City of Orange, Texas

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Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2016

City of Orange, Texas

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2016

Shawn Oubre, Ph.D., City Manager

Prepared by:
City of Orange Finance Department
Cheryl Zeto, Director of Finance
Sherry Jackson, Accounting Manager

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Table of Contents

Introductory Section	Page
Letter of Transmittal	3
GFOA Certificate of Achievement	9
City Organizational Chart	10
List of Elected and Appointed Officials	11
Financial Section	
Independent Auditor's Report	15
Management's Discussion and Analysis	19
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	40
Statement of Activities	41
Fund Financial Statements:	
Balance Sheet - Governmental Funds	42
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	43
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds	44
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	45
Statement of Net Position - Proprietary Funds	46
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	47
Statement of Cash Flows - Proprietary Funds	48
Statement of Fiduciary Net Position - Fiduciary Funds	49
Notes to the Financial Statements	50

City of Orange, Texas
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2016

Required Supplementary Information:

Schedule of Funding Progress - City of Orange Retiree Health Care Plan	**96**
Schedule of Changes in Net Pension Liability and Related Ratios - Texas Municipal Retirement System	**97**
Schedule of Contributions - Texas Municipal Retirement System	**98**
Schedule of Changes in Net Pension Liability and Related Ratios - Orange Firemen's Relief and Retirement Fund	**99**
Schedule of Contributions - Orange Firemen's Relief and Retirement Fund	**100**

Combining and Individual Fund Statements and Schedules:

Schedule of Expenditures - Division Level - Budget and Actual - General Fund	**102**
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
Debt Service Fund	**107**
Capital Projects Fund	**108**
Combining Balance Sheet - Nonmajor Governmental Funds	**111**
Combining Statement of Revenues, Expenditures and Changes In Fund Balances - Nonmajor Governmental Funds	**116**
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Nonmajor Governmental Funds:	
Animal Shelter Donation Fund	**121**
Community Development Block Grant Fund	**122**
Confined Space Rescue Fund	**123**
Department of Justice Grant Fund	**124**
Economic Development Fund	**125**
Fire Department Donation Fund	**126**
Home Program Fund	**127**
Law Enforcement Seizure Fund	**128**
Library Donation Fund	**129**
Municipal Court Technology Fund	**130**
Nelda C and HJ Lutcher Stark Foundation Grant Fund	**131**
Orange Development Fund	**132**
Parks Donation Fund	**133**
Police Donation Fund	**134**

City of Orange, Texas
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2016

Texas Department of Transportation (TXDOT) Grant Fund	135
Texas Department of Forest Service TIFMAS Grant Fund	136
Texas Department of Public Safety -Emergency Management Grant Fund	137
Texas General Land Office (GLO) Grant Fund	138
Texas Water Development Board Grant Fund	139
Statement of Net Position - Internal Service Fund	142
Statement of Revenues, Expenses, and Changes in Fund Net Position - Internal Service Fund	143
Statement of Cash Flows - Internal Service Fund	144
Combining Statement of Fiduciary Net Position	146
Combining Statement of Changes in Fiduciary Assets & Liabilities	147

Statistical Section

Net Position by Component	150
Changes in Net Position	151
Governmental Activities Tax Revenues by Source	153
Fund Balances of Governmental Funds	154
Changes in Fund Balance of Governmental Funds	155
Assessed Value and Estimated Actual Value of Taxable Property	156
Property Taxe Rates - Direct and Overlapping Governments	157
Principal Property Taxpayers	158
Property Tax Levies and Collections	159
Ratios of Outstanding Debt by Type	160
Ratios of General Bonded Debt Outstanding	161
Direct and Overlapping Governmental Activities Debt	162
Legal Debt Margin Information	163
Pledged Revenue Coverage	164
Demographic and Economic Statistics	165
Principal Employers	166
Full-Time Equivalent City Government Employees by Function	167
Operating Indicators by Function	168
Capital Asset Statistics by Function	169
Operational Statistics for Water and Sewer Enterprise Fund	170

Federal Single Audit Reports

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards	173
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	175
<u>Schedules</u>	
Schedule of Findings and Questioned Costs	177
Schedule of Prior Audit Findings	178
Schedule of Expenditures of Federal Awards	179
Notes to Schedule of Expenditures of Federal Awards	180

INTRODUCTORY SECTION

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March 22 , 2017

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, 2016 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, 2016, 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, 2016, 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

803 W Green Avenue P.O. Box 520 Orange, Texas 77631-0520 (409) 886-3611

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 173 through 180.

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 these comparisons are presented on page 43 as part of the basic financial statements for the governmental funds. For governmental funds, other than the General Fund and major Governmental Funds, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 121.

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 is located along the Sabine River. In March of 2016, the City of Orange experienced flooding in parts of the City. The flooding was due to severe weather resulting in excessive rainfall north of the City. Flood waters were released from the Toledo Bend Reservoir, which caused downstream flooding along the Sabine River. Parts of the City were flooded. A Federal Disaster was declared and the City of Orange received Public Assistance Grant Funds from the Federal Emergency Management Agency. These grant funds were passed through the Texas Division of Emergency Management. The City of Orange sustained minor damages as a result of the flooding.

Sales taxes have varied widely over the last ten 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. The City then saw the sales tax fall (18.64%) in fiscal year 2010, (6.54%) in fiscal year 2011and (3.41%)

in fiscal year 2012. In the last three fiscal years the City saw both increases and a slight decrease in 2016. In fiscal year 2014 sales tax collections increased by 2.08% and in fiscal year 2015 by 9.96%. In fiscal year 2016 sales tax collections decreased by 1.76%. The City had not anticipated any growth in sales tax and budgeted sales tax revenue growth would be fairly flat. The sales tax collections have been affected by the reimbursements for the Chapter 380 Agreement, which began in fiscal year 2016. The sales tax collected has decreased, however the amount collected was $120,010 more than budgeted.

Long-term financial planning.

Industrial District Contracts (IDCs) provided 37% of the operating revenue for the City's general fund in fiscal year 2016. 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 negotiated in fiscal year 2015. All of the City's IDCs now have the longer term. In the future all the City IDCs will expire at the same time.

In fiscal year 2015 the City negotiated a Chapter 380 Economic Development Program Agreement with one of our local industries. This agreement replaced an expiring IDC. The Chapter 380 agreement is for a 15 year period.

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, $0.69/$100 in fiscal year 2014 and $0.68131/$100 in fiscal year 2015. In fiscal year 2016 the ad valorem tax rate was raised to $0.70/$100, but was still below the effective rate of $0.71342/$100. In the upcoming fiscal year 2017 the ad valorem tax rate was raised to $0.70940/$100, which was the same as the effective rate.

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 2012, the City of Orange was awarded a grant from the Texas General Land Office (GLO) for the purpose of drainage improvements for Cooper's Gully and for security lighting at Central Fire Station. The total amount of the grant award was $3,532,892. The City has completed the security lighting upgrades, as well as, required environmental and archaeological studies necessary for the Cooper's Gully lining project. The City has filed an application for a permit with the U.S. Army Corps of Engineers and is waiting for approval before proceeding with the project.

In fiscal year 2015, the City's Water and Sewer Proprietary Fund began a $10,000,000 capital project to repair, replace and construct components of the water system, water plant, wastewater system and the waste water treatment plant. The project was split into several phases. The project is funded by two separate bond issues. On August 1, 2015, the City issued $4,845,000 in Tax and Revenue Certificates of Obligation to begin the capital project. The second bond issue closed and settled in October of 2016. In fiscal year 2016, the City expended $2,679,005 of the 2015 bond issue proceeds.

During fiscal year 2016, the City of Orange completed a utility relocation project, as well as Railroad "Quiet Zone" project which was funded through grants received from the Texas Department of Transportation. The utility relocation project was associated with the Texas Department of Transportation's Interstate Highway 10 (IH-10) widening and rebuilding project. The IH-10 project will create opportunities for commercial development along the interstate. The City of Orange and the Orange Economic Development Corporation will work to promote future commercial development in this area along IH-10.

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, 2015. This was the 24nd consecutive year (1992-2015) 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	Cheryl Zeto
City Manager	Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Orange

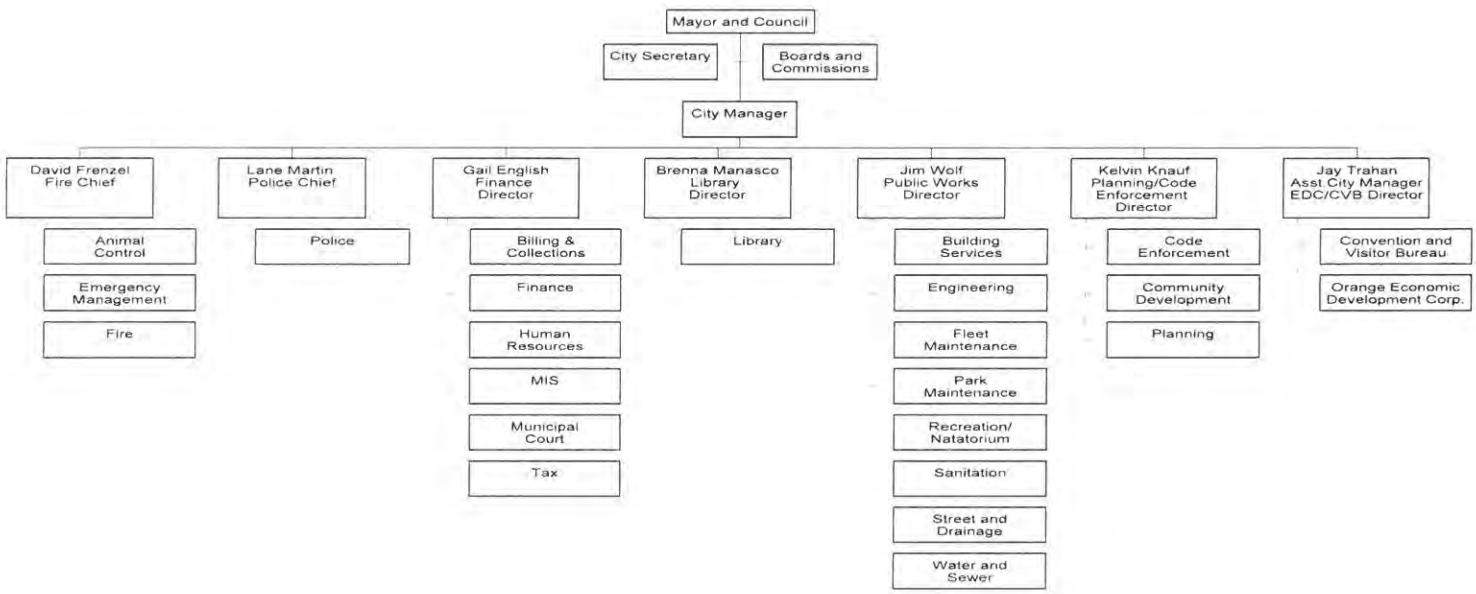
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

City of Orange, Texas
Organizational Chart



City of Orange, Texas

City Council

Jimmy Simms, Mayor
Patrick A. Pullen - Council Member District 1
Dr. Wayne Guidry - Council Member District 2
Essie Bellfield - Council Member District 3
Annette Pernell - Council Member District 4
Bill Mello - Council Member at Large Position 5
Larry Spears, Jr., Mayor Pro-Tem - Council Member at Large Position 6

City Manager

Shawn Oubre, Ph. D.

Directors

Cheryl Zeto, 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

Patricia Anderson

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FINANCIAL SECTION

R&A 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 AUDITORS' 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 the City of Orange, Texas (the City) as of and for the year ended September 30, 2016, 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.

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15

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, he 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

16

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2017, on our consideration of the City'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's internal control over financial reporting and compliance.

Sincerely,

Charles E. Reed & Associates, P.C.

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

March 22, 2017

17

Management's Discussion and Analysis
For the year ended September 30, 2016

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, 2016. 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 $61,714,311 (net position). The net position is composed (1) net investment in capital assets of $60,799,640, (2) restricted for debt service of $156,965 and (3) unrestricted of $757,706. The 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 $1,326,600, a 2.2% increase for the fiscal year. Governmental activities had a decrease in total net position of $198,422 which is an .90% decrease from the prior fiscal year. The business type activities had an increase in total net position of $1,525,022 which is a 3.99% increase from the prior fiscal year.*
- *The largest component of change in net position was an increase in the net investment in capital assets. Net investment in capital assets increased by $1,630,795.*
- *The other components of net position also changed within the fiscal year. The unrestricted net position increased by $407,922 and the amount restricted for debt service payments decreased by ($712,117).*
- *As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $10,950,078, an increase of $747,146 in comparison with the prior year. Of the total amount, $8,029,694 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 $1,079,101.*
- *The general fund revenues were over budget by $213,090 and expenditures were under budget by ($2,356,757).*
- *The two largest components of additional revenue were an additional $107,233 in tax collections and an additional $155,484 in intergovernmental charges.*
- *Within the general fund the largest budgetary savings were $1,609,635 in capital outlay and $532,709 in the maintenance & services line item categories.*
- *Unassigned fund balance for the General Fund was $8,029,694 or 44.64% of total general fund expenditures at September 30, 2016.*
- *The City's total long-term bonded debt decreased by ($2,730,000). There were routine bond payments of $845,000 in Governmental Activities. There were routine bond payments of $1,885,000 in the Business-Type Activities.*
- *The City of Orange is located along the Sabine River. In March of 2016, the City experienced flooding in parts of the City. This flooding was due to severe weather resulting in excessive rainfall north of the City. Flood waters were released from the Toledo Bend Reservoir causing downstream flooding along the Sabine River. A federal disaster was declared and the City received Public Assistance Grant Funds form the Federal Emergency Management Agency, which were passed through the Texas Division of Emergency*

Management. The City sustained minor damages as a result of the flooding.

- *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 years 2013, 2014 and 2015 City had $105,868 in expenditures related to the grant. In fiscal year 2016 the City had $920 in additional expenditures related to this grant. This grant will be ongoing in fiscal year 2017. The City has filed for an application for a permit with the U.S. Army Corps of Engineers and is waiting for approval before proceeding with the project.*
- *In 2015, the City was awarded a grant from the Federal Highway Administration, Texas Department of Transportation Grant in the amount of $103,000 for the relocation of utilities along Interstate Highway 10. The City expended $61,801in fiscal year 2016. The grant is now completed.*
- *In 2015, the City received an additional grant from Federal Highway Administration, Texas Department of Transportation for the reimbursement of costs to extend a water utility line along Highway 62. This grant was in the amount of $189,910. In fiscal year 2016, the City expended $44,064 of this grant. This grant will be completed in fiscal year 2017.*
- *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 $338,437, and Department of Homeland Security Emergency Management Performance $33,460.*
- *The City was also awarded a State grant from Texas Forrest Service, TIFMAS Grant in the amount of $10,970 for training tuition assistance. These funds were expended in fiscal year 2016.*
- *The City also received other special revenue grants to fund various projects.*

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 40 and 41 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, and capital projects fund. Data from the other nineteen (19) governmental funds are combined into a single, aggregated presentation. The City did not have any special revenue funds that qualified for inclusion as a major fund in fiscal year 2016. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 42 to 44 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, the internal service fund is combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service fund is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 46 to 48 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 49 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 50 to 95 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 96 to 100 of this report.*

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the Schedule of Revenues, Expenditures, and Changes in Fund Balance for the Debt Service Fund and the Capital Projects Fund. Combining and individual fund statements and schedules can be found on pages 111 to 139 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 $61,714,311 at the close of the most recent fiscal year.

By far, the largest portion of the City of Orange's net position (98.5%) 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*	
	2016	***2015***	***2016***	***2015***	***2016***	***2015***
Current and other assets	*$14,406,894*	*$13,470,990*	*$7,467,376*	*$9,401,709*	*$21,874,270*	*$22,872,699*
Capital assets	*29,797,028*	*30,464,811*	*43,792,837*	*41,552,025*	*73,589,865*	*72,016,836*
Total assets	*44,203,922*	*43,935,801*	*51,260,213*	*50,953,734*	*95,464,135*	*94,889,535*
Deferred outflow of resources (a)	*4,863,574*	*2,788,325*	*1,007,264*	*375,350*	*5,870,838*	*3,163,675*
Long-term liabilities outstanding	*25,850,371*	*22,370,811*	*10,527,628*	*11,812,867*	*36,377,999*	*34,183,678*
Other liabilities	*899,502*	*960,131*	*1,638,826*	*1,031,530*	*2,538,328*	*1,991,661*
Total liabilities	*26,749,873*	*23,330,942*	*12,166,454*	*12,844,397*	*38,916,327*	*36,175,339*
Deferred inflow of resources (a)	*392,367*	*1,269,506*	*311,968*	*220,654*	*704,335*	*1,490,160*
Net position:						
Net investment in capital assets	*23,352,038*	*23,174,811*	*37,447,602*	*35,994,034*	*60,799,640*	*59,168,845*
Restricted	*90,042*	*91,495*	*66,923*	*777,587*	*156,965*	*869,082*
Unrestricted	*(1,516,824)*	*(1,142,628)*	*2,274,530*	*1,492,412*	*757,706*	*349,784*
Total net position	*$21,925,256*	*$22,123,678*	*$39,789,055*	*$38,264,033*	*$61,714,311*	*$60,387,711*

An additional portion of the City of Orange's net position, $156,965 (.25%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position $757,706 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Orange is able to report positive balances in all three categories of net position when the government is taken as a whole. However due to the implementation of GASB 68, the governmental activities did have a negative unrestricted net position at the end of the current fiscal year.

As reflected in the following table the City's net position increased by $1,326,600 during the current fiscal year. Net position for the governmental activities decreased ($198,422) and net position for the business-type activities increased $1,525,022. The largest change was in government-wide net investment in capital assets $1,630,795.

City of Orange's Changes in Net Position

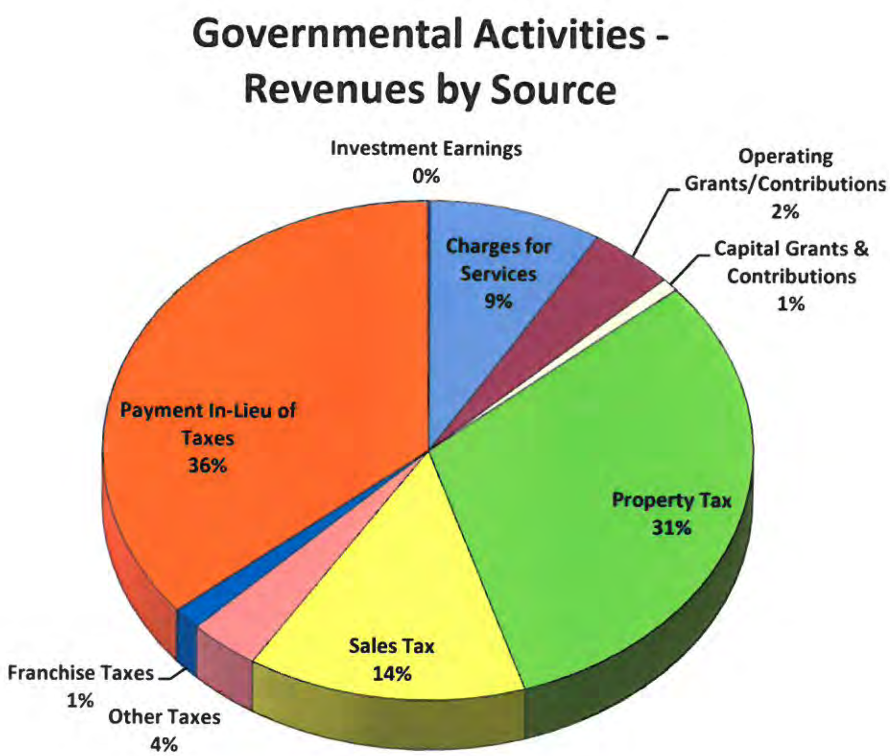
	Governmental Activities		*Business-Type Activities*		*Total*	
	2016	***2015***	***2016***	***2015***	***2016***	***2015***
Revenues:						
Program revenues:						
Charges for services	$1,697,513	$1,880,121	$9,731,161	$9,577,453	$11,428,674	$11,457,574
Operating grants and contributions	838,432	442,087	0	0	838,432	442,087
Capital grants and contributions	169,817	1,365,962	256,155	37,715	425,972	1,403,677
General revenues:						
Property taxes	6,144,835	5,869,937	--	--	6,144,835	5,869,937
Sales tax	2,720,011	2,592,886	--	--	2,720,011	2,592,886
Other taxes	688,170	694,827	--	--	688,170	694,827
Franchise taxes	281,390	307,093	--	--	281,390	307,093
Payment-in-lieu of taxes	7,050,656	6,933,803	--	--	7,050,656	6,933,803
Investment earnings	23,835	21,843	10,972	7,866	34,807	29,709
Total revenues	19,614,659	20,108,559	9,998,288	9,623,034	29,612,947	29,731,593
Expenses:						
General government	1,704,725	1,362,420	--	--	1,704,725	1,362,420
Cultural and recreation	1,746,315	1,571,047	--	--	1,746,315	1,571,047
Public safety	11,700,880	10,843,357	--	--	11,700,880	10,843,357
Public works	4,471,129	3,808,559	--	--	4,471,129	3,808,559
Interest on long term debt	190,032	199,043	--	--	190,032	199,043
Water	--	--	2,349,491	2,910,512	2,349,491	2,910,512
Sewer	--	--	4,373,067	3,884,481	4,373,067	3,884,481
Sanitation	--	--	1,750,708	1,706,452	1,750,708	1,706,452
Total expenses	19,813,081	17,784,426	8,473,266	8,501,445	28,286,347	26,285,871
Increase (decrease) in net position	(198,422)	2,324,133	1,525,022	1,121,589	1,326,600	3,445,722
Net position - beginning	22,173,678	19,799,545	38,264,033	37,142,444	60,387,711	56,941,989
Net position - ending	$21,925,256	$22,123,678	$39,789,055	$38,264,033	$61,714,311	$60,387,711

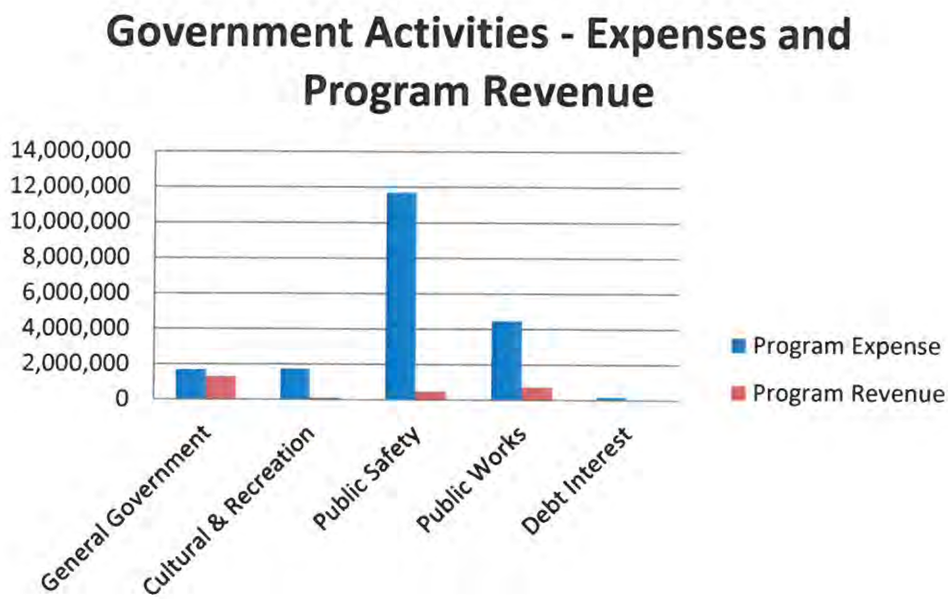
Governmental activities: *Governmental activities decreased the City of Orange's net position by*

($198,422).

Unrestricted net position decreased by $374,196. Some of the items that occurred were:

- *Mineral income on City property was received in the amount of $170,305.*
- *The City charter authorizes the establishment of a 2% contingency fund to be used for unforeseen emergencies during the year. Within the non-department account for this purpose the City had $18,055 remaining.*
- *Sales tax increased by $127,125.*
- *Petroleum purchases were less than anticipated due to reduced pricing for a saving of $62,612.*
- *The largest contributing factor for the decrease was that the pension liability increased by $3,820,482, due to the reporting requirements of GASB 68.*





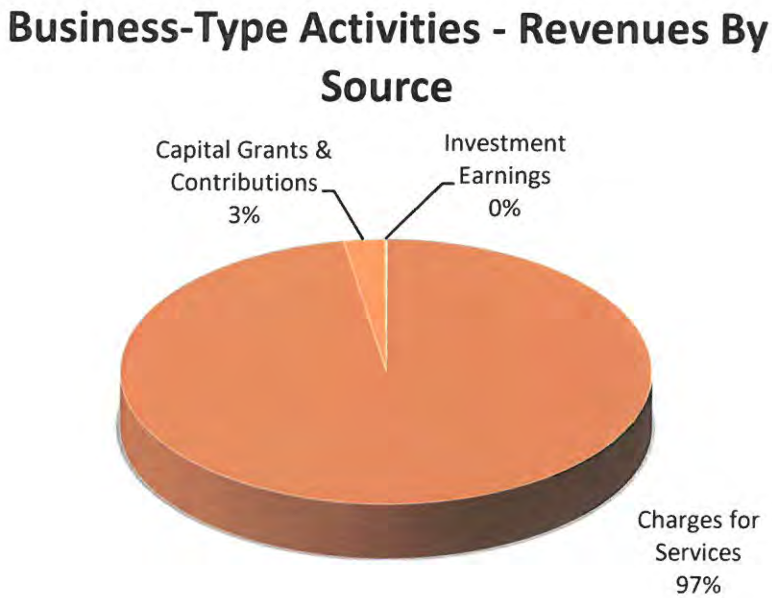
Business-type activities: *Business-type activities increased the City of Orange's net position by $1,525,022.*

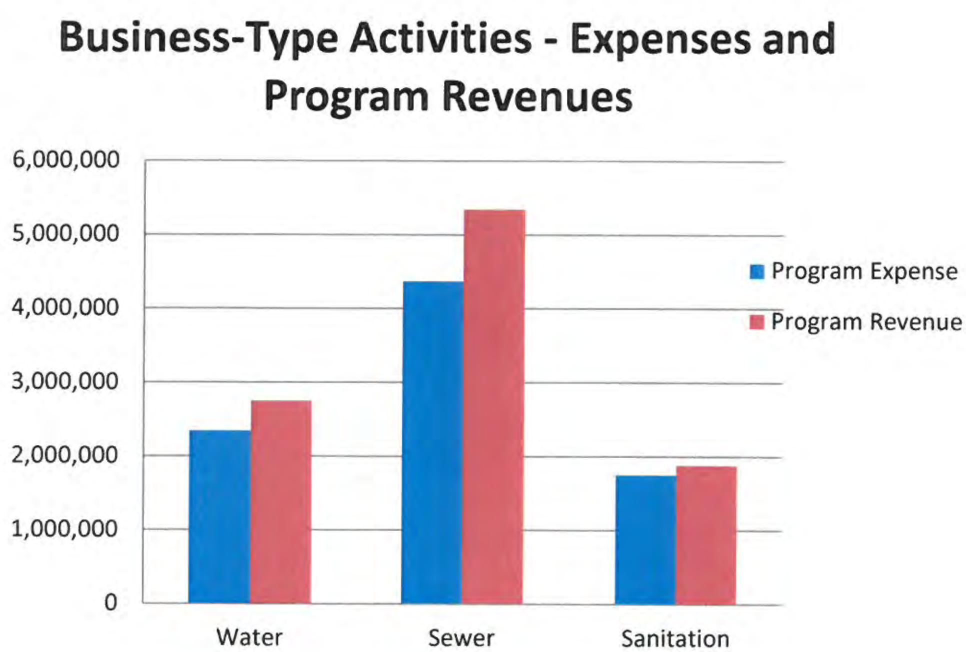
Unrestricted net position increased by $782,118. The major item was

- *The amount restricted for debt service decreased by $710,664. The Series 2010 General Obligation Bonds were paid off in fiscal year 2016 and the need for higher reserve is no longer necessary. This amount also accounts for the decrease in the amount reserved for debt service payments.*

Other items:

- *The City issued $4,845,000 in Tax and Revenue Certificates of Obligation on August 1, 2015. The funding is the first phase of $10,000,000 Water and Sewer capital projects. These bonds are anticipated to be paid from water and sewer utility revenues. At September 30, 2015 the City had $2,058,677, of unexpended bond proceeds, in the Series 2015 CO Bond Construction account.*
- *Sanitation rates were increased by 1.1% to offset increases in the contracted rates charged to the City. The City received additional utility revenues of $153,708. Water consumption stayed fairly consistent with a 2.08% increase.*
- *Net investment in capital assets increased by $1,453,568.*





<u>Financial Analysis of the Government's Funds</u>

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 $10,950,078, an increase of $747,146 in comparison with the prior year. The unassigned fund balance total was $8,029,694 which is 73.3% of total fund balance. The unassigned fund balance is available for spending at the government's discretion.

Nonspendable	*Inventories*	$	85,495
	Prepaids	$	159,971
Restricted for:	*Cultural and recreation*	$	103,272
	Debt service	$	114,104
	Public safety	$	758,132
	Public works	$	61,386
	Tourism and promotion	$	1,472,484
Assigned to:	*Capital outlay*	$	163,239
	Economic development	$	2,301
Unassigned		$	8,029,694

The General Fund is the chief operating fund of the City of Orange. At the end of fiscal year 2016 the General Fund had an unassigned fund balance of $8,029,694, which is $1,073,280 more than the prior fiscal year. The unassigned fund balance is 44.64% of the expenditures of the General Fund for fiscal year 2016.

The change in unassigned fund balance was composed of:

- *The General Fund's overall revenue increased by $227,666.*
- *The City saw an increase of $185,031, 2.41%, in general fund tax collections. The City also saw an increase of $116,853, 1.69% in IDC contract payments. The changes were the results of tax rate and property values. The ad valorem property tax rate went from $0.68131/$100 in fiscal year 2015 to $0.70000/$100 in fiscal year 2016. The certified property tax values decreased 2.04%. The IDC certified contract values increased slightly.*
- *General Fund expenditures increased overall by $894,195, which is a 5.23% increase. The General Fund saw changes in various categories of expenditures.*
- *Capital expenditures increased by $339,288 for the fiscal year. The increase was primarily due to increased costs for street construction, vehicles, machinery and equipment.*
- *The City was able to give a 2.75% 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 minor cost changes to employees. Overall General Fund wages and benefits increased by $395,193 which is a 3.10% increase.*

The Debt Service Fund had a fund balance of $114,104 which is restricted for debt service payments. This is a decrease of $1,280 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 $163,239 which is assigned to capital outlay. There was a decrease of $456,778. During the fiscal year, the City received a settlement from Phillips 66 Pipeline for damages to West Bluff Road in the amount of $100,000. The City used the fund balance set aside from the prior year to purchase a new fire truck and several police vehicles.

The 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 $2,400,706. This is an increase of $126,103 from the prior year. The City did not have any major Special Revenue Funds for fiscal year 2016.

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 proprietary funds increased by $1,493,441.*

Net investment in capital assets increased by $1,453,568.

The amount restricted for debt service decreased by $710,664.

- *The Series 2010 General Obligation Bonds paid off in fiscal year 2016 and the need for higher reserve is no longer necessary. The release of reserves reduced the necessary bond payment transfers for the fiscal year. This amount also accounts for the decrease in the amount reserved for debt service payments.*

Unrestricted net position increased by $750,537. The major item was

- *As noted above the amount necessary for bond payment transfers was reduced by the use of bond reserves that were no longer required. This was an addition of $710,664.*
- *The water and sewer rates remained the same for this fiscal year. The sanitation rates were increased by 1.1% to offset increases in the contracted rates charged to the City. The City received additional utility revenues of $153,708. Water consumption stayed fairly consistent with a 2.08% increase during the year.*
- *Operating expenses increased by $137,059 during the fiscal year.*
- *The City was able to give a 2.75% 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 minor cost changes to employees. Overall Proprietary Funds wages and benefits increased by $215,173 which is a 8.74% increase. Most of the increase is due to the increase in pension liability.*
- *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 2016 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.*

Other items:

- *On August 1, 2015 the City issued $4,845,000 in Tax and Revenue Certificates of Obligation. The funding is the first phase of $10,000,000 Water and Sewer capital projects. These bonds are anticipated to be paid from water and sewer utility revenues. At September 30, 2016 the City had $2,058,677 of unexpended bond proceeds, in the Series 2015 CO Bond Construction account.*
- *The final payment was made on the Series 2010 Water and Sewer General Obligation Advance Refunding Bonds.*
- *There was a net deferred outflow/inflow on pension liabilities of $672,312 at September 30, 2016. There was also a net deferred outflow/inflow on bond refunding of $22,984 at September 30, 2016.*

General Fund Budgetary Highlights

There were two budget amendments that affected the General Fund for fiscal year 2016. The amendment totaled $1,790,776 in additional appropriations.

Amendment #1	*$57,232*	*To amend the budget for work on projects that were not completed in the prior fiscal year. The carry-forward was for $57,298, for the completion of resurfacing of City streets by the Orange County Road & Bridge.* *Also, to increase the budget $1,000 for increase printing costs, and to reduce the budget ($1,066) to transfer funds to the construction in progress fund for additional costs related to the Wayside Horn project.*
Amendment #2	*1,733,544*	*To amend the budget for increased revenue, in the amount of $77,460, from the sale of assets and receipt of insurance proceeds. To increase the budget in the amount of $1,500,000 for the purchase of the First Financial Bank building. To increase the budget in the amount of $247,306 for the payments made according to the Chapter 380 Economic Development Program Agreement. To increase the budget in the amount of $35,000 for additional overtime costs associated with the March flood event. Also, to increase the budget $28,698 for police vehicles and other costs.*
Total	*1,790,776*	

The amendments were funded in part by the receipt of additional revenue for $77,460 and use of unassigned fund balance of $1,790,776.

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

	Original Budget	*Amended Budget*	*Actual Expenditures*	*Variance*
Maintenance & Services	*$4,178,755*	*$4,179,564*	*$3,644,857*	*$534,707*
Capital Outlay	*$742,120*	*$2,423,390*	*$813,754*	*$1,609,636*

Maintenance and services – major variances

- *The City, by Charter, can establish a 2% contingency fund during the budget process. The City also set aside 7% to cover any additional cost associated with employee medical insurance. At the end of the fiscal year the City has $18,055 remaining in this account.*
- *Due to lower fuel costs during the year the City say a $62,612 savings in petroleum purchases.*
- *Chapter 380 Economic Development Program Reimbursements were under budget by $74,540. This was the first year for the reimbursement payments, and the payments are based on the actual taxes paid by the entity.*
- *Several other items were under budget due to price or usage (1) electricity expense $38,411, (2) consultant expense $36,495, (3) support of prisoners $25,340, (4) vehicle maintenance $18,321, (5) natural gas expense $16,788 and (6) liability/property insurance $16,525.*

Capital outlay – major variances

- *Capital outlay for buildings was under budget by $1,490,000, due to the delay in the purchase of the First Financial Bank building until December 2016.*
- *Street construction was $89,889 under budget. The 2017 budget was amended for this amount, to complete the resurfacing of some City streets.*
- *Capital outlay for building maintenance was under budget by $29,086. The 2017 budget was amended for this amount for the completion of the additions to fire substation number 2.*

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, 2016, amounts to $73,589,865 (net of accumulated depreciation). The investment in capital assets includes land, buildings, furniture, fixtures and books, improvements other than buildings, machinery and equipment, streets, transportation vehicles, and construction in progress.*

Capital assets in the governmental activities decreased by $667,773, 2.19%, in this fiscal year. Capital assets in the business-type activities increased by $2,240,817, 5.39%.

City of Orange Capital Assets (net of depreciation)

	Governmental Activities		*Business-Type Activities*		*Total*	
	2016	*2015*	*2016*	*2015*	*2016*	*2015*
Land	*$1,585,658*	*$1,585,658*	*$733,122*	*$717,850*	*$2,318,780*	*$2,303,508*
Buildings	*17,881,672*	*18,658,070*	*457,397*	*332,995*	*18,339,069*	*18,991,065*
Furniture, fixtures and books	*523,381*	*494,603*	--	--	*523,381*	*494,603*
Improvements other than buildings	--	--	*38,163,490*	*37,971,127*	*38,163,490*	*37,971,127*
Machinery, equipment, vehicles and improvements	*5,699,734*	*6,207,110*	*888,327*	*864,933*	*6,588,061*	*7,072,043*
Vehicles	--	--	*449,912*	*310,785*	*449,912*	*310,785*
Streets	*3,194,399*	*3,107,103*	--	--	*3,194,399*	*3,107,103*
Construction in progress	*912,184*	*412,267*	*3,100,589*	*1,354,335*	*4,012,773*	*1,766,602*
Total	*$29,797,028*	*$30,464,811*	*$43,792,837*	*$41,552,025*	*$73,589,865*	*$72,016,836*

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

Governmental Activities

In fiscal year 2016 the governmental activities had an increase in capital assets, before depreciation, of $1,182,486. The major components of change in fiscal year 2016 were:

Furniture, fixtures and books –

- *Books for Library $11,324*
- *Splash pad and water features at Navy Park $106,071*
- *Modular playground system at Sunset Park $41,025*

Machinery, equipment, vehicles and improvements -

- *Tyler Technologies Community Development software $20,800*
- *Multi-rack fitness center for Fire Department $5,650*
- *Two- five ton air condition with furnace for fire station # 3 $19,500*
- *Landscaping at Library $14,564*
- *Replace 200 feet storm drain pipe on Clark Lane $11,479*
- *Automated horn system for Quiet Zone $82,000*
- *Canopy for Cooper's Gully $9,098*
- *Fire extinguisher training system $10,000*
- *Dixie Chopper lawn mower, Classic 3160 HP $8,139*
- *Code Enforcement Ford F150 $26,522*
- *Police Chevy Tahoe $44,081*
- *Police Chevy Tahoe $44,081*

- *Police Chevy Tahoe $38,095*
- *Police Chevy Tahoe $38,095*
- *Police Chevy Tahoe $39,165*
- *Police Chevy Tahoe $44,521*
- *Street & Drainage Ford F50 $25,177*
- *Asset disposals or trade ins ($283,635)*

Infrastructure –

- *Street Overlay at 2nd Street and Meeks Drive $283,274*
- *Repairs to Allie Payne and 37th Street. $43,540*

Construction in Progress –

- *Earnest money for First Financial Bank building $10,000*
- *Pre-payment of new fire pumper truck $433,973*
- *Addition to fire substation number 2 $103,514*
- *Splash pad at Navy Park completed, transfer to equipment ($47,571)*

Business Type Activities

In fiscal year 2016 business-type activities had an increase in capital assets, before depreciation, of $3,472,191. The major capital expenditures in fiscal year 2016 included:

Land –

- *.907 acres at 1301 Burton $15,272*

Buildings–

- *Building at 1301 Burton, old telephone building $135,017*

Improvements –

- *Meters and settings $123,813*
- *Water lines relocated along Bob Hall Road $73,379*
- *Painting of Turrett Road water tower $33,210*
- *Portable Compressor Sullair $20,250*
- *6" Submersible Pump with hydraulic drive $35,525*
- *Upgrade of UV Structure at JSWWTP $1,217,117*
- *Asset disposals ($100,000)*

Machinery, equipment and improvements –

- *Kubota Mini Trac with 12" bucket $33,783*
- *4" Submersible Pump for Sikes Rd. Lift Station $10,458*
- *SCADA for Cove Lift Station $27,459*
- *Final Effluent Pump #1 $27,219*
- *Final Effluent Pump #2 $27,219*

Vehicles -

- *Water operations Ford F250 $25,152*
- *Sewer operations Ford F250 $25,021*
- *Street sweeping Elgin Crosswind street Sweeper $223,950*
- *Asset disposals & trades ($227,908)*

Construction in progress -

- *Water improvements Series 2015 Bond Construction $1,169,941*
- *Water improvements Series 2016 Bond Construction $139,748*
- *Sewer improvements Series 2015 Bond Construction $1,540,217*
- *Water line extension Hwy 62 $44,064*
- *Engineering for Tulane Lift Station Rehab $4,850*
- *Upgrades of UV Structure, transfer to improvements ($1,140,987)*
- *Water Lines Relocated on Bob Hall Road, transfer to improvements ($11,578)*

Additional information on the City of Orange's capital assets can be found in note IV.C on pages 67 to 71 of this report.

Long-term debt. *At the end of the current fiscal year, the City of Orange has total bonded debt outstanding of $14,680,000. All of the outstanding debt is backed by the full faith and credit of the government. There is a minor Water and Sewer System revenue pledge of $10,000 from the Series 2015 Tax and Revenue Certificates of Obligation.*

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

	Governmental Activities		*Business-Type Activities*		*Total*	
	2016	*2015*	*2016*	*2015*	*2016*	*2015*
Certificates of Obligation	*$0*	*$0*	*$4,645,000*	*$4,845,000*	*$4,645,000*	*$4,845,000*
General Obligation Bonds	*6,445,000*	*7,290,000*	*3,590,000*	*5,275,000*	*10,035,000*	*12,565,000*
Total	*$6,445,000*	*$7,290,000*	*$8,235,000*	*$10,120,000*	*$14,680,000*	*$17,410,000*

The City's total debt decreased by $2,730,000, 15.68%, during the current fiscal year.

The government activities total debt decreased by $845,000, 11.59%, during the current fiscal year.

- *The general obligation bonds of the governmental activities decreased by $845,000, which represents the debt principal payments for the fiscal year.*

The business-type activities total debt decreased by $1,885,000, 18.63%, during the current fiscal *year.*

- *The general obligation bonds for business-type activities decreased by $1,685,000 which represents debt principal payments for the fiscal year.*
- *The revenue bonds for business-type activities decreased by $200,000 which represents debt principal payment for the fiscal year.*

General Obligation Ratings

On the Series 2015 Tax and Revenue Certificates of Obligation the City was assigned an 'AA-' rating from Standard & Poor's Investment Services. Standard & Poor's affirmed its 'AA-' underlying rating on the City's general obligation debt outstanding.

On the Series 2014 General Obligation Refunding Bonds, that refunded Series 2007 Water and Sewer Revenue Bonds, the City was assigned an 'Aa3' rating by Moody's. The Moody's rating affirms the "Aa3" rating on $11.2M in outstanding parity debt.

On the Series 2013 General Obligation Refunding Bonds, that refunded Series 2008 Tax and Revenue Certificates of Obligation, the City was assigned an 'Aa3' by Moody's The Moody's 'Aa3' rating affects $14.9M in outstanding parity debt, inclusive of the current sale.

Additional information on the City's long-term debt can be found in note IV.E on pages 72 to77 of this report.

<u>Economic Factors and Next Year's Budget and Rates</u>

Economic factors fiscal year 2016-

- *Sales tax collections (net of reimbursements for the Chapter 380 Agreement) decreased 1.76%. The City had anticipated that the sales tax for the year would be on line with the previous year collections, but sales did decrease slightly for the fiscal year. Collections went from $2,592,886 in fiscal year 2015 to $2,547,244 in fiscal year 2016. The Chapter 380 Agreement went into effect during the 2016 fiscal year. The sales tax remitted by the entity is reimbursed on a quarterly basis. The figures and percentages above are net of these reimbursements. In addition, the sales tax figures above have also 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 4.90%. The City has seen a 1.40% decrease in sales tax collections for the first quarter of fiscal year 2017.*
- *Hotel/motel tax collections showed a slight decrease in fiscal year 2016. The collections decreased by .81% during the fiscal year. Collections went from $671,551 in fiscal year 2015 to $666,139 in fiscal year 2016.*
- *The unemployment rate for the Beaumont-Port Arthur metropolitan area (in which Orange is grouped) remained above the state and national average. At September 2016 the unemployment rate was 7.2% while the statewide rate was 4.8% and the national rate was 4.9% (according to the US Bureau of Labor Statistics). The unemployment rate for the local metropolitan area is up from the prior year rate of 6.4%.*

Economic factors budgeted fiscal year 2017 -

- *The ad valorem tax certified taxable values for the new budget increased by 19.450% over the prior fiscal year. The certified taxable values went from $887,910,106 in January 2015 to $1,060,636,260 in January 2016. The City Council set the tax rate at $0.70940 per $100, which was the effective rate.*
- *The Industrial District certified values increased by 1.3%. The values went from $1,146,195,904 in January 2015 to $1,101,059,556 in January 2016.*
- *Sales tax decreased 1.76% in fiscal year 2016. The City budgeted $2,619,209,000 (net of Chapter 380 Agreement reimbursements) in fiscal year 2017, which is in line with fiscal year 2016 collections.*

Next year's budgetary information and rates -

- *Due to a decrease in certified values the ad valorem tax rate was increased to $0.70/$100. Even though this rate was about the prior year rate, $0.68131/$100, it was still below the effective rate for fiscal year 2016.*
- *In fiscal year 2015 the City completed the renegotiation of all Industrial District Contracts. All contracts are now for a longer term and all expire in at the same time in the future. Most contracts are 15 years and 93% of the ad valorem tax rate. The IDC rate is equivalent to $0.626/$100 for fiscal year 2017.*
- *The water and sewer rates were not adjusted in fiscal year 2017. The current rate structure was adequate for budgetary purposes.*
- *The sanitation rates were not adjusted in fiscal year 2017. The present contract rate for sanitation services remained the same as in fiscal year 2016.*
- *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 2.75% cost of living increase for fiscal year 2017.*
- *The City granted a 2.75% cost of living increase for non-union employees.*
- *The City budgeted step increases for non-union employees who have not reached their top step.*
- *For fiscal year 2017 the City changed to United Health Care 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 along with the change of the provider for fiscal year 2017. The budget was prepared with 5% set aside for City increases in health insurance cost. Dental and vision insurance were renewed with no increase in premiums.*

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, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Orange Economic Development Corporation
ASSETS				
Cash and cash equivalents	10,595,643	2,902,264	13,497,907	2,526,746
Receivables (net of allowance for uncollectibles)	3,484,041	1,258,262	4,742,303	99,306
Internal balances	(31,258)	31,258	0	
Inventories	85,495	133,228	218,723	
Prepaids	159,971	41,118	201,089	1,562
Restricted assets				
Temporarily restricted:				
Cash and cash equivalents	113,002	3,101,246	3,214,248	398,160
Capital assets (net of accumulated depreciation):				
Land	1,585,658	733,122	2,318,780	871,059
Buildings	17,881,672	457,397	18,339,069	
Furniture, fixtures, books	523,381	0	523,381	
Improvements other than buildings	0	38,163,490	38,163,490	6,603,922
Machinery, equipment, vehicles & improvements	5,699,734	888,327	6,588,061	
Vehicles	0	449,912	449,912	
Streets	3,194,399	0	3,194,399	
Construction in progress	912,184	3,100,589	4,012,773	
Total Assets	44,203,922	51,260,213	95,464,135	10,500,755
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on pensions	4,657,511	984,280	5,641,791	0
Deferred outflows on refunding	206,063	22,984	229,047	0
Total Deferred Outflows of Resources	4,863,574	1,007,264	5,870,838	0
LIABILITIES				
Accounts payable and other current liabilities	876,542	1,599,981	2,476,523	136,491
Accrued interest payable	22,960	38,845	61,805	30,372
Noncurrent liabilities:				
Due within one year, payable from restricted assets	113,002	105,768	218,770	0
Due within one year	2,084,232	400,410	2,484,642	330,000
Due in more than one year	7,440,937	8,020,206	15,461,143	6,130,000
Net pension liabilities	16,212,200	2,001,244	18,213,444	0
Total Liabilities	26,749,873	12,166,454	38,916,327	6,626,863
DEFERRED INFLOW OF RESOURCES				
Deferred inflows on pensions	392,367	311,968	704,335	0
Total Deferred Inflow of Resources	392,367	311,968	704,335	0
NET POSITION				
Net investment in capital assets	23,352,038	37,447,602	60,799,640	1,014,981
Restricted for debt service payments	90,042	66,923	156,965	367,788
Unrestricted	(1,516,824)	2,274,530	757,706	2,491,123
Total Net Position	21,925,256	39,789,055	61,714,311	3,873,892

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, 2016

		Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
					Primary Government			Component Unit
Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Orange Economic Development Corporation
Primary Government:								
Governmental Activities:								
General Government	1,704,725	1,209,346	116,460	0	(378,919)	--	(378,919)	--
Cultural and recreation	1,746,315	59,249	1,443	59,817	(1,625,806)	--	(1,625,806)	--
Public safety	11,700,880	349,818	147,791	10,000	(11,193,271)	--	(11,193,271)	--
Public works	4,471,129	79,100	572,738	100,000	(3,719,291)	--	(3,719,291)	--
Interest on long-term debt	190,032	0	0	0	(190,032)	--	(190,032)	--
Total Governmental Activities	19,813,081	1,697,513	838,432	169,817	(17,107,319)	--	(17,107,319)	--
Business-type activies:								
Water	2,349,491	2,649,512	0	105,866	--	405,887	405,887	--
Sewer	4,373,067	5,198,357	0	150,289	--	975,579	975,579	--
Sanitation	1,750,708	1,883,292	0	0	--	132,584	132,584	--
Total Business-type Activities	8,473,266	9,731,161	0	256,155	--	1,514,050	1,514,050	--
Total Primary Government	28,286,347	11,428,674	838,432	425,972	--	1,514,050	(15,593,269)	--
Component Unit:								
Orange Economic Development Corporation	1,122,672	0	23,431	0	--	--	--	(1,099,241)
Total Component Unit	1,122,672	0	23,431	0	--	--	--	(1,099,241)
General revenues:								
Property taxes					6,144,835	--	6,144,835	--
Sales taxes					2,720,011	--	2,720,011	1,360,005
Other taxes					688,170	--	688,170	--
Franchise taxes					281,390	--	281,390	--
Payment in-lieu of taxes					7,050,656	--	7,050,656	--
Investment earnings					23,835	10,972	34,807	3,842
Total general revenues					16,908,897	10,972	16,919,869	1,363,847
Change in net position					(198,422)	1,525,022	1,326,600	264,606
Net position - beginning					22,123,678	38,264,033	60,387,711	3,609,286
Net position - ending					21,925,256	39,789,055	61,714,311	3,873,892

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

City of Orange, Texas
Balance Sheet
Governmental Funds
September 30, 2016

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$7,355,030	$113,002	$163,239	$2,364,068	$9,995,339
Investments	0	0	0	0	0
Receivables (net of allowance for uncollectibles)					
Taxes	973,893	216,446	0	0	1,190,339
Accounts	903,611	0	0	386,009	1,289,620
Due from other funds	524,668	1,102	0	0	525,770
Due from others	7,660	0	0	0	7,660
Inventories, at cost	85,495	0	0	0	85,495
Prepaids	156,840	0	0	3,131	159,971
Total Assets	$10,007,197	$330,550	$163,239	$2,753,208	$13,254,194
LIABILITIES					
Accounts payable	$737,319	$0	$0	$49,591	$786,910
Partial payment of taxes	1,565	0	0	0	1,565
Due to other funds	0	0	0	302,911	302,911
Liability for municipal court	22,391	0	0	0	22,391
Total Liabilities	761,275	0	0	352,502	1,113,777
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property tax	973,893	216,446	0	0	1,190,339
Total Deferred Inflows of Resoures	973,893	216,446	0	0	1,190,339
FUND BALANCES					
Nonspendable					
Inventory	85,495	0	0	0	85,495
Prepaids	156,840	0	0	3,131	159,971
Restricted for:					
Cultural and recreation	0	0	0	103,272	103,272
Debt service	0	114,104	0	0	114,104
Public safety	0	0	0	758,132	758,132
Public works	0	0	0	61,386	61,386
Tourism and promotion	0	0	0	1,472,484	1,472,484
Assigned to:					
Capital outlay	0	0	163,239	0	163,239
Economic Development	0	0	0	2,301	2,301
Unassigned	8,029,694	0	0	0	8,029,694
Total Fund Balances	8,272,029	114,104	163,239	2,400,706	10,950,078
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$10,007,197	$330,550	$163,239	$2,753,208	

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.	29,797,028
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,963,903
Long-term liabilities, including bonds payable and net pension liabilities are not due and payable in the current period and, therefore are not reported in the funds.	(21,402,125)
Internal service funds are used by management to charge the costs of workers' compensation and medical insurance to individual funds. The assets and liabilities fo the internal service funds are included in governmental activities in the statement of net position.	616,372
Net position of governmental activities	$21,925,256

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, 2016

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$7,862,070	$989,326	$0	$666,441	$9,517,837
Payment in lieu of taxes	7,050,656	0	0	0	7,050,656
Franchises	1,186,241	0	0	0	1,186,241
Licenses and permits	356,816	0	0	0	356,816
Intergovernmental	239,484	0	0	0	239,484
Charges for services	2,157,279	0	0	0	2,157,279
Donations	0	0	0	34,092	34,092
Grant income	0	0	0	713,323	713,323
Investment income	18,207	424	726	4,478	23,835
Program income	0	0	0	14,448	14,448
Forfeitures	0	0	0	12,768	12,768
Miscellaneous	117,847	0	100,000	0	217,847
Total Revenues	18,988,600	989,750	100,726	1,445,550	21,524,626
EXPENDITURES					
Current					
General government	1,429,906	0	0	0	1,429,906
Cultural and recreation	1,084,113	0	0	499,071	1,583,184
Public safety	9,427,998	0	0	128,867	9,556,865
Public works	3,189,187	0	0	503,848	3,693,035
Non departmental	2,040,987	0	0	0	2,040,987
Debt Service					
Principal	0	845,000	0	0	845,000
Interest and fiscal charges	0	146,030	0	0	146,030
Capital Outlay					
Books	9,999	0	0	1,325	11,324
Buildings	93,002	0	42,500	0	135,502
Machinery and equipment	81,336	0	0	0	81,336
Other capital outlay	107,908	0	3,990	142,271	254,169
Storm sewer construction	11,479	0	0	0	11,479
Street construction	326,814	0	0	0	326,814
Water system construction	0	0	0	44,065	44,065
Vehicles	183,217	0	511,014	0	694,231
Total Expenditures	17,985,946	991,030	557,504	1,319,447	20,853,927
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,002,654	(1,280)	(456,778)	126,103	670,699
OTHER FINANCING SOURCES (USES)					
Sale of general capital assets	76,447				76,447
Total Other Financing Sources and (Uses)	76,447	0	0	0	76,447
NET CHANGE IN FUND BALANCES	1,079,101	(1,280)	(456,778)	126,103	747,146
FUND BALANCES, BEGINNING	7,192,928	115,384	620,017	2,274,603	10,202,932
FUND BALANCES, ENDING	$8,272,029	$114,104	$163,239	$2,400,706	$10,950,078

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, 2016

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)	747,146
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.	(667,776)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	84,364
The issuance of long-term debt (e.g., bond, 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, 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.	800,999
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.	(1,327,575)
Internal service funds are used by management to charge the cost of workers' compensation and medical insurance to individual funds.	164,420
Change in net position of governmental activities (page 37).	(198,422)

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, 2016

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Over (Under)
REVENUES				
Taxes	$7,754,837	$7,754,837	$7,862,070	$107,233
Payment in lieu of taxes	7,070,423	7,070,423	7,050,656	(19,767)
Franchises	1,234,000	1,234,000	1,186,241	(47,759)
Licenses and permits	397,250	397,250	356,816	(40,434)
Intergovernmental	84,000	84,000	239,484	155,484
Charges for services	2,143,000	2,143,000	2,157,279	14,279
Investment income	12,000	12,000	18,207	6,207
Miscellaneous	80,000	80,000	117,847	37,847
Total Revenues	18,775,510	18,775,510	18,988,600	213,090
EXPENDITURES				
Current				
General government	1,515,653	1,528,710	1,429,906	(98,804)
Cultural and recreation	1,130,111	1,150,509	1,084,113	(66,396)
Public safety	9,437,972	9,556,427	9,427,998	(128,429)
Public works	3,378,541	3,438,284	3,189,187	(249,097)
Non departmental	2,270,070	2,245,383	2,040,987	(204,396)
Capital Outlay				
Books	10,000	10,000	9,999	(1)
Buildings	77,000	1,609,600	93,002	(1,516,598)
Machinery and equipment	76,422	82,072	81,336	(736)
Other capital outlay	78,010	98,810	107,908	9,098
Storm sewer construction	12,000	12,000	11,479	(521)
Street construction	359,405	416,703	326,814	(89,889)
Vehicles	129,283	194,205	183,217	(10,988)
Total Expenditures	18,474,467	20,342,703	17,985,946	(2,356,757)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	301,043	(1,567,193)	1,002,654	2,569,847
OTHER FINANCING SOURCES (USES)				
Sale of general capital assets	0	77,460	76,447	(1,013)
Transfers in	0	0	0	0
Transfers (out)	0	0	0	0
Total Other Financing Sources and (Uses)	0	77,460	76,447	(1,013)
NET CHANGE IN FUND BALANCES	301,043	(1,489,733)	1,079,101	2,568,834
FUND BALANCES, BEGINNING	7,192,928	7,192,928	7,192,928	0
FUND BALANCES, ENDING	$7,493,971	$5,703,195	$8,272,029	$2,568,834

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

City of Orange, Texas
Statement of Net Position
Proprietary Funds
September 30, 2016

	Business-Type Activities - Enterprise Funds					
	Water & Sewer Current Year	Water & Sewer Prior Year	Sanitation Current Year	Sanitation Prior Year	Total Current Year	Governmental Activities - Internal Service Funds
ASSETS						
Current Assets:						
Cash and cash equivalents	$1,555,748	$680,708	$1,346,516	$1,269,062	$2,902,264	$693,305
Cash with fiscal agent	0	0	0	0	0	20,000
Receivables (net of allowance for uncollectibles)	987,863	990,740	270,399	212,935	1,258,262	0
Inventories	133,228	132,734	0	0	133,228	0
Prepaids	39,047	32,304	2,071	1,595	41,118	0
Cash and cash equivalents - restricted	3,101,246	6,081,954	0	0	3,101,246	0
Total Current Assets	5,817,132	7,918,440	1,618,986	1,483,592	7,436,118	713,305
Noncurrent Assets:						
Capital Assets (net of accumulated depreciation)						
Land	733,122	717,850	0	0	733,122	0
Buildings	457,397	332,995	0	0	457,397	0
Improvements other than buildings	38,163,490	37,971,127	0	0	38,163,490	0
Machinery and equipment	888,327	864,933	0	0	888,327	0
Transportation vehicles	175,249	206,514	274,663	104,271	449,912	0
Construction in progress	3,100,589	1,354,335	0	0	3,100,589	0
Total Capital Assets (net of accumulated depreciation)	43,518,174	41,447,754	274,663	104,271	43,792,837	0
Total Noncurrent Assets	43,518,174	41,447,754	274,663	104,271	43,792,837	0
Total Assets	49,335,306	49,366,194	1,893,649	1,587,863	51,228,955	713,305
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows on pension liability	937,537	334,716	46,743	15,721	984,280	0
Deferred outflows on refunding	22,984	24,913	0	0	22,984	0
Total Deferred Outflows of Resources	960,521	359,629	46,743	15,721	1,007,264	0
COMBINED ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	50,295,827	49,725,823	1,940,392	1,603,584	52,236,219	713,305
LIABILITIES						
Current Liabilities:						
Accounts payable and other current liabilities	1,390,864	834,442	209,117	131,851	1,599,981	65,676
Accrued interest payable	38,845	65,237	0	0	38,845	0
Liability for employee benefits	41,976	38,571	5,233	5,266	47,209	0
Current portion of long-term debt	458,969	1,893,969	0	0	458,969	0
Total Current Liabilities	1,930,654	2,832,219	214,350	137,117	2,145,004	65,676
Noncurrent Liabilities:						
Liability for employee benefits	69,831	63,668	5,429	5,009	75,260	0
General obligation bonds payable	7,944,946	8,403,915	0	0	7,944,946	0
Net pension liability	1,910,111	1,340,642	91,133	61,827	2,001,244	0
Total Noncurrent Liabilities	9,924,888	9,808,225	96,562	66,836	10,021,450	0
Total Liabilities	11,855,542	12,640,444	310,912	203,953	12,166,454	65,676
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows on pension liability	297,717	207,841	14,251	9,626	311,968	0
Defferred inflows on refunding	0	3,187	0	0	0	0
Total Deferred Inflows of Resources	297,717	211,028	14,251	9,626	311,968	0
COMBINED LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	12,153,259	12,851,472	325,163	213,579	12,478,422	65,676
NET POSITION						
Net investment in capital assets	37,172,939	35,889,763	274,663	104,271	37,447,602	0
Restricted for debt service payments	66,923	777,587	0	0	66,923	0
Unrestricted	902,706	207,001	1,340,566	1,285,734	2,243,272	647,630
Total Net Position	$38,142,568	$36,874,351	$1,615,229	$1,390,005	39,757,797	$647,630

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.	31,258
Net position of business-type activities	$39,789,055

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, 2016

	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	$2,476,231	$2,460,020	$0	$0	$2,476,231	$0
Charges for service - sewer	5,025,077	4,943,646	0	0	5,025,077	0
Charges for service - sanitation	0	0	1,824,887	1,824,743	1,824,887	0
Other services	346,561	349,044	58,405	0	404,966	261,811
Total Operating Revenues	7,847,869	7,752,710	1,883,292	1,824,743	9,731,161	261,811
OPERATING EXPENSES						
Personnel services	1,581,389	1,560,303	97,724	76,760	1,679,113	0
Employee benefits	939,145	784,021	60,086	42,087	999,231	0
Contractual services	765,694	893,980	1,272,350	1,255,861	2,038,044	0
Supplies	237,933	249,410	965	1,449	238,898	0
Utilities	536,919	514,215	0	0	536,919	0
Depreciation	1,459,724	1,422,863	53,558	56,821	1,513,282	0
Administrative expense	1,035,474	1,045,518	285,966	286,580	1,321,440	11,900
Claims	0	0	0	0	0	11,687
Premiums	0	0	0	0	0	43,614
Total Operating Expenses	6,556,278	6,470,310	1,770,649	1,719,558	8,326,927	67,201
OPERATING INCOME (LOSS)	1,291,591	1,282,400	112,643	105,185	1,404,234	194,609
NONOPERATING REVENUES (EXPENSES)						
Deferred inflow of resources on refunding	0	(1,929)	0	0	0	0
Deferred outflow of resources on refunding	0	3,188	0	0	0	0
Bond issuance cost	0	(98,373)	0	0	0	0
Investment income	8,391	5,134	2,581	2,732	10,972	1,068
Interest expense	(202,230)	(202,832)	0	0	(202,230)	0
Gain (loss) on capital asset disposition	(35,689)	(31,739)	60,000	11,655	24,311	0
Total Nonoperating Revenue (Expense) before contributions and transfers	(229,528)	(326,551)	62,581	14,387	(166,947)	1,068
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,062,063	955,849	175,224	119,572	1,237,287	195,678
CAPITAL CONTRIBUTIONS	256,154	37,715	0	0	256,154	0
TRANSFERS IN	0	0	50,000	50,000	50,000	0
TRANSFERS OUT	(50,000)	(50,000)	0	0	(50,000)	0
CHANGE IN NET POSITION	1,268,217	943,564	225,224	169,572	1,493,441	195,678
TOTAL NET POSITION - BEGINNING	36,874,351	35,930,787	1,390,005	1,220,433		451,952
TOTAL NET POSITION - ENDING	$38,142,568	$36,874,351	$1,615,229	$1,390,005		$647,630

Adjustment for the net effect of the current year activity between the internal service fund and the enterprise funds.	31,581
Change in net position of business-type activities (page 37)	$1,525,022

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

City of Orange, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2016

	Business-Type Activities - Enterprise Funds					
	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	$7,799,232	$7,739,812	$1,825,826	$1,831,854	$9,625,058	$261,811
Payments to suppliers	(1,891,880)	(2,491,776)	(1,257,374)	(1,252,405)	(3,149,255)	(74,611)
Payments to employees	(1,502,412)	(1,638,810)	(93,665)	(120,533)	(1,596,077)	0
Payments for interfund services used	(1,035,474)	(1,045,518)	(285,966)	(286,580)	(1,321,439)	0
Net Cash Provided by Operating Activities	3,369,466	2,563,708	188,821	172,336	3,558,288	187,200
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Subsidy from (to) proppriеtary fund	(50,000)	(50,000)	50,000	50,000	0	0
Net Cash Provided by Noncapital Financing Activities	(50,000)	(50,000)	50,000	50,000	0	0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	(3,301,388)	(979,986)	(163,950)	0	(3,465,338)	0
Sales of capital assets	10,314	2,003	0	11,655	10,314	0
Issuance of bonds	0	4,926,006	0	0	0	0
Principal paid on capital debt	(1,885,000)	(1,640,000)	0	0	(1,885,000)	0
Interest paid on capital debt	(257,457)	(176,525)	0	0	(257,457)	0
Net Cash Provided by Capital and Related Financing Activties	(5,433,531)	2,131,498	(163,950)	11,655	(5,597,481)	0
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and dividends received	8,392	5,133	2,581	2,732	10,973	1,068
Net Cash Provided by Investing Activities	8,392	5,133	2,581	2,732	10,973	1,068
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,105,673)	4,650,339	77,453	236,723	(2,028,220)	188,268
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,762,662	2,112,323	1,269,062	1,032,339	8,031,724	505,037
CASH AND CASH EQUIVALENTS, END OF YEAR	4,656,989	6,762,662	1,346,515	1,269,062	6,003,504	693,305
RECONCILIATION OF OPERATING INCOME TO NET CASH						
PROVIDED BY OPERATING ACTIVITIES:						
Operating income (loss)	1,291,591	1,282,400	112,643	105,185	1,404,234	194,609
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation expense	1,459,724	1,422,863	53,558	56,821	1,513,282	0
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	2,877	(44,732)	(57,464)	7,109	(54,587)	0
(Increase) decrease in cash with fiscal agent	0	0	0	0	0	13,000
(Increase) decrease in inventory	(495)	7,617	0	0	(495)	0
(Increase) decrease in prepaids	(6,744)	669	(476)	(31)	(7,220)	0
(Increase) decrease in deferred pension contributions	(602,821)	(79,340)	(31,022)	(3,935)	(633,843)	0
Increase (decrease) in deferred pension liabilities	659,345		33,931		693,276	
Increase (decrease) in accounts payable	565,987	(25,769)	77,652	7,187	643,640	(20,409)
Net Cash Provided by Operating Activities	$3,369,466	$2,563,708	$188,821	$172,336	$3,558,288	$187,200
Noncash investing, capital and financing activities						
Contributions of capital assets from government	$105,866	$37,715	$0	$0	$105,866	$0

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

City of Orange, Texas
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2016

	Total Fiduciary Funds
ASSETS	
Cash and cash equivalents	$240,129
Accounts receivable	777
Total Assets	240,906
LIABILITIES	
Accounts payable	978
Other Liabilities	239,928
Total Liabilities	$240,906

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

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 a 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 *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 consider 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, 2016:

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

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

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

The government reports the following major proprietary funds:

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

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

Additionally, the government reports the following fund types:

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

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

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, 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.

The carry value of investments are reported at cost which approximates fair value.

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 4.32% of outstanding property taxes at September 30, 2016.

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.

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. The prepaid amounts are accounted for using the consumption method.

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:

Assets	***Years***
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 had two items that qualified for reporting in this category. (1) The deferred charge on refunding reported in the government -wide statement of net position and the proprietary funds 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. (2) The deferred outflow of pension liability is reported in the government-wide statement of net position and the proprietary funds statement of net position. A deferred outflow of pension liability can result from contributions subsequent to the measurement date or differences between projected or actual assumptions, economic experience or investment earnings. Contributions subsequent to the measurement date are deferred and reported in the next account period. Other deferred pension liability outflows are deferred and recognized as expenses over future periods as determined by the actuarial report of the pension.*

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 inflow of pension liability is reported in the government-wide statement of net position and the proprietary funds statement of net position. A deferred inflow of pension liability results from differences between projected and actual assumptions, economic experience or investment earnings. These amounts are deferred and recognized as expense over future periods as determined by the actuarial report of the pension. (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 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.

In fiscal year 2015 the City implemented GASB 68 on the Accounting and Financial Report for Pensions. Net pension liabilities are now shown in the government-wide financial statements, and for proprietary fund types in the fund financial statements and long-term obligations.

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 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 $3,546,469 at September 30, 2016

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

Nonspendable	*Inventory*
Restricted for:	*Cultural and recreation* *Debt Service* *Hurricane recovery* *Public safety*

	Public works
	Tourism and promotion
Assigned to:	*Capital outlay*
	Economic development
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 $29,797,028 are as follows:

Capital assets	*$57,267,218*
Less: Accumulated depreciation	*(27,470,190)*
Net adjustment to increase fund balances - total governmental funds to arrive at net position - governmental funds.	*$29,797,028*

Another element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds." The details of the $1,963,903 are as follows:

Accrued municipal court revenue	*$773,564*

Accrued property tax revenue	*1,190,339*
Net adjustment to increase fund balances - total governmental funds to arrive at net position - governmental funds.	*$1,963,903*

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 ($21,402,125) difference are as follows:

Bonds payable	*($6,445,000)*
Deferred outflows on refundings	*206,063*
Accrued interest payable	*(22,960)*
Other post employment benefits	*(682,232)*
Compensated absences	*(2,510,939)*
Net pension liabilities	*(11,947,057)*
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental funds	*($21,402,125)*

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 $616,372 are as follows:

Net position of the internal service funds	*$647,630*
Plus: Internal receivable representing charges less than cost to business-type activities - prior years	*323*
Less: Internal receivable representing charges more than cost to business-type activities - current year	*(31,581)*
Net adjustment to increase fund balances - total governmental funds to arrive at net position - governmental funds.	*$616,372*

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 ($667,776) difference are as follows:

Capital outlay	*$1,558,920*
Assets deleted during year	*(127,917)*
Depreciation expense	*(2,098,779)*
Net adjustment to decrease net changes in fund balances - total governmental fund to arrive at changes in net position of governmental activities	*($667,776)*

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 $84,364 difference are as follows:

Municipal court revenue	*$49,184*
Property tax revenue	*35,180*
Net adjustment to increase net changes in fund balances - total governmental fund to arrive at changes in net position of governmental activities.	*$84,364*

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 $800,999 difference are as follows:

Bonds paid	*$845,000*
Deferred outflow on refundings	*(44,930)*

Change in interest payable	929
Net adjustment to increase net changes in fund balances - total government funds to arrive at changes in net position of governmental funds	$800,999

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 ($1,327,575) difference are as follows:

Compensated absences	($413,485)
Other post employment benefits	(90,593)
Net pension liability costs	(823,497)
Net adjustment to decrease net changes in fund balances - total government funds to arrive at changes in net position of governmental funds	($1,327,575)

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 $164,420 difference are as follows:

Workers' compensation internal service fund	$164,420
Net adjustment to decrease net changes in fund balances- total government funds to arrive at changes in net position of governmental funds	$164,420

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 2016 annual budgets were adopted for all governmental funds except the Home Program and HUD Home Consortium. The Home Program did not have any revenue or expenditures and the HUD Home Consortium only had one pass-through revenue/expenditures late in the fiscal year.

Forty-five (45) days prior to the end of the fiscal year the City Manager submits the proposed annual *budget and explanatory budget message to the City Council. The budget must be adopted by the twenty-seventh (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:

Amendment #1	*General Fund*	*$57,232*	*increased costs in various line items during the fiscal year with the major components being carry forward of funding for the resurfacing of city streets to complete the project.*
	General Capital Improvement Fund	*1,066*	*increased costs for inter-fund transfer of funds from the General Fund for the additional funds needed for the Quiet Zone Project.*
	Water and Sewer Fund	*45,217*	*increase costs for change order #5 on the Allco Wastewater Treatment Plant Rehabilitation Contract, Phase 1A and 1B.*

	2016 Water and Sewer Bond Construction	*170,150*	*increase costs for engineering costs associated with the 2016 Tax & Revenue Bond Construction, preliminary design phase.*
	Special Revenue Funds	*(20,825)*	*increase revenue and costs for various special revenue funds. Including Orange Development, Community Development Block Grant, Texas GLO Grant, Police Criminal Forfeiture, and Texas Forest Service Grant, Stark Foundation Fire Grant, Stark Foundation Library Grant, Texas Department of Transportation IH-10 Utility Relocation, and the Texas Water Development Board Grant.*
Amendment #2	*General Fund*	*$1,733,544*	*increased revenue and costs in various line items during the fiscal year with the major portion being for the purchase of the First Financial Bank building and for costs related to the reimbursement payments made according to the Chapter 380 Economic Development Program Agreement.*
	Water and Sewer Fund	*6,645*	*increased costs for the increase in unemployment tax expense, due to an increase in the unemployment contribution rate.*
	Special Revenue Funds	*396,500*	*increased revenue and costs for various special revenue funds. Including Community Development Block Grant and the Orange Development Fund.*

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, 2016.

B. Excess of Expenditures Over Appropriations

The City had one Special Revenue Fund that exceeded appropriations for fiscal year 2016. The Texas Forest Service TIFMAS Fund exceeded appropriations by $3,565. The fund had additional grant revenue to offset the additional expenditures.

C. Excess of Appropriations over Expenditures

In the City's General Fund, the capital outlay expenditure for buildings exceeded the amount budgeted by $1,516,598. This was due to funds being appropriated for the purchase of the First Financial Bank building, however the purchase was not completed by fiscal year end. The 2016-2017 budget will be amended to include the encumbrance for the building purchase. The city council approves all budget amendments.

D. Deficit Fund Balance

At September 30, 2016 the City of Orange did not have any funds that had a deficit fund balance.

IV. Detailed Notes on All Funds

A. Deposits and Investments

Cash Deposits - *Cash balances for most individual funds are maintained in a pooled cash account, except where the City is legally required to maintain separate cash accounts. The earnings on the pooled cash account are prorated to the individual funds. For accounting purposes, the cash balances for each fund related to the pooled cash account are maintained as if they were separate cash accounts and displayed on the statement of net 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 depositary are used to cover the cash accounts of the City.*

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:

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

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, 2016. The City investment policy and depository contract requires that the cash, savings accounts and certificates of deposit are covered by collateralized securities that are held by the City's agent, a third party institution, in the City's name.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counter party, 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:

Carrying amount of deposits - cash and cash equivalents	*$16,952,284*
Fair value of investments - U. S. Government securities	*0*
Total	*$16,952,284*
Cash and cash equivalents	*$13,497,907*
Cash and cash equivalents - temporarily restricted	*3,214,248*
Cash and cash equivalents - fiduciary fund	*240,129*
Total	*$16,952,284*

At September 30, 2016 the City did not have any investments in U. S. Government securities.

B. Receivables

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

	Governmental Activities	Business-Type Activities	Total
Receivables:			
Taxes	$1,244,083	$0	$1,244,083
Accounts	2,286,042	1,273,226	3,559,268
Due from others	7,660	0	7,660
Subtotal	3,537,785	1,273,226	4,811,011
Less: allowance for uncollectible	(53,744)	(14,964)	(68,708)
Net total receivables	$3,484,041	$1,258,262	$4,742,303

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:	
Ad valorem taxes - General	$43,971
Ad valorem taxes - Debt Service	9,773
Water sales	5,251
Sewer usage fees	7,793
Sanitation fees	1,920
Total uncollectibles of the current fiscal year	$68,708

C. Capital Assets

Capital asset activity for the year ended September 30, 2016 was a follows:

Primary Government	***Balance at 9/30/15***	***Increases***	***Decreases***	***Balance at 9/30/16***
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$1,585,658	$0	$0	$1,585,658
Construction in progress	412,268	547,487	(47,571)	912,184
Total capital assets, not being depreciated	1,997,926	547,487	(47,571)	2,497,842
Capital assets, being depreciated				
Buildings	24,983,056	0	0	24,983,056
Office furniture, fixtures and books	4,190,639	158,420	0	4,349,059
Machinery, equipment, vehicles and improvements	16,630,678	480,968	(283,635)	16,828,011
Infrastructure	8,282,433	326,817	0	8,609,250
Governmental Activities:				
Total assets being depreciated	54,086,806	966,205	(283,635)	54,769,376
Less accumulated depreciation for:				
Buildings	(6,324,990)	(776,394)	0	(7,101,384)
Office furniture, fixtures and books	(3,696,040)	(129,638)		(3,825,678)
Machinery, equipment, vehicles and improvements	(10,423,570)	(953,227)	248,520	(11,128,277)
Infrastructure	(5,175,330)	(239,521)	0	(5,414,851)
Total accumulated depreciation	(25,619,930)	(2,098,780)	248,520	(27,470,190)
Total capital assets, being depreciated, net	28,466,876	(1,132,575)	(35,115)	27,299,186
Governmental activities capital assets, net	$30,464,802	($585,088)	($82,686)	$29,797,028

Primary Government	Balance at 9/30/15	Increases	Decreases	Balance at 9/30/16
Business-type Activities:				
Capital assets, not being depreciated:				
Land	$717,850	$15,272	$0	$733,122
Construction in progress	1,354,334	2,898,820	(1,152,565)	3,100,589
Total capital assets, not being depreciated	2,072,184	2,914,092	(1,152,565)	3,833,711
Buildings	463,260	135,017	0	598,277
Improvements - other than buildings	66,010,612	1,447,519	(100,000)	67,358,131
Machinery & equipment	2,123,025	181,913	0	2,304,938
Vehicles	1,406,472	274,123	(227,908)	1,452,687
Total capital assets, being depreciated	70,003,369	2,038,572	(327,908)	71,714,033
Business-type Activities:				
Less: accumulated depreciation for:				
Buildings	(130,265)	(10,615)	0	(140,880)
Improvements other than buildings	(28,039,484)	(1,209,156)	53,999	(29,194,641)
Machinery & equipment	(1,258,092)	(158,519)	0	(1,416,611)
Vehicles	(1,095,688)	(134,995)	227,908	(1,002,775)
Total accumulated depreciation	(30,523,529)	(1,513,285)	281,907	(31,754,907)
Total capital assets, being depreciated, net	39,479,840	525,287	(46,001)	39,959,126
Business-type activities capital assets, net	$41,552,024	$3,439,379	($1,198,566)	$43,792,837

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

Government activities:

General government	$50,095

Cultural and recreation	*313,378*
Public safety	*1,049,054*
Public works	*686,253*
Total depreciation expense - governmental activities	*$2,098,780*
Business-type activities:	
Water	*$432,491*
Sewer	*1,027,236*
Sanitation	*53,558*
Total depreciation expense - business-type activities	*$1,513,285*

Construction commitments

Construction in progress capital assets consists of the following as of September 30, 2016:

Governmental Activities	
Allie Payne Road Repairs	*$9,421*
Rail Road Quiet Zone Project TXDOT	*355,275*
Fire Sub-Station (#2)	*103,515*
First Financial Bank Building (earnest money)	*10,000*
2016 Fire Pumper Truck	*433,973*
Total Governmental Activities	*$912,184*
Business-Type Activities	
15 Street Utility Relocation	*$3,310*
Water and Sewer System Upgrades 2015 Bond Construction	*2,884,934*
Waterline Extension Hwy 62 TXDOT	*55,202*
Water Production Upgrades 2016 Bond Construction	*152,293*
Rehabilitation of Tulane Lift Station	*$4,850*
Total Business Type Activities	*$3,100,589*

D. Interfund Receivables, Payables and Transfers

The City had eight 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, 2016 is as follows:

Due to/from other		
Receivable Fund	***Payable Fund***	***Amount***
Governmental Funds:		
General Fund	*Special Revenue - Department of Justice Grant Fund*	*$1,700*
General Fund	*Special Revenue - Texas Department of Transportation Grant*	*45,169*
	Special Revenue - Texas Forrest Service TIFMAS Grant	*9,095*
General Fund	*Special Revenue - Texas Department of Public Safety, Emergency Management Grant*	*32,435*
General Fund	*Special Revenue - Texas General Land Office GLO*	*2,296*
General Fund	*Special Revenue - Texas Water Development Board Grants*	*212,216*
General Fund	*Water & Sewer Bond Construction - series 2016 Bond Construction*	*145,878*
General Fund	*Street Sweeping*	*75,879*
Total Governmental		***$524,668***

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

Capital Assets Transferred from Governmental Funds:	
Texas Department of Transportation - IH 10 Utility Relocation	*$61,801*
Texas Department of Transportation - Water Line Extension Hwy 62	*44,065*

Total Capital Assets Transferred	***$105,866***

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 $16,165,000.

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 and tax and revenue certificates of obligation currently outstanding are as follows:

	Interest Rates	***Original Issue***	***Outstanding***
Purpose			
Governmental Activities:			
General Obligation Refunding Bonds Series 2013	*0.5% - 2.5%*	*5,440,000*	*4,985,000*
General Obligation Refunding Bonds Series 2015	*0.6% - 1.6%*	*1,980,000*	*1,460,000*
Business-type Activities:			
General Obligation Refunding Series 2014	*2.0% - 3.0%*	*3,900,000*	*3,590,000*
Tax and Revenue Certificates of Obligation, Series 2015	*2.0% - 4.0%*	*4,845,000*	*4,645,000*
		$16,165,000	*$14,680,000*

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 2013

Year Ending September 30, 2016	Principal	Interest	Total
2016-2017	360,000	116,575	476,575
2017-2018	370,000	107,450	477,450
2018-2019	380,000	98,075	478,075
2019-2020	385,000	88,512	473,512
2020-2021	400,000	78,700	478,700
2021-2026	2,150,000	240,998	2,390,998
2026-2028	940,000	23,392	963,392
	$4,985,000	$753,702	$5,738,702

General Obligation Refunding Bonds Series 2015

Year Ending September 30, 2016	Principal	Interest	Total
2016-2017	480,000	19,748	499,748
2017-2018	485,000	14,467	499,467
2018-2019	495,000	7,920	502,920
	$1,460,000	$42,135	$1,502,135

Business-type Activities -

General Obligation Advance Refunding Series 2014

Year Ending September 30, 2016	Principal	Interest	Total
2016-2017	260,000	96,950	356,950

2017-2018	270,000	91,750	361,750
2018-2019	270,000	86,350	356,350
2019-2020	275,000	80,950	355,950
2020-2021	285,000	75,450	360,450
2021-2026	1,540,000	244,650	1,784,650
2026-2028	690,000	31,200	721,200
	$3,590,000	$707,300	$4,297,300

Tax and Revenue Certificates of Obligation Series 2015

Year Ending September 30, 2016	Principal	Interest	Total
2016-2017	$190,000	$139,400	$329,400
2017-2018	$195,000	$135,550	$330,550
2018-2019	$200,000	$131,600	$331,600
2019-2020	$205,000	$127,550	$332,550
2020-2021	$210,000	$123,400	$333,400
2021-2026	$1,125,000	$539,963	$1,664,963
2026-2031	$1,295,000	$361,387	$1,656,387
2031-2035	$1,225,000	$100,300	$1,325,300
	$4,645,000	$1,659,150	$6,304,150

Annual Debt Service

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

Governmental Activities	Business-type Activities

Year Ending September 30, 2016	Principal	Interest	Total	Principal	Interest	Total
2016-2017	840,000	136,323	976,323	450,000	236,350	686,350
2017-2018	855,000	121,917	976,917	465,000	227,300	692,300
2018-2019	875,000	105,995	980,995	470,000	217,950	687,950
2019-2020	385,000	88,512	473,512	480,000	208,500	688,500
2020-2021	400,000	78,700	478,700	495,000	198,850	693,850
2021-2026	2,150,000	240,998	2,390,998	2,665,000	784,613	3,449,613
2026-2031	940,000	23,392	963,392	1,985,000	392,587	2,377,587
2031-2035	0	0	0	1,225,000	100,300	1,325,300
	$6,445,000	$795,837	$7,240,837	$8,235,000	$2,366,450	$10,601,450

Long-term liability activity for the year ended September 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds Payable:					
General Obligation Bonds	$7,290,000	$0	($845,000)	$6,445,000	($840,000)
Compensated absences	2,097,454	429,786	(16,301)	2,510,939	(1,357,234)
Net pension liabilities	12,391,718	3,820,482	0	16,212,200	--
Other post employment benefits	591,639	90,593	0	682,232	--
	$22,370,811	$4,340,861	($861,301)	$25,850,371	($2,197,234)
Business-type activities:					
Bonds payable:					
General obligation bonds and certificates of obligation	$10,120,000	$0	($1,885,000)	$8,235,000	($450,000)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds - premium	177,884	0	(8,969)	168,915	(8,969)
Total bonds payable	10,297,884	0	(1,893,969)	8,403,915	(458,969)
Compensated absences	112,514	15,530	(5,575)	122,469	(47,209)
Net pension liability	1,402,469	598,775	0	2,001,244	--
Business-type activity long-term liabilities	$11,812,867	$614,305	($1,899,544)	$10,527,628	($506,178)

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:

Governmental activities:	Beginning Balance	Additions	Reductions	Ending Balance
Deferred outflows of resources on pension liability	$2,537,332	$2,120,179	$0	$4,657,511
Deferred outflows of resources on refundings	250,993		(44,930)	206,063
Deferred inflows of resources on pension liability	(1,269,506)	0	877,139	(392,367)
Total governmental activities	$1,518,819	$2,120,179	$832,209	$4,471,207
Business-type activities:				
Deferred outflow of resources on pension liability	$350,437	$633,843	$0	$984,280

Deferred outflow of resources refundings	24,913	0	(1,929)	22,984
Deferred inflow of resources on pension liability	(217,467)	(94,501)	0	(311,968)
Deferred inflow of resources on refundings	(3,187)	0	3,187	0
Total business-type activities	$154,696	$539,342	$1,258	$695,296

The City's long term bond liabilities and net pension obligations are liquidated out of the applicable funds. The City's long term other post employment benefits are liquidated out of the general fund.

F. Utility Revenue Pledged

Series 2015 Tax and Revenue Certificates of Obligation -

In 2015 the City issued $4,485,000 in Series 2015 Tax and Revenue Certificated on Obligation. The certificates were issued to fund construction of repairs, replacement, improvements or rehabilitation of the water system, water plant, wastewater system and wastewater treatment plant of the City. The final maturity date of the certificates is 2035.

The certificates contained a limited pledge of net revenues of the water and sewer utility system. The limited pledge is in an amount not to exceed $1,000 for the payment of principal and interest on the certificates.

In fiscal year 2016 the interest payment on this issue was $132,806 and $1,000, of this amount, would have come from pledged revenue. The $1,000 is 0.0127% of the Water and Sewer annual operating revenue of $7,847,871. At September 30, 2016 the Water and Sewer Enterprise Fund had future pledged revenues in the amount $19,000.

G. Restricted Net Position

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

Governmental activities:	
Debt service payments	$90,042
Business-type activities:	
Debt service payments	66,923

Total	*$156,965*

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

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

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

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

As of September 30, 2016, the Workers' Compensation Fund has a designated balance for insurance claim liability of $359,415 and an undesignated balance of $288,215. 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 $647,630. 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 is the setting of rates in future periods.*

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

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments and Liability Expensed	Balance at Fiscal Year End
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
2014-2015	$369,785	$179,067	($142,078)	$406,774
2015-2016	$406,774	($35,672)	($11,687)	$359,415

	2015-2016	2014-2015	2013-2014	2012-2013	2011-2012
Claim Liability Expensed					
Unpaid claim liability beginning of year	$82,620	$38,432	$111,859	$95,952	$70,045
Claims incurred in current year	90,695	173,889	58,519	185,330	215,723
Increase (decrease) in provision for insured events of prior year	(76,172)	(28,370)	32,405	97,165	58,382
Claim payments attributable to current year claims	(51,542)	(91,269)	(47,345)	(81,574)	(144,019)
Claim payments attributable to prior year claims	(6,448)	(10,062)	(117,006)	(185,014)	(104,179)
Unpaid claim liability expensed at end of year	$39,153	$82,620	$38,432	$111,859	$95,952

Designated for Catastrophic Claim

	2015-2016	2014-2015	2013-2014	2012-2013	2011-2012
Designated for future catastrophic claims - beginning of year	$406,774	$369,785	$370,620	$344,454	$328,806
Increase (decrease) in reserve	(47,359)	36,989	(835)	26,166	15,648
Designated for future catastrophic claims - end of year	$359,415	$406,774	$369,785	$370,620	$344,454

B. Subsequent Events

The City of Orange did have two subsequent events for fiscal year 2016 as reviewed through March 22 , 2017. The subsequent events are as follows:

(1) On September 13, 2016, the City approved the issuance of Tax and Revenue Certificates of Obligation, Series 2016. The bonds were issued for the purpose of paying obligations to be incurred for design, construction, repair, replacement, improvement or rehabilitation and equipping the water system, water plant, wastewater system and wastewater treatment plant improvements for the City.

The par amount of the Tax and Revenue Certificates of Obligation, Series 2016 is $5,045,000 and is dated October 1, 2016. The City closed on the Certificates of Obligation on October 12, 2016.

(2) On March 22, 2016, the City entered into a real estate sales contract with First Financial Bank, N.A. to purchase the bank's current location at 812 N. 16th Street, Orange, TX. The purchase price of the building was $2,000,000. The building is being purchased for the purpose of relocating the City Hall campus, which includes customer service for water and sewer, finance department, city secretary, city manager, Economic Development Corporation and the Convention and Visitor's Bureau. The transaction was not completed until December 27, 2016.

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

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 seventeen (17) retirees receiving this benefit and there are no more employees eligible. The present cost to the City is $500 annually. This cost is funded out of the General Fund revenues on a pay-as-you-go annual basis.

Retiree Medical Insurance

The City of Orange allows retirees of the City to remain on the City's medical insurance until age 65. The retirees are required to pay all of their retiree insurance.

The table below summarizes the membership of the plan as of September 30, 2016:

Current active plan members	*190*
Retirees and others currently receiving benefits	*10*
Terminated employees entitled to receive future benefits	*0*
Total	*200*

Funding Policy

The City of Orange has traditionally paid for some retiree's medical insurance, authorized under prior incentive programs, on a annual basis. The last employee who qualified for any incentive stopped receiving the incentive during fiscal year 2015. The present annual cost for retiree insurance was $75,090. 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. The City will not have any ongoing incentive in future years.

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, 2016. The fiscal year 2016 annual unfunded OPEB cost, of $90,593, 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)	*$88,452*
Interest on prior NOPEB	*26,624*
Amortization adjustment on prior NOPEB	*(24,483)*
Annual OPEB cost	*90,593*
Contributions made	*0*
Increase in NOPEB obligation	*90,593*
NOPEB obligation - beginning of year	*591,639*
NOPEB obligation - end of year	*$682,232*

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
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
09/30/2015	$90,114	51.8%	$591,639
09/30/2016	$90,593	0.0%	$682,232

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*
Amortization method	*Level Percent of Payroll*
Cost method	*Projected Unit Credit Cost Method*
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	*8% in excess of general inflation ("intermediate" assumption)*

Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The health care cost trend rate was reduced to 8% grading down to an ultimate rate of 4%.

Funding Status and Funding Progress

The funded status of the plan as of the September 30, 2016 actuarial valuation was a follows:

A. Present value (PV) of future benefits

I) Retirees and beneficiaries	*$332,942*
ii) Vested terminated members	*0*
iii) Active members	*1,268,518*
Total PV of Future Benefits	*$1,601,460*
B. Present value (PV) of future normal costs	*$472,698*
C. Actuarial accrued liabilities (A-B)	*$1,128,762*
D. Actuarial value of assets	*$0*
E. Unfunded actuarial accrued liability (C-D)	*$1,128,762*
F. Funded ratio (D/C)	*0.00%*
G. Annual covered payroll	*$10,409,271*
H. Ratio of unfunded actuarial accrued liability to the annual covered payroll (G/E)	*10.84%*

E. Employee Retirement Systems and Pension Plans

Texas Municipal Retirement System Defined Benefit Pension Plan

Plan Description

The City of Orange participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) than can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS. The City of Orange provides pension benefits for all of its full-time employees, except for those employees participating in the Firefighters Pension and Retirement Fund.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit 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:

	Plan Year 2016	Plan Year 2015
Employee Deposit Rate	7%	7%
Matching Ratio (City to Employee)	2 to 1	2 to1
Years Required for Vesting	10	10
Service Retirement Eligibility (expressed as age/years of service)	60/10, 0/20	60/10, 0/20
Updated Service Credit	100% repeating, transfers	100% repeating, transfers
Annuity Increase (to retirees)	70% of CPI repeating	70% of CPI repeating

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	128
Inactive employees entitled to but not yet receiving benefits	60
Active employees	157
Total	345

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Orange were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Orange were 19.29% and 17.87% in calendar years 2015 and 2016 respectively. The City's contributions to TMRS for the year ended September 30, 2016 were $1,552,490, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability, in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions:

Inflation	*2.5% per year*
Overall Payroll Growth	*3% per year*
Investment Rate of Return	*6.75% net of pension plan investment expense, including inflation*

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates by 103%. Based on the size of the city, rates are multiplied by a factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP 2000 Disable Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions, used in the December 31, 2015 valuation, were based on the results of actual experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2015 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	***Target Allocation***	***Long-Term Expected Real Rate of Return (Arithmetic)***
Domestic Equity	*17.5%*	*4.80%*
International Equity	*17.5%*	*6.05%*
Core Fixed Income	*30.0%*	*1.50%*
Non-Core Fixed Income	*10.0%*	*3.50%*
Real Return	*5.0%*	*1.75%*
Real Estate	*10.0%*	*5.25%*
Absolute Return	*5.0%*	*4.25%*
Private Equity	*5.0%*	*8.50%*
Total	*100.0%*	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payment to determine the Total Pension Liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	***Plan Fiduciary Net Position (b)***	***Net Pension Liability (A) - (b)***
Balance at 12/31/2014	*$64,049,844*	*$57,291,631*	*$6,758,213*
Changes for the current year:			
Service cost	*1,473,198*	*--*	*1,473,198*
Interest	*4,436,802*	*--*	*4,436,802*

Changes in benefit terms	--	--	--
Difference between expected and actual experience	(854,615)	--	(854,615)
Changes in assumptions	223,703	--	223,703
Benefit payments, including refunds of employee contributions	(2,807,118)	(2,807,118)	--
Contributions - employer	--	1,587,598	(1,587,598)
Contributions - employee	--	576,111	(576,111)
Net investment income	--	84,535	(84,535)
Administrative Fees	--	(51,492)	51,492
Other changes	--	(2,544)	2,544
Net changes	2,471,970	(612,910)	3,084,880
Balance at 12/31/2015	$66,521,814	$56,678,721	$9,843,093

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%., as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount rate (5.75%)	***Discount rate 6.75%***	***1% Increase in Discount Rate (7.75%)***
City's net pension liability	$18,817,104	$9,843,093	$2,437,738

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the City recognized pension expense of $1,858,686.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience		($659,497)
Change in actuarial assumptions	172,629	
Difference between projected and actual investment earnings	3,140,703	
Contributions subsequent to the measurement date	1,112,211	
Total	$4,425,543	($659,497)

The $1,112,211 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Net Deferred Outflows (Inflows) of Resources
2016	481,176
2017	481,176
2018	629,743
2019	730,439
2020	0
Thereafter	0
Total	$2,322,534

Orange Firemen's Relief and Retirement Fund

Plan Description

The Orange Firemen's Relief and Retirement Fund, a single-employer defined benefit pension plan, is established under the authority of the Texas Local Fire Fighter's Retirement Act (TLFFRA). The fund is administered by a Board of Trustees. The Board is made up of three members elected from and by fund members, two representatives of the City and two citizen members. Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued Comprehensive Annual Financial Report, which can be obtained on the internet at www.orangetexas.net. The plan's annual financial report can be obtained on the internet at www.orangetexasfd.com.

All eligible fire department employees of the City are required to participate in the Orange Firemen's Relief and Retirement Fund.

Benefits Provided

The fund provides retirement, disability, and death benefits. The plan document may be amended as provided in Section 7 of the Texas Fire Fighters' Retirement Act (Article 6243e V.T.C.S.). Amending the plan requires approval of any proposed change by (a) an eligible actuary and (b) a majority of the participating members of the fund. The fund was most recently amended effective January 21, 2014.

Plan provisions for the City were as follows:

	Plan Year 2016	***Plan Year 2015***
Employee Deposit Rate	*11.5%*	*11%*
Employer Deposit Rate	*14%*	*14%*
Years Required for Vesting	*20*	*20*
Service Retirement Eligibility (expressed as age/years of service)	*50/20*	*50/20*
DROP Retirement Eligibility (expressed as age/years of service)	*53/23*	*53/23*
Annuity Increase (to retirees)	*requires amendment to plan*	*requires amendment to plan*

At retirement, the benefit is calculated as (a) 2.6% of the member's highest 60-month average salary (calculated as 2.167 times the average of the highest 130 biweekly pay periods out of the 208 biweekly pay period immediately prior to the member's date of termination of service) multiplied by his or her number of year of service not to exceed 20 years and (b) equals $91.00 per month for each year of service in excess of 20 years.

Members may also elect to receive their benefits under one or more options listed below:

DROP - Qualifying members (age 53 with 23 years of service) may elect to receive a portion of their benefit as a single DROP payment. The DROP benefit calculation date is the date 36 months prior to the member's date of retirement.

Social Security Leveling - The retiree may elect to receive a larger monthly benefit until age 62. At age 62 the monthly amount is reduced. The amount of monthly benefits are set so as to produce a approximately level total benefit when Social Security is taken into account.

At the December 31, 2014 valuation and the December 31, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	*39*
Inactive employees entitled to but not yet receiving benefits	*1*
Active employees	*37*
Total	*77*

Contributions

Effective October 1, 2006, the City began contributing at a rate of 14% of each member's total pay (including regular, longevity, and overtime pay, but excluding lump sum distributions for unused sick leave or vacation).

Effective October 1, 2015, members began contributing to the fund at a rate of 11.5% of each member's total pay. The definition of pay for the purposes of employee contributions is the same as the definition of pay for employer contributions. Employee contributions are "picked-up" by the City, as permitted under Section 414(h)(2) of the Internal Revenue Code. For this reason, a member's contributions are excluded from taxable income when paid in the fund.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability actuarial valuation was determined using the following actuarial assumptions:

Inflation	*3% per year*
Overall Payroll Growth	*4% per year*
Cost of Living	*None*
Investment Rate of Return	*7.75% net of pension plan investment expense, including inflation*

The assumed rate of return on the actuarial value of assets is the same as last year which was at 7.75% per annum. The actuarial value of assets is smoothed market value. The actuarial value is subject to a minimum value of 80% of the market value assets as the valuation date and a maximum value of 120% of the market value of assets as of the valuation date.

The assumed retirement age for active members was changed from 57 to a retirement table developed based on the fund's experience with respect to retirement. The rate at which active members' salary is assumed to increase each year was changed from 4% per year to a table based on a member's years of service. The table was developed based on the fund's experience with respect to salary increases.

The mortality table used for the valuation was changed from the Employee and Health Annuitant Combined Rates from the RP-2000 Mortality Table, project to 2015 using Scale AA, with separate rates for males and females, to the Employee and Health Annuitant Combined Rates from the RP-2000 Mortality Table, projected to 2024 using Scale AA, with separate rates for males and females. Disability rates were changed from SOA Disability Study Table, Class 1 rates, to the tabular rates listed in Appendix B. Termination rates were not changed.

The individual entry age normal actuarial cost method was used for both the 2015 valuation and the previous valuation.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Cash & short-term fixed income	0.00%	0.62%
Fixed income	35.0%	3.00%
Equities -		
Large-cap growth	13.0%	5.95%
Large-cap value	13.0%	7.47%
Mid-cap	9.0%	8.40%
International equity	20.0%	5.80%
Emerging markets	10.0%	9.0%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.66%. The projection of cash flows used *to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in contract. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payment to determine the Total Pension Liability.*

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (A) - (b)**
Balance at 12/31/2014	$16,345,289	$9,309,315	$7,035,974
Changes for the current year:			
Service cost	266,423	0	266,423
Interest	1,235,592	0	1,235,592
Changes in benefit terms	0	0	0
Difference between expected and actual experience	0	0	0
Changes in assumptions	173,418	0	173,418
Benefit payments, including refunds of employee contributions	(1,337,192)	(1,337,192)	0
Contributions - employer	0	307,304	(307,304)
Contributions - employee	0	244,464	(244,464)
Net investment income	0	(186,511)	186,511
Administrative Fees	0	(24,201)	24,201
Other changes	0	0	0
Net changes	338,241	(996,136)	1,334,377
Balance at 12/31/2015	$16,683,530	$8,313,179	$8,370,351

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.66%., as well

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.66%., as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.66%) or 1 percentage point higher (8.66%) than the current rate:

	1% Decrease in Discount Rate (6.66%)	Current Discount Rate (7.66%)	1% Increase in Discount Rate (8.66%)
City's net pension liability	$10,109,551	$8,370,351	$6,903,287

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued Annual Financial Report. The report for the period ended December 31, 2015 can be obtained by writing the City of Orange Firemen's Relief and Retirement Fund, P. O. Box 520, Orange, Texas 77631-0520.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the City recognized pension expense of $890,008. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$0	$0
Change in actuarial assumptions	159,454	0
Difference between projected and actual investment earnings	701,288	0
Contributions subsequent to the measurement date	228,983	0
Total	$1,089,725	$0

The $228,983 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	*Net Deferred Outflow (Inflow) of Resources*
2016	298,355
2017	298,355
2018	298,353
2019	199,436
2020	24,114
Thereafter	154,785
Total	$1,273,398

Other Information - Texas House Bill (HB) 3310

Legislation, passed by the 84th Texas Legislature, amended Chapter 802 of the Texas Government Code to expand and update the reporting requirements for public retirement systems. Texas HB 3310 established a Funding Soundness Restoration Plan (FSRP) requirement for certain public retirement systems. The certain public retirement systems are plans that have had (1) three consecutive valuations with amortization period over 40 years or (2) two consecutive valuations, if the system conducts actuarial valuations every two or three years, with amortization period over 40 years.

Chapter 802 of the Texas Government Code will now require the development of a FSRP plan in conjunction with the associated governmental entity. There are also other requirements once the FSRP is in place. The Orange Firemen's Relief and Retirement Fund submitted the Funding Soundness Restoration Plan to the Texas State Pension Review Board on October 17, 2016. The RSRP provisions included the increase of the employees's contribution of 1 percent, which reduced the fund's amortization period to slightly less than 47.4 years. A fund's amortization period decreases by one year for each passing year. Thus, the amortization period of the Orange Firemen's Relief and Retirement Fund is expected to be below 40 years in less than the ten years called for by Section 802.2015. Therefore, the fund satisfies the requirements of Section 802.2015.

The members of the Orange Firemen's Relief and Retirement Fund have already voted to increase their employee contributions by 1%. City contributions to the fund are controlled by a contract between the International Association of Firefighters, Local 1432 and the City of Orange. The present contract will expire September 30, 2017.

Required Supplementary Information

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

Actuarial valuation date		09/30/2016	09/30/2015	09/30/2013 (1)
Actuarial value of assets	(A)	$0	$0	$0
Actuarial accrued liability	(B)	$1,128,762	$1,128,762	$1,262,089
Percentage funded	(C) = (A) / (B)	0.00%	0.00%	0.00%
Unfunded actuarial accrued liability (UAAL)	(D) = (B) - (A)	$1,128,762	$1,128,762	$1,262,089
Annual covered payroll	(E)	$10,409,271	$10,409,271	$10,126,889
Ratio of the unfunded actuarial liability to the annual covered payroll	(F) = (D) / (E)	10.84%	10.84%	12.46%

(1) The actuarial date was changed from 12/31 to 9/30.

Required Supplementary Information

City of Orange, Texas
Schedule of Changes in Net Pension Liability and Related Ratios
Texas Municipal Retirement System
Last 10 Years

	2006-2013 (1)	12/31/2014	12/31/2015
A. Total Pension Liability			
1. Service Cost	$0	$1,390,815	$1,473,198
2. Interest (on the Total Pension Liability)	0	4,331,921	4,436,802
3. Changes of benefit terms	0	0	0
4. Difference between expected and actual experience	0	(1,354,539)	(854,615)
5. Change of assumptions	0	0	223,703
6. Benefit payments, including refunds of employee contributions	0	(3,015,050)	(2,807,118)
7. Net Change in Total Pension Liability	0	1,353,147	2,471,970
8. Total Pension Liability - Beginning	0	62,696,697	64,049,844
9. Total Pension Liability - Ending	$0	$64,049,844	$66,521,814
B. Plan Fiduciary Net Position			
1. Contributions - employer	$0	$1,657,797	$1,587,598
2. Contributions - employee	0	585,795	576,111
3. Net investment income	0	3,143,530	84,535
4. Benefit payments, including refunds of employee contributions	0	(3,015,050)	(2,807,118)
5. Administrative expense	0	(32,822)	(51,492)
6. Other	0	(2,699)	(2,544)
7. Net Change in Plan Fiduciary Net Position	0	2,336,551	(612,910)
8. Plan Fiduciary Net Position - Beginning		54,955,080	57,291,631
9. Plan Fiduciary Net Position - Ending	$0	$57,291,631	$56,678,721
C. Net Pension Liability (A.9. - B.9.)	$0	$6,758,213	$9,843,093
D. Plan Fiduciary Net Position as a percentage of the Total Pension Liability (B.9. / A.9.)	--	89.45%	85.20%
E. Covered Employee Payroll	$0	$8,368,497	$8,230,155
F. Net Pension Liability as a percentage of Covered Employee Payroll (C / E)	--	80.76%	119.60%

Notes to Schedule:
N/A

(1) Prior to implementation of GASB 68. Information not available in required format.

Required Supplementary Information

City of Orange, Texas
Schedule of Contributions
Texas Municipal Retirement System
Last 10 Fiscal Years

	FY 2007 - FY 2014 (1)	FY 2015	FY 2016
Actuarially Determined Contribution	$0	$1,586,949	$1,552,490
Contributions in relation to the actuarially determined contribution	0	1,586,949	1,552,490
Contribution deficiency (excess)	$0	$0	$0
Covered employee payroll	$0	$8,166,972	$8,506,325
Contributions as a percentage of covered employee payroll	--	19.43%	18.25%

Notes to Schedule of Contributions

Valuation Date:	December 31, 2015
Notes	Acutarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 Year smoothed market, 15% soft corridor
Inflation	2.50%
Salary Increase	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rate multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes	There were no benefit changes during the year.

(1) Prior to implementation of GASB 68. Information not available in required format.

Required Supplementary Information

City of Orange, Texas
Schedule of Changes in Net Pension Liability and Related Ratios
Orange Firemen's Relief and Retirement Fund
Last 10 Years

	2006-2013 (1)	12/31/2014	12/31/2015
A. Total Pension Liability			
1. Service Cost	$0	$256,176	$266,423
2. Interest (on the Total Pension Liability)	0	1,240,296	1,235,592
3. Changes of benefit terms	0	0	0
4. Difference between expected and actual experience	0	(455,247)	0
5. Change of assumptions	0	587,758	173,418
6. Benefit payments, including refunds of employee contributions	0	(1,084,609)	(1,337,192)
7. Net Change in Total Pension Liability	0	544,374	338,241
8. Total Pension Liability - Beginning	0	15,800,915	16,345,289
9. Total Pension Liability - Ending	$0	$16,345,289	$16,683,530
B. Plan Fiduciary Net Position			
1. Contributions - employer	$0	$319,060	$307,304
2. Contributions - employee	0	250,694	244,464
3. Net investment income	0	746,106	(186,511)
4. Benefit payments, including refunds of employee contributions	0	(494,593)	(1,337,192)
5. Administrative expense	0	(1,084,609)	(24,201)
6. Other	0	(22,162)	0
7. Net Change in Plan Fiduciary Net Position	0	(285,504)	(996,136)
8. Plan Fiduciary Net Position - Beginning		9,594,819	9,309,315
9. Plan Fiduciary Net Position - Ending	$0	$9,309,315	$8,313,179
C. Net Pension Liability (A.9. - B.9.)	$0	$7,035,974	$8,370,351
D. Plan Fiduciary Net Position as a percentage of the Total Pension Liability (B.9. / A.9.)	--	56.95%	49.83%
E. Covered Employee Payroll	$0	$2,279,000	$2,195,029
F. Net Pension Liability as a percentage of Covered Employee Payroll (C / E)	--	308.73%	381.33%

Notes to Schedule:
N/A

(1) Prior to implementation of GASB 68. Information not available in required format.

Required Supplementary Information

City of Orange, Texas
Schedule of Contributions
Orange Firemen's Relief and Retirement Fund
Last 10 Fiscal Years

	FY 2007 - FY 2014 (1)	FY 2015	FY 2016
Actuarially Determined Contribution	$0	$308,591	$313,275
Contributions in relation to the actuarially determined contribution	0	308,591	313,275
Contribution deficiency (excess)	$0	$0	$0
Covered employee payroll	$0	$2,204,221	$2,237,677
Contributions as a percentage of covered employee payroll	--	14.00%	14.00%

Notes to Schedule of Contributions

Valuation Date:	December 31, 2014
Notes	Acutarially determined contribution rates for 2015-2016 were based on the contracted contribution rates.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay, Open
Remaining Amortization Period	58.2 years
Asset Valuation Method	5 Year smoothed market value with a 20% of market soft corridor
Inflation	3.00%
Salary Increase	2% - 9%, including inflation based on service at attained age of 50
Investment Rate of Return	7.75%
Retirement Age	Experience-based table of rates that are specific to the fund.
Mortality	Employee and Heathly Annuitant Combined Rates from RP-2000 Mortality Table, projected to 2024 using Scale AA, with separate rates for males and females.

Other Information:

Notes	There have been no benefit changes since the December 31, 2014 valuation date.

(1) Prior to implementation of GASB 68. Information is not available in required format.

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 2013 General Obligation Refunding Bonds and the Series 2015 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.*

City of Orange, Texas
Schedule of Expenditures Division Level - Budget and Actual
General Fund
For the Year Ending September 30, 2016

	Budget	Actual	Variance Over (Under)
City Council			
Personal Services	$10,478	$9,619	($859)
Supplies	350	185	(165)
Other services and charges	63,500	44,513	(18,987)
Total - City Council	74,328	54,317	(20,011)
City Manager			
Personal Services	240,679	246,046	5,367
Supplies	2,800	2,286	(514)
Other services and charges	40,826	33,415	(7,411)
Total - City Manager	284,305	281,747	(2,558)
City Secretary			
Personal Services	173,063	172,023	(1,040)
Supplies	16,700	7,212	(9,488)
Other services and charges	14,150	7,007	(7,143)
Total - City Secretary	203,913	186,242	(17,671)
Municipal Court			
Personal Services	128,711	117,288	(11,423)
Supplies	9,500	3,284	(6,216)
Other services and charges	101,873	95,165	(6,708)
Total - Municipal Court	240,084	215,737	(24,347)
Human Resources			
Personal Services	80,399	79,257	(1,142)
Supplies	22,400	16,785	(5,615)
Other services and charges	31,300	18,004	(13,296)
Total - Human Resources	134,099	114,046	(20,053)
Finance			
Personal Services	379,209	384,223	5,014
Supplies	49,000	46,288	(2,712)
Other services and charges	49,500	49,161	(339)
Total - Finance	477,709	479,672	1,963

City of Orange, Texas
Schedule of Expenditures Division Level - Budget and Actual
General Fund
For the Year Ending September 30, 2016

	Budget	Actual	Variance Over (Under)
Tax			
Other services and charges	95,084	87,014	(8,070)
Total - Tax	95,084	87,014	(8,070)
MIS			
Supplies	8,000	4,899	(3,101)
Other services and charges	11,188	6,232	(4,956)
Total - MIS	19,188	11,131	(8,057)
Total General Government	**1,528,710**	**1,429,906**	**(98,804)**
Library			
Personal Services	371,693	358,785	(12,908)
Supplies	11,750	11,340	(410)
Other services and charges	33,550	31,527	(2,023)
Total - Library	416,993	401,651	(15,342)
Natatorium			
Personal Services	62,682	39,124	(23,558)
Supplies	8,750	5,542	(3,208)
Other services and charges	10,670	7,723	(2,947)
Total - Natatorium	82,102	52,389	(29,713)
Recreation			
Supplies	3,600	2,744	(856)
Total - Recreation	3,600	2,744	(856)
Park Maintenance			
Personal Services	588,614	578,292	(10,322)
Supplies	14,500	13,995	(505)
Other services and charges	44,700	35,043	(9,657)
Total - Park Maintenance	647,814	627,330	(20,484)
Total Cultural and Recreation	**1,150,509**	**1,084,113**	**(66,396)**

City of Orange, Texas
Schedule of Expenditures Division Level - Budget and Actual
General Fund
For the Year Ending September 30, 2016

	Budget	Actual	Variance Over (Under)
Police			
Personal Services	5,506,534	5,503,852	(2,682)
Supplies	109,164	93,065	(16,099)
Other services and charges	179,100	140,254	(38,846)
Total - Police	5,794,798	5,737,171	(57,627)
Emergency Management			
Supplies	9,500	8,179	(1,321)
Other services and charges	5,450	2,757	(2,693)
Total - Emergency Management	14,950	10,936	(4,014)
Fire			
Personal Services	3,398,625	3,360,272	(38,353)
Supplies	94,350	90,653	(3,697)
Other services and charges	93,900	81,577	(12,323)
Total - Fire	3,586,875	3,532,503	(54,372)
Animal Control			
Personal Services	138,454	134,720	(3,734)
Supplies	15,050	11,956	(3,094)
Other services and charges	6,300	712	(5,588)
Total - Animal Control	159,804	147,388	(12,416)
Total Public Safety	**9,556,427**	**9,427,998**	**(128,429)**
Planning			
Personal Services	120,679	122,552	1,873
Supplies	4,710	1,225	(3,485)
Other services and charges	29,468	22,657	(6,811)
Total - Planning	154,857	146,434	(8,423)
Code Enforcement			
Personal Services	270,581	251,079	(19,502)
Supplies	4,786	2,208	(2,578)
Other services and charges	59,638	33,665	(25,973)
Total - Code Enforcement	335,005	286,953	(48,052)
Building Services			
Personal Services	271,268	254,964	(16,304)

City of Orange, Texas
Schedule of Expenditures Division Level - Budget and Actual
General Fund
For the Year Ending September 30, 2016

	Budget	Actual	Variance Over (Under)
Supplies	20,840	14,897	(5,943)
Other services and charges	170,400	148,844	(21,556)
Total - Building Services	462,508	418,706	(43,802)
Street & Drainage			
Personal Services	$957,497	$952,041	($5,456)
Supplies	23,000	18,813	(4,187)
Other services and charges	251,634	206,581	(45,053)
Total - Street & Drainage	1,232,131	1,177,435	(54,696)
Public Works Administration			
Personal Services	217,769	219,147	1,378
Supplies	4,600	3,275	(1,325)
Other services and charges	5,650	3,113	(2,537)
Total - Public Works Administration	228,019	225,534	(2,485)
Fleet Maintenance			
Personal Services	285,897	286,141	244
Supplies	15,500	11,321	(4,179)
Other services and charges	628,900	546,147	(82,753)
Total - Fleet Maintenance	930,297	843,610	(86,687)
Engineering			
Personal Services	83,767	83,170	(597)
Supplies	6,300	4,588	(1,712)
Other services and charges	5,400	2,757	(2,643)
Total - Engineering	95,467	90,515	(4,952)
Total Public Works	**3,438,284**	**3,189,187**	**(249,097)**

City of Orange, Texas
Schedule of Expenditures Division Level - Budget and Actual
General Fund
For the Year Ending September 30, 2016

	Budget	Actual	Variance Over (Under)
Non-Departmental			
Other services and charges	2,245,383	2,040,987	(204,396)
Total - Non-Departmental	2,245,383	2,040,987	(204,396)
Capital Outlay			
Capital Outlay	2,423,390	813,755	(1,609,635)
Total - Capital Outlay	2,423,390	813,755	(1,609,635)
Total General Fund	**$20,342,703**	**$17,985,946**	**($2,356,757)**

City of Orange, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Debt Service Fund
For the Year Ended September 30, 2016

	Orginal Budget	Final Budget	Actual Amounts	Variance Over (Under)
REVENUES				
Taxes	$998,828	$998,828	$989,326	($9,502)
Investment income	200	200	424	224
Total Revenues	999,028	999,028	989,750	(9,278)
EXPENDITURES				
Principal retirement	845,000	845,000	845,000	0
Interest and fiscal charges	147,631	147,631	146,030	(1,601)
Total Expenditures	992,631	992,631	991,030	(1,601)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	6,397	6,397	(1,280)	(7,677)
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
NET CHANGE IN FUND BALANCE	6,397	6,397	(1,280)	(7,677)
FUND BALANCE - BEGINNING	115,384	115,384	115,384	0
FUND BALANCE - ENDING	$121,781	$121,781	$114,104	($7,677)

City of Orange, Texas
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
Capital Projects Fund
For the Year Ended September 30, 2016

	Orginal Budget	Final Budget	Actual Amounts	Variance Over (Under)
REVENUES				
Investment income	$1,000	$1,000	$726	($274)
Miscellaneous	0	0	100,000	100,000
Total Revenues	1,000	1,000	100,726	99,726
EXPENDITURES				
Capital outlay	597,500	597,500	553,514	(43,986)
Other capital outlay	2,924	3,990	3,990	0
Total Expenditures	600,424	601,490	557,504	(43,986)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(599,424)	(600,490)	(456,778)	143,713
OTHER FINANCING SOURCES (USES)				
Transfers in	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
NET CHANGE IN FUND BALANCE	(599,424)	(600,490)	(456,778)	143,713
FUND BALANCE - BEGINNING	620,017	620,017	620,017	0
FUND BALANCE - ENDING	$20,593	$19,527	$163,239	$143,713

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.*

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

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.*

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, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2016

	Special Revenue			
	Animal Shelter Donation Fund	Community Development Block Grant Fund	Confined Space Rescue Fund	Department of Justice Grant Fund
ASSETS				
Cash and cash equivalents	$50,552	$48,780	$69,962	$0
Grant or other receivable	0	10,428	2,000	1,700
Prepaid	0	1,498	0	0
Total Assets	$50,552	$60,706	$71,962	$1,700
LIABILITIES				
Accounts payable	$0	$12,051	$221	$0
Due to other funds	0	0	0	1,700
Total Liabilities	0	12,051	221	1,700
FUND BALANCES				
Nonspendable				
Prepaids	0	1,498	0	0
Restricted for:				
Cultural and recreation	0	0	0	0
Public safety	50,552	0	71,741	0
Public works	0	47,157	0	0
Tourism and promotion	0	0	0	0
Assigned to:				
Economic development	0	0	0	0
Total Fund Balances	50,552	48,655	71,741	0
TOTAL LIABILITIES AND FUND BALANCE	$50,552	$60,706	$71,962	$1,700

(Continued)

City of Orange, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2016

	Special Revenue			
	Economic Development Fund	Fire Department Donation Fund	Home Program Fund	Law Enforcement Seizure Fund
ASSETS				
Cash and cash equivalents	$2,301	$20,388	$9,903	$499,403
Grant or other receivable	0	0	0	0
Prepaid	0	0	0	0
Total Assets	$2,301	$20,388	$9,903	$499,403
LIABILITIES				
Accounts payable	$0	$0	$0	$0
Due to other funds	0	0	0	0
Total Liabilities	0	0	0	0
FUND BALANCES				
Nonspendable				
Prepaids	0	0	0	0
Restricted for:				
Cultural and recreation	0	0	0	0
Public safety	0	20,388	0	499,403
Public works	0	0	9,903	0
Tourism and promotion	0	0	0	0
Assigned to:				
Economic development	2,301	0	0	0
Total Fund Balances	2,301	20,388	9,903	499,403
TOTAL LIABILITIES AND FUND BALANCE	$2,301	$20,388	$9,903	$499,403

(Continued)

City of Orange, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2016

	Special Revenue			
	Library Donation Fund	Municipal Court Technology Fund	Nelda C & HJ Lutcher Stark Foundation Grant Fund	Orange Development Fund
ASSETS				
Cash and cash equivalents	$93,307	$75,760	$14,173	$1,439,366
Grant or other receivable	261	0	0	59,347
Prepaid	0	0	0	1,633
Total Assets	$93,568	$75,760	$14,173	$1,500,346
LIABILITIES				
Accounts payable	$257	$0	$0	$26,229
Due to other funds	0	0	0	
Total Liabilities	257	0	0	26,229
FUND BALANCES				
Nonspendable				
Prepaids	0	0	0	1,633
Restricted for:				
Cultural and recreation	93,311	0	1	0
Public safety	0	75,760	10,075	0
Public works	0	0	4,097	0
Tourism and promotion	0	0	0	1,472,484
Assigned to:				
Economic development	0	0	0	0
Total Fund Balances	93,311	75,760	14,173	1,474,117
TOTAL LIABILITIES AND FUND BALANCE	$93,568	$75,760	$14,173	$1,500,346

(Continued)

City of Orange, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2016

	Special Revenue			
	Parks Donation Fund	Police Donation Fund	Texas Dept. of Transportation (TXDOT) Grant Fund	Texas Dept. Forest Service TIFMAS Grant Fund
ASSETS				
Cash and cash equivalents	$9,960	$30,213	$0	$0
Grant or other receivable	0	0	55,202	9,095
Prepaid	0	0	0	0
Total Assets	$9,960	$30,213	$55,202	$9,095
LIABILITIES				
Accounts payable	$0	$0	$9,803	$0
Due to other funds	0	0	45,169	9,095
Total Liabilities	0	0	54,972	9,095
FUND BALANCES				
Nonspendable				
Prepaids	0	0	0	0
Restricted for:				
Cultural and recreation	9,960	0	0	0
Public safety	0	30,213	0	0
Public works	0	0	230	0
Tourism and promotion	0	0	0	0
Assigned to:				
Economic development	0	0	0	0
Total Fund Balances	9,960	30,213	230	0
TOTAL LIABILITIES AND FUND BALANCE	$9,960	$30,213	$55,202	$9,095

(Continued)

City of Orange, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2016

	Special Revenue			
	Texas Dept. Public Safety Emerg. Mgmt. Grant Fund	Texas General Land Office (GLO) Fund	Texas Water Development Board Grant Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	$0	$0	$0	$2,364,068
Grant or other receivable	33,460	2,300	212,216	386,009
Prepaid	0	0	0	3,131
Total Assets	$33,460	$2,300	$212,216	$2,753,208
LIABILITIES				
Accounts payable	$1,025	$4	$0	$49,591
Due to other funds	32,435	2,296	212,216	302,911
Total Liabilities	33,460	2,300	212,216	352,502
FUND BALANCES				
Nonspendable				
Prepaids	0	0	0	3,131
Restricted for:				0
Cultural and recreation	0	0	0	103,272
Public safety	0	0	0	758,132
Public works	0	0	0	61,386
Tourism and promotion	0	0	0	1,472,484
Assigned to:				0
Economic development	0	0	0	2,301
Total Fund Balances	0	0	0	2,400,706
TOTAL LIABILITIES AND FUND BALANCE	$33,460	$2,300	$212,216	$2,753,208

City of Orange, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2016

	Special Revenue			
	Animal Shelter Donation Fund	Community Development Block Grant Fund	Confined Space Rescue Fund	Department of Justice Grant Fund
REVENUES				
Taxes	$0	$0	$0	$0
Donations	27	0	20,000	0
Grant income	0	338,437	0	(750)
Investment income	99	0	142	0
Program income	0	3,100	0	0
Forfeitures	0	0	0	0
Total Revenues	126	341,537	20,142	(750)
EXPENDITURES				
Current				
Cultural & recreation	0	0	0	0
Public safety	1,584	0	16,434	(750)
Public works	0	288,770	0	0
Capital outlay				
Books	0	0	0	0
Other capital	0	56,012	0	0
Water system construction	0	0	0	0
Total Expenditures	1,584	344,782	16,434	(750)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(1,458)	(3,245)	3,708	0
NET CHANGE IN FUND BALANCES	(1,458)	(3,245)	3,708	0
FUND BALANCE, BEGINNING	52,010	51,900	68,033	0
FUND BALANCE, ENDING	$50,552	$48,655	$71,741	$0

(Continued)

City of Orange, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2016

	Special Revenue			
	Economic Development Fund	Fire Department Donation Fund	Home Program Fund	Law Enforcement Seizure Fund
REVENUES				
Taxes	$0	$0	$0	$0
Donations	0	5,490	0	0
Grant income	0	0	0	0
Investment income	4	46	0	1,033
Program income	0	0	0	0
Forfeitures	0	0	0	12,768
Total Revenues	4	5,536	0	13,801
EXPENDITURES				
Current				
Cultural & recreation	0	0	0	0
Public safety	0	3,800	0	56,489
Public works	0	0	0	0
Capital outlay				
Books	0	0	0	0
Other capital	0	0	0	0
Water system construction	0	0	0	0
Total Expenditures	0	3,800	0	56,489
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	4	1,736	0	(42,688)
NET CHANGE IN FUND BALANCES	4	1,736	0	(42,688)
FUND BALANCE, BEGINNING	2,297	18,652	9,903	542,091
FUND BALANCE, ENDING	$2,301	$20,388	$9,903	$499,403

(Continued)

City of Orange, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2016

	Special Revenue			
	Library Donation Fund	Municipal Court Technology Fund	Nelda C & HJ Lutcher Stark Foundation Grant Fund	Orange Development Fund
REVENUES				
Taxes	$0	$0	$0	$666,441
Donations	3,805	0	0	4,770
Grant income	262	0	10,000	0
Investment income	194	142	33	2,705
Program income	1,181	10,167	0	0
Forfeitures	0	0	0	0
Total Revenues	5,442	10,309	10,033	673,916
EXPENDITURES				
Current				
Cultural & recreation	1,258	0	0	497,813
Public safety	0	6,775	105	0
Public works	0	0	0	0
Capital outlay				
Books	1,325	0	0	0
Other capital	10,676	0	13,782	0
Water system construction	0	0	0	0
Total Expenditures	13,259	6,775	13,887	497,813
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(7,817)	3,534	(3,854)	176,103
NET CHANGE IN FUND BALANCES	(7,817)	3,534	(3,854)	176,103
FUND BALANCE, BEGINNING	101,128	72,226	18,027	1,298,014
FUND BALANCE, ENDING	$93,311	$75,760	$14,173	$1,474,117

(Continued)

City of Orange, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2016

	Special Revenue			
	Parks Donation Fund	Police Donation Fund	Texas Dept. of Transportation (TXDOT) Grant Fund	Texas Dept. Forest Service TIFMAS Grant Fund
REVENUES				
Taxes	$0	$0	$0	$0
Donations	0	0	0	0
Grant income	0	0	105,866	10,970
Investment income	19	61	0	0
Program income	0	0	0	0
Forfeitures	0	0	0	0
Total Revenues	19	61	105,866	10,970
EXPENDITURES				
Current				
Cultural & recreation	0	0	0	0
Public safety	0	0	0	10,970
Public works	0	0	0	0
Capital outlay				
Books	0	0	0	0
Other capital	0	0	61,801	0
Water system construction	0	0	44,065	0
Total Expenditures	0	0	105,866	10,970
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	19	61	0	0
NET CHANGE IN FUND BALANCES	19	61	0	0
FUND BALANCE, BEGINNING	9,941	30,152	229	0
FUND BALANCE, ENDING	$9,960	$30,213	$229	$0

(Continued)

City of Orange, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2016

	Special Revenue			
	Texas Dept. Public Safety Emerg. Mgmt. Grant Fund	Texas General Land Office (GLO) Fund	Texas Water Development Board Grant Fund	Total Nonmajor Governmental Funds
REVENUES				
Taxes	$0	$0	$0	$666,441
Donations	0	0	0	34,092
Grant income	33,460	2,862	212,216	713,323
Investment income	0	0	0	4,478
Program income	0	0	0	14,448
Forfeitures	0	0	0	12,768
Total Revenues	33,460	2,862	212,216	1,445,550
EXPENDITURES				
Current				
Cultural & recreation	0	0	0	499,071
Public safety	33,460	0	0	128,867
Public works	0	2,862	212,216	503,848
Capital outlay				
Books	0	0	0	1,325
Other capital	0	0	0	142,271
Water system construction	0	0	0	44,065
Total Expenditures	33,460	2,862	212,216	1,319,447
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	0	0	0	126,103
NET CHANGE IN FUND BALANCES	0	0	0	126,103
FUND BALANCE, BEGINNING	0	0	0	2,274,603
FUND BALANCE, ENDING	$0	$0	$0	$2,400,706

City of Orange, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Animal Shelter Fund
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Over (Under)
REVENUES				
Donations	$300	$300	$27	($273)
Investment income	100	100	99	(1)
Total Revenues	400	400	126	(274)
EXPENDITURES				
Current				
Public safety	10,000	10,000	1,584	(8,416)
Total Expenditures	10,000	10,000	1,584	(8,416)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(9,600)	(9,600)	(1,458)	8,142
NET CHANGE IN FUND BALANCES	(9,600)	(9,600)	(1,458)	8,142
FUND BALANCES, BEGINNING	52,010	52,010	52,010	0
FUND BALANCES, ENDING	$42,410	$42,410	$50,552	$8,142

City of Orange, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Community Development Block Grant Fund
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Over (Under)
REVENUES				
Grant income	$489,582	$489,582	$338,437	($151,145)
Program income	10,000	10,000	3,100	(6,900)
Total Revenues	499,582	499,582	341,537	(158,045)
EXPENDITURES				
Current				
Public works	439,582	442,782	288,770	(154,012)
Capital outlay				
Other capital	60,000	60,000	56,012	(3,988)
Total Expenditures	499,582	502,782	344,782	(158,000)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	0	(3,200)	(3,245)	(45)
NET CHANGE IN FUND BALANCES	0	(3,200)	(3,245)	(45)
FUND BALANCES, BEGINNING	51,900	51,900	51,900	0
FUND BALANCES, ENDING	$51,900	$48,700	$48,655	($45)

City of Orange, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Confined Space Rescue Fund
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Over (Under)
REVENUES				
Donations	$20,000	$20,000	$20,000	$0
Investment income	150	150	142	(8)
Total Revenues	20,150	20,150	20,142	(8)
EXPENDITURES				
Current				
Public safety	45,000	45,000	16,434	(28,566)
Total Expenditures	45,000	45,000	16,434	(28,566)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(24,850)	(24,850)	3,708	28,558
NET CHANGE IN FUND BALANCES	(24,850)	(24,850)	3,708	28,558
FUND BALANCES, BEGINNING	68,033	68,033	68,033	0
FUND BALANCES, ENDING	$43,183	$43,183	$71,741	$28,558

City of Orange, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Department of Justice Grant Fund
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Over (Under)
REVENUES				
Grant income	$3,775	$3,775	($750)	($4,525)
Total Revenues	3,775	3,775	(750)	(4,525)
EXPENDITURES				
Current				
Public safety	3,775	3,775	(750)	(4,525)
Total Expenditures	3,775	3,775	(750)	(4,525)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	0	0	0	0
NET CHANGE IN FUND BALANCES	0	0	0	0
FUND BALANCES, BEGINNING				0
FUND BALANCES, ENDING	$0	$0	$0	$0

City of Orange, Texas
Schedule of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual
Economic Development Fund
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Over (Under)
REVENUES				
Investment income	$0	$0	$4	$4
Total Revenues	0	0	4	4
EXPENDITURES				
Current				
Cultural & recreation	0	0	0	0
Total Expenditures	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	0	0	4	4
NET CHANGE IN FUND BALANCES	0	0	4	4
FUND BALANCES, BEGINNING	2,297	2,297	2,297	0
FUND BALANCES, ENDING	$2,297	$2,297	$2,301	$4

City of Orange, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Fire Department Donation Fund
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Over (Under)
REVENUES				
Donations	$500	$500	$5,490	$4,990
Investment income	50	50	46	(4)
Total Revenues	550	550	5,536	4,986
EXPENDITURES				
Current				
Public safety	14,000	14,000	3,800	(10,200)
Total Expenditures	14,000	14,000	3,800	(10,200)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(13,450)	(13,450)	1,736	15,186
NET CHANGE IN FUND BALANCES	(13,450)	(13,450)	1,736	15,186
FUND BALANCES, BEGINNING	18,652	18,652	18,652	0
FUND BALANCES, ENDING	$5,202	$5,202	$20,388	$15,186

City of Orange, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Home Program Fund
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Over (Under)
REVENUES				
Program income	$0	$0	$0	$0
Total Revenues	0	0	0	0
EXPENDITURES				
Capital outlay				
Other capital	0	0	0	0
Total Expenditures	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	0	0	0	0
NET CHANGE IN FUND BALANCES	0	0	0	0
FUND BALANCES, BEGINNING	9,903	9,903	9,903	0
FUND BALANCES, ENDING	$9,903	$9,903	$9,903	$0

City of Orange, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Law Enforcement Seizure Fund
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Over (Under)
REVENUES				
Investment income	$1,200	$1,200	$1,033	($167)
Forfeitures	10,000	10,000	12,768	2,768
Total Revenues	11,200	11,200	13,801	2,601
EXPENDITURES				
Current				
Public safety	132,000	132,000	56,489	(75,511)
Total Expenditures	132,000	132,000	56,489	(75,511)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(120,800)	(120,800)	(42,688)	78,112
NET CHANGE IN FUND BALANCES	(120,800)	(120,800)	(42,688)	78,112
FUND BALANCES, BEGINNING	542,091	542,091	542,091	0
FUND BALANCES, ENDING	$421,291	$421,291	$499,403	$78,112

City of Orange, Texas
Schedule of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual
Library Donation Fund
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Over (Under)
REVENUES				
Donations	$4,000	$4,000	$3,805	($195)
Grant income	0	0	262	262
Investment income	240	240	194	(46)
Program income	1,500	1,500	1,181	(319)
Total Revenues	5,740	5,740	5,442	(298)
EXPENDITURES				
Current				
Cultural & recreation	9,500	9,500	1,258	(8,242)
Capital outlay				
Books	10,000	10,000	1,325	(8,675)
Other capital	15,000	15,000	10,676	(4,324)
Total Expenditures	34,500	34,500	13,259	(21,241)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(28,760)	(28,760)	(7,817)	20,943
NET CHANGE IN FUND BALANCES	(28,760)	(28,760)	(7,817)	20,943
FUND BALANCES, BEGINNING	101,128	101,128	101,128	0
FUND BALANCES, ENDING	$72,368	$72,368	$93,311	$20,943

City of Orange, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Municipal Court Technology Fund
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Over (Under)
REVENUES				
Investment income	$150	$150	$142	($8)
Program income	12,100	12,100	10,167	(1,933)
Total Revenues	12,250	12,250	10,309	(1,941)
EXPENDITURES				
Current				
Public safety	18,000	18,000	6,775	(11,225)
Total Expenditures	18,000	18,000	6,775	(11,225)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(5,750)	(5,750)	3,534	9,284
NET CHANGE IN FUND BALANCES	(5,750)	(5,750)	3,534	9,284
FUND BALANCES, BEGINNING	72,226	72,226	72,226	0
FUND BALANCES, ENDING	$66,476	$66,476	$75,760	$9,284

City of Orange, Texas
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, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Over (Under)
REVENUES				
Grant income	$0	$10,000	$10,000	$0
Investment income	0	0	33	33
Total Revenues	0	10,000	10,033	33
EXPENDITURES				
Current				
Public Safety	1,881	1,881	105	(1,776)
Capital outlay				
Other capital	3,885	13,889	13,782	(107)
Total Expenditures	5,766	15,770	13,887	(1,883)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(5,766)	(5,770)	(3,854)	1,916
NET CHANGE IN FUND BALANCES	(5,766)	(5,770)	(3,854)	1,916
FUND BALANCES, BEGINNING	18,027	18,027	18,027	0
FUND BALANCES, ENDING	$12,261	$12,257	$14,173	$1,916

City of Orange, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Orange Development Fund
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Over (Under)
REVENUES				
Taxes	$630,000	$630,000	$666,441	$36,441
Donations	2,000	2,000	4,770	2,770
Investment income	2,200	2,200	2,705	505
Total Revenues	634,200	634,200	673,916	39,716
EXPENDITURES				
Current				
Cultural & recreation	616,800	1,010,800	497,813	(512,987)
Total Expenditures	616,800	1,010,800	497,813	(512,987)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	17,400	(376,600)	176,103	552,703
NET CHANGE IN FUND BALANCES	17,400	(376,600)	176,103	552,703
FUND BALANCES, BEGINNING	1,298,014	1,298,014	1,298,014	0
FUND BALANCES, ENDING	$1,315,414	$921,414	$1,474,117	$552,703

City of Orange, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Parks Donation Fund
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Over (Under)
REVENUES				
Donations	$0	$0	$0	$0
Investment income	30	30	19	(11)
Total Revenues	30	30	19	(11)
EXPENDITURES				
Current				
Cultural & recreation	0	0	0	0
Total Expenditures	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	30	30	19	(11)
NET CHANGE IN FUND BALANCES	30	30	19	(11)
FUND BALANCES, BEGINNING	9,941	9,941	9,941	0
FUND BALANCES, ENDING	$9,971	$9,971	$9,960	($11)

City of Orange, Texas
Schedule of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual
Police Donation Fund
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Over (Under)
REVENUES				
Investment income	$50	$50	$61	$11
Total Revenues	50	50	61	11
EXPENDITURES				
Current				
Public safety	5,000	5,000	0	(5,000)
Total Expenditures	5,000	5,000	0	(5,000)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(4,950)	(4,950)	61	5,011
NET CHANGE IN FUND BALANCES	(4,950)	(4,950)	61	5,011
FUND BALANCES, BEGINNING	30,152	30,152	30,152	0
FUND BALANCES, ENDING	$25,202	$25,202	$30,213	$5,011

City of Orange, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Texas Department of Transportation (TXDOT) Grant Fund
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Over (Under)
REVENUES				
Grant income	$189,910	$286,662	$105,866	($180,796)
Total Revenues	189,910	286,662	105,866	(180,796)
EXPENDITURES				
Capital outlay				
Other capital	0	96,752	61,801	(34,951)
Water system construction	189,910	189,910	44,065	(145,845)
Total Expenditures	189,910	286,662	105,866	(180,796)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	0	0	(0)	(0)
NET CHANGE IN FUND BALANCES	0	0	(0)	(0)
FUND BALANCES, BEGINNING	229	229	229	0
FUND BALANCES, ENDING	$229	$229	$229	($0)

City of Orange, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Texas Forest Service TIFMAS Fund
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Over (Under)
REVENUES				
Grant income	$0	$7,405	$10,970	$3,565
Total Revenues	0	7,405	10,970	3,565
EXPENDITURES				
Current				
Public safety	0	7,405	10,970	3,565
Total Expenditures	0	7,405	10,970	3,565
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	0	0	0	0
NET CHANGE IN FUND BALANCES	0	0	0	0
FUND BALANCES, BEGINNING	0	0	0	0
FUND BALANCES, ENDING	$0	$0	$0	$0

City of Orange, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Texas Dept. of Public Safety Emergency Management Grant Fund
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Over (Under)
REVENUES				
Grant income	$28,078	$33,460	$33,460	$0
Total Revenues	28,078	33,460	33,460	0
EXPENDITURES				
Current				
Public safety	28,078	33,460	33,460	0
Total Expenditures	28,078	33,460	33,460	0
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	0	0	0	0
NET CHANGE IN FUND BALANCES	0	0	0	0
FUND BALANCES, BEGINNING	0	0	0	0
FUND BALANCES, ENDING	$0	$0	$0	$0

City of Orange, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Texas General Land Office (GLO) Grant Fund
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Over (Under)
REVENUES				
Grant income	$0	$2,980,472	$2,862	($2,977,610)
Total Revenues	0	2,980,472	2,862	(2,977,610)
EXPENDITURES				
Current				
Public works	21,529	23,472	2,862	(20,610)
Capital outlay				
Water system construction	0	2,957,000	0	(2,957,000)
Total Expenditures	21,529	2,980,472	2,862	(2,977,610)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(21,529)	0	0	0
NET CHANGE IN FUND BALANCES	(21,529)	0	0	0
FUND BALANCES, BEGINNING	0	0	0	0
FUND BALANCES, ENDING	($21,529)	$0	$0	$0

City of Orange, Texas
Schedule of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual
Texas Water Development Board Grant Fund
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Over (Under)
REVENUES				
Grant income	$0	$218,642	$212,216	($6,426)
Total Revenues	0	218,642	212,216	(6,426)
EXPENDITURES				
Current				
Public works	0	218,642	212,216	(6,426)
Total Expenditures	0	218,642	212,216	(6,426)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	0	0	0	0
NET CHANGE IN FUND BALANCES	0	0	0	0
FUND BALANCES, BEGINNING	0	0	0	0
FUND BALANCES, ENDING	$0	$0	$0	$0

ORANGE CITY HALL

SMALL TOWN CHARM WORLD CLASS CULTURE

ORANGE

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Internal Service Funds

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

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

City of Orange, Texas
Statement of Net Position
Internal Service Fund
As of September 30, 2016

	Workers' Compensation Insurance Fund
ASSETS	
Cash and cash equivalents	$693,305
Cash with fiscal agents	20,000
Total Assets	713,305
LIABILITIES	
Accounts payable	26,523
Claims payable	39,153
Total Liabilities	65,676
NET POSITION	
Unrestricted	647,630
Total Net Position	$647,630

City of Orange, Texas
Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Year Ended September 30, 2016

	Workers' Compensation Insurance Fund
OPERATING REVENUES	
Charges for services	$261,811
Total Operating Revenues	261,811
OPERATING EXPENSES	
Administrative	11,900
Claims	11,687
Premiums	43,614
Total Operating Expenses	67,201
OPERATING INCOME (LOSS)	194,609
NONOPERATING REVENUES (EXPENSES)	
Investment income	1,068
Net Nonoperating Revenues (Expenses)	1,068
CHANGE IN NET POSITION	195,678
TOTAL NET POSITION - BEGINNING	451,952
TOTAL NET POSITION - ENDING	$647,630

City of Orange, Texas
Statement of Cash Flows
Internal Service Fund
For the Year Ended September 30, 2016

	Workers' Compensation Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$261,811
Cash paid to suppliers	(74,610)
Net Cash Provided (Used) by Operating Activities	187,200
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	1,068
Net Cash Provided by Investing Activities	1,068
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	188,269
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	505,037
CASH AND CASH EQUIVALENTS - END OF YEAR	693,306
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	194,609
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
(Increase) decrease cash with fiscal agents	13,000
Increase (decrease) in accounts payable	(20,409)
Total Adjustments	(7,409)
Net Cash Provided (Used) by Operating Activities	$187,200

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, 2016

	Municipal Court Escrow Agency Fund	Employee Flex Plan Agency Fund	Orange Employee Benefit Trust Fund	Total Fiduciary Funds
ASSETS				
Cash and cash equivalents	$4,865	$5,856	$229,408	$240,129
Accounts receivable	0	0	777	777
Total Assets	4,865	5,856	230,185	240,906
LIABILITIES				
Accounts payable	0	0	978	978
Other Liabilities	4,865	5,856	229,207	239,928
Total Liabilities	$4,865	$5,856	$230,185	$240,906

City of Orange, Texas
Combining Statement of Changes in Fiduciary Assets and Liabilities
For the Year Ended September 30, 2016

	Municipal Court Escrow Agency Fund 10/1/2015	Additions	Deletions	Municipal Court Escrow Agency Fund 9/30/2016
Cash and cash equivalents	$3,617	$12,556	$11,308	$4,865
Total Assets	3,617	12,556	11,308	4,865
Other Liabilities - held in trust for municipal court bonds	3,617	13,803	12,555	4,865
Total Liabilities	$3,617	$13,803	$12,555	$4,865

	Employee Flex Plan Agency Fund 10/1/2015	Additions	Deletions	Employee Flex Plan Agency Fund 9/30/2016
Cash and cash equivalents	$86	$18,466	$12,695	$5,856
Accounts receivable	2,894	0	2,894	0
Total Assets	2,980	18,466	15,589	5,856
Other Liabilities - held in trust for flexible spending accounts	2,980	15,572	12,695	5,856
Total Liabilities	$2,980	$15,572	$12,695	$5,856

	Orange Employee Benefit Trust Fund 10/1/2015	Additions	Deletions	Orange Employee Benefit Trust Fund 9/30/2016
Cash and cash equivalents	$219,785	$2,770,701	$2,761,078	$229,408
Accounts receivable	777	0	0	777
Total Assets	220,562	2,770,701	2,761,078	230,185
Accounts payable	10,205	2,736,279	2,745,507	978
Other Liabilities - held in trust for employee insurance costs	210,357	2,755,130	2,736,279	229,207
Total Liabilities	$220,562	$5,491,409	$5,481,786	$230,185

	Total Fiduciary Funds 10/1/2015	Additions	Deletions	Total Fidiciary Funds 9/30/2016
Cash and cash equivalents	$223,488	$2,801,723	$2,785,081	$240,129
Accounts receivable	3,671	0	2,894	777
Total Assets	227,159	2,801,723	2,787,975	240,906
Accounts payable	10,205	2,736,279	2,745,507	978
Other Liabilities - held in trust for municipal court bonds	3,617	13,803	12,555	4,865
Other Liabilities - held in trust for flexible spending accounts	2,980	15,572	12,695	5,856
Other Liabilities - held in trust for employee insurance costs	210,357	2,755,130	2,736,279	229,207
Total Liabilities	$227,159	$5,520,783	$5,507,036	$240,906

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.

Contents | ***Page***

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. 150

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax. 152

Debt Capacity

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. 156

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place. 161

Operating Information

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. 163

Table 1

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

	2007	2008	2009	2010 (a)	2011	2012	2013 (b)	2014 (c)	2015 (c)	2016
Government activities										
Net investment in capital assets	$12,430,810	$12,887,162	$8,524,217	$8,955,990	$11,874,957	$18,716,218	$19,963,533	$23,215,863	$23,174,811	$23,352,038
Restricted	914,538	0	57,354	71,058	65,900	14,862	155,728	76,887	91,495	90,042
Unrestricted	6,870,023	7,808,150	8,673,931	7,296,187	6,761,991	6,266,247	6,880,845	(3,493,205)	(1,142,628)	(1,516,824)
Total government activities net position	20,215,371	20,695,312	17,255,502	16,323,235	18,702,848	24,997,327	27,000,106	19,799,545	22,123,678	21,925,256
Business-type activities										
Net investment in capital assets	18,144,331	20,888,515	29,423,794	30,776,406	31,493,491	32,196,379	32,963,175	35,152,332	35,994,034	37,447,602
Restricted	1,624,697	1,493,068	1,749,284	1,443,873	1,428,684	1,434,849	1,488,660	1,457,546	777,587	66,923
Unrestricted	1,615,060	1,324,520	1,708,919	1,973,799	2,120,773	2,357,075	2,736,025	532,566	1,492,412	2,274,530
Total business-type activities net position	21,384,088	23,706,103	32,881,997	34,194,078	35,042,948	35,988,303	37,187,860	37,142,444	38,264,033	39,789,055
Primary government										
Net investment in capital assets	30,575,141	33,775,677	37,948,011	39,732,396	43,368,448	50,912,597	52,926,708	58,368,195	59,168,845	60,799,640
Restricted	2,539,235	1,493,068	1,806,638	1,514,931	1,494,584	1,449,711	1,644,388	1,534,433	869,082	156,965
Unrestricted	8,485,083	9,132,670	10,382,850	9,269,986	8,882,764	8,623,322	9,616,870	(2,960,639)	349,784	757,706
Total primary government net position	$41,599,459	$44,401,415	$50,137,499	$50,517,313	$53,745,796	$60,985,630	$64,187,966	$56,941,989	$60,387,711	$61,714,311

(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 occuring 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).

(c) In fiscal year 2015 there was a prior period adjustment related to the implementation of GASB Statement No. 68 for Accounting and Financial Report for Pensions. net position was restated for the net position liability at September 30, 2014. Governmental activities had a prior period adjustment of ($10,912,644) and the business-type activiticie had a prior period adjustment of ($1,352,774).

Table 2

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

	2007	2008	2009	2010 (b), (c)	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities										
General government	$1,235,297	$1,262,411	$1,444,316	$1,338,566	$1,382,505	$1,449,759	$1,686,907	$1,155,305	$1,362,420	$1,704,725
Cultural and recreation	1,385,314	1,446,538	1,486,749	1,702,697	1,597,544	1,506,522	1,721,378	1,636,053	1,571,047	1,746,315
Public safety	8,280,559	8,931,939	9,399,380	9,870,932	9,807,217	10,124,888	10,244,710	10,666,744	10,843,357	11,700,880
Public works	4,142,241	4,194,268	4,435,852	4,694,527	4,195,605	4,294,614	3,593,133	4,323,317	3,808,559	4,471,129
Interest on long-term debt	288,522	328,931	556,581	493,648	460,991	426,512	299,216	281,198	199,043	190,032
Total governmental activities	15,331,933	16,164,087	17,322,878	18,100,370	17,443,862	17,802,295	17,545,344	18,062,617	17,784,426	19,813,081
Business-type activities										
Water	2,025,692	2,221,629	2,355,024	2,551,573	2,664,708	2,416,132	2,800,457	2,965,856	2,910,512	2,349,491
Sewer	3,694,760	3,920,433	4,008,183	4,171,001	4,399,089	4,217,375	4,367,032	3,985,926	3,884,481	4,373,067
Sanitation	1,179,005	1,546,541	1,566,280	1,582,983	1,659,430	1,629,934	1,661,963	1,691,352	1,706,452	1,750,708
Total business-type activities	6,899,457	7,688,603	7,929,487	8,305,557	8,723,227	8,263,441	8,829,452	8,643,134	8,501,445	8,473,266
Total primary government	22,231,390	23,852,690	25,252,365	26,405,927	26,167,089	26,065,736	26,374,796	26,705,751	26,285,871	28,286,347
Program Revenues										
Governmental activities										
Charges for services										
General government	799,177	848,857	830,125	1,134,214	1,112,058	1,139,522	1,086,293	1,141,978	1,307,982	1,209,346
Cultural and recreation	51,212	37,715	36,527	27,011	36,020	22,777	23,817	22,961	50,620	59,249
Public safety	227,100	194,897	259,217	270,964	199,371	319,280	341,031	183,055	406,569	349,818
Public works	138,584	108,543	225,303	98,552	102,228	54,690	49,164	125,919	114,950	79,100
Operating grants and contributions										
General government	82,384	210,540	164,470	83,547	88,459	112,093	106,590	137,756	97,436	116,460
Cultural and recreation	45,483	13,075	16,991	16,752	18,763	3,019	6,160	46,708	15,290	1,443
Public safety	439,073	671,362	753,682	395,027	247,351	262,965	254,898	84,408	80,673	147,791
Public works	1,052,904	1,295,456	1,416,415	1,412,616	1,007,070	1,032,602	353,633	268,082	248,688	572,738
Capital grants and contributions										
General government	27,775	12,418	89,964	0	0	34,959	473	0	0	0
Cultural and recreation	0	28,516	213,396	8,185	126,979	3,187	1,704	1,637	1,074	59,817
Public safety	332,579	410,248	1,339,349	663,321	2,316,708	6,155,476	138,848	32,386	330,162	10,000
Public works	412,792	854,619	813,231	222,996	1,289,006	611,356	1,775,080	4,190,783	1,034,726	100,000
Total governmental activities program revenues	3,609,063	4,686,246	6,158,670	4,333,185	6,544,013	9,751,926	4,137,691	6,235,673	3,688,170	2,705,762

(Continued)

Table 2 (Continued)

	2007	2008	2009	2010 (b), (c)	2011	2012	2013	2014	2015	2016
Business-type activities										
Charges for services										
Water	1,881,226	1,996,487	2,140,507	2,409,073	2,596,037	2,600,208	2,648,991	2,495,113	2,634,542	2,649,512
Sewer	3,742,025	3,697,384	3,839,209	4,290,074	4,548,118	3,648,695	5,064,641	4,822,636	5,118,168	5,198,357
Sanitation	1,284,458	1,664,792	1,579,773	1,678,957	1,724,816	1,625,639	1,768,833	1,800,741	1,824,743	1,883,292
Operating grants and contributions										
Water	11,263	35,678	30,574	10,960	0	0	0	0	0	0
Sewer	11,262	35,678	201,440	10,960	0	0	0	0	0	0
Sanitation	0	0	164,116	150,089	0	0	0	0	0	0
Capital grants and contributions										
Water	3,275	689,420	942,491	264,074	10,110	20,570	429,623	607,885	22,715	105,866
Sewer	101,310	710,511	1,336,866	74,940	74,136	52,041	343,277	214,102	15,000	150,289
Sanitation	0	0	0	39,505	0	0	0	0	0	0
Total governmental activities program revenues	7,034,819	8,829,950	10,234,976	8,928,632	8,953,217	7,947,153	10,255,365	9,940,477	9,615,168	9,987,316
Total primary government program revenues	10,643,882	13,516,196	16,393,646	13,261,817	15,497,230	17,699,079	14,393,056	16,176,150	13,303,338	12,693,078
Net (expense)/revenue										
Governmental activities	(11,722,870)	(11,477,841)	(11,164,208)	(13,767,185)	(10,899,849)	(8,050,369)	(13,407,653)	(11,826,944)	(14,096,256)	(17,107,319)
Business-type activities	51,769	1,141,347	2,305,489	623,075	229,990	900,653	1,425,913	1,297,343	1,113,723	1,514,050
Total primary government net expense	(11,671,101)	(10,336,494)	(8,858,719)	(13,144,110)	(10,669,859)	(7,149,716)	(11,981,740)	(10,529,601)	(12,982,533)	(15,593,269)
General Revenues and Other Changes in Net Position										
Governmental Activities										
Property taxes	4,078,832	4,377,602	5,345,422	5,666,502	5,874,034	6,096,780	5,868,244	6,044,783	5,869,937	6,144,835
Sales taxes	2,152,471	2,241,325	3,035,472	2,469,558	2,308,088	2,229,480	2,309,982	2,358,053	2,592,886	2,720,011
Other taxes	599,959	684,480	598,063	497,900	474,895	553,828	603,799	622,747	694,827	688,170
Franchise taxes	312,356	336,533	334,756	329,673	342,136	306,524	282,092	298,172	307,093	281,390
Payment in-lieu of taxes	4,965,279	5,042,646	5,087,347	4,503,987	4,871,157	5,162,155	6,457,311	6,201,387	6,933,803	7,050,656
Licenses and permits	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)
Unrestricted investment earnings	464,724	287,263	143,409	26,853	20,396	22,267	20,490	13,885	21,843	23,835
Transfers	(83,593)	(1,012,067)	(6,820,071)	(682,404)	(611,194)	(26,186)	0	0	0	0
Total governmental activities	12,490,028	11,957,782	7,724,398	12,812,069	13,279,512	14,344,848	15,541,918	15,539,027	16,420,389	16,908,897
Business-type activities										
Unrestricted investment earnings	127,797	168,601	50,334	6,602	7,686	18,516	9,141	10,015	7,866	10,972
Transfers	83,593	1,012,067	6,820,071	682,404	611,194	26,186	0	0	0	0
Total business-type activities	211,390	1,180,668	6,870,405	689,006	618,880	44,702	9,141	10,015	7,866	10,972
Total primary government	12,701,418	13,138,450	14,594,803	13,501,075	13,898,392	14,389,550	15,551,059	15,549,042	16,428,255	16,919,869
Change in Net Position										
Governmental activities	767,158	479,941	(3,439,810)	(955,116)	2,379,663	6,294,479	2,134,265	3,712,083	2,324,133	(198,422)
Business-type activities	263,159	2,322,015	9,175,894	1,312,081	848,870	945,355	1,435,054	1,307,358	1,121,589	1,525,022
Total primary government	$1,030,317	$2,801,956	$5,736,084	$356,965	$3,228,533	$7,239,834	$3,569,319	$5,019,441	$3,445,722	$1,326,600

(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 governement 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)

Fiscal Year	Property Tax	Sales Tax	Other Tax	Franchise Tax	Total
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
2015	$5,869,937	$2,592,886	$694,827	$307,093	$9,464,743
2016	$6,144,835	$2,720,011	$688,170	$281,390	$9,834,406

Table 4

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

	2007-2010 (a)	2011	2012	2013	2014	2015	2016
General fund							
Nonspendable:							
Inventory	$0	$66,951	$124,361	$101,349	$103,939	$89,271	$85,495
Prepaids	0	0	120,742	131,434	140,293 (b)	147,243	156,840
Assigned to:							$0
Capital outlay	0	369,593	0	0	0	0	0
Hurricane recovery	0	249,752	0	0	0	0	0
Unassigned	0	4,340,641	4,049,277	4,977,270	5,531,403 (b)	6,956,414	8,029,694
Total general fund	$0	$5,026,937	$4,294,380	$5,210,053	$5,775,635	$7,192,928	$8,272,029
Debt service							
Restricted for:							
Debt service	$0	$114,024	$76,094	$155,728	$114,126	$115,384	$114,104
Total debt service	$0	$114,024	$76,094	$155,728	$114,126	$115,384	$114,104
Capital projects							
Assigned to:							
Capital projects	$0	$98,789	$93,908	$62,599	$32,130	$620,017	$163,239
Total capital projects	$0	$98,789	$93,908	$62,599	$32,130	$620,017	$163,239
Other governmental funds							
Special revenue funds							
Nonspendable:							
Prepaids	$0	$0	$0	$4,014	$609 (b)	$8,087	$3,131
Restricted for:							
Cultural and recreation	0	114,391	115,275	115,583	104,655 (b)	114,953	103,272
Hurricane recovery	0	246,134	0	0	0	0	0
Public safety	0	877,088	867,861	903,373	827,899 (b)	787,368	758,132
Public works	0	53,137	46,509	53,120	69,615 (b)	64,796	61,386
Tourism and promotion	0	835,280	1,036,102	976,036	1,082,085 (b)	1,297,103	1,472,484
Assigned to:							
Economic development	0	2,268	2,280	2,285	2,292	2,297	2,301
Total all other governemental funds	$0	$2,128,298	$2,068,027	$2,054,411	$2,087,155	$2,274,604	$2,400,706

(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
(modifed accrual basis on accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	$6,827,323	$7,251,694	$8,962,140	$8,625,889	$8,567,376	$8,616,255	$8,662,858	$8,902,775	$9,337,233	$9,517,837
Payments in lieu of taxes	4,965,279	5,042,646	5,087,347	4,503,987	4,871,157	5,162,155	6,457,311	6,201,387	6,933,803	7,050,656
Franchises	989,629	1,044,480	985,522	1,302,854	1,289,831	1,243,862	1,190,589	1,199,098	1,205,744	1,186,241
Licenses and permits	399,478	407,416	531,419	417,235	387,541	375,209	321,067	372,001	416,556	356,816
Intergovernmental	909,526	1,215,187	1,908,101	1,448,148	833,590	1,226,800	498,561	340,410	98,843	239,484
Charges for services	1,609,823	1,747,388	1,690,276	1,711,616	1,950,949	1,864,230	1,946,848	2,173,072	2,238,147	2,157,279
Donations	78,447	170,720	183,515	61,207	45,375	67,498	31,042	33,043	30,581	34,092
Grant income	886,200	782,590	400,000	822,476	3,387,878	6,776,309	2,086,515	4,289,863	1,328,923	713,323
Investment income	464,724	287,263	143,408	26,855	20,396	22,267	20,490	13,885	21,843	23,835
Program income	87,708	66,527	39,061	50,087	79,576	23,449	17,766	27,783	31,833	14,448
Forfeitures	354,764	563,239	429,966	275,257	57,701	56,774	67,229	32,386	6,750	12,768
Restitution	96	0	0	0	0	0	0	0	0	0
Miscellaneous	42,074	83,294	41,124	21,571	53,350	77,191	206,859	112,644	505,056	217,847
Total revenues	17,615,071	18,662,444	20,401,879	19,267,182	21,544,720	25,511,999	21,507,135	23,698,347	22,155,312	21,524,626
Expenditures										
General government	1,159,666	1,189,026	1,317,887	1,318,867	1,431,652	1,380,066	1,382,697	1,358,661	1,413,910	1,429,906
Cultural and recreation	1,171,112	1,247,902	1,363,852	1,510,032	1,480,747	1,352,473	1,615,702	1,543,962	1,459,846	1,583,184
Public safety	7,203,623	7,678,323	8,102,070	8,601,402	8,730,355	8,676,928	8,759,130	8,991,222	9,413,635	9,556,865
Public works	3,670,623	3,554,757	3,660,947	4,249,819	3,911,497	4,176,623	3,274,625	3,342,105	3,272,269	3,693,035
Non departmental Hurricane	68,947	667,723	785,822	54,093	173,125	312,925	0	0	0	0
Non departmental	1,716,235	1,801,242	1,567,423	1,664,657	1,796,074	1,780,323	1,804,513	1,921,167	1,889,829	2,040,987
Debt Service										
Principal	515,000	545,000	555,000	830,000	865,000	895,000	670,000	755,000	800,000	845,000
Interest and fiscal charges	256,668	235,593	534,562	458,003	425,565	391,278	289,028	253,638	190,326	146,030
Capital Outlay	2,122,744	3,332,853	8,674,015	1,418,833	3,979,351	7,472,353	2,711,531	5,281,322	1,529,310	1,558,920
Total expenditures	17,884,618	20,252,419	26,561,578	20,105,706	22,793,366	26,437,969	20,507,226	23,447,077	19,969,125	20,853,927
Excess of revenues over (under) expenditures	(269,547)	(1,589,975)	(6,159,699)	(838,524)	(1,248,646)	(925,970)	999,909	251,270	2,186,187	670,699
Other financing sources (uses)										
Transfers in	0	0	0	0	0	0	0	0	257,500	0
Transfers out	0	0	(579,846)	(379,846)	0	0	0	0	(257,500)	0
Bond proceeds	0	6,807,605	0	0	0	0	0	0	0	0
Bond issuance costs	0	(159,670)	0	0	0	0	0	0	0	0
Insurance proceeds	365,929	697,971	2,007,303	76,214	690,216	29,868	0	0	0	0
Sales of fixed asset	165,100	17,280	5,700	1,750	0	60,463	473	274,985	5,610	76,447
Refunding bonds issued	0	0	0	0	0	0	5,440,000	0	1,980,000	0
Discount on refunding bonds	0	0	0	0	0	0	(31,855)	0	0	0
Premium on refunding bonds	0	0	0	0	0	0	0	0	0	0
Premium on tax notes issued	0	0	0	0	0	0	204,641	0	0	0
Payment to refunded bond escrow account	0	0	0	0	0	0	(5,662,786)	0	(1,977,910)	0
Total other financing sources and uses	531,029	7,363,186	1,433,157	(301,882)	690,216	90,331	(49,527)	274,985	7,700	76,447
Net changes in fund balances	261,482	5,773,211	(4,726,542)	(1,140,406)	(558,430)	(835,639)	950,382	526,255	2,193,887	747,146
Debt service as a percentage of noncapital expenditures	4.67%	4.61%	6.09%	6.78%	6.64%	6.86%	5.43%	5.55%	5.37%	5.14%
Capital outlay figure from the Notes	1,358,173	3,332,853	8,674,013	1,116,474	3,368,157	7,691,828	2,850,131	5,281,322	1,529,310	1,558,920

Table 6

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

		Real Property		Personal Property					
Fiscal Year	Tax Year	Assessed Value	Percent	Assessed Value	Percent	Taxable Assessed Value (a) (b)	Total Direct Tax Rate	Est. True Value	Percentage of Total Assessed Value to True Value
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%
2015	2014	$675,778,484	75.36%	$221,007,368	24.64%	$896,785,852	$0.68131	$896,785,852	100.00%
2016	2015	$664,463,537	75.79%	$212,285,034	24.21%	$876,748,571	$0.70000	$876,748,571	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

Fiscal Year	General Fund	Debt Service	Total City Tax Rate	Bridge City School District	Little Cypress Mauriceville School District	Orangefield School District	West Orange West Orange Cove School District	Orange County + (Lateral Road)	Orange County Drainage District	Port and Navigation District	Total (a)	Total (b)	Total (c)	Total (d)
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
2015	$0.56813	$0.11318	$0.68131	$1.19000	$1.41000	$1.17000	$1.42774	$0.54400	$0.10726	$0.00779	$2.53036	$2.75036	$2.51036	$2.76810
2016	$0.58412	$0.11588	$0.70000	$1.19000	$1.43000	$1.30000	$1.42500	$0.54400	$0.10726	$0.00765	$2.54891	$2.78891	$2.65891	$2.78391

(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, 2016

Name	FY 2016 (a) Assessed Value	Rank	FY 2016 (a) Percent of Total Assessed Value	FY 2006 (b) Assessed Value	Rank	FY 2006 (b) Percent of Total Assessed Value
Conrad Orange Shipbuilding	$48,287,540	1	4.3571%			
Exxonmobil Chemical Co.	$25,772,180	2	2.3255%			
Westport Orange Shipyard, LLC	$24,489,550	3	2.2098%			
Honeywell (Allied)	$15,092,710	4	1.3619%			
Entergy Texas, Inc.	$14,376,090	5	1.2972%			
Webco Industries, Inc.	$7,765,330	6	0.7007%			
TX Majestic, LTD	$5,676,296	7	0.5122%			
Cloeren Company	$5,600,580	8	0.5054%	$5,822,770	7	1.1787%
Cypresswood Crossing II, LP	$5,016,540	9	0.4527%			
TWE-Advance Newhouse	$4,855,920	10	0.4382%			
Lanxess Corporation				$19,100,690	1	3.8664%
Entergy Gulf States, Inc.				$10,244,640	2	2.0738%
Home Depot, USA				$10,073,499	3	2.0391%
Signal International, Texas				$8,269,160	4	1.6739%
Southwestern Bell Telephone				$6,859,016	5	1.3884%
Higman Towing Company				$5,880,185	6	1.1903%
Dal Sasso International				$4,720,881	8	0.9556%
Anton Dal Sasso				$4,539,133	9	0.9188%
Northway Center, Inc.				$3,824,327	10	0.7741%
	$156,932,736		14.1605%	$79,334,301		16.0592%

(a) Tax roll for Fiscal Year 2016, tax year 2015.
(b) Tax roll for Fiscal Year 2006, tax year 2005.

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
2007	$4,014,732	$3,819,191	95.13%	$158,701	$3,977,892	99.08%
2008	$4,276,277	$4,075,986	95.32%	$163,534	$4,239,520	99.14%
2009	$5,268,943	$5,062,658	96.08%	$162,959	$5,225,617	99.18%
2010	$5,548,338	$5,365,446	96.70%	$133,795	$5,499,241	99.12%
2011	$5,873,596	$5,657,735	96.32%	$136,777	$5,794,512	98.65%
2012	$5,984,440	$5,622,255	93.95%	$169,239	$5,791,494	96.78%
2013	$5,840,346	$5,544,045	94.93%	$185,074	$5,729,119	98.10%
2014	$5,888,752	$5,669,884	96.28%	$92,209	$5,762,093	97.85%
2015	$5,938,008	$5,739,169	96.65%	$54,645	$5,793,814	97.57%
2016	$6,091,096	$5,828,534	95.69%	$0	$5,828,534	95.69%

(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

	Government Activities		Business-Type Activities						
Fiscal Year	General Obligation Bonds & Notes	Capital Leases	General Obligation Bonds	Certificates of Obligation	Revenue Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
2007	$6,055,000	$0	$11,440,000	$0	$0	$89,819	$17,584,819	n/a	$943.24
2008	$12,270,000	$0	$10,370,000	$0	$5,095,000	$44,514	$22,684,514	n/a	$1,216.78
2009	$11,715,000	$0	$9,255,000	$0	$4,925,000	$6,516	$20,976,516	n/a	$1,125.17
2010	$10,885,000	$0	$8,095,000	$0	$4,745,000	$129,765	$19,109,765	n/a	$1,027.68
2011	$10,020,000	$0	$6,790,000	$0	$4,560,000	$80,449	$16,890,449	n/a	$908.33
2012	$9,125,000	$0	$5,500,000	$0	$4,370,000	$29,981	$14,654,981	n/a	$788.11
2013	$8,740,000	$0	$4,180,000	$0	$4,170,000	$0	$12,920,000	n/a	$694.81
2014	$7,985,000	$0	$6,700,000	$0	$215,000	$0	$14,685,000	n/a	$789.73
2015	$7,290,000	$0	$5,275,000	$4,845,000	$0	$0	$17,410,000	n/a	$936.27
2016	$6,445,000	$0	$3,590,000	$4,645,000	$0	$0	$14,680,000	n/a	$789.46

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	General Obligation Debt		Less: Amounts Available in Debt Service		Percentage of Estimated Actual Taxable Value of	Per
Year	Governmental Activities	Business-Type Activities	Fund	Total	Property (a)	Capita (b)
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
2015	$7,290,000	$10,120,000	$892,971	$16,517,029	1.84%	$888.25
2016	$6,445,000	$8,235,000	$181,027	$14,498,973	1.65%	$779.72

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

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
City of Orange	$6,445,000 (a)	100.00%	$6,445,000
Bridge City ISD	$20,008,010 (b)	2.28% (c)	$456,183
Little Cypress Mauriceville ISD	$65,240,000 (b)	28.39% (c)	$18,521,636
Orange County	$0 (b)	15.97% (c)	$0
Orangefield ISD	$9,625,000 (b)	6.30% (c)	$606,375
West Orange Cove CISD	$57,412,432 (b)	29.93% (c)	$17,183,541
Subtotal Overlapping Debt	$152,285,442		$36,767,735
Total Direct and Overlapping Debt	$158,730,442		$43,212,735

Source: Debt outstanding data provided by overlapping entities and compiled by Municipal Advisory of Texas (Texas MAC).

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 or CO's reported in the enterprise funds.

(b) Infomration from the Municipal Advisory Council of Texas (Texas MAC) used for debt outstanding from other entities.

(c) Information from the Municipal Advisory of Texas (Texas MAC) used for overlapping % information in 2015.

Table 13

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	$64,713,191	$73,955,148	$90,912,109	$94,533,047	$100,307,453	$102,608,008	$102,470,872	$110,459,971	$112,325,508	$110,824,452
Total net debt applicable to limit	$6,055,000	$12,177,506	$11,576,792	$10,742,612	$9,905,976	$9,050,421	$8,584,272	$7,908,113	$7,290,000	$6,445,000
Legal debt margin	$58,658,191	$61,785,148	$79,335,317	$83,790,435	$90,401,477	$93,557,587	$93,886,600	$102,551,858	$105,035,508	$104,379,452
Total net debt applicable to the limit as a percentage of debt limit	10.32%	19.71%	14.59%	12.82%	10.96%	9.67%	9.14%	7.71%	6.94%	6.17%

Legal Debt Margin Calculation
For Fiscal Year 2016

Total assessed value (a)	$1,108,244,517
Debt limit 10% of assessed value (b)	$110,824,452
Amount of debt applicable to debt margin:	
Total bonded debt	$14,680,000
Less:	
Assets available in governmental debt service fund balance	$0
Self supported bonds and certificates (c)	$8,235,000
Total amount of debt applicable to debt limit (d)	$6,445,000
Legal debt limit	$104,379,452

(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 2014 General Obligation Refunding Bonds of $3,590,000 and the 2015 Tax and Revenue Certificates of Obligation of $4,645,000.
(d) This includes the 2013 General Obligation Refunding Bonds of $4,985,000, and the 2015 General Obligation Refunding Bonds of $1,460,000.

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)		2014 GO Refunding Bonds (f),(g)		2015 Certificates of Obligatin (h)	
				Principal	Interest	Coverage	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	--	--
2015	7,757,844	5,047,447	2,710,397	215,000	7,698	12.17	--	--	1,395,000	57,952	30,000	119,287	0	19,389
2016	7,856,260	5,096,554	2,759,706	--	--	--	--	--	1,430,000	14,455	255,000	84,484	200,000	116,969

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 revuenues of the City's Water and Sewer System.
(f) The GO Refunding, Series 2014 refunded $3,750,000 of the Series 2007 WS System Revenue Bonds.
(g) The GO Refunding, Series 2014 is being paid from surplus revenues of the City's Water and Sewer System.
(h) The Certificates of Obligation, Series 2015 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

Fiscal Year	Population (a)	Personal Income (b)	Per Capita Personal Income (a) (b)	Median Age (a)	% Completing High School or Higher (a)	School Enrollment (a)	Unemployment Rate (c)
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	7.4%
2015	18,595	n/a	$23,155 (a)	39.1	85.80%	n/a	6.4%
2016	18,595	n/a	$23,155 (a)	39.1	85.80%	n/a	7.2%

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

	2016 (a)				2007 (c)		
Employer	Employees	Rank	Percentage of Total County Employment (b)		Employees	Rank	Percentage of Total City Employment (d)
El Dupont de Nemours & Co.	920	1	2.42%	El Dupont de Nemours & Co.	866	1	2.23%
Invista	732	2	1.93%	Mundy Industrial Contractors, Inc.	600	2	1.55%
Little Cypress-Mauriceville ISD	584	3	1.54%	West Orange Cove Consolidated ISD	600	3	1.55%
Orange County	500	4	1.32%	Little Cypress-Mauriceville ISD	523	4	1.35%
West Orange Cove Consolidated ISD	450	5	1.18%	Temple Inland	500	5	1.29%
International Paper	412	6	1.08%	Invista	480	6	1.24%
Kellog - Brown & Root	420	7	1.11%	Orange County	411	7	1.06%
Lanxess, Inc.	390	8	1.03%	Memorial Hermann Baptist Orange	360	8	0.93%
Lamar State College - Orange	274	9	0.72%	Lanxess, Inc.	348	9	0.90%
Cloeren Company, Inc.	250	10	0.66%	Cloeren Company, Inc.	300	10	0.77%
Orangefield ISD	249	11	0.66%	Firestone Polymers	300	11	0.77%
Firestone Polymers	200	12	0.53%	Lamar State College - Orange	250	12	0.64%
Memorial Hermann Baptist Orange	194	13	0.51%	Orangefield ISD	219	13	0.56%
City of Orange	193	14	0.51%	City of Orange	198	14	0.51%
Signal International	180	15	0.47%	Signal International	180	15	0.46%
Chevron Phillips Chemical Co.	180	16	0.47%	Chevron Phillips Chemical Co.	168	16	0.43%
Printpack, Inc.	141	17	0.37%	Printpack, Inc.	162	17	0.42%
Texas Polymer Services, Inc.	130	18	0.34%	Texas Polymer Services, Inc.	130	18	0.34%
Orange Shipbuilding & Dry Dock, Inc.	120	19	0.32%	Beacon Maritime, Inc.	100	19	0.26%
Beacon Maritime, Inc.	100	20	0.26%	Orange Shipbuilding & Dry Dock, Inc.	100	20	0.26%
	6,619		17.42%		6795		17.52%

(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) Greater Orange Area Chamber of Commerce - Greater Orange Area. Report last revised July 2006.
(d) In labor force, population 16 years and over, per 2000 US Census Bureau - 38,778.

Table 17

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

Employer	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	5	5	5	5
Police	53	53	53.5	55	56	55	57	57.75	57.75	58
Fire	38	38	38.5	38	38	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	3.3
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	2	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	9	9	9
Orange Development	1	1	1	1	1	1	1	1	1	1
Community Development	2	2	2	2	2	2	2	2	2	1
Police Special Revenue	2	2	2	0	1	1	1	0.25	0.25	0.7
Fire Special Revenue	0	0	0	1	0	0	0	0	0	0
Sewer Operations	9	9	9	9	9	9	9	9	9	9
Water Operations	8	8	8.5	8	8	8	8	8	8	8
Wastewater Treatment Plant	7	7	7	8	8	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	190	190	191.5	192.0	193.0	192.0	193.0	194.0	194.0	194.0

Source: City Annual Budget

Table 18

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

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Physical arrests	1,426	1,236	1,430	1,764	1,521	1,583	1,577	1,239	1,252	1,252
Parking violations	54	180	25	30	32	83	14	12	14	10
Traffic violations	2,360	2,699	2,645	2,019	2,068	2,724	2,320	2,083	2,539	2,736
Fire										
Number of calls answered	3,253	3,976	2,753	2,725	2,803	2,822	2,819	3,168	3,196	3,487
Inspections	1,122	834	608	581	64	249	323	305	474	817
Street & Drainage										
Street resurfacing (miles)	0.6	0.6	3.0	0.0	1.2	2.0	8.0	1.5	2.1	2.0
Potholes repaired	3,675	3,675	4,400	5,060	5,550	6,000	5,800	6,000	11,900	10,085
Sanitation										
Refuse collected (tons/day)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Culture and recreation										
Recreation center (use fees)	3,009	1,441	362	390	360	685	385	250	40	20
Natatorium patrons (use fees)	11,328	6,650	14,181	7,651	4,291	7,158	8,779	8,833	0	10,639
Library patrons (use fees)	18,906	18,145	21,984	18,970	17,674	14,934	14,653	13,878	14,480	13,590
Water										
New connections	65	28	43	585	38	14	18	30	34	21
Water main breaks	899	940	1,039	970	863	743	530	766	632	462
Average daily consumption (thousands of gallons)	1,624	1,658	1,634	1,646	1,719	1,625	1,614	1,500	1,493	1,524
Wastewater										
Average daily sewage treatment (thousands of gallons)	3,240	2,422	2,847	2,770	1,940	2,308	2,427	2,423	2,522	3,422

Source: Various city departments

Table 19

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

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	57	57	57	57	57.75	57.75	58
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	2	2	2	2	2	2	2	2	2	2
Street and Drainage										
Streets (miles)	161	161	162	162	162	162	162	162	162	162
Streetlights	1,562	1,562	1,562	1,562	1,562	1,562	1,562	1,562	1,562	1562
Traffic Signals	7	7	7	7	7	7	7	7	7	7
Cultural and Recreation										
Parks acreage	284	284	284	284	284	284	284 (a)	284	284	284
Parks	20	20	20	20	20	20	19	19	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	4
Recreation centers	1	1	1	0	0	0	0	0	0	0
Basketball Couirts	0	0	0	0	0	0	0	0	0	2
Splash Pad	0	0	0	0	0	0	0	0	0	1
Water										
Water mains (miles)	140	140	156	156	156	156	156	156	156	163
Fire hydrants	556	556	726	726	726	726	726	726	726	726
Maximum daily capacity (thousand of gallons)	7,500	7,500	10,613	10,613	10,613	10,613	10,613	10,613	10,613	10,613
Service connections	6,361	6,360	6,921	6,999	7,041	7,046	6,934	6,991	6,991	7,216
Wastewater										
Sanitary sewers (miles)	135	135	149	149	149	149	149	149	149	155
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	6,173	6,166	6,632	6,763	6,808	6,789	6,690	6,750	6,750	7,000

(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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Water Consumption										
October	57,929	50,672	46,343	48,724	50,873	56,313	57,752	51,796	44,039	46,302
November	48,585	55,468	49,117	42,087	45,481	50,243	49,813	48,167	43,736	42,331
December	46,004	44,196	44,395	49,571	45,275	46,626	47,117	50,242	41,742	45,073
January	45,730	49,334	45,973	44,805	44,798	45,120	47,380	50,752	43,629	46,564
February	45,789	48,734	44,704	43,222	45,690	41,875	39,852	48,802	38,829	42,243
March	42,725	45,855	45,037	42,894	41,356	39,046	41,891	41,573	38,754	43,968
April	49,053	44,012	45,620	46,106	50,695	46,233	46,081	38,077	43,414	47,228
May	44,765	50,929	44,214	58,221	51,130	50,367	45,561	40,841	42,131	42,457
June	54,004	53,749	53,127	61,731	68,903	56,486	53,492	44,663	47,219	48,275
July	51,581	55,276	68,324	55,648	59,881	55,313	55,236	40,176	49,333	47,671
August	53,605	55,306	53,127	53,234	58,388	53,936	52,150	43,828	61,251	56,231
September	53,054	51,806	56,539	54,534	64,823	51,489	52,920	48,716	50,802	47,900
Total	592,824	605,337	596,520	600,777	627,293	593,047	589,245	547,633	544,879	556,243
Water Rates										
Minimum 3/4"	7.82	7.82	8.37	9.21	9.58	10.06	10.56	10.56	10.92	10.92
Minimum 1"	9.55	9.55	10.22	11.24	11.69	12.27	12.88	12.88	13.32	13.32
Minimum 1 1/2"	13.80	13.80	14.77	16.25	16.90	17.70	18.64	18.64	19.28	19.28
Minimum 2"	18.93	18.93	20.26	22.29	23.18	24.34	25.56	25.56	26.43	26.43
Minimum 3"	30.86	30.86	33.02	36.32	37.77	39.66	41.64	41.64	43.06	43.06
Minimum 4"	47.92	47.92	51.27	56.40	58.66	61.59	64.67	64.67	66.87	66.87
Minimum 6"	90.57	90.57	96.91	106.60	110.86	116.40	122.22	122.22	126.38	126.38
Minimum 8"	141.75	141.75	151.67	166.84	173.51	182.19	191.30	191.30	197.81	197.81
Minimum 10"	201.44	201.44	215.54	237.09	246.57	258.90	271.85	271.85	281.10	281.10
Minimum 12"	269.69	269.69	288.57	317.43	330.13	346.64	363.97	363.97	376.35	376.35
Over 1,000 gallon minimum	1.86	1.86	1.99	2.19	2.28	2.39	2.51	2.51	2.60	2.60
Sewer Rates										
Minimum	9.83	9.83	10.52	11.57	12.03	12.63	13.26	13.26	13.71	13.71
Over 1,000 gallon minimum	6.42	6.42	6.87	7.56	7.86	8.25	8.66	8.66	8.96	8.96

Source: Various city departments

CITY OF ORANGE, TEXAS

FEDERAL SINGLE AUDIT REPORTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

CITY OF ORANGE, TEXAS
FEDERAL SINGLE AUDIT REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

TABLE OF CONTENTS

	Page
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*	173-174
Independent Auditor's Report on Compliance for Each Major Program and on the Internal Control Over Compliance Required by the Uniform Guidance	175-176
Schedules:	
Schedule of Findings and Questioned Costs	177
Schedule of Prior Audit Findings	178
Schedule of Expenditures of Federal Awards	179
Notes to Schedule of Expenditures of Federal Awards	180

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Certified Public Accountants & Consultants

Member

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AICPA Private Companies Practice Section

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*

Honorable Mayor and City Council
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 of the City of Orange, Texas (the City), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 22, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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'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*.

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173

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.

Sincerely,

Charles E. Reed & Associates, P.C.

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

March 22, 2017

174

R&A Charles E. Reed & Associates, P.C.
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor and City Council
Orange, Texas

Report on Compliance for Each Major Federal Program

We have audited the City of Orange, Texas's, (the City), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2016. The District'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 District'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 District'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, 2016.

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175

Report on Internal Control over Compliance

Management of the City 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'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 the Uniform Guidance, 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's internal control over compliance.

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

Sincerely,

Charles E. Reed & Associates, P.C.

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

March 22, 2017

176

CITY OF ORANGE, TEXAS
Schedule of Findings and Questioned Costs
For the year ended September 30, 2016

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
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:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 500.516(a)	___Yes ✓ No

Identification of programs tested:

CFDA Number	Name of Federal Program or Cluster
14.228	U.S. Department of Housing and Urban Development 2008 Supplemental Disaster Recovery Fund – General Land Office – State Administered
97.036	Department of Homeland Security Disaster Assistance Grant

The threshold used to distinguish the type of federal program:	$ 750,000
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, 2016

There were no audit findings for the year ended September 30, 2016.

CITY OF ORANGE, TEXAS
Schedule of Expenditures of Federal Awards and State Awards
For the Year Ended September 30, 2016

Federal Grantor Pass - Through Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
FEDERAL GRANTS			
U.S. Department of Transportation / Federal Highway Administration (FHWA)			
Texas Department of Transportation			
Orange N 3247 Utility Extension	20.205	CSJ 4704-01-434	44,064
IH-10 Utility Relocation Project	20.205	CSJ 0028-14-111	61,801
Total - Federal Highway Administration (FHWA)			**$105,866**
U.S. Department of Homeland Security			
Texas Department of Public Safety-Division of Emergency Management			
Emergency Management Performance Grant	97.042	16TX-EMPG-0412	33,460
U.S. Department of Homeland Security / Federal Emergency Management (FEMA)			
Texas Water Development Board			
Flood Mitigation Assistance Grant (Contract# 1300011733)	97.029	FMA-PJ-06-TX-2013-010	212,216
Texas Department of Public Safety			
March2016 Severe Storms & Flooding	97.036	FEMA 4266 DR TX	197,757
Total - U.S. Department of Homeland Security			**$443,433**
U.S. Department of Housing and Urban Development			
Community Development Block Grant Entitlements	14.218	N/A	338,437
Texas General Land Office			
2008 Supplemental Disaster Recovery Fund - GLO round 2.1	14.269	DRS210131-12-206-000-5506	1,943
2008 Supplemental Disaster Recovery Fund - GLO round 2.2	14.269	DRS210131-12-524-000-6755	920
Total - U.S. Department of Housing and Urban Development			**$341,299**
U.S. Department of Justice			
Equitable Sharing Agreement - Justice Funds	16.922	TX1810200	56,489
Total - U.S. Department of Justice			**$56,489**
Institute of Museum and Library Services			
Texas State Library and Archives Commission			
SFY2016 ILL Lending Reimbursement Program	45.310	LS-00-15-0044-15	262
Total - Instituite of Museum and Library Services			**$262**
TOTAL - EXPENDITURES OF FEDERAL GRANTS			**$947,348**
STATE GRANTS			
Texas Forrest Service			
TIFMAS Grant Assistance Program			
Training Tuition	N/A	2846	10,970
Total - Texas Forrest Service			**$10,970**
TOTAL - EXPENDITURES OF STATE GRANTS			**$10,970**

CITY OF ORANGE, TEXAS
Notes to the Schedule of Expenditures of Federal and State Awards
For the Year Ended September 30, 2016

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state financial awards includes the federal grant activities of the City of Orange, Texas, under programs of the federal government for the year ended September 30, 2016, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Orange, Texas, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Orange, Texas.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Orange, Texas has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C – CONTINGENCIES

These federal and state programs are subject to financial and compliance audits by grantor agencies, which, if instances of material noncompliance are found, may result in disallowed expenditures, and affect the City's continued participation in specific programs. The amount of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.