumption)

Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2014

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 September 30, 2013 actuarial valuation was as follows:

<i>A. Present value (PV) of future benefits</i>	
<i> i) Retirees and beneficiaries</i>	<i>\$404,701</i>
<i> ii) Vested terminated members</i>	<i>0</i>
<i> iii) Active members</i>	<i>1,330,905</i>
<i>Total PV of Future Benefits</i>	<i>\$1,735,606</i>
<i>B. Present value (PV) of future normal costs</i>	<i>\$473,517</i>
<i>C. Actuarial accrued liabilities (A-B)</i>	<i>\$1,262,089</i>
<i>D. Actuarial value of assets</i>	<i>\$0</i>
<i>E. Unfunded actuarial accrued liability (C-D)</i>	<i>\$1,262,089</i>
<i>F. Funded ratio (D/C)</i>	<i>0.00%</i>
<i>G. Annual covered payroll</i>	<i>\$10,126,889</i>
<i>H. Ratio of unfunded actuarial accrued liability to the annual covered payroll (G/E)</i>	<i>12.46%</i>

E. Employee Retirement Systems and Pension Plans

Plan Description

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

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September 30, 2014

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:

	<i>Plan Year 2014</i>	<i>Plan Year 2013</i>
<i>Employee Deposit Rate</i>	7%	7%
<i>Matching Ratio (City to Employee)</i>	2 to 1	2 to 1
<i>Years Required for Vesting</i>	10	10
<i>Service Retirement Eligibility (expressed as age/years of service)</i>	60/10, 0/20	60/10, 0/20
<i>Updated Service Credit</i>	100% repeating, transfers	100% repeating, transfers
<i>Annuity Increase (to retirees)</i>	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 Entry Age Normal (EAN) cost method (EAN was first used in December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). 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 for an employee is the rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. 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 (i.e. the December 31, 2013 valuation will determine the contribution rate beginning January 1, 2015). The annual pension cost and net pension obligation/(asset) are as follows:

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2014

<u>Fiscal Year Ending</u>	<u>9/30/2014</u>	<u>9/30/2013</u>	<u>9/30/2012</u>
Annual pension cost (APC)	\$2,150,490	\$2,134,343	\$2,114,183
Actual contribution made	\$2,150,490	\$2,134,343	\$2,114,183
Percentage of APC contributed	100%	100%	100%
Net pension obligation/(asset)	\$0	\$0	\$0

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

<i>Valuation date</i>	<i>12/31/13</i>	<i>12/31/12</i>	<i>12/31/11</i>
<i>Actuarial cost method</i>	<i>Entry Age Normal</i>	<i>Projected Unit Credit</i>	<i>Projected Unit Credit</i>
<i>Amortization Method</i>	<i>Level Percent of Payroll</i>	<i>Level Percent of Payroll</i>	<i>Level Percent of Payroll</i>
<i>Remaining amortization period</i>	<i>25 Years, closed period</i>	<i>24.9 Years, closed period</i>	<i>25.9 Years; closed period</i>
<i>Amortization period for new gains/losses</i>	<i>30 years</i>	<i>30 years</i>	<i>30 years</i>
<i>Asset valuation method</i>	<i>10 year Smoothed Market</i>	<i>10 year Smoothed Market</i>	<i>10 year Smoothed Market</i>
<i>Actuarial assumptions:</i>			
<i>Investment rate of return *</i>	<i>7%</i>	<i>7%</i>	<i>7%</i>
<i>Projected salary increases *</i>	<i>Varies by age and service</i>	<i>Varies by age and service</i>	<i>Varies by age and service</i>
<i>* Includes inflation at</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.0%</i>
<i>Cost-of-living adjustments</i>	<i>2.1%</i>	<i>2.1%</i>	<i>2.1%</i>

Funded Status and Funding Progress

The funded status as of December 31, 2013, the most recent actuarial valuation date, is as follows:

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September 30, 2014

<u>Actuarial Valuation Date</u>	<u>12/31/2013</u> <u>EAN (NEW)</u>	<u>12/31/2013</u> <u>PUC (OLD)</u>
(1) Actuarial Value of Assets	\$51,696,093	\$51,696,093
(2) Actuarial Accrued Liability (AAL)	\$62,696,697	\$59,724,194
(3) Funded Ratio	82.5%	86.6%
(4) Unfunded AAL (UAAL)	\$11,000,604	\$8,028,101
(5) Covered Payroll	\$7,786,755	\$7,786,755
(6) UAAL as a Percentage of Covered Payroll	141.3%	103.1%

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.

Orange Firemen's Relief and Retirement Fund

Annual Pension Cost

For the fiscal year ending September 30, 2014, the City of Orange's annual pension contributions, of \$308,416, 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, 2011, December 31, 2012, and December 31, 2013 were based on the December 31, 2010 and December 31, 2012 actuarial valuations. The entry age

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2014

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.

<u>Valuation Date</u>	<u>12/31/12</u>	<u>12/31/10</u>
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open
Amortization period used to calculate the annual required contribution (ARC)	30 years	30 years
Method used to develop the actuarial value of assets	Five-year smoothed market value	Five-year smoothed market value
<i>Actuarial assumptions:</i>		
Investment return	8%	8%
Projected salary increases	3% plus overtime, longevity, merit and promotion	3% plus overtime, longevity, merit and promotion
Inflation	3%	3%
Cost of living increases	None	None
Increase in total covered payroll	4%	4%
Annual required contribution as a percentage of covered payroll	14.86%	16.32%

Trend Information

	<u>9/30/2014</u> ¹	<u>09/30/2013</u> ¹	<u>12/31/2012</u>	<u>12/31/2011</u>
Annual Required Contribution (ARC)	\$431,696	\$322,733	\$325,817	\$305,352
Interest on Prior NPO	8,413	902	(701)	(2,094)
Adjustment to the ARC	<u>(6,207)</u>	<u>665</u>	<u>517</u>	<u>1,545</u>
Annual Pension Cost	433,902	324,300	325,633	304,803

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2014

Contributions Made	<u>(308,417)</u>	<u>(230,406)</u>	<u>(305,597)</u>	<u>(287,395)</u>
Increase in NPO	125,485	93,894	20,036	17,408
NPO (Asset) Beginning of Year	<u>105,164</u>	<u>11,270</u>	<u>(8,766)</u>	<u>(26,174)</u>
NPO (Asset) End of Year	<u>\$230,649</u>	<u>\$105,164</u>	<u>\$11,270</u>	<u>(\$8,766)</u>
% of Annual Pension Cost Contributed	74.78%	71.05%	93.85%	94.29%

¹ Prior actuarial reports included plan year information. For fiscal years 2013 and 2014 converted to fiscal year presentation..

Schedule of Funding Progress

Actuarial Valuation Date	12/31/12 _{2,4,5}	12/31/10 _{2,3,4}	12/31/08 _{2,3,4}
Actuarial Value of Assets (a)	\$8,766,374	\$9,035,613	\$8,115,580
Entry Age Actuarial Accrued Liability (AAL) (b)	\$15,311,319	\$13,679,257	\$12,687,217
Unfunded AAL (UAAL) (b-a)	\$6,544,945	\$4,643,644	\$4,571,637
Funded Ratio (a/b)	57.3%	66.1%	64.0%
Annual Covered Payroll (c)	\$1,996,008	\$1,907,382	\$1,999,997
UAAL as a Percentage of Covered Payroll ((b-a)/c)	327.9%	243.5%	228.6%

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.
5. Reflects plan benefit provisions effective February 1, 2009.

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2014

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, 2012, 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, 2012.*

a.	<i>Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them.</i>	37
b.	<i>Terminated employees entitled to but not yet receiving benefits</i>	2
c.	<i>Current Employees</i>	
i.	<i>Fully vested</i>	12
ii.	<i>Nonvested</i>	<u>25</u>
c.	<i>Total</i>	76

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*

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2014

- 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		12/31/2013 ²	12/31/2012	12/31/2011	12/31/2010 ¹
Actuarial value of assets	(A)	\$51,696,093	\$48,669,401	\$45,991,259	\$42,678,330
Actuarial accrued liability	(B)	\$62,696,697	\$57,347,673	\$55,338,877	\$53,166,559
Percentage funded	(C) = (A)/(B)	82.5%	84.9%	83.1%	80.3%
Unfunded actuarial accrued liability (UAAL)	(D) = (B)-(A)	\$11,000,604	\$8,678,272	\$9,347,618	\$10,488,229
Annual covered payroll	(E)	\$7,786,755	\$7,666,982	\$7,475,017	\$7,533,365
UAAL as a percentage of covered payroll	(D)/(E)	141.3%	113.2%	125.1%	139.2%

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

(2) Actuarial valuation calculation changed to Entry Age Normal (EAN) actuarial cost method from Projected Unit Credit (PUC).

Required Supplementary Information

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

	12/31/2012 ^{2,4,5}	12/31/10 ^{2,3,4}	12/31/08 ^{2,3,4}
Actuarial valuation date			
Actuarial value of assets (a)	\$8,766,374	\$9,035,613	\$8,115,580
Entry Age Actuarial Accrual Liability AAL (b)	\$15,311,319	\$13,679,257	\$12,687,217
Unfunded actuarial accrued liability (UAAL) (b-1)	\$6,544,945	\$4,643,644	\$4,571,637
Funded Ratio (a/b)	57.3%	66.1%	64.0%
¹ Annual Covered Payroll (c)	\$1,996,008	\$1,907,382	\$1,999,997
UAAL as a percentage of Covered Payroll ((g-a)/c)	327.9%	243.5%	228.6%

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.

⁵ Reflects plan benefit provisions effective February 1, 2009

Required Supplementary Information

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

Fiscal Year Ending	12/31/2013 ⁴	12/31/2012 ⁴	12/31/2011 ³	12/31/2010 ²	12/31/2009 ¹
Annual pension cost:					
Annual required contribution (ARC)	428,294	325,633	304,803	283,447	278,923
Percentage of ARC Contributed	94%	94%	94%	105%	105%
Change in net pension obligation (asset)	122,715	20,220	17,957	(1,239)	(1,146)
Interest on net pension obligation (asset)	902	(701)	(2,094)	(1,954)	(1,824)
ARC Adjustment	(665)	517	1,545	1,442	1,346
Net pension obligation (asset)	134,222	11,270	(8,766)	(26,174)	(24,423)

¹ Reflect NPO as stated in the Actuarial Valuation as of 12/31/08.

² Reflect NPO as stated in the Actuarial Valuation as of 12/31/10.

³ Reflect NPO as stated in the Actuarial Disclosure Updated as of 12/31/11.

⁴ Reflect NPO as stated in the Actuarial Disclosure Updated as of 12/31/12.

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		09/30/2013	12/31/2010	04/30/2008 (1)
Actuarial value of assets	(A)	\$0	\$0	\$0
Actuarial accrued liability	(B)	\$1,262,089	\$1,117,250	\$1,733,169
Percentage funded	(C) = (A)/(B)	0.0%	0.0%	0.0%
Unfunded actuarial accrued liability (UAAL)	(D) = (B)-(A)	\$1,262,089	\$1,117,250	\$1,733,169
Annual Covered Payroll	(E)	\$10,126,889	\$9,672,807	\$8,993,909
Ratio of the unfunded actuarial liability to the annual covered payroll	(F) = (D) / (E)	12.46%	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 2005 General Obligation Refunding Bonds, Series 2008 Tax and Revenue Certificates of Obligation, and Series 2013 General Obligation Refunding Bonds.

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.

Texas Department of Transportation (TXDOT) Fund - This fund is used to account for funds received from the Texas Department of Transportation to fund public works grant projects within the City.

Texas General Land Office (GLO) Grant Fund - This fund is used to account for funds received from the General Land Office (formerly the Texas Department of Rural Affairs TDRA) for related grant expenditures. Grants are for hurricane disaster recovery projects.

City of Orange
Schedule of Expenditures Division Level - Budget and Actual
General Fund
For the Year Ending September 30, 2014

	Budget	Actual	Variance Over (Under)
<u>Council</u>			
Personal services	\$10,536	\$10,634	\$98
Supplies	350	298	(52)
Other services and charges	43,500	34,297	(9,203)
Total Council	54,386	45,229	(9,157)
<u>City Manager</u>			
Personal services	219,022	228,550	9,528
Supplies	2,300	1,562	(738)
Other services and charges	29,500	21,240	(8,260)
Total City Manager	250,822	251,352	530
<u>City Secretary</u>			
Personal services	171,144	159,557	(11,587)
Supplies	23,232	18,770	(4,462)
Other services and charges	10,118	5,398	(4,720)
Total City Secretary	204,494	183,725	(20,769)
<u>Municipal Court</u>			
Personal services	120,401	117,860	(2,541)
Supplies	8,500	3,189	(5,311)
Other services and charges	96,300	90,734	(5,566)
Total Municipal Court	225,201	211,783	(13,418)
<u>Human Resources</u>			
Personal services	78,628	78,449	(179)
Supplies	18,700	15,288	(3,412)
Other services and charges	30,000	29,731	(269)
Total Human Resources	127,328	123,468	(3,860)
<u>Finance</u>			
Personal services	359,196	356,838	(2,358)
Supplies	36,500	36,499	(1)
Other services and charges	45,000	41,516	(3,484)
Total Finance	440,696	434,853	(5,843)
<u>Tax</u>			
Other services and charges	100,000	91,876	(8,124)
Total Tax	100,000	91,876	(8,124)
<u>MIS</u>			
Supplies	8,000	6,288	(1,712)
Other services and charges	11,288	10,087	(1,201)
Total MIS	19,288	16,375	(2,913)
Total General Government	1,422,215	1,358,661	(63,554)

(Continued)

City of Orange
Schedule of Expenditures Division Level - Budget and Actual
General Fund
For the Year Ending September 30, 2014

	Budget	Actual	Variance Over (Under)
<u>Library</u>			
Personal services	354,647	351,841	(2,806)
Supplies	11,000	9,925	(1,075)
Other services and charges	32,700	31,317	(1,383)
Total Library	398,347	393,083	(5,264)
<u>Natorium</u>			
Personal services	24,572	0	(24,572)
Supplies	8,650	5,439	(3,211)
Other services and charges	38,970	33,863	(5,107)
Total Natatorium	72,192	39,302	(32,890)
<u>Recreation</u>			
Supplies	2,600	1,517	(1,083)
Other services and charges	1,000	352	(648)
Total Recreation	3,600	1,869	(1,731)
<u>Park Maintenance</u>			
Personal services	549,928	532,138	(17,790)
Supplies	15,200	18,921	3,721
Other services and charges	46,650	54,397	7,747
Total Park Maintenance	611,778	605,456	(6,322)
Total Cultural and Recreation	1,085,917	1,039,710	(46,207)
<u>Police</u>			
Personal services	5,126,751	4,999,244	(127,507)
Supplies	95,018	100,298	5,280
Other services and charges	166,382	154,823	(11,559)
Total Police	5,388,151	5,254,365	(133,786)
<u>Emergency Management</u>			
Supplies	9,500	7,831	(1,669)
Other services and charges	5,450	2,815	(2,635)
Total Emergency Management	14,950	10,646	(4,304)
<u>Fire</u>			
Personal services	3,269,545	3,309,798	40,253
Supplies	137,500	94,886	(42,614)
Other services and charges	78,900	69,946	(8,954)
Total Fire	3,485,945	3,474,630	(11,315)
<u>Animal Control</u>			
Personal services	114,667	111,151	(3,516)
Supplies	15,050	9,250	(5,800)
Other services and charges	6,300	2,057	(4,243)
Total Animal Control	136,017	122,458	(13,559)
Total Public Safety	9,025,063	8,862,099	(162,964)

(Continued)

City of Orange
Schedule of Expenditures Division Level - Budget and Actual
General Fund
For the Year Ending September 30, 2014

	Budget	Actual	Variance Over (Under)
<u>Planning</u>			
Personal services	128,356	138,727	10,371
Supplies	2,946	2,051	(895)
Other services and charges	29,068	22,625	(6,443)
Total Planning	160,370	163,403	3,033
<u>Code Enforcement</u>			
Personal services	228,100	230,105	2,005
Supplies	4,200	2,288	(1,912)
Other services and charges	5,200	3,149	(2,051)
Total Code Enforcement	237,500	235,542	(1,958)
<u>Building Services</u>			
Personal services	259,179	235,429	(23,750)
Supplies	13,819	11,647	(2,172)
Other services and charges	183,220	174,201	(9,019)
Total Building Services	456,218	421,277	(34,941)
<u>Street & Drainage</u>			
Personal services	892,423	851,654	(40,769)
Supplies	19,631	15,602	(4,029)
Other services and charges	235,596	194,953	(40,643)
Total Street & Drainage	1,147,650	1,062,209	(85,441)
<u>Public Works Administration</u>			
Personal services	212,113	212,276	163
Supplies	4,600	3,600	(1,000)
Other services and charges	5,150	3,646	(1,504)
Total Public Works Administration	221,863	219,522	(2,341)
<u>Fleet Maintenance</u>			
Personal services	267,637	254,434	(13,203)
Supplies	10,320	7,233	(3,087)
Other services and charges	671,080	637,486	(33,594)
Total Fleet Maintenance	949,037	899,153	(49,884)
<u>Engineering</u>			
Personal services	79,468	77,521	(1,947)
Supplies	5,954	5,347	(607)
Other services and charges	3,800	3,461	(339)
Total Engineering	89,222	86,329	(2,893)
Total Public Works	3,261,860	3,087,435	(174,425)
<u>Non Departmental</u>			
Other services and charges	2,104,905	1,921,167	(183,738)
Total Non Departmental	2,104,905	1,921,167	(183,738)

(Continued)

City of Orange
Schedule of Expenditures Division Level - Budget and Actual
General Fund
For the Year Ending September 30, 2014

	Budget	Actual	Variance Over (Under)
<u>Capital Outlay</u>			
Capital Outlay	1,103,828	936,328	(167,500)
Total Capital Outlay	1,103,828	936,328	(167,500)
Total General Fund	\$18,003,788	\$17,205,400	(\$798,388)

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Debt Service Fund
For the Year Ended September 30, 2014

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Taxes	\$909,738	\$909,738	\$966,374	\$56,636
Investment income	650	650	662	12
Total revenues	<u>910,388</u>	<u>910,388</u>	<u>967,036</u>	<u>56,648</u>
Expenditures:				
Principal retirement	755,000	755,000	755,000	0
Interest and fiscal charges	254,738	254,738	253,638	(1,100)
Total expenditures	<u>1,009,738</u>	<u>1,009,738</u>	<u>1,008,638</u>	<u>(1,100)</u>
Net change in fund balance	(99,350)	(99,350)	(41,602)	57,748
Fund balances beginning	155,728	155,728	155,728	0
Fund balances ending	<u>\$56,378</u>	<u>\$56,378</u>	<u>\$114,126</u>	<u>\$57,748</u>

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects Fund
For the Year Ended September 30, 2014

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Investment income	\$0	\$0	\$143	\$143
Total revenues	0	0	143	143
Expenditures:				
Capital outlay				
Other capital	0	33,536	30,612	(2,924)
Total expenditures	0	33,536	30,612	(2,924)
Excess (deficiency) of revenues over (under) expenditures	0	(33,536)	(30,469)	3,067
Net change in fund balance	0	(33,536)	(30,469)	3,067
Fund balances beginning	62,599	62,599	62,599	0
Fund balances ending	<u>\$62,599</u>	<u>\$29,063</u>	<u>\$32,130</u>	<u>\$3,067</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.

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.

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 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.

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.

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 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 Water Development Board Grant Fund** - This fund is used to account for grant funds received from the Texas Water Development Board for related grant expenditures. Grant funding to provide flood mitigation services for real property within the City.*

**City of Orange
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2014**

	Special Revenue				
	Animal Shelter Donation Fund	Community Development Block Grant Fund	Confined Space Rescue Fund	Department of Justice Grant Fund	Economic Development Fund
Assets					
Cash and cash equivalents	\$51,521	\$35,732	\$60,246	\$0	\$2,292
Grant or other receivable	0	30,093	6,000	0	0
Prepaid	0	609	0	0	0
Total assets	<u>\$51,521</u>	<u>\$66,434</u>	<u>\$66,246</u>	<u>\$0</u>	<u>\$2,292</u>
Liabilities					
Accounts payable	\$0	\$10,192	\$0	\$0	\$0
Due to other funds	0	0	0	0	0
Total liabilities	<u>0</u>	<u>10,192</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balances					
Nonspendable					
Prepays	0	609	0	0	0
Restricted for:					
Cultural and recreation	0	0	0	0	0
Public safety	51,521	0	66,246	0	0
Public works	0	55,633	0	0	0
Tourism and promotion	0	0	0	0	0
Assigned to:					
Economic development	0	0	0	0	2,292
Total fund balances	<u>51,521</u>	<u>56,242</u>	<u>66,246</u>	<u>0</u>	<u>2,292</u>
Total liabilities and fund balances	<u>\$51,521</u>	<u>\$66,434</u>	<u>\$66,246</u>	<u>\$0</u>	<u>\$2,292</u>

(Continued)

**City of Orange
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2014**

	Special Revenue				
	Emergency Management Fund	Fire Department Donation Fund	Home Program Fund	Law Enforcement Seizure Fund	Library Donation Fund
Assets					
Cash and cash equivalents	\$0	\$17,300	\$9,903	\$577,613	\$100,848
Grant or other receivable	33,102	0	0	0	0
Prepaid	0	0	0	0	0
Total assets	\$33,102	\$17,300	\$9,903	\$577,613	\$100,848
Liabilities					
Accounts payable	\$827	\$0	\$0	\$2,799	\$69
Due to other funds	32,275	0	0	0	0
Total liabilities	33,102	0	0	2,799	69
Fund balances					
Nonspendable					
Prepays	0	0	0	0	0
Restricted for:					
Cultural and recreation	0	0	0	0	100,779
Public safety	0	17,300	0	574,814	0
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	17,300	9,903	574,814	100,779
Total liabilities and fund balances	\$33,102	\$17,300	\$9,903	\$577,613	\$100,848

(Continued)

**City of Orange
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2014**

	Special Revenue				
	Municipal Court Technology Fund	Nelda C & HJ Lutcher Stark Foundation Grant Fund	Orange Development Fund	Parks Donation Fund	Police Donation Fund
Assets					
Cash and cash equivalents	\$67,978	\$17,986	\$1,068,158	\$9,919	\$30,083
Grant or other receivable	7	0	47,477	0	0
Prepaid	0	0	0	0	0
Total assets	<u>\$67,985</u>	<u>\$17,986</u>	<u>\$1,115,635</u>	<u>\$9,919</u>	<u>\$30,083</u>
Liabilities					
Accounts payable	\$0	\$0	\$33,550	\$0	\$0
Due to other funds	0	0	0	0	0
Total liabilities	<u>0</u>	<u>0</u>	<u>33,550</u>	<u>0</u>	<u>0</u>
Fund balances					
Nonspendable					
Prepays	0	0	0	0	0
Restricted for:					
Cultural and recreation	0	3,876	0	0	0
Public safety	67,985	10,031	0	9,919	30,083
Public works	0	4,079	0	0	0
Tourism and promotion	0	0	1,082,085	0	0
Assigned to:					
Economic development	0	0	0	0	0
Total fund balances	<u>67,985</u>	<u>17,986</u>	<u>1,082,085</u>	<u>9,919</u>	<u>30,083</u>
Total liabilities and fund balances	<u>\$67,985</u>	<u>\$17,986</u>	<u>\$1,115,635</u>	<u>\$9,919</u>	<u>\$30,083</u>

(Continued)

**City of Orange
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2014**

	Special Revenue		Total Nonmajor Governmental Funds
	Texas Forest Service TIFMAS Grant Fund	Texas Water Development Board Grant Fund	
Assets			
Cash and cash equivalents	\$0	\$0	\$2,049,579
Grant or other receivable	450	6,133	123,262
Prepaid	0	0	609
Total assets	<u>\$450</u>	<u>\$6,133</u>	<u>\$2,173,450</u>
Liabilities			
Accounts payable	\$0	\$0	\$47,437
Due to other funds	450	6,133	38,858
Total liabilities	<u>450</u>	<u>6,133</u>	<u>86,295</u>
Fund balances			
Nonspendable			
Prepays	0	0	609
Restricted for:			
Cultural and recreation	0	0	104,655
Public safety	0	0	827,899
Public works	0	0	69,615
Tourism and promotion	0	0	1,082,085
Assigned to:			
Economic development	0	0	2,292
Total fund balances	<u>0</u>	<u>0</u>	<u>2,087,155</u>
Total liabilities and fund balances	<u>\$450</u>	<u>\$6,133</u>	<u>\$2,173,450</u>

City of Orange
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2014

	Special Revenue				
	Animal Shelter Donation Fund	Community Development Block Grant Fund	Confined Space Rescue Fund	Department of Justice Grant Fund	Economic Development Fund
Revenues					
Taxes	\$0	\$0	\$0	\$0	\$0
Intergovernmental	0	244,609	0	0	0
Donations	281	0	22,000	0	0
Grant income	0	0	0	12,059	0
Investment income	164	0	118	0	7
Program income	0	16,036	0	0	0
Forfeitures	0	0	0	0	0
Total revenues	445	260,645	22,118	12,059	7
Expenditures					
Current:					
Cultural & recreation	0	0	0	0	0
Public safety	0	0	17,862	12,059	0
Public works	0	206,884	0	0	0
Capital outlay:					
Books	0	0	0	0	0
Machinery	0	0	0	0	0
Street construction	0	37,725	0	0	0
Vehicles	8,882	0	0	0	0
Total expenditures	8,882	244,609	17,862	12,059	0
Excess (deficiency) of revenues over (under) expenditures	(8,437)	16,036	4,256	0	7
Net change in fund balances	(8,437)	16,036	4,256	0	7
Fund balances beginning	59,958	40,206	61,990	0	2,285
Fund balances ending	\$51,521	\$56,242	\$66,246	\$0	\$2,292

(Continued)

City of Orange
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2014

	Special Revenue				
	Emergency Management Fund	Fire Department Donation Fund	Home Program Fund	Law Enforcement Seizure Fund	Library Donation Fund
Revenues					
Taxes	\$0	\$0	\$0	\$0	\$0
Intergovernmental	0	0	0	0	0
Donations	0	2,240	0	0	3,371
Grant income	33,102	0	0	0	0
Investment income	0	24	0	1,489	231
Program income	0	0	0	0	1,217
Forfeitures	0	0	0	32,386	0
Total revenues	33,102	2,264	0	33,875	4,819
Expenditures					
Current:					
Cultural & recreation	0	0	0	0	0
Public safety	33,102	0	0	37,426	5,981
Public works	0	0	0	0	0
Capital outlay:					
Books	0	0	0	0	1,637
Machinery	0	0	0	72,870	0
Street construction	0	0	0	0	0
Vehicles	0	0	0	2,485	0
Total expenditures	33,102	0	0	112,781	7,618
Excess (deficiency) of revenues over (under) expenditures	0	2,264	0	(78,906)	(2,799)
Net change in fund balances	0	2,264	0	(78,906)	(2,799)
Fund balances beginning	0	15,036	9,903	653,720	103,578
Fund balances ending	\$0	\$17,300	\$9,903	\$574,814	\$100,779

(Continued)

City of Orange
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2014

	Special Revenue				
	Municipal Court Technology Fund	Nelda C & HJ Lutcher Stark Foundation Grant Fund	Orange Development Fund	Parks Donation Fund	Police Donation Fund
Revenues					
Taxes	\$0	\$0	\$602,700	\$0	\$0
Intergovernmental	0	0	0	0	0
Donations	0	0	5,151	0	0
Grant income	0	0	0	0	0
Investment income	161	50	2,450	29	64
Program income	10,530	0	0	0	0
Forfeitures	0	0	0	0	0
Total revenues	<u>10,691</u>	<u>50</u>	<u>610,301</u>	<u>29</u>	<u>64</u>
Expenditures					
Current:					
Cultural & recreation	0	0	504,252	0	0
Public safety	16,560	0	0	0	0
Public works	0	0	0	0	0
Capital outlay:					
Books	0	0	0	0	0
Machinery	0	0	0	0	0
Street construction	0	0	0	0	0
Vehicles	0	0	0	0	0
Total expenditures	<u>16,560</u>	<u>0</u>	<u>504,252</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,869)</u>	<u>50</u>	<u>106,049</u>	<u>29</u>	<u>64</u>
Net change in fund balances	(5,869)	50	106,049	29	64
Fund balances beginning	73,854	17,936	976,036	9,890	30,019
Fund balances ending	<u>\$67,985</u>	<u>\$17,986</u>	<u>\$1,082,085</u>	<u>\$9,919</u>	<u>\$30,083</u>

(Continued)

City of Orange
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2014

	Texas Forest Service TIFMAS Grant Fund	Texas Water Development Board Grant Fund	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$0	\$0	\$602,700
Intergovernmental	0	0	244,609
Donations	0	0	33,043
Grant income	8,757	6,133	60,051
Investment income	0	0	4,787
Program income	0	0	27,783
Forfeitures	0	0	32,386
Total revenues	<u>8,757</u>	<u>6,133</u>	<u>\$1,005,359</u>
Expenditures			
Current:			
Cultural & recreation	0	0	504,252
Public safety	0	6,133	129,123
Public works	8,757	0	215,641
Capital outlay:			
Books	0	0	1,637
Machinery	0	0	72,870
Street construction	0	0	37,725
Vehicles	0	0	11,367
Total expenditures	<u>8,757</u>	<u>6,133</u>	<u>972,615</u>
Excess (deficiency) of revenues over (under) expenditures	<u>0</u>	<u>0</u>	<u>32,744</u>
Net change in fund balances	0	0	32,744
Fund balances beginning	0	0	2,054,411
Fund balances ending	<u>\$0</u>	<u>\$0</u>	<u>\$2,087,155</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, 2014

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Donations	\$250	\$250	\$281	\$31
Investment income	100	100	164	64
Total revenues	350	350	445	95
Expenditures:				
Capital Outlay				
Vehicles	10,000	10,000	8,882	(1,118)
Total expenditures	10,000	10,000	8,882	(1,118)
Net change in fund balance	(9,650)	(9,650)	(8,437)	1,213
Fund balances beginning	59,958	59,958	59,958	0
Fund balances ending	\$50,308	\$50,308	\$51,521	\$1,213

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, 2014

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Intergovernmental	\$480,439	\$480,439	\$244,609	(\$235,830)
Program income	9,000	9,000	16,036	7,036
Total revenues	489,439	489,439	260,645	(228,794)
Expenditures:				
Public works	266,842	267,240	206,884	(60,356)
Capital outlay				
Other capital outlay	104,935	104,935	0	(104,935)
Meters and settings	68,662	68,662	0	(68,662)
Street construction	40,000	40,000	37,725	(2,275)
Total expenditures	480,439	480,837	244,609	(236,228)
Net change in fund balance	9,000	8,602	16,036	7,434
Fund balances beginning	40,206	40,206	40,206	0
Fund balances ending	\$49,206	\$48,808	\$56,242	\$7,434

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, 2014

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Donations	\$18,000	\$18,000	\$22,000	\$4,000
Investment income	200	200	118	(82)
Total revenues	18,200	18,200	22,118	3,918
Expenditures:				
Public safety	45,000	45,000	17,862	(27,138)
Total expenditures	45,000	45,000	17,862	(27,138)
Net change in fund balance	(26,800)	(26,800)	4,256	31,056
Fund balances beginning	61,990	61,990	61,990	0
Fund balances ending	\$35,190	\$35,190	\$66,246	\$31,056

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, 2014

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Grant income	\$12,881	\$12,881	\$12,059	(\$822)
Total revenues	12,881	12,881	12,059	(822)
Expenditures:				
Public safety	12,881	12,881	12,059	(822)
Total expenditures	12,881	12,881	12,059	(822)
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, 2014

	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	2,285	2,285	2,285	0
Fund balances ending	\$2,290	\$2,290	\$2,292	\$2

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Emergency Management Fund
For the Year Ended September 30, 2014

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Grant income	\$27,817	\$27,817	\$33,102	\$5,285
Total revenues	27,817	27,817	33,102	5,285
Expenditures:				
Public safety	27,817	27,817	33,102	5,285
Total expenditures	27,817	27,817	33,102	5,285
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
Fire Department Donation Fund
For the Year Ended September 30, 2014

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Donations	\$0	\$0	\$2,240	\$2,240
Investment income	0	0	24	24
Total revenues	0	0	2,264	2,264
Expenditures:				
Public safety	0	15,500	0	(15,500)
Total expenditures	0	15,500	0	(15,500)
Net change in fund balance	0	(15,500)	2,264	17,764
Fund balances beginning	15,036	15,036	15,036	0
Fund balances ending	\$15,036	(\$464)	\$17,300	\$17,764

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, 2014

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Investment income	\$1,225	\$1,225	\$1,489	\$264
Forfeiture	10,000	10,000	32,386	22,386
Total revenues	11,225	11,225	33,875	22,650
Expenditures:				
Public safety	122,000	182,838	37,426	(145,412)
Capital outlay				
Buildings	10,000	10,000	0	(10,000)
Machinery	0	30,000	72,870	42,870
Vehicles	0	3,000	2,485	(515)
Total expenditures	132,000	225,838	112,781	(113,057)
Net change in fund balance	(120,775)	(214,613)	(78,906)	135,707
Fund balances beginning	653,720	653,720	653,720	0
Fund balances ending	\$532,945	\$439,107	\$574,814	\$135,707

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Library Donation Fund
For the Year Ended September 30, 2014

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Donations	\$4,000	\$4,000	\$3,371	(\$629)
Investment income	200	200	231	31
Program income	1,250	5,250	1,217	(4,033)
Total revenues	5,450	9,450	4,819	(4,631)
Expenditures:				
Cultural and recreation	10,000	14,000	5,981	(8,019)
Capital outlay				
Books	10,000	10,000	1,637	(8,363)
Total expenditures	20,000	24,000	7,618	(16,382)
Net change in fund balance	(14,550)	(14,550)	(2,799)	11,751
Fund balances beginning	103,578	103,578	103,578	0
Fund balances ending	\$89,028	\$89,028	\$100,779	\$11,751

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, 2014

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Investment income	\$150	\$150	\$161	\$11
Program income	10,000	10,000	10,530	530
Total revenues	10,150	10,150	10,691	541
Expenditures:				
Public safety	14,000	14,000	16,560	2,560
Total expenditures	14,000	14,000	16,560	2,560
Net change in fund balance	(3,850)	(3,850)	(5,869)	(2,019)
Fund balances beginning	73,854	73,854	73,854	0
Fund balances ending	\$70,004	\$70,004	\$67,985	(\$2,019)

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, 2014

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Investment income	\$0	\$0	\$50	\$50
Total revenues	0	0	50	50
Expenditures:				
Public safety	1,881	1,881	0	(1,881)
Total expenditures	1,881	1,881	0	(1,881)
Net change in fund balance	(1,881)	(1,881)	50	1,931
Fund balances beginning	17,936	17,936	17,936	0
Fund balances ending	<u>\$16,055</u>	<u>\$16,055</u>	<u>\$17,986</u>	<u>\$1,931</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, 2014

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Taxes	\$580,000	\$580,000	\$602,700	\$22,700
Donations	2,500	2,500	5,151	2,651
Investment income	2,500	2,500	2,450	(50)
Total revenues	<u>585,000</u>	<u>585,000</u>	<u>610,301</u>	<u>25,301</u>
Expenditures:				
Cultural and recreation	500,582	626,896	504,252	(122,644)
Total expenditures	<u>500,582</u>	<u>626,896</u>	<u>504,252</u>	<u>(122,644)</u>
Net change in fund balance	84,418	(41,896)	106,049	147,945
Fund balances beginning	976,036	976,036	976,036	0
Fund balances ending	<u>\$1,060,454</u>	<u>\$934,140</u>	<u>\$1,082,085</u>	<u>\$147,945</u>

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Parks Donation Fund
For the Year Ended September 30, 2014

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Donations	\$10	\$10	\$0	(\$10)
Investment income	25	25	29	4
Total revenues	35	35	29	(6)
Net change in fund balance	35	35	29	(6)
Fund balances beginning	9,890	9,890	9,890	0
Fund balances ending	\$9,925	\$9,925	\$9,919	(\$6)

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Police Donation Fund
For the Year Ended September 30, 2014

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Investment income	\$50	\$50	\$64	\$14
Total revenues	50	50	64	14
Expenditures:				
Public safety	25,000	25,000	0	(25,000)
Total expenditures	25,000	25,000	0	(25,000)
Net change in fund balance	(24,950)	(24,950)	64	25,014
Fund balances beginning	30,019	30,019	30,019	0
Fund balances ending	\$5,069	\$5,069	\$30,083	\$25,014

Internal Service Funds

Internal service funds are used to account for the financing of goods 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 Position
Internal Service Fund
September 30, 2014

	Workers' Compensation Insurance Fund
Assets	
Cash and cash equivalents	\$418,012
Cash with fiscal agent	36,000
Total assets	454,012
 Liabilities	
Accounts payable	15,426
Claims payable	38,432
Total liabilities	53,858
 Net Position	
Unrestricted	400,154
Total net position	\$400,154

City of Orange, Texas
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Fund
For the Year Ended September 30, 2014

	Workers' Compensation Insurance Fund
Operating revenues:	
Charges for services	\$233,089
Total operating revenues	233,089
Operating expenses:	
Administrative	4,955
Claims	37,649
Premiums	32,547
Total operating expenses	75,151
Operating income	157,938
Nonoperating revenues (expenses):	
Investment income	906
Change in net position	158,844
Total net position - beginning	241,310
Total net position - ending	\$400,154

City of Orange, Texas
Statement of Cash Flows
Internal Service Fund
For the Year Ended September 30, 2014

	<u>Workers' Compensation Insurance Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$233,089
Cash paid to suppliers	(193,978)
Net cash provided (used) by operating activities	<u>39,111</u>
Cash flows from investing activities:	
Interest received	906
Net cash provided by investing activities	<u>906</u>
Net increase (decrease) in cash and cash equivalents	40,017
Cash and cash equivalents beginning of year	<u>377,995</u>
Cash and cash equivalents end of year	<u><u>\$418,012</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	<u>157,938</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
(Increase) decrease cash with fiscal agent	(12,000)
Increase (decrease) in accounts payable	<u>(106,827)</u>
Total adjustments	<u>(118,827)</u>
Net cash provided (used) by operating activities	<u><u>\$39,111</u></u>

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 Position
September 30, 2014

	Municipal Court Escrow Agency Fund	Employee Flex Plan Agency Fund	Orange Employee Benefit Trust Fund	Total Fiduciary Funds
Assets				
Cash	\$5,493	\$3,851	\$8,505	\$17,849
Accounts receivable	0	0	25	25
Prepays	0	0	198,119	198,119
Total assets	<u>5,493</u>	<u>3,851</u>	<u>206,649</u>	<u>215,993</u>
Liabilities				
Accounts payable	0	0	8,990	8,990
Other liabilities	5,493	3,851	197,659	207,003
Total liabilities	<u>\$5,493</u>	<u>\$3,851</u>	<u>\$206,649</u>	<u>\$215,993</u>

City of Orange, Texas
Combining Statement of Changes in Fiduciary Assets and Liabilities
For the Year Ended September 30, 2014

	Municipal Court Escrow Agency Fund 10/01/2013	Additions	Deletions	Municipal Court Escrow Agency Fund 09/30/2014
Cash and cash equivalents	\$8,818	\$12,882	\$16,207	\$5,493
Total assets	<u>8,818</u>	<u>12,882</u>	<u>16,207</u>	<u>5,493</u>
Other liabilities - held in trust for municipal court bonds	8,818	12,882	16,207	5,493
Total liabilities	<u>\$8,818</u>	<u>\$12,882</u>	<u>\$16,207</u>	<u>\$5,493</u>
	Employee Flex Plan Agency Fund 10/01/2013	Additions	Deletions	Employee Flex Plan Agency Fund 09/30/2014
Cash and cash equivalents	\$4,268	\$18,607	\$19,024	\$3,851
Accounts receivable	2,168	0	2,168	0
Total assets	<u>6,436</u>	<u>18,607</u>	<u>21,192</u>	<u>3,851</u>
Other liabilities - held in trust for flexible spending accounts	6,436	18,607	21,192	3,851
Total liabilities	<u>\$6,436</u>	<u>\$18,607</u>	<u>\$21,192</u>	<u>\$3,851</u>
	Orange Employee Benefit Trust Fund 10/01/2013	Additions	Deletions	Orange Employee Benefit Trust Fund 09/30/2014
Cash and cash equivalents	\$0	\$2,414,015	\$2,405,510	\$8,505
Accounts receivable	18,413	25	18,413	25
Prepays	180,000	198,119	180,000	198,119
Total assets	<u>198,413</u>	<u>2,612,159</u>	<u>2,603,923</u>	<u>206,649</u>
Accounts payable	10,834	2,387,387	2,389,231	8,990
Other liabilities - held in trust for employee insurance costs	187,579	224,772	214,692	197,659
Total liabilities	<u>\$198,413</u>	<u>\$2,612,159</u>	<u>\$2,603,923</u>	<u>\$206,649</u>
	Total Fiduciary Funds 10/01/2013	Additions	Deletions	Total Fiduciary Funds 09/30/2014
Cash and cash equivalents	\$13,086	\$2,445,504	\$2,440,741	\$17,849
Accounts receivable	20,581	25	20,581	25
Prepays	180,000	198,119	180,000	198,119
Total assets	<u>213,667</u>	<u>2,643,648</u>	<u>2,641,322</u>	<u>215,993</u>
Accounts payable	10,834	2,387,387	2,389,231	8,990
Other liabilities - held in trust for municipal court bonds	8,818	12,882	16,207	5,493
Other liabilities - held in trust for flexible spending accounts	6,436	18,607	21,192	3,851
Other liabilities - held in trust for employee insurance costs	187,579	224,772	214,692	197,659
Total liabilities	<u>\$213,667</u>	<u>\$2,643,648</u>	<u>\$2,641,322</u>	<u>\$215,993</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>	135
<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>	141
<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>	145
<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>	150
<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>	152



Table 1
City of Orange, Texas
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010 (a)</u>	<u>2011</u>	<u>2012</u>	<u>2013 (b)</u>	<u>2014</u>
Government activities										
Invested in capital assets, net of related debt	\$10,067,933	\$11,349,801	\$12,430,810	\$12,887,162	\$8,524,217	\$8,955,990	\$11,874,957	\$18,716,218	\$19,963,533	\$23,215,863
Restricted	1,750,990	1,567,244	914,538	0	57,354	71,058	65,900	14,862	155,728	76,887
Unrestricted	4,688,604	6,531,168	6,870,023	7,808,150	8,673,931	7,296,187	6,761,991	6,266,247	6,880,845	7,419,439
Total government activities net position	<u>16,507,527</u>	<u>19,448,213</u>	<u>20,215,371</u>	<u>20,695,312</u>	<u>17,255,502</u>	<u>16,323,235</u>	<u>18,702,848</u>	<u>24,997,327</u>	<u>27,000,106</u>	<u>30,712,189</u>
Business-type activities										
Invested in capital assets, net of related debt	17,591,804	17,832,837	18,144,331	20,888,515	29,423,794	30,776,406	31,493,491	32,196,379	32,963,175	35,152,332
Restricted	1,516,207	1,526,676	1,624,697	1,493,068	1,749,284	1,443,873	1,428,684	1,434,849	1,488,660	1,457,546
Unrestricted	1,549,515	1,761,416	1,615,060	1,324,520	1,708,919	1,973,799	2,120,773	2,357,075	2,736,025	1,885,340
Total business-type activities net position	<u>20,657,526</u>	<u>21,120,929</u>	<u>21,384,088</u>	<u>23,706,103</u>	<u>32,881,997</u>	<u>34,194,078</u>	<u>35,042,948</u>	<u>35,988,303</u>	<u>37,187,860</u>	<u>38,495,218</u>
Primary government										
Net investment in capital assets	27,659,737	29,182,638	30,575,141	33,775,677	37,948,011	39,732,396	43,368,448	50,912,597	52,926,708	58,368,195
Restricted	3,267,197	3,093,920	2,539,235	1,493,068	1,806,638	1,514,931	1,494,584	1,449,711	1,644,388	1,534,433
Unrestricted	6,238,119	8,292,584	8,485,083	9,132,670	10,382,850	9,269,986	8,882,764	8,623,322	9,616,870	9,304,779
Total primary government net position	<u>\$37,165,053</u>	<u>\$40,569,142</u>	<u>\$41,599,459</u>	<u>\$44,401,415</u>	<u>\$50,137,499</u>	<u>\$50,517,313</u>	<u>\$53,745,796</u>	<u>\$60,985,630</u>	<u>\$64,187,966</u>	<u>\$69,207,407</u>

(a) 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

(b) In fiscal year 2013 there was a prior period adjustment related to the implementation of GASB Statement No. 65 for debt issuance costs occurring in prior fiscal years. The beginning net position was restated for the costs that occurred in prior fiscal years. Governmental activities had a prior period adjustment of (\$131,486) and the business-type activities had a prior period adjustment of (\$234,497).

Table 2
City of Orange, Texas
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010 (b), (c)</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Expenses										
Governmental Activities										
General government	\$1,162,509	\$1,166,696	\$1,235,297	\$1,262,411	\$1,444,316	\$1,338,566	\$1,382,505	\$1,449,759	\$1,686,907	\$1,155,305
Cultural and recreation	1,307,649	1,312,439	1,385,314	1,446,538	1,486,749	1,702,697	1,597,544	1,506,522	1,721,378	1,636,053
Public safety	7,537,592	7,812,215	8,280,559	8,931,939	9,399,380	9,870,932	9,807,217	10,124,888	10,244,710	10,666,744
Public works	3,759,213	4,214,823	4,142,241	4,194,268	4,435,852	4,694,527	4,195,605	4,294,614	3,593,133	4,323,317
Interest on long-term debt	178,801	317,323	288,522	328,931	556,581	493,648	460,991	426,512	299,216	281,198
Total governmental activities	13,945,764	14,823,496	15,331,933	16,164,087	17,322,878	18,100,370	17,443,862	17,802,295	17,545,344	18,062,617
Business-type activities										
Water	1,739,179	2,115,515	2,025,692	2,221,629	2,355,024	2,551,573	2,664,708	2,416,132	2,800,457	2,965,856
Sewer	3,687,226	3,591,242	3,694,760	3,920,433	4,008,183	4,171,001	4,399,089	4,217,375	4,367,032	3,985,926
Sanitation	991,354	1,051,813	1,179,005	1,546,541	1,566,280	1,582,983	1,659,430	1,629,934	1,661,963	1,691,352
Total business-type activities	6,417,759	6,758,570	6,899,457	7,688,603	7,929,487	8,305,557	8,723,227	8,263,441	8,829,452	8,643,134
Total primary government	20,363,523	21,582,066	22,231,390	23,852,690	25,252,365	26,405,927	26,167,089	26,065,736	26,374,796	26,705,751
Program Revenues										
Governmental activities										
Charges for services										
General government	914,912	798,225	799,177	848,857	830,125	1,134,214	1,112,058	1,139,522	1,086,293	1,141,978
Cultural and recreation	62,831	32,111	51,212	37,715	36,527	27,011	36,020	22,777	23,817	22,961
Public safety	198,655	260,488	227,100	194,897	259,217	270,964	199,371	319,280	341,031	183,055
Public works	104,710	72,905	138,584	108,543	225,303	98,552	102,228	54,690	49,164	125,919
Operating grants and contributions										
General government	73,037	73,918	82,384	210,540	164,470	83,547	88,459	112,093	106,590	137,756
Cultural and recreation	10,319	80,833	45,483	13,075	16,991	16,752	18,763	3,019	6,160	46,708
Public safety	56,065	579,559	439,073	671,362	753,682	395,027	247,351	262,965	254,898	84,408
Public works	916,850	1,265,790	1,052,904	1,295,456	1,416,415	1,412,616	1,007,070	1,032,602	353,633	268,082
Capital grants and contributions										
General government	2,917	39,851	27,775	12,418	89,964	0	0	34,959	473	0
Cultural and recreation	2,074,602	746,533	0	28,516	213,396	8,185	126,979	3,187	1,704	1,637
Public safety	293,492	313,354	332,579	410,248	1,339,349	663,321	2,316,708	6,155,476	138,848	32,386
Public works	178,404	979,749	412,792	854,619	813,231	222,996	1,289,006	611,356	1,775,080	4,190,783
Total governmental activities program revenues	4,886,794	5,243,316	3,609,063	4,686,246	6,158,670	4,333,185	6,544,013	9,751,926	4,137,691	6,235,673

(Continued)

Table 2 (Continued)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010 (b), (c)</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Business-type activities										
Charges for services										
Water	1,699,153	1,755,655	1,881,226	1,996,487	2,140,507	2,409,073	2,596,037	2,600,208	2,648,991	2,495,113
Sewer	3,276,503	3,624,877	3,742,025	3,697,384	3,839,209	4,290,074	4,548,118	3,648,695	5,064,641	4,822,636
Sanitation	976,221	1,157,739	1,284,458	1,664,792	1,579,773	1,678,957	1,724,816	1,625,639	1,768,833	1,800,741
Operating grants and contributions										
Water	39,216	150,718	11,263	35,678	30,574	10,960	0	0	0	0
Sewer	0	150,719	11,262	35,678	201,440	10,960	0	0	0	0
Sanitation	0	0	0	0	164,116	150,089	0	0	0	0
Capital grants and contributions										
Water	186,833	136,019	3,275	689,420	942,491	264,074	10,110	20,570	429,623	607,885
Sewer	40,800	142,964	101,310	710,511	1,336,866	74,940	74,136	52,041	343,277	214,102
Sanitation	0	0	0	0	0	39,505	0	0	0	0
Total governmental activities program revenues	6,218,726	7,118,691	7,034,819	8,829,950	10,234,976	8,928,632	8,953,217	7,947,153	10,255,365	9,940,477
Total primary government program revenues	11,105,520	12,362,007	10,643,882	13,516,196	16,393,646	13,261,817	15,497,230	17,699,079	14,393,056	16,176,150
Net (expense)/revenue										
Governmental activities	(9,058,970)	(9,580,180)	(11,722,870)	(11,477,841)	(11,164,208)	(13,767,185)	(10,899,849)	(8,050,369)	(13,407,653)	(11,826,944)
Business-type activities	(199,033)	360,121	51,769	1,141,347	2,305,489	623,075	229,990	900,653	1,425,913	1,297,343
Total primary government net expense	(9,258,003)	(9,220,059)	(11,671,101)	(10,336,494)	(8,858,719)	(13,144,110)	(10,669,859)	(7,149,716)	(11,981,740)	(10,529,601)
General Revenues and Other Changes in Net Position										
Governmental Activities										
Property taxes	3,754,181	4,159,139	4,078,832	4,377,602	5,345,422	5,666,502	5,874,034	6,096,780	5,868,244	6,044,783
Sales taxes	1,829,671	2,442,369	2,152,471	2,241,325	3,035,472	2,469,558	2,308,088	2,229,480	2,309,982	2,358,053
Other taxes	362,076	452,242	599,959	684,480	598,063	497,900	474,895	553,828	603,799	622,747
Franchise taxes	281,104	266,850	312,356	336,533	334,756	329,673	342,136	306,524	282,092	298,172
Payment in-lieu of taxes	5,288,809	4,858,529	4,965,279	5,042,646	5,087,347	4,503,987	4,871,157	5,162,155	6,457,311	6,201,387
Licenses and permits	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)
Unrestricted investment earnings	143,671	341,737	464,724	287,263	143,409	26,853	20,396	22,267	20,490	13,885
Transfers	0	0	(83,593)	(1,012,067)	(6,820,071)	(682,404)	(611,194)	(26,186)	0	0
Total governmental activities	11,659,512	12,520,866	12,490,028	11,957,782	7,724,398	12,812,069	13,279,512	14,344,848	15,541,918	15,539,027
Business-type activities										
Unrestricted investment earnings	65,151	103,282	127,797	168,601	50,334	6,602	7,686	18,516	9,141	10,015
Transfers	0	0	83,593	1,012,067	6,820,071	682,404	611,194	26,186	0	0
Total business-type activities	65,151	103,282	211,390	1,180,668	6,870,405	689,006	618,880	44,702	9,141	10,015
Total primary government	11,724,663	12,624,148	12,701,418	13,138,450	14,594,803	13,501,075	13,898,392	14,389,550	15,551,059	15,549,042
Change in Net Position										
Governmental activities	2,600,542	2,940,686	767,158	479,941	(3,439,810)	(955,116)	2,379,663	6,294,479	2,134,265	3,712,083
Business-type activities	(133,882)	463,403	263,159	2,322,015	9,175,894	1,312,081	848,870	945,355	1,435,054	1,307,358
Total primary government	\$2,466,660	\$3,404,089	\$1,030,317	\$2,801,956	\$5,736,084	\$356,965	\$3,228,533	\$7,239,834	\$3,569,319	\$5,019,441

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

(b) 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.

(c) 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</u> <u>Year</u>	<u>Property</u> <u>Tax</u>	<u>Sales</u> <u>Tax</u>	<u>Other</u> <u>Tax</u>	<u>Franchise</u> <u>Tax</u>	<u>Total</u>
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
2012	\$6,096,780	\$2,229,480	\$553,480	\$306,524	\$9,186,264
2013	\$5,868,244	\$2,309,982	\$603,799	\$282,092	\$9,064,117
2014	\$6,044,783	\$2,358,053	\$622,747	\$298,172	\$9,323,755

Table 4

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

	<u>2005-2010 (a)</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General fund					
Nonspendable:					
Inventory	\$0	\$66,951	\$124,361	\$101,349	\$103,939
Prepays	0	0	120,742	131,434	140,293 (b)
Assigned to:					
Capital outlay	0	369,593	0	0	0
Hurricane recovery	0	249,752	0	0	0
Restricted for:					
Hurricane recovery	0	0	0	0	0
Unassigned	<u>0</u>	<u>4,340,641</u>	<u>4,049,277</u>	<u>4,977,270</u>	<u>5,531,403 (b)</u>
Total general fund	<u>\$0</u>	<u>\$5,026,937</u>	<u>\$4,294,380</u>	<u>\$5,210,053</u>	<u>\$5,775,635</u>
Debt service					
Restricted for:					
Debt service	<u>\$0</u>	<u>\$114,024</u>	<u>\$76,094</u>	<u>\$155,728</u>	<u>\$114,126</u>
Total debt service	<u>\$0</u>	<u>\$114,024</u>	<u>\$76,094</u>	<u>\$155,728</u>	<u>\$114,126</u>
Capital projects					
Assigned to:					
Capital projects	<u>\$0</u>	<u>\$98,789</u>	<u>\$93,908</u>	<u>\$62,599</u>	<u>\$32,130</u>
Total capital projects	<u>\$0</u>	<u>\$98,789</u>	<u>\$93,908</u>	<u>\$62,599</u>	<u>\$32,130</u>
Other governmental funds					
Special revenue funds					
Nonspendable:					
Prepays	\$0	\$0	\$0	\$4,014	\$609 (b)
Restricted for:					
Cultural and recreation	0	114,391	115,275	115,583	104,655 (b)
Hurricane recovery	0	246,134	0	0	0
Public safety	0	877,088	867,861	903,373	827,899 (b)
Public works	0	53,137	46,509	53,120	69,615 (b)
Tourism and promotion	0	835,280	1,036,102	976,036	1,082,085 (b)
Assigned to:					
Economic development	<u>0</u>	<u>2,268</u>	<u>2,280</u>	<u>2,285</u>	<u>2,292</u>
Total all other governmental funds	<u>\$0</u>	<u>\$2,128,298</u>	<u>\$2,068,027</u>	<u>\$2,054,411</u>	<u>\$2,087,155</u>

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

(b) Prior to fiscal year 2014 prepaids were included in unassigned or restricted balances in Governmental Funds. These restated have been correct for comparison purposes for this table.

Table 5

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$6,107,047	\$7,019,320	\$6,827,323	\$7,251,694	\$8,962,140	\$8,625,889	\$8,567,376	\$8,616,255	\$8,662,858	\$8,902,775
Payments in lieu of taxes	5,288,809	4,858,529	4,965,279	5,042,646	5,087,347	4,503,987	4,871,157	5,162,155	6,457,311	6,201,387
Franchises	951,492	899,597	989,629	1,044,480	985,522	1,302,854	1,289,831	1,243,862	1,190,589	1,199,098
Licenses and permits	359,267	310,512	399,478	407,416	531,419	417,235	387,541	375,209	321,067	372,001
Intergovernmental	1,505,200	1,518,494	909,526	1,215,187	1,908,101	1,448,148	833,590	1,226,800	498,561	340,410
Charges for services	1,420,457	1,605,160	1,609,823	1,747,388	1,690,276	1,711,616	1,950,949	1,864,230	1,946,848	2,173,072
Donations	29,554	192,071	78,447	170,720	183,515	61,207	45,375	67,498	31,042	33,043
Grant income	277,094	624,347	886,200	782,590	400,000	822,476	3,387,878	6,776,309	2,086,515	4,289,863
Investment income	143,669	341,737	464,724	287,263	143,408	26,855	20,396	22,267	20,490	13,885
Program income	21,441	45,225	87,708	66,527	39,061	50,087	79,576	23,449	17,766	27,783
Forfeitures	4,050	53,541	354,764	563,239	429,966	275,257	57,701	56,774	67,229	32,386
Restitution	108	40	96	0	0	0	0	0	0	0
Miscellaneous	34,145	53,625	42,074	83,294	41,124	21,571	53,350	77,191	206,859	112,644
Total revenues	16,142,333	17,522,198	17,615,071	18,662,444	20,401,879	19,267,182	21,544,720	25,511,999	21,507,135	23,698,347
Expenditures										
General government	1,188,131	1,114,903	1,159,666	1,189,026	1,317,887	1,318,867	1,431,652	1,380,066	1,382,697	1,358,661
Cultural and recreation	1,118,608	1,072,498	1,171,112	1,247,902	1,363,852	1,510,032	1,480,747	1,352,473	1,615,702	1,543,962
Public safety	6,762,778	7,028,542	7,203,623	7,678,323	8,102,070	8,601,402	8,730,355	8,676,928	8,759,130	8,991,222
Public works	3,461,438	3,658,157	3,670,623	3,554,757	3,660,947	4,249,819	3,911,497	4,176,623	3,274,625	3,342,105
Non departmental Hurricane	0	475,699	68,947	667,723	785,822	54,093	173,125	312,925	0	0
Non departmental	1,532,723	1,759,799	1,716,235	1,801,242	1,567,423	1,664,657	1,796,074	1,780,323	1,804,513	1,921,167
Debt Service										
Principal	245,000	480,000	515,000	545,000	555,000	830,000	865,000	895,000	670,000	755,000
Interest and fiscal charges	166,809	290,035	256,668	235,593	534,562	458,003	425,565	391,278	289,028	253,638
Bond issuance costs	152,174	0	0	0	0	0	0	0	0	0
Capital Outlay	1,040,538	1,957,120	2,122,744	3,332,853	8,674,015	1,418,833	3,979,351	7,472,353	2,711,531	5,281,322
Total expenditures	15,668,199	17,836,753	17,884,618	20,252,419	26,561,578	20,105,706	22,793,366	26,437,969	20,507,226	23,447,077
Excess of revenues over (under) expenditures	474,134	(314,555)	(269,547)	(1,589,975)	(6,159,699)	(838,524)	(1,248,646)	(925,970)	999,909	251,270
Other financing sources (uses)										
Transfers in	114,682	0	0	0	0	0	0	0	0	0
Transfers out	(114,682)	0	0	0	(579,846)	(379,846)	0	0	0	0
Bond proceeds	0	0	0	6,807,605	0	0	0	0	0	0
Bond issuance costs	0	0	0	(159,670)	0	0	0	0	0	0
Insurance proceeds	0	1,414,588	365,929	697,971	2,007,303	76,214	690,216	29,868	0	0
Sales of fixed asset	0	0	165,100	17,280	5,700	1,750	0	60,463	473	274,985
Refunding bonds issued	4,360,000	0	0	0	0	0	0	0	5,440,000	0
Tax notes issued	1,560,000	0	0	0	0	0	0	0	0	0
Discount on refunding bonds	0	0	0	0	0	0	0	0	(31,855)	0
Premium on refunding bonds	14,386	0	0	0	0	0	0	0	0	0
Premium on tax notes issued	7,095	0	0	0	0	0	0	0	204,641	0
Payment to refunded bond escrow account	(4,376,153)	0	0	0	0	0	0	0	(5,662,786)	0
Total other financing sources and uses	1,565,328	1,414,588	531,029	7,363,186	1,433,157	(301,882)	690,216	90,331	(49,527)	274,985
Net changes in fund balances	2,039,462	1,100,033	261,482	5,773,211	(4,726,542)	(1,140,406)	(558,430)	(835,639)	950,382	526,255
Debt service as a percentage of noncapital expenditures	3.20%	4.92%	4.67%	4.61%	6.09%	6.78%	6.64%	6.86%	5.43%	5.55%
Capital # from Notes	2,808,777	2,188,403	1,358,173	3,332,853	8,674,013	1,116,474	3,368,157	7,691,828	2,850,131	5,281,322

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>				
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%
2012	2011	\$631,241,805	78.06%	\$177,369,499	21.94%	\$808,611,304	\$0.74500	\$808,611,304	100.00%
2013	2012	\$618,576,246	76.25%	\$192,627,347	23.75%	\$811,203,593	\$0.70000	\$811,203,593	100.00%
2014	2013	\$670,869,190	76.18%	\$209,713,720	23.82%	\$880,582,910	\$0.69000	\$880,582,910	100.00%

(a) Certified Tax Roll - Orange County Appraisal District

(b) Net Taxable Less Frozen - Certification of Tax Roll - beginning Tax year 2007

Table 7

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

<u>Fiscal</u> <u>Year</u>	<u>General</u> <u>Fund</u>	<u>Debt</u> <u>Service</u>	<u>Total</u> <u>City Tax</u> <u>Rate</u>	<u>Bridge City</u> <u>School</u> <u>District</u>	<u>Little Cypress</u> <u>Mauriceville</u> <u>School</u> <u>District</u>	<u>Orangefield</u> <u>School</u> <u>District</u>	<u>West Orange</u> <u>West Orange</u> <u>Cove School</u> <u>District</u>	<u>Orange</u> <u>County +</u> <u>(Lateral</u> <u>Road)</u>	<u>Orange</u> <u>County</u> <u>Drainage</u> <u>District</u>	<u>Port and</u> <u>Navigation</u> <u>District</u>	<u>Total</u> <u>(a)</u>	<u>Total</u> <u>(b)</u>	<u>Total</u> <u>(c)</u>	<u>Total</u> <u>(d)</u>
2005	\$0.72009	\$0.11591	\$0.83600	\$1.75775	\$1.60000	\$1.78000	\$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	\$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	\$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	\$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	\$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	\$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	\$0.53559	\$0.09869	\$0.00832	\$2.57760	\$2.54481	\$2.55760	\$2.74030
2012	\$0.58278	\$0.16222	\$0.74500	\$1.19000	\$1.15567	\$1.17000	\$1.28600	\$0.52990	\$0.10195	\$0.00821	\$2.57506	\$2.54073	\$2.55506	\$2.67106
2013	\$0.56708	\$0.13292	\$0.70000	\$1.19000	\$1.58350	\$1.17000	\$1.45660	\$0.52990	\$0.10726	\$0.00811	\$2.53527	\$2.92877	\$2.51527	\$2.80187
2014	\$0.57408	\$0.11592	\$0.69000	\$1.19000	\$1.16521	\$1.17000	\$1.42774	\$0.54400	\$0.10726	\$0.00790	\$2.53916	\$2.51437	\$2.51916	\$2.77690

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- (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, 2014

Name	<u>FY 2014 (a)</u>		<u>FY 2004 (b)</u>	
	<u>Assessed Value</u>	<u>Percent of Total Assessed Value</u>	<u>Assessed Value</u>	<u>Percent of Total Assessed Value</u>
Signal International Texas, LP	\$50,834,130	1 4.6020%	\$9,072,790	4 1.6875%
Conrad Orange Shipbuilding	\$22,851,250	2 2.0687%		
Exxonmobil Chemical Co.	\$21,734,400	3 1.9676%		
Entergy Texas, Inc.	\$12,393,780	4 1.1220%		
Honeywell (Allied)	\$11,616,000	5 1.0516%		
Kirby Inland Marine	\$10,778,950	6 0.9758%		
Stemco USA, Inc.	\$8,773,370	7 0.7943%		
Webco Industries, Inc.	\$6,556,460	8 0.5936%		
ISP Elastomers LP	\$5,888,940	9 0.5331%		
Invista SARL	\$5,856,680	10 0.5302%		
Bayer			\$13,638,360	1 2.5367%
Gulf States Utilities			\$11,771,790	2 2.1895%
Del Sasso, Anton			\$9,783,680	3 1.8197%
Wickersham, Charles T.			\$8,875,710	5 1.6508%
SBC Communications Inc.			\$7,396,990	6 1.3758%
Stark, Nedla C.			\$7,027,250	7 1.3070%
Cloeren Company			\$4,961,270	8 0.9228%
Allied Corporation			\$4,323,000	9 0.8041%
CFJ Properties			\$3,456,880	10 0.6430%
	<u>\$157,283,960</u>	<u>14.2390%</u>	<u>\$80,307,720</u>	<u>14.9369%</u>

(a) Tax roll for Fiscal Year 2014, tax year 2013.

(b) Tax roll for Fiscal Year 2004, tax year 2003.

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
2005	\$3,790,053	\$3,644,860	95.97%	\$117,852	\$3,762,712	99.28%
2006	\$4,087,718	\$3,934,316	96.25%	\$115,297	\$4,049,613	99.07%
2007	\$4,017,319	\$3,819,191	95.07%	\$151,333	\$3,970,524	98.84%
2008	\$4,279,548	\$4,075,986	95.24%	\$153,514	\$4,229,500	98.83%
2009	\$5,271,879	\$5,062,658	96.03%	\$150,022	\$5,212,680	98.88%
2010	\$5,550,485	\$5,365,446	96.67%	\$113,689	\$5,479,135	98.71%
2011	\$5,874,636	\$5,657,735	96.31%	\$102,806	\$5,760,541	98.06%
2012	\$5,985,251	\$5,622,255	93.94%	\$128,371	\$5,750,626	96.08%
2013	\$5,901,792	\$5,544,045	93.94%	\$82,026	\$5,626,071	95.33%
2014	\$6,032,707	\$5,669,884	93.99%	\$0	\$5,669,884	93.99%

(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			
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
2012	\$9,125,000	\$0	\$5,500,000	\$4,370,000	\$29,981	\$14,654,981	n/a	\$788.11
2013	\$8,740,000	\$0	\$4,180,000	\$4,170,000	\$0	\$12,920,000	n/a	\$694.81
2014	\$7,985,000	\$0	\$6,700,000	\$215,000	\$0	\$14,685,000	n/a	\$789.73

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				
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
2012	\$9,125,000	\$5,500,000	\$1,533,692	\$13,091,308	1.62%	\$704.02
2013	\$8,740,000	\$4,180,000	\$1,614,369	\$11,305,631	1.39%	\$607.99
2014	\$7,985,000	\$6,700,000	\$1,531,619	\$13,153,381	1.49%	\$707.36

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	\$7,870,875 (a)(b)	100.00%	\$7,870,875
Bridge City ISD	\$21,317,744	2.03% (c)	\$432,750
Little Cypress Mauriceville ISD	\$61,785,000	28.43% (c)	\$17,565,476
Orange County	\$0	17.08% (c)	\$0
Orangefield ISD	\$9,268,986	6.58% (c)	\$609,899
West Orange Cove CISD	\$59,677,415	28.49% (c)	\$17,002,096
Subtotal Overlapping Debt	<u>\$152,049,145</u>		<u>\$35,610,221</u>
Total Direct and Overlapping Debt	<u>\$159,920,020</u>		<u>\$43,481,096</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.

(a) Excluding general obligation bonds reported in the enterprise funds.

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

(c) Information from the Municipal Advisory of Texas (Texas MAC) used for overlapping % information in 2013.

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Debt Limit	\$53,236,562	\$63,587,723	\$64,713,191	\$73,955,148	\$90,912,109	\$94,533,047	\$100,307,453	\$102,608,008	\$102,470,872	\$110,459,971
Total net debt applicable to limit	\$7,050,000	\$6,570,000	\$6,055,000	\$12,177,506	\$11,576,792	\$10,742,612	\$9,905,976	\$9,050,421	\$8,584,272	\$7,908,113
Legal debt margin	\$46,186,562	\$57,017,723	\$58,658,191	\$61,785,148	\$79,335,317	\$83,790,435	\$90,401,477	\$93,557,587	\$93,886,600	\$102,551,858
Total net debt applicable to the limit as a percentage of debt limit	15.26%	11.52%	10.32%	19.71%	14.59%	12.82%	10.96%	9.67%	9.14%	7.71%

Legal Debt Margin Calculation
For Fiscal Year 2013

Total assessed value (a)	\$1,104,599,712
Debt limit 10% of assessed value (b)	\$110,459,971
Amount of debt applicable to debt margin:	
Total bonded debt	\$14,900,000
Less:	
Assets available in governmental debt service fund	\$76,887
Self supported bonds and certificates (c)	<u>\$6,915,000</u>
Total amount of debt applicable to	\$7,908,113
Legal debt limit	\$102,551,858

(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 \$215,000, the 2010 General Obligation Refunding Bonds of \$2,825,000 and the 2014 General Obligation Refunding Bonds \$3,875,000.

(d) This includes the 2005 General Obligation Refunding Bonds of \$2,295,000, the 2008 Certificates of Obligation of \$300,000 and the 2013 General Obligation Refunding Bonds \$5,390,000.

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)		2013 GO Refunding Bonds (f),(g)	
				Principal	Interest	Coverage	Principal	Interest	Principal	Interest	Principal	Interest
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	--	--
2012	7,338,732	4,889,715	2,449,017	190,000	186,207	6.51	--	--	1,290,000	160,318	--	--
2013	7,720,675	4,972,511	2,748,164	200,000	179,846	7.23	--	--	1,320,000	135,125	--	--
2014	7,325,005	5,273,728	2,051,277	205,000	93,207	6.88	--	--	1,355,000	96,714	25,000	38,510

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.

(f) The GO Refunding, Series 2013 refunded \$3,750,000 of the Series 2007 WS System Revenue Bonds.

(g) The GO Refunding, Series 2013 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>
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%
2012	18,595	n/a	\$23,155 (a)	39.1	85.80%	n/a	9.8%
2013	18,595	n/a	\$23,155 (a)	39.1	85.80%	n/a	9.7%
2014	18,595	n/a	\$23,155 (a)	39.1	85.80%	n/a	7.5%

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

<u>Employer</u>	<u>2014 (a)</u>			<u>2005 (c)</u>		
	<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.	920	1	2.42%	n/a	n/a	n/a
Invista	732	2	1.93%	n/a	n/a	n/a
Little Cypress-Mauriceville ISD	584	3	1.54%	n/a	n/a	n/a
Orange County	500	4	1.32%	n/a	n/a	n/a
West Orange Cove Consolidated ISD	450	5	1.18%	n/a	n/a	n/a
International Paper	412	6	1.08%	n/a	n/a	n/a
Kellog - Brown & Root	420	7	1.11%	n/a	n/a	n/a
Lanxess, Inc.	390	8	1.03%	n/a	n/a	n/a
Lamar State College - Orange	274	9	0.72%	n/a	n/a	n/a
Cloeren Company, Inc.	250	10	0.66%	n/a	n/a	n/a
Orangefield ISD	249	11	0.66%	n/a	n/a	n/a
Firestone Polymers	200	12	0.53%	n/a	n/a	n/a
Memorial Hermann Baptist Orange	194	13	0.51%	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
Chevron Phillips Chemical Co.	180	16	0.47%	n/a	n/a	n/a
Printpack, Inc.	141	17	0.37%	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.	<u>100</u>	<u>20</u>	<u>0.26%</u>	n/a	n/a	n/a
	<u>6,619</u>		<u>17.42%</u>			

(a) Greater Orange Area Chamber of Commerce, local school districts. Updated by City staff in FY 2013.

(b) In labor force, population 16 years and over, per Southeast Texas Workforce Development Board 2011, 37,995.

(c) Year 2005 is 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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</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	4	4	4	4	4	4	4	4	4	4
Animal Control	2	2	2	2	2	2	2	2	2	2
Library	6	6	6	6	6	6	6	6	5	5
Police	53	53	53	53	53.5	55	56	55	57	57.75
Fire	38	38	38	38	38.5	38	38	38	38	38
Engineering	1	1	1	1	1	1	1	1	1	1
Planning	1	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	2	2	2	2	2	2	2	2	2
Fleet Maintenance	4	4	4	4	4	4	4	4	4	4
Park Maintenance	8	8	8	8	8	8	8	8	8	9
Orange Development	1	1	1	1	1	1	1	1	1	1
Community Development	2	2	2	2	2	2	2	2	2	2
Police Special Revenue	2	2	2	2	2	0	1	1	1	0.25
Fire Special Revenue	0	0	0	0	0	1	0	0	0	0
Sewer Operations	9	9	9	9	9	9	9	9	9	9
Water Operations	8	8	8	8	8.5	8	8	8	8	8
Wastewater Treatment Plant	7	7	7	7	7	8	8	8	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
Saniation	1	1	1	1	1	1	1	1	1	1
Street Sweeping	1	1	1	1	1	1	1	1	1	1
Total	<u>189</u>	<u>190</u>	<u>190</u>	<u>190</u>	<u>191.5</u>	<u>192.0</u>	<u>193.0</u>	<u>192.0</u>	<u>193.0</u>	<u>194.0</u>

Source: City Annual Budget

Table 18

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

<u>Function</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Police										
Physical arrests	1,641	1,342	1,426	1,236	1,430	1,764	1,521	1,583	1,577	1,239
Parking violations	18	20	54	180	25	30	32	83	14	12
Traffic violations	2,069	1,848	2,360	2,699	2,645	2,019	2,068	2,724	2,320	2,083
Fire										
Number of calls answered	2,153	2,809	3,253	3,976	2,753	2,725	2,803	2,822	2,819	3,168
Inspections	1,050	642	1,122	834	608	581	64	249	323	305
Street & Drainage										
Street resurfacing (miles)	4	0	0.6	0.6	3.0	0.0	1.2	2.0	8.0	1.5
Potholes repaired	3,675	3,675	3,675	3,675	4,400	5,060	5,550	6,000	5,800	6,000
Sanitation										
Refuse collected (tons/day)	n/a									
Culture and recreation										
Recreation center (use fees)	9,275	2,898	3,009	1,441	362	390	360	685	385	250
Natorium patrons (use fees)	23,585	13,978	11,328	6,650	14,181	7,651	4,291	7,158	8,779	8,833
Library patrons (use fees)	19,606	15,236	18,906	18,145	21,984	18,970	17,674	14,934	14,653	13,878
Water										
New connections	25	37	65	28	43	585	38	14	18	30
Water main breaks	921	1,265	899	940	1,039	970	863	743	530	766
Average daily consumption (thousands of gallons)	1,713	1,722	1,624	1,658	1,634	1,646	1,719	1,625	1,614	1,500
Wastewater										
Average daily sewage treatment (thousands of gallons)	2,383	2,626	3,240	2,422	2,847	2,770	1,940	2,308	2,427	2,423

Source: Various city departments

Table 19

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

<u>Function</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
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	55	55	55	55	57	57	57	57	57.75
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	38	38	38	38	38	38	38	38	38	38
Sanitation										
Collection Trucks	1	1	2	2	2	2	2	2	2	2
Street and Drainage										
Streets (miles)	148	148	161	161	162	162	162	162	162	162
Streetlights	1,553	1,553	1,562	1,562	1,562	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	284	284	284	284	284	284	284	284	284	(a) 284
Parks	20	20	20	20	20	20	20	20	19	19
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	0	0	0	0	0
Water										
Water mains (miles)	140	140	140	140	156	156	156	156	156	156
Fire hydrants	556	556	556	556	726	726	726	726	726	726
Maximum daily capacity (thousand of gallons)	7,500	7,500	7,500	7,500	10,613	10,613	10,613	10,613	10,613	10,613
Service connections	6,433	6,347	6,361	6,360	6,921	6,999	7,041	7,046	6,934	6,991
Wastewater										
Sanitary sewers (miles)	135	135	135	135	149	149	149	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	6,253	6,160	6,173	6,166	6,632	6,763	6,808	6,789	6,690	6,750

(a) In 2013 park acreage reported was corrected for all prior years

Source: Various city departments

Table 20

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Water Consumption										
October	55,159	60,689	57,929	50,672	46,343	48,724	50,873	56,313	57,752	51,796
November	47,748	49,475	48,585	55,468	49,117	42,087	45,481	50,243	49,813	48,167
December	46,500	50,002	46,004	44,196	44,395	49,571	45,275	46,626	47,117	50,242
January	49,271	49,067	45,730	49,334	45,973	44,805	44,798	45,120	47,380	50,752
February	47,754	46,808	45,789	48,734	44,704	43,222	45,690	41,875	39,852	48,802
March	39,579	42,626	42,725	45,855	45,037	42,894	41,356	39,046	41,891	41,573
April	48,748	50,719	49,053	44,012	45,620	46,106	50,695	46,233	46,081	38,077
May	52,633	50,066	44,765	50,929	44,214	58,221	51,130	50,367	45,561	40,841
June	59,111	59,742	54,004	53,749	53,127	61,731	68,903	56,486	53,492	44,663
July	60,423	54,366	51,581	55,276	68,324	55,648	59,881	55,313	55,236	40,176
August	57,111	56,172	53,605	55,306	53,127	53,234	58,388	53,936	52,150	43,828
September	61,078	58,937	53,054	51,806	56,539	54,534	64,823	51,489	52,920	48,716
Total	625,115	628,669	592,824	605,337	596,520	600,777	627,293	593,047	589,245	547,633
Water Rates										
Minimum 3/4"	6.87	7.56	7.82	7.82	8.37	9.21	9.58	10.06	10.56	10.56
Minimum 1"	8.39	9.23	9.55	9.55	10.22	11.24	11.69	12.27	12.88	12.88
Minimum 1 1/2"	12.12	13.33	13.80	13.80	14.77	16.25	16.90	17.70	18.64	18.64
Minimum 2"	16.63	18.29	18.93	18.93	20.26	22.29	23.18	24.34	25.56	25.56
Minimum 3"	27.11	29.82	30.86	30.86	33.02	36.32	37.77	39.66	41.64	41.64
Minimum 4"	42.09	46.30	47.92	47.92	51.27	56.40	58.66	61.59	64.67	64.67
Minimum 6"	79.55	87.51	90.57	90.57	96.91	106.60	110.86	116.40	122.22	122.22
Minimum 8"	124.51	136.96	141.75	141.75	151.67	166.84	173.51	182.19	191.30	191.30
Minimum 10"	176.94	194.63	201.44	201.44	215.54	237.09	246.57	258.90	271.85	271.85
Minimum 12"	236.88	260.57	269.69	269.69	288.57	317.43	330.13	346.64	363.97	363.97
Over 1,000 gallon minimum	1.64	1.80	1.86	1.86	1.99	2.19	2.28	2.39	2.51	2.51
Sewer Rates										
Minimum	8.64	9.50	9.83	9.83	10.52	11.57	12.03	12.63	13.26	13.26
Over 1,000 gallon minimum	5.64	6.20	6.42	6.42	6.87	7.56	7.86	8.25	8.66	8.66

Source: Various city departments



City of Orange, Texas
Federal Single Audit Reports
For the Year Ended September 30, 2014

City of Orange, Texas
Federal Single Audit Reports
For the Year ended September 30, 2014

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INDEPENDENT AUDITOR'S 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

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

We have audited, in accordance with the 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, 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 the City of Orange, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Orange, Texas's basic financial statements, and have issued our report thereon dated February 11, 2015

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Orange, Texas's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Orange, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Orange, Texas's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Orange, Texas's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,

Charles E. Reed + Associates, P.C.

Charles E. Reed and Associates, P.C.
Certified Public Accountants and Consultants
Port Arthur, Texas

February 11, 2015



Charles E. Reed & Associates, P.C.

Certified Public Accountants & Consultants

Member

American Institute of
Certified Public Accountants

Texas Society of
Certified Public Accountants

AICPA Private
Companies Practice Section

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Orange, Texas's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Orange, Texas's major federal programs for the year ended September 30, 2014. The City of Orange, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Orange, Texas's major federal programs based on our audit of the types of compliance requirements referred to above. 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's 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Orange, Texas's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Orange, Texas, complied, in all material respects, with the types of 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, 2014

Report on Internal Control over Compliance

Management of the City of Orange, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Orange, Texas's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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's internal control over compliance.

Beaumont

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

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Very truly yours,

Charles E. Reed & Associates, P.C.

Charles E. Reed and Associates, P.C.
Certified Public Accountants and Consultants
Port Arthur, Texas

February 11, 2015

CITY OF ORANGE, TEXAS
Schedule of Findings and Questioned Costs
For the year ended September 30, 2014

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal Control over financial reporting:

Material weakness identified? Yes No

Significant deficiency that is not considered to be a material weakness? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Material weakness identified? Yes No

Significant deficiency identified that is not considered to be a material weakness? Yes No

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	U.S. Department of Housing and Urban Development Supplemental Disaster Recovery – State Administered
20.205	U.S. Department of Transportation Federal Aid Highway Program – State Administered

The threshold used to distinguish the type of federal program was \$ 300,000.

Auditee qualified as low-risk auditee? Yes No

Section II-Financial Statements Findings

None

Material Weaknesses

None

Significant Deficiencies

None

Section III - Federal Award Findings and Questioned Costs

None

CITY OF ORANGE, TEXAS
Schedule of Prior Year Audit Findings
For the year ended September 30, 2014

There were no findings for the year ended September 30, 2013.

CITY OF ORANGE, TEXAS
Schedule of Expenditures of Federal Awards
For the year ended September 30, 2014

<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>Federal Highway Administration Passed through State</u>			
Texas Department of Transportation - Highway-Railroad Grade Crossing Consolidation and Closure Agreement	20.205	CSJ 5800-00-052	\$ 123,156
Texas Department of Transportation - Highway-Railroad Grade Crossing Consolidation and Closure Agreement	20.205	CSJ 0920-30-065	123,002
Texas Department of Transportation - Highway-Railroad Grade Crossing Consolidation and Closure Agreement	20.205	CSJ 0028-14-108	703,309
Texas Department of Transportation - IH 10 Utility Relocation	20.205		<u>\$ 949,467</u>
<u>Department of Housing and Urban Development</u>			
Community Development Block Grant Entitlements	14.218		244,609
Passes through state:			
Texas Department of Rural Affairs	14.228	DRS210131-12-206-000-5506	3,194,924
Texas Department of Rural Affairs	14.228	DRS210131-12-524-000-6755	85,421
			<u>\$ 3,524,954</u>
<u>Department of Justice</u>			
Community Oriented Policing Services (COPS) Grant	16.710	2010-UM-WX-0316	\$ 12,059
Equitable Sharing Agreement - Justice Funds	16.922	TX1810200	50,929
Equitable Sharing Agreement - Treasury Funds	21.000	TX1810200	16,014
			<u>\$ 79,002</u>
<u>Department of Homeland Security</u>			
Passed through the State:			
Texas Department of Public Safety- Emergency Management	97.029	FMA - PJ - 06 - TX - 2013 - 010	\$ 6,133
Emergency Management Performance Grant	97.042	14TX - EMPG - 0412	33,102
			<u>\$ 39,235</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 4,592,658</u></u>
<u>State Grants</u>			
Texas Forest Service - TIFMAS Grant Assistance Program			
Training Tuition	N/A	2846	<u>\$ 8,757</u>
TOTAL STATE GRANTS			<u><u>\$ 8,757</u></u>

CITY OF ORANGE, TEXAS
Notes to the Schedule of Expenditures of Federal and State Awards
For the year ended September 30, 2014

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal and State Financial Awards presents the activity of all Federal and State financial assistance programs of the City of Orange, Texas. All federal awards received directly from Federal agencies and State and Federal awards passed through State agencies are included on the schedule.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal and State Financial Awards is presented using the accrual basis of accounting.

The information on 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 general-purpose financial statements.

NOTE 3 – BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes the federal grant activities of the City of Orange, Texas on the accrual basis of accounting. The information in this schedule is presented in accordance with 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 general-purpose financial statements.