

City of Orange, Texas



Comprehensive Annual Financial Report For the Fiscal Year Ended September 30, 2017



City of Orange, Texas

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2017

Shawn Oubre, Ph.D., City Manager

Prepared by:
City of Orange Finance Department
Cheryl Zeto, Director of Finance
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INTRODUCTORY SECTION







April 19, 2018

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, 2017 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, 2017, 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, 2017, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Orange was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies.

The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available on pages 179 through 186.

GAAP requires that management provide a narrative, introduction, overview, and analysis to accompany the basic financial statements in the form of the Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of 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 42 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 126.

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

On August 29, 2017, Tropical Storm Harvey made landfall in Southeast Texas. This storm produced unprecedented amounts of rainfall and caused severe flooding. It is estimated that Southeast Texas received 60-65 inches of rain from Tropical Storm Harvey. The City of Orange and surrounding areas experienced severe flooding of streets, residences, personal property, commercial structures, City buildings, City vehicles, and City infrastructure. The City estimated that over 30% of its citizens were impacted by Tropical Storm Harvey. A Federal Disaster was declared and the City of Orange is entitled to Public Assistance Grant Funds from the Federal Emergency Management Agency (FEMA). These grant funds will be passed through the Texas Division of Emergency Management (TDEM). The City is actively submitting FEMA projects for reimbursement of all storm related expenditures. The City has also filed and is continuing to file claims with the flood insurance carrier and the property insurance carrier for the City. The City expects to be fully reimbursed for all storm related expenditures.

Sales tax collections have varied widely over the last ten fiscal years. In the fiscal year following a major hurricane, 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 2011 and (3.41%) in fiscal year 2012. In the last three fiscal years the City saw both increases and a slight decrease in 2016. The sales tax collections for fiscal year 2017 were 1.55% more than the prior year. Following the impact of Tropical Storm Harvey, the City expects a spike in sales tax revenue for fiscal year 2018 and possible return to normal revenue levels for fiscal year 2019.

Long-term financial planning.

Industrial District Contracts (IDCs) provided 32.44% of the operating revenue for the City's general fund in fiscal year 2017. The City presently has sixteen 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 the local industries. This agreement replaced an expiring IDC. This Chapter 380 agreement has a 15 year term.

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 fiscal year 2017 the ad valorem tax rate was raised to \$0.70940/\$100, which was the same as the effective rate. For the upcoming fiscal year 2018, the rate has increased to \$0.71774/\$100.

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

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

Relevant Financial Policies

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

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

Major Initiatives

In fiscal year 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 filed an application for a permit with the U.S. Army Corps of Engineers and received approval in November of 2017 to proceed with the drainage 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. On October 1, 2016, the City issued \$5,045,000 in Tax and Revenue Certificates of Obligation to complete the capital project. In fiscal year 2017, the City expended \$2,058,549 of the 2015 bond issue proceeds and \$2,630,604 of the 2016 bond issue proceeds.

The Texas Department of Transportation's Interstate Highway 10 (IH-10) widening and rebuilding project is in progress. 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.

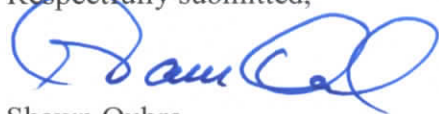
AWARDS AND ACKNOWLEDGMENTS

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, 2016. This was the 25th consecutive year (1992-2016) that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

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

Respectfully submitted,



Shawn Oubre
City Manager



Cheryl Zeto
Director of Finance



Government Finance Officers Association

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

Presented to

**City of Orange
Texas**

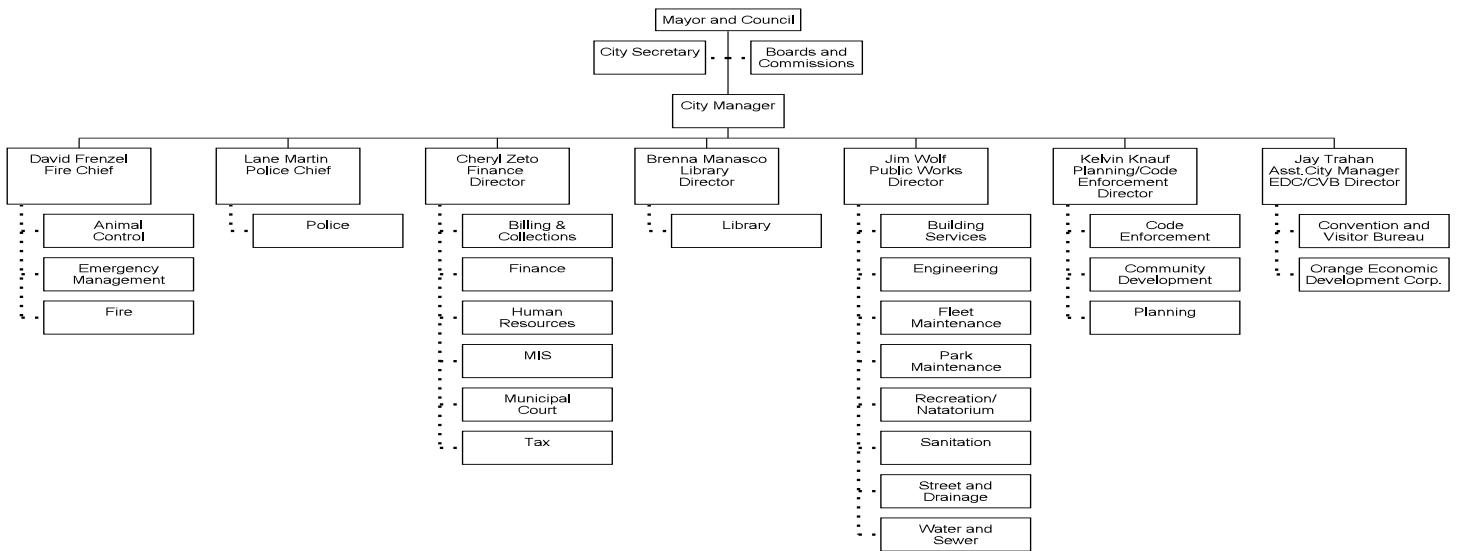
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morill

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
Brad Childs - Council Member District 2
Terrie Salter - 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

FINANCIAL 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 discretely presented component unit, 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Orange, Texas as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17-34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Orange, Texas's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2018, 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

April 19, 2018



Management's Discussion and Analysis

For the year ended September 30, 2017

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, 2017. 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 7 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$61,603,951 (net position). The net position is composed (1) net investment in capital assets of \$62,336,667, (2) restricted for debt service of \$217,694 and (3) unrestricted of \$950,410. The unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. The negative unrestricted net position for the City is from the impact of Tropical Storm Harvey, which affected the City in late August of 2017.
- The City's total net position decreased by \$100,367, which is a .18% decrease for the fiscal year. Governmental activities had a decrease in total net position of \$1,092,551, which is a 4.98% decrease from the prior fiscal year. The business type activities had an increase in total net position of \$982,184, which is a 2.47% increase from the prior fiscal year.
- The largest component of change in net position was a decrease in the unrestricted portion. The unrestricted net position decreased by \$1,708,116.
- The other components of net position also changed within the fiscal year. The net investment in capital assets increased by \$1,537,027 and the amount restricted for debt service payments increased by \$60,729.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,101,833, a decrease of \$848,247 in comparison with the prior year. Of the total amount, \$7,523,669 is available for spending at the government's discretion (unassigned fund balance). The largest fund balance change was in the general fund for a decrease of \$466,796.
- The general fund revenues were over budget by \$388,239 and expenditures were under budget by \$759,077.
- The two largest components of additional revenue were an additional \$130,130 in miscellaneous revenue and an additional \$393,574 in intergovernmental charges.
- Within the general fund the largest budgetary savings were \$420,347 in the maintenance & services line item and \$150,696 in the capital outlay line item.
- Unassigned fund balance for the General Fund was \$7,523,669 or 34.62% of total general fund expenditures at September 30, 2017.
- The City's total long-term bonded debt increased by \$3,545,000. There were routine bond payments of \$840,000 in Governmental Activities. There were routine bond payments of \$655,000 in the Business-Type Activities.
- On August 29, 2017 Tropical Storm Harvey made landfall in Southeast Texas. This storm produced unprecedented amounts of rainfall and caused severe flooding throughout the region. It is estimated that Southeast Texas received 55-65 inches of rain from Tropical Storm Harvey. The City of Orange and surrounding areas experienced severe flooding resulting in damages to streets, residences, personal property, commercial structures, City buildings, City vehicles and City infrastructure. The City estimated that over 30% of its citizens were impacted by Tropical Storm Harvey. A Federal Disaster was declared and the City of Orange is entitled to apply for Public

Assistance Grant Funds from the Federal Emergency Management Agency (FEMA). These grant funds will be passed through the Texas Division of Emergency Management (TDEM). As of September 30, 2017 the City had various claims with both FEMA and the City's insurance carriers. The claims are ongoing, but at September 30, 2017 the City had receivables to offset storm related costs of \$1,038,393.

- In fiscal year 2012 the City was once 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 - 2017 City had \$107,136 in expenditures related to the grant. The City filed an application for a permit with the U.S. Army Corps of Engineers and received approval to proceed with the project in November of 2017.
- In 2015, the City received an additional grant from the 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 2017, the City expended \$134,709 of the grant. The grant is now completed.
- 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 \$384,597, and Department of Homeland Security Emergency Management Performance \$30,694.
- The City was also awarded a State grant from the Texas Forest Service, TIFMAS Grant in the amount of \$7,030 for training tuition assistance. These funds were expended in fiscal year 2017.
- 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 36 and 37 of this report.

Fund Financial Statements

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

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

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

The City maintains twenty four (24) 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 twenty one (21) 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 2017. 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 38 to 41 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 43 to 45 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 46 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 47 to 101 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 102 to 106 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 117 to 145 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 \$61,603,951 at the close of the most recent fiscal year.

City of Orange's Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$14,143,930	\$14,406,894	\$10,197,493	7,467,376	\$24,341,423	\$21,874,270
Capital assets	30,562,661	29,797,028	48,077,971	43,792,837	78,640,632	73,589,865
Total assets	44,706,591	44,203,922	58,275,464	51,260,213	102,982,055	95,464,135
Deferred outflow of resources	7,857,291	4,863,574	907,910	1,007,264	8,765,201	5,870,838
Long-term liabilities outstanding	28,093,311	25,850,371	15,047,340	10,527,628	43,140,651	36,377,999
Other liabilities	1,285,927	899,502	2,954,711	1,638,826	4,240,638	2,538,328
Total liabilities	29,379,238	26,749,873	18,002,051	12,166,454	47,381,289	38,916,327
Deferred inflow of resources	2,351,935	392,367	410,081	311,968	2,762,016	704,335
Net position:						
Net investment in capital assets	24,957,665	23,352,038	37,379,002	37,447,602	62,336,667	60,799,640
Restricted	81,826	90,042	135,868	66,923	217,694	156,965
Unrestricted	(4,206,781)	(1,516,824)	3,256,371	2,274,530	(950,410)	757,706
Total net position	\$20,832,710	\$21,925,256	\$40,771,241	\$39,789,055	\$61,603,951	\$61,714,311

By far, the largest portion of the City of Orange's net position 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.

An additional portion of the City of Orange's net position, \$217,694 (.35%) represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the City of Orange is able to report positive balances in two of the three categories of net position when the government is taken as a whole. The governmental activities and the government as a whole had a negative unrestricted net position at the end of the current fiscal year, due to several factors such as; the reporting requirements of GASB 68, the purchase of a building for the new city hall and Tropical Storm Harvey affects.

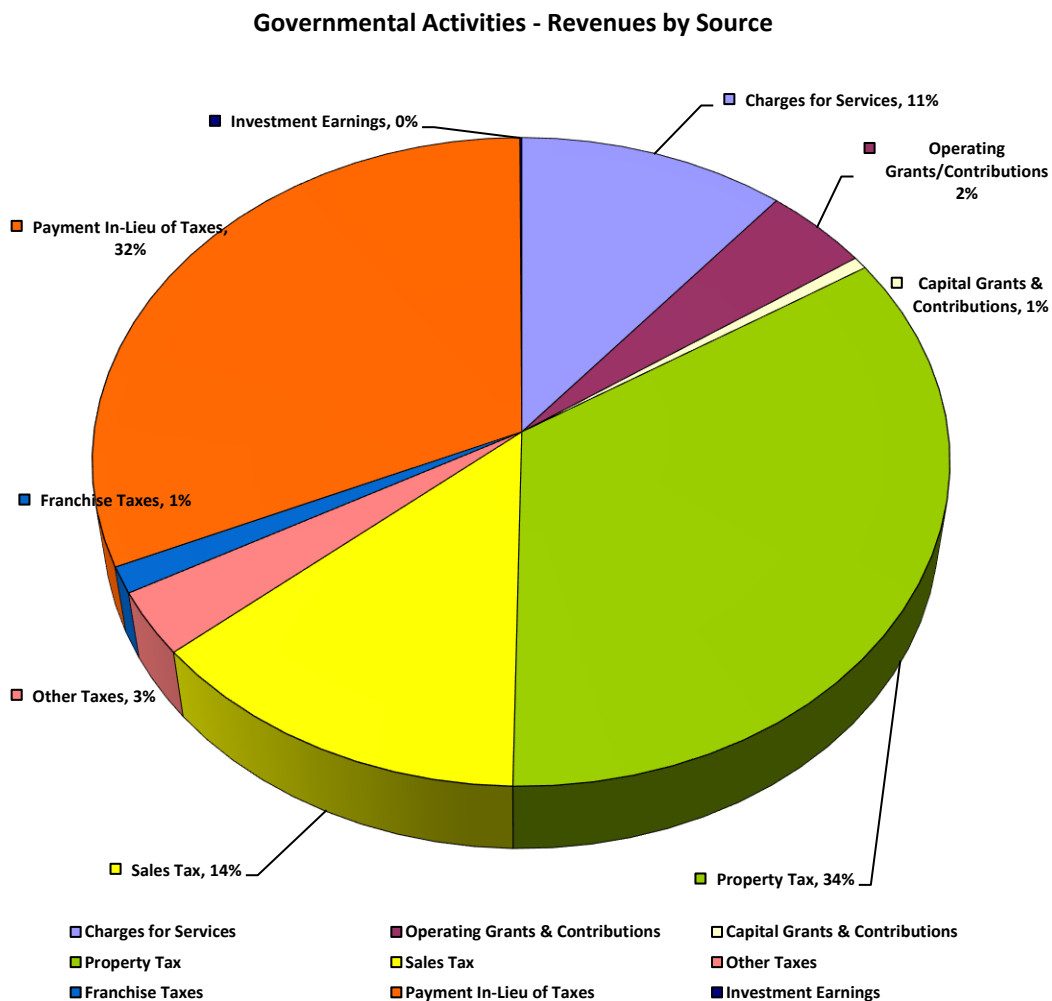
As reflected in the following table the City's net position decreased by \$110,367 during the current fiscal year. Net position for the governmental activities decreased \$1,092,551 and net position for the business-type activities increased \$982,184. The largest increase was in government-wide net investment in capital assets \$1,537,027.

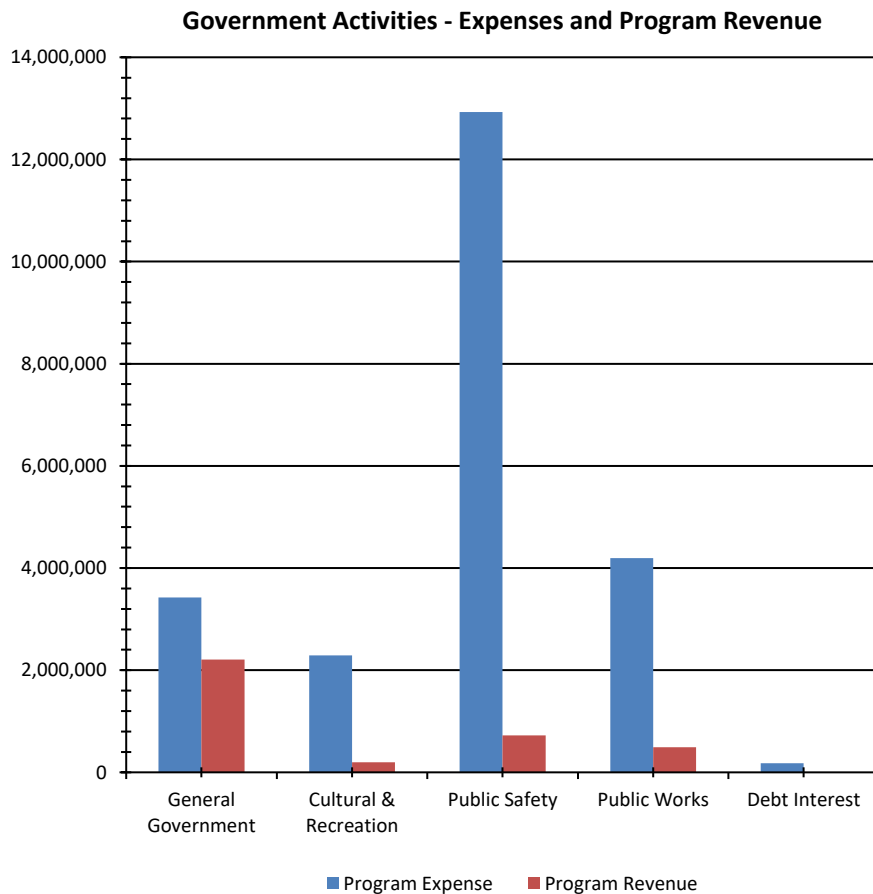
City of Orange's Changes in Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$2,401,969	\$1,697,513	\$10,070,379	\$9,731,161	\$12,472,348	\$11,428,674
Operating grants and contributions	953,205	838,432	53,428	--	1,006,633	838,432
Capital grants and contributions	134,922	169,817	134,708	256,155	269,630	425,972
General revenues:						
Property taxes	7,485,595	6,144,835	--	--	7,485,595	6,144,835
Sales tax	2,958,567	2,720,011	--	--	2,958,567	2,720,011
Other taxes	696,977	688,170	--	--	696,977	688,170
Franchise taxes	287,290	281,390	--	--	287,290	281,390
Payment-in-lieu of taxes	6,883,769	7,050,656	--	--	6,883,769	7,050,656
Investment earnings	17,427	23,835	13,288	10,972	30,715	34,807
Other revenue	102,101	--	90,018	--	192,119	--
Total revenues	<u>21,921,822</u>	<u>19,614,659</u>	<u>10,361,821</u>	<u>9,998,288</u>	<u>32,283,643</u>	<u>29,612,947</u>
Expenses:						
General government	3,421,279	1,704,725	--	--	3,421,279	1,704,725
Cultural and recreation	2,292,791	1,746,315	--	--	2,292,791	1,746,315
Public safety	12,925,242	11,700,880	--	--	12,925,242	11,700,880
Public works	4,195,377	4,471,129	--	--	4,195,377	4,471,129
Interest on long term debt	179,684	190,032	--	--	179,684	190,032
Water and sewer	--	--	7,098,876	6,722,558	7,098,876	6,722,558
Sanitation	--	--	<u>2,280,761</u>	<u>1,750,708</u>	<u>2,280,761</u>	<u>1,750,708</u>
Total expenses	<u>23,014,373</u>	<u>19,813,081</u>	<u>9,379,637</u>	<u>8,473,266</u>	<u>32,394,010</u>	<u>28,286,347</u>
Increase (decrease) in net position	(1,092,551)	(198,422)	982,184	1,525,022	(110,367)	1,326,600
Net position - beginning	21,925,261	22,123,678	39,789,058	38,264,033	61,714,319	60,387,711
Net position - ending	<u>\$20,832,710</u>	<u>\$21,925,256</u>	<u>\$40,771,242</u>	<u>\$39,789,055</u>	<u>\$61,603,952</u>	<u>\$61,714,311</u>

Governmental activities: Governmental activities decreased the City of Orange's net position by \$1,092,551.

Unrestricted net position decreased by \$2,689,957. Some of the items that occurred were:

- 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 \$107,874 remaining.
- Sales tax increased by \$238,556.
- Petroleum purchases were less than anticipated due to reduced pricing for a saving of \$98,313.
- The largest contributing factor for the decrease was that the pension liability increased by \$2,347,014, due to the reporting requirements of GASB 68.
-





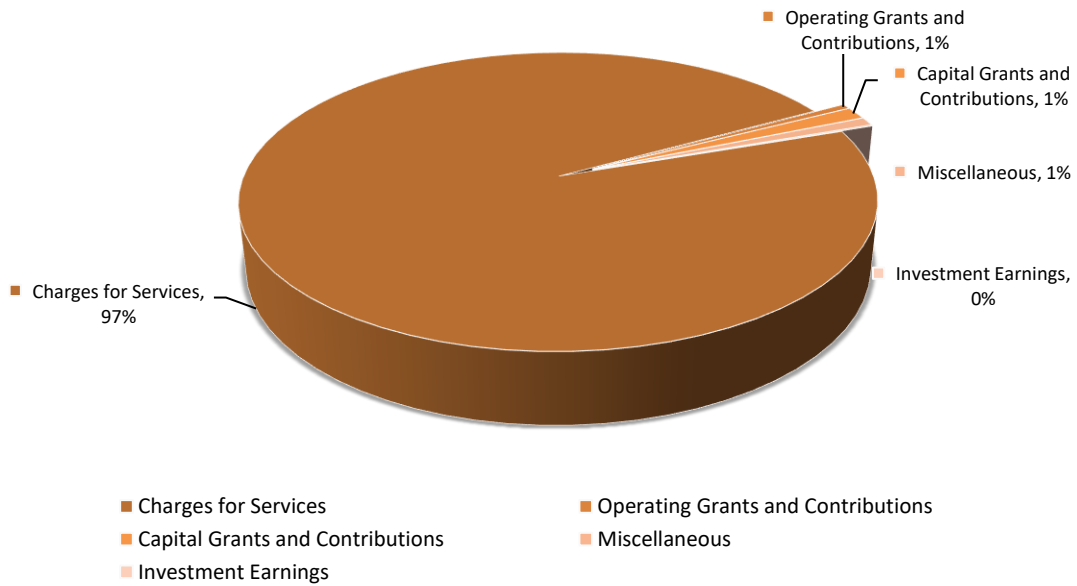
Business-type activities: Business-type activities increased the City of Orange’s net position by \$982,184.

Unrestricted net position increased by \$981,841, which is due to increased revenues over expenses.

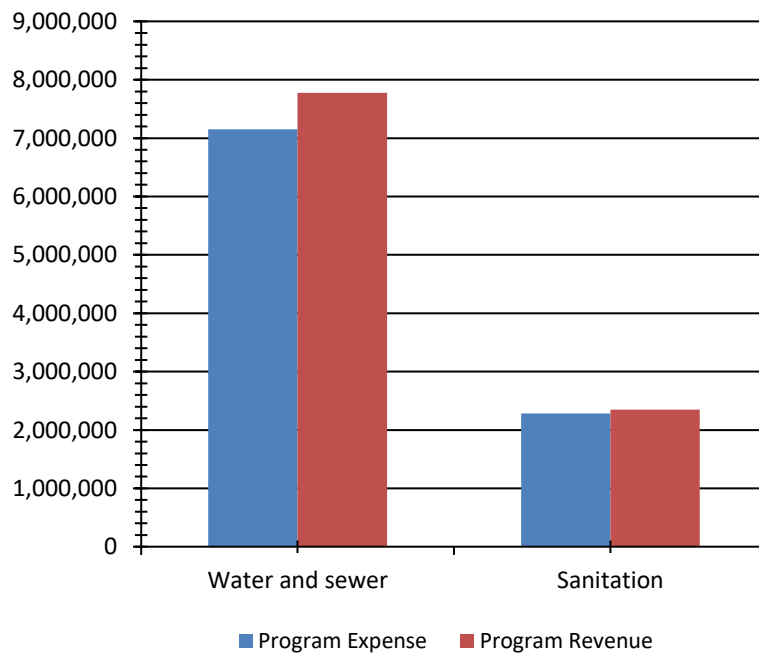
Other items:

- 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, 2017 the City had \$235,281, of unexpended bond proceeds, in the Series 2015 CO Bond Construction account.
- The City issued \$5,045,000 in Tax and Revenue Certificates of Obligation on October 1, 2016. The funding is the second 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, 2017 the City had \$3,028,617, of unexpended bond proceeds, in the Series 2016 CO Bond Construction account.
- The contracted sanitation rates to the City remained the same, therefore sanitation rates for City customers were not changed for this fiscal year. Water consumption stayed fairly consistent with a .99% decrease.

Business-Type Activities - Revenues By Source



Business-Type Activities - Expenses and Program Revenues



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$10,101,833, a decrease of \$848,245 in comparison with the prior year. The unassigned fund balance total was \$7,523,669 which is 74.48% of total fund balance. The unassigned fund balance is available for spending at the government's discretion.

Nonspendable:		
	Inventories	\$80,387
	Prepays	205,097
Restricted for:		
	Cultural and recreation	100,222
	Debt service	103,568
	Public safety	709,523
	Public works	51,146
	Tourism and promotion	1,164,896
Assigned to:		
	Capital outlay	161,021
	Economic Development	2,304
Unassigned		
	Unassigned	<u>7,523,669</u>
	Total fund balance	<u>\$10,101,833</u>

The General Fund is the chief operating fund of the City of Orange. At the end of fiscal year 2017 the General Fund had an unassigned fund balance of \$7,523,669, which is \$506,025 less than the prior fiscal year. The unassigned fund balance is 34.62% of the total expenditures of the General Fund for fiscal year 2017.

The change in unassigned fund balance was composed of:

- The General Fund's overall revenue increased by \$2,233,280.
- The City saw an increase of \$1,531,613, 19.48%, in general fund tax collections. The City saw a decrease of \$166,887, which is a 2.37% decrease in IDC contract payments. The changes were the results of tax rate and property values. The ad valorem property tax rate went from \$0.70000/\$100 in fiscal year 2016 to \$0.70940/\$100 in fiscal year 2017. The certified property tax values increased 19.40%. The IDC certified contract values decreased slightly.
- General Fund expenditures increased overall by \$3,745,510, which is a 20.82% increase. The General Fund saw changes in various categories of expenditures. The largest current expenditure increase was in the non-departmental department. The \$1,614,007 increase was primarily due to a Chapter 380 agreement for property and sales tax refunds.
- Capital expenditures increased by \$1,602,964 for the fiscal year. The increase was primarily due to the purchase of a building for the new city hall campus.

- 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 \$337,411 which is a 2.57% increase.

The Debt Service Fund had a fund balance of \$103,568 which is restricted for debt service payments. This is a decrease of \$10,536 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 \$161,021 which is assigned to capital outlay. This is a decrease of \$2,218 from the prior year.

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 \$2,032,011. This is a decrease of \$368,695 from the prior year. None of the City's Special Revenue Funds qualified as major funds for fiscal year 2017.

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 \$978,981.

Net investment in capital assets decreased by \$68,600.

The amount restricted for debt service increased by \$68,945.

Unrestricted net position increased by \$978,636. The major items were:

- The water and sewer rates remained the same for this fiscal year. The sanitation rates also remained the same for this fiscal year. The City received additional utility revenues of \$474,648. Water consumption stayed fairly consistent with a .99% decrease during the year.
- Operating expenses increased by \$753,854 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 \$103,728 which is a 3.87% increase.
- 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 2017 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, 2017 the City had \$235,281 of unexpended bond proceeds, in the Series 2015 CO Bond Construction account.
- On October 1, 2016 the City issued \$5,045,000 in Tax and Revenue Certificates of Obligation. These bonds are anticipated to be paid from water and sewer utility revenues. At September 30, 2017 the City had \$3,028,617 of unexpended bond proceeds, in the Series 2016 CO Bond

Construction account.

- There was a net deferred outflow/inflow on pension liabilities of \$476,773 at September 30, 2017. There was also a net deferred outflow/inflow on bond refunding of \$21,056 at September 30, 2017.

General Fund Budgetary Highlights

There were two budget amendments that affected the General Fund for fiscal year 2017. The amendment totaled \$1,685,109 in additional appropriations.

Amendment #1	\$1,645,923	To amend the budget for work on projects that were not completed in the prior fiscal year. The carry-forward included \$89,000 for the completion of resurfacing of City streets, \$3,842 for fire station #2 addition and \$1,490,000 for the purchase of the First Financial Bank building. Other amendment items included: to increase the budgeted revenue \$42,784 for auctioned vehicles, to increase budget \$30,654 for vehicles damaged, to increase budget \$45,000 for lease payments on new fire truck and to increase budget \$30,211 for completion of Fire Station #2 addition.
Amendment #2	\$39,186	To increase budgeted revenue \$350,000 for lease of office space in new city hall to the Convention and Visitors Bureau for 10 year term, to increase budget \$350,000 towards purchase of First Financial Bank building, to increase budget \$4,250 for replacement of totaled vehicle, to increase budgeted revenue \$24,333 for FEMA receipts for the March 2016 flood event, to increase budget \$35,139 for costs associated with the March 2016 flood event, and to carry forward \$24,130 from 2016 for software training and implementation.
Total	<u>\$1,685,109</u>	

The amendments were funded in part by the receipt of additional revenue for \$567,117 and use of unassigned fund balance of \$1,117,992.

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

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Maintenance & Services	\$5,869,500	\$5,832,621	\$5,412,274	\$420,347
Capital Outlay	\$367,507	\$2,567,415	\$2,416,719	\$150,696

Maintenance and services – major variances

- The City, by Charter, can establish a 2% contingency fund during the budget process. The City also set aside 5% to cover any additional cost associated with employee medical insurance. At the end of the fiscal year the City has \$107,874 remaining in this account.
- Due to lower fuel costs during the year the City had a \$98,313 savings in petroleum purchases.
- Chapter 380 Economic Development Program Reimbursements were over budget by \$41,996. This was the second 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) special services \$133,158 (2) conference and training \$33,830, (3) communications expense \$25,883, (4) support of prisoners \$21,725, (5) street maintenance \$19,183 and (6) liability/property insurance \$18,705.

Capital outlay – major variances

- Street construction was \$67,051 under budget. The 2018 budget was amended for this amount, to complete the resurfacing of some City streets.
- Several other items were under budget due to project completion, purchases or usage (1) other capital outlay \$43,602 (2) vehicles \$28,599 (3) machinery \$11,278.

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, 2017, amounts to \$78,640,632 (net of accumulated depreciation). The investment in capital assets includes land, buildings, furniture, fixtures and books, improvements other than buildings, machinery and equipment, streets, transportation vehicles, and construction in progress.

Capital assets in the governmental activities increased by \$765,633, 2.57%, in this fiscal year. Capital assets in the business-type activities increased by \$4,285,134, 9.79%.

City of Orange Capital Assets (net of depreciation)						
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$1,915,563	\$1,585,658	\$733,122	\$733,122	\$2,648,685	\$2,318,780
Buildings	18,857,323	17,881,672	530,167	457,397	19,387,490	18,339,069
Furniture, fixtures and books	579,656	523,381	--	--	579,656	523,381
Improvements other than buildings	--	--	37,429,148	38,163,490	37,429,148	38,163,490
Machinery, equipment, vehicles and improvements	5,350,150	5,699,734	884,165	888,327	6,234,315	6,588,061
Vehicles	--	--	313,909	449,912	313,909	449,912
Streets	3,081,988	3,194,399	--	--	3,081,988	3,194,399
Leased equipment	422,706		97,772	--	520,478	--
Construction in progress	<u>355,275</u>	<u>912,184</u>	<u>8,089,688</u>	<u>3,100,589</u>	<u>8,444,963</u>	<u>4,012,773</u>
Total	<u>\$30,562,661</u>	<u>\$29,797,028</u>	<u>\$48,077,971</u>	<u>\$43,792,837</u>	<u>\$78,640,632</u>	<u>\$73,589,865</u>

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

Governmental Activities

In fiscal year 2017 the governmental activities had an increase in capital assets, before depreciation, of \$2,276,541. The major components of change in fiscal year 2017 were:

Land –

- Land value for the First Financial Bank building \$329,905

Buildings –

- First Financial Bank building for new city hall \$1,673,557
- Fire Station #2 addition \$153,331

Furniture, fixtures and books –

- Books for Library \$11,819
- Skate park at Sunset Park \$128,711
- Ornamental fence at Sunset Park \$15,232

Machinery, equipment, vehicles and improvements -

- Outdoor nativity scene for city hall \$7,999
- Computer server for New World software \$32,062
- Terex hyd breaker for street department \$12,395
- Volvo double drum roller for street department \$35,187
- SCBA, 4500 psi, equipment for fire department \$35,385
- Dixie Chopper lawn tractor, Classic 3160hp for parks department \$9,759
- 2017 Ferrara pumper fire truck, #4 \$422,706
- Equipment for 2017 Ferrara pumper fire truck, #5 \$2,458
- Police Chevy Tahoe \$42,191
- Police Chevy Tahoe \$41,591
- Police Chevy Tahoe \$41,591
- Asset disposals or trade ins (\$736,406)

Infrastructure –

- Repairs to various streets \$102,720
- Repairs West Bluff Road \$7,318

Construction in Progress –

- Addition to fire substation #2, transfer to buildings (\$103,514)
- Earnest money for First Financial Bank building purchase, transfer to buildings (\$10,000)

Business Type Activities

In fiscal year 2017 business-type activities had an increase in capital assets, before depreciation, of \$5,774,027. The major capital expenditures in fiscal year 2017 included:

Buildings–

- Improvements at 1301 Burton \$85,019

Improvements other than buildings –

- Collection lines, SSO repairs for Cypress Bayou area \$17,640
- Collection lines, SSO repairs for Chasse Ridge area \$44,360
- Collection lines, force main on Tulane Road \$145,251
- Exterior coating for 15th Street water tower \$160,606
- Water meters \$109,540

Machinery, equipment and improvements –

- Hydromatic 30hp pump at Barkin lift station \$11,370
- Hydromatic pump for MLK and Hwy. 87 lift station \$5,992
- Hydromatic pump for MLK and Hwy. 87 lift station \$5,992
- Powerflex 700 drive 40H \$6,990
- SCADA computer hardware for 4 lift stations \$89,577
- SCADA computer hardware and installation for control center \$19,819

Leased equipment -

- Sewer operations, 2017 Ford F150 \$22,365
- Water operations, 2017 Ford F150 \$22,365
- Water operations, 2017 Ford F150 \$22,365
- Water operations, 2017 Ford F150 \$22,365
- Water production, 2017 Ford Explorer \$22,501
- Asset disposals & trades (\$49,515)

Construction in progress -

- Sewer improvements Series 2015 Bond Construction \$1,570,886
- Sewer improvements Series 2016 Bond Construction \$833,611
- Water improvements Series 2015 Bond Construction \$615,950
- Water improvements Series 2016 Bond Construction \$1,811,086
- Water line extension Hwy 62 \$134,708
- Repairs to Barkins lift station \$27,708
- Force main repairs on Tulane Road, transfer to improvements (\$4,850)

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

Long-term debt. At the end of the current fiscal year, the City of Orange has total bonded debt outstanding of \$18,225,000. 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	
	2017	2016	2017	2016	2017	2016
Certificates of Obligation	\$0	\$0	\$9,290,000	\$4,645,000	\$9,290,000	\$4,645,000
General Obligation Bonds	5,605,000	6,445,000	3,330,000	3,590,000	8,935,000	10,035,000
Total	<u>\$5,605,000</u>	<u>\$6,445,000</u>	<u>\$12,620,000</u>	<u>\$8,235,000</u>	<u>\$18,225,000</u>	<u>\$14,680,000</u>

The City's total debt increased by \$3,545,000, 24.15%, during the current fiscal year.

The government activities total debt decreased by \$840,000, 13.03%, during the current fiscal year.

- The general obligation bonds of the governmental activities decreased by \$840,000, which represents the debt principal payments for the fiscal year.

The business-type activities total debt increased by \$4,385,000, 53.25%, during the current fiscal year.

- The general obligation bonds for business-type activities decreased by \$260,000 which represents debt principal payments for the fiscal year.
- The revenue bonds for business-type activities increased by \$4,645,000 which represents debt principal payment for the fiscal year of \$400,000 and an addition of \$5,045,000 for the 2016 series Certificates of Obligation.

General Obligation Ratings

On the Series 2016 Tax and Revenue Certificates of Obligation, the City was assigned an 'AA-' from Standard & Poor's Global Ratings. Standard & Poor's Global rating affirms the 'AA-' rating on \$9.29M in outstanding parity debt.

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.F on pages 73 to 79 of this report.

Economic Factors and Next Year's Budget and Rates

Economic factors fiscal year 2017-

- Sales tax collections (net of reimbursements for the Chapter 380 Agreement) increased 1.55%. The City had anticipated that the sales tax for the year would be in line with the previous year collections. Sales did increase slightly for the fiscal year. Collections went from \$2,547,244 in fiscal year 2016 to \$2,586,832 in fiscal year 2017. 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 sales tax collections for all of Orange County decreased slightly by .99% for the period of October 1, 2016 to September 30, 2017. The City has seen a 35.83% increase in sales tax collections for the first quarter of fiscal year 2018, which can be partly attributed to Tropical Storm Harvey repairs.
- Hotel/motel tax collections showed a slight increase in fiscal year 2017. The collections increased by .39% during the fiscal year. Collections went from \$666,139 in fiscal year 2016 to \$668,713 in fiscal year 2017.
- The unemployment rate for the Beaumont-Port Arthur metropolitan area (in which Orange is grouped) remained above the state and national average. At September 2017 the unemployment rate was 8.2% while the statewide rate was 4.0% and the national rate was 4.2% (according to the US Bureau of Labor Statistics). The unemployment rate for the local metropolitan area is up from the prior year rate of 7.2%.

Economic factors budgeted fiscal year 2018 -

- The ad valorem tax certified taxable values for the new budget increased by 4.76% over the prior fiscal year. The certified taxable values went from \$1,060,636,260 in January 2016 to \$1,111,175,030 in January 2017. The City Council set the tax rate at \$0.71774 per \$100, which was below the rollback rate.
- The Industrial District certified values decreased by .53%. The values went from \$1,101,059,556 in January 2016 to \$1,106,882,461 in January 2017.
- Sales tax increased 1.55% in fiscal year 2017. The City budgeted \$2,481,500 (net of Chapter 380 Agreement reimbursements) in fiscal year 2018, which is in line with fiscal year 2017 collections.

Next year's budgetary information and rates -

- Even though there was an increase in certified property values, the ad valorem tax rate was increased to \$0.71774/\$100. The increase was due to the costs and effects from Tropical Storm Harvey. This rate is slightly more than the effective rate of \$.67566/100 and less than the rollback rate of \$.72363/100.
- 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 \$0.622/\$100 for fiscal year 2018.

- The water and sewer rates were not adjusted in fiscal year 2018. The current rate structure was adequate for budgetary purposes.
- The sanitation rates were increased by 2.3% in fiscal year 2018, due to an increase by Waste Management based on the CPI index.
- The City has negotiated one year contract with the Orange Municipal Police Association and a two year contract with the Orange Association of Firefighters Local 1432. Both groups received a 2.5% cost of living increase for fiscal year 2018.
- The City granted a 2.5% cost of living increase for non-union employees.
- The City budgeted step increases for non-union employees who have not reached their top step.
- For fiscal year 2018 the City changed to Blue Cross Blue Shield of Texas 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 2018. 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, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	Orange Economic Development Corporation
ASSETS				
Cash and cash equivalents	\$ 9,744,726	\$ 4,261,432	\$ 14,006,158	\$ 2,292,589
Receivables (net of allowance for uncollectibles)	4,045,725	1,819,397	5,865,122	123,398
Internal balances	(34,463)	34,463	-	-
Inventories	80,387	126,421	206,808	-
Prepays	205,097	41,281	246,378	151,799
Cash and cash equivalents, restricted	102,458	3,914,499	4,016,957	422,216
Capital assets not being depreciated:				
Land	1,915,563	733,122	2,648,685	871,059
Construction in progress	355,275	8,089,688	8,444,963	-
Capital assets, net of accumulated depreciation:				
Buildings	18,857,323	530,167	19,387,490	-
Furniture, fixtures, books	579,657	-	579,657	-
Improvements other than buildings	-	37,428,838	37,428,838	6,475,529
Machinery, equipment, vehicles & improvements	5,378,331	884,475	6,262,806	-
Vehicles	-	313,909	313,909	-
Streets	3,081,988	-	3,081,988	-
Leased equipment	394,526	97,772	492,298	-
Total assets	<u>44,706,593</u>	<u>58,275,464</u>	<u>102,982,057</u>	<u>10,336,590</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on pensions	7,696,158	886,854	8,583,012	-
Deferred outflows on refunding	161,133	21,056	182,189	-
Total deferred outflows of resources	<u>7,857,291</u>	<u>907,910</u>	<u>8,765,201</u>	<u>-</u>
LIABILITIES				
Account payable and other current liabilities	1,265,295	2,898,016	4,163,311	112,554
Accrued interest payable	20,632	56,695	77,327	29,565
Noncurrent liabilities:				
Due within one year, payable from restricted assets	102,458	192,563	295,021	-
Due within one year	2,284,645	571,476	2,856,121	348,785
Due in more than one year	7,146,994	12,399,915	19,546,909	5,795,000
Net pension liabilities	18,559,214	1,883,386	20,442,600	-
Total liabilities	<u>29,379,238</u>	<u>18,002,051</u>	<u>47,381,289</u>	<u>6,285,904</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on pensions	2,351,935	410,081	2,762,016	-
Total deferred inflows of resources	<u>2,351,935</u>	<u>410,081</u>	<u>2,762,016</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	24,957,665	37,379,002	62,336,667	1,216,588
Restricted for:				
Debt service payments	81,826	135,868	217,694	392,650
Unrestricted	(4,206,781)	3,256,371	(950,410)	2,441,448
Total net position	<u>\$ 20,832,710</u>	<u>\$ 40,771,241</u>	<u>\$ 61,603,951</u>	<u>\$ 4,050,686</u>

The notes to financial statements are an integral part of this statement.
Totals may not foot due to rounding differences.

City of Orange, Texas
Statement of Activities
For the Year Ended September 30, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 3,421,279	\$ 1,973,385	\$ 236,439	\$ -	\$ (1,211,455)	\$ -	\$ (1,211,455)	\$ -
Culture - recreation	2,292,791	61,636	3,605	134,922	(2,092,628)	-	(2,092,628)	-
Public safety	12,925,242	296,656	428,674	-	(12,199,912)	-	(12,199,912)	-
Public works	4,195,377	70,292	284,487	-	(3,840,598)	-	(3,840,598)	-
Interest on long-term debt	179,684	-	-	-	(179,684)	-	(179,684)	-
Total governmental activities	23,014,373	2,401,969	953,205	134,922	(19,524,277)	-	(19,524,277)	-
Business-type activities:								
Water and sewer	7,098,876	7,777,959	-	134,708	-	813,791	813,791	-
Sanitation	2,280,761	2,292,420	53,428	-	-	65,087	65,087	-
Total business-type activities	9,379,637	10,070,379	53,428	134,708	-	878,878	878,878	-
Total primary government	\$ 32,394,010	\$ 12,472,348	\$ 1,006,633	\$ 269,630	(19,524,277)	878,878	(18,645,399)	-
Component units:								
Economic Development Corporation	\$ 1,498,047	\$ -	\$ 192,526	\$ -				(1,305,521)
Total component units	\$ 1,498,047	\$ -	\$ 192,526	\$ -				(1,305,521)
General revenues:								
Property taxes					7,485,595	-	7,485,595	-
Sales taxes					2,958,567	-	2,958,567	1,479,284
Other taxes					696,977	-	696,977	-
Franchise taxes					287,290	-	287,290	-
Payment in-lieu of taxes					6,883,769	-	6,883,769	-
Investment earnings					17,427	13,288	30,715	2,531
Gain (loss) on sale of assets					(80)	8,016	7,936	-
Miscellaneous					102,181	82,002	184,183	500
Total general revenues, special items, and transfers					18,431,726	103,306	18,535,032	1,482,315
Change in net position					(1,092,551)	982,184	(110,367)	176,794
Net position - beginning					21,925,261	39,789,058	61,714,319	3,873,892
Net position - ending					\$ 20,832,710	\$ 40,771,242	\$ 61,603,952	\$ 4,050,686

The notes to financial statements are an integral part of this statement.
Totals may not foot due to rounding differences.

City of Orange, Texas
Balance Sheet
Governmental Funds
September 30, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 6,822,493	\$ 102,458	\$ 183,851	\$ 1,921,992	\$ 9,030,794
Taxes receivable (net of allowance for uncollectibles)	1,078,980	224,050	-	-	1,303,030
Accounts receivable (net of allowance for uncollectibles)	1,233,687	-	-	244,888	1,478,575
Due from other funds	489,401	-	-	-	489,401
Due from others	8,656	1,110	-	-	9,766
Inventories, at cost	80,387	-	-	-	80,387
Prepays	201,177	-	-	3,920	205,097
Total assets	<u>\$ 9,914,781</u>	<u>\$ 327,618</u>	<u>\$ 183,851</u>	<u>\$ 2,170,800</u>	<u>\$ 12,597,050</u>
LIABILITIES					
Accounts payable	\$ 1,017,944	\$ -	\$ 22,830	\$ 52,822	\$ 1,093,596
Partial payment of taxes	1,565	-	-	-	1,565
Due to other funds	-	-	-	85,968	85,968
Liability for municipal court	11,057	-	-	-	11,057
Total liabilities	<u>1,030,566</u>	<u>-</u>	<u>22,830</u>	<u>138,790</u>	<u>1,192,186</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property tax	<u>1,078,980</u>	<u>224,050</u>	<u>-</u>	<u>-</u>	<u>1,303,030</u>
Total deferred inflow of resources	<u>1,078,980</u>	<u>224,050</u>	<u>-</u>	<u>-</u>	<u>1,303,030</u>
FUND BALANCES (DEFICITS)					
Nonspendable					
Inventory	80,387	-	-	-	80,387
Prepays	201,177	-	-	3,920	205,097
Restricted					
Cultural and recreation	-	-	-	100,222	100,222
Debt Service	-	103,568	-	-	103,568
Public safety	-	-	-	709,523	709,523
Public works	-	-	-	51,146	51,146
Tourism and promotion	-	-	-	1,164,896	1,164,896
Assigned					
Capital outlay	-	-	161,021	-	161,021
Economic development	-	-	-	2,304	2,304
Unassigned	<u>7,523,669</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,523,669</u>
Total fund balances (deficits)	<u>7,805,233</u>	<u>103,568</u>	<u>161,021</u>	<u>2,032,011</u>	<u>10,101,833</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 9,914,779</u>	<u>\$ 327,618</u>	<u>\$ 183,851</u>	<u>\$ 2,170,801</u>	<u>\$ 12,597,049</u>

The notes to financial statements are an integral part of this statement.
Totals may not foot due to rounding differences.

City of Orange, Texas
Reconciliation of Balance Sheet of Governmental Funds
To the Statement of Net Position
September 30, 2017

Fund balances of governmental funds	\$10,101,833
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are deferred in the funds.	30,562,662
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,143,760
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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.	(22,608,587)
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Internal service funds are used by management to charge the costs of workers' compensation and medical insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	633,042
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Net position of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">\$20,832,710</div>
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The notes to financial statements are an integral part of this statement.
Totals may not foot due to rounding differences.

City of Orange, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 9,393,683	\$ 966,053	\$ -	\$ 668,713	\$ 11,028,449
Payment in lieu of taxes	6,883,769	-	-	-	6,883,769
Franchises	287,290	-	-	-	287,290
Licenses and permits	262,785	-	-	-	262,785
Intergovernmental	522,907	-	-	-	522,907
Charges for services	3,648,552	-	-	-	3,648,552
Donations	-	-	-	39,601	39,601
Grant income	-	-	22,830	609,036	631,866
Investment income	12,764	494	239	2,989	16,486
Program income	-	-	-	28,462	28,462
Miscellaneous	210,130	-	-	-	210,130
Total revenues	<u>21,221,880</u>	<u>966,547</u>	<u>23,069</u>	<u>1,348,801</u>	<u>23,560,297</u>
EXPENDITURES					
Current:					
General government	1,528,445	-	-	-	1,528,445
Culture - recreation	1,113,679	-	-	991,224	2,104,903
Public safety	9,756,504	-	-	124,478	9,880,982
Public works	3,221,171	-	-	318,855	3,540,026
Non-departmental	3,654,994	-	-	-	3,654,994
Debt service:					
Interest and fiscal charges	-	137,083	-	-	137,083
Principal	-	840,000	-	-	840,000
Capital outlay:					
Capital outlay - books	8,336	-	-	3,484	11,820
Capital outlay - buildings	2,043,278	-	-	-	2,043,278
Capital outlay - machinery and equipment	108,746	-	-	16,041	124,787
Capital outlay - other	23,231	-	-	128,711	151,942
Capital outlay - street construction	107,755	-	22,830	-	130,585
Capital outlay - water system construction	-	-	-	134,708	134,708
Capital outlay - vehicles	125,373	-	2,458	-	127,831
Capital outlay - leased equipment	422,706	-	-	-	422,706
Total expenditures	<u>22,114,218</u>	<u>977,083</u>	<u>25,288</u>	<u>1,717,501</u>	<u>24,834,090</u>
Excess (deficiency) of revenues over expenditures	<u>(892,338)</u>	<u>(10,536)</u>	<u>(2,219)</u>	<u>(368,700)</u>	<u>(1,273,793)</u>
OTHER FINANCING SOURCES (USES)					
Gain (loss) on capital asset disposition	42,784	-	-	-	42,784
Net present value of minimum lease payments	382,762	-	-	-	382,762
Total other financing sources (uses)	<u>425,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>425,546</u>
Net change in fund balances	(466,792)	(10,536)	(2,219)	(368,700)	(848,247)
Fund balances - beginning	<u>8,272,027</u>	<u>114,104</u>	<u>163,240</u>	<u>2,400,711</u>	<u>10,950,082</u>
Fund balances - ending	<u>\$ 7,805,235</u>	<u>\$ 103,568</u>	<u>\$ 161,021</u>	<u>\$ 2,032,011</u>	<u>\$ 10,101,835</u>

The notes to financial statements are an integral part of this statement.
Totals may not foot due to rounding differences.

City of Orange, Texas
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2017

Net change in fund balances - total governmental funds	\$	(848,249)
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Amounts reported for governmental activities in the statement of net position are different because:

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.		342,928
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		179,856
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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.		837,343
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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.		(1,621,099)
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Internal service funds are used by management to charge the cost of workers' compensation and medical insurance to individual funds.		16,670
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Change in net position of governmental activities (page 37)	\$	<u>(1,092,551)</u>
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The notes to financial statements are an integral part of this statement.
Totals may not foot due to rounding differences.

City of Orange, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
General Fund
For the Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 9,397,570	\$ 9,397,570	\$ 9,393,683	\$ (3,887)
Payment in lieu of taxes	6,939,261	6,939,261	6,883,769	(55,492)
Franchises	285,500	285,500	287,290	1,790
Licenses and permits	339,750	339,750	262,785	(76,965)
Intergovernmental	105,000	129,333	522,907	393,574
Charges for services	3,146,227	3,646,227	3,648,552	2,325
Investment income	16,000	16,000	12,764	(3,236)
Miscellaneous	80,000	80,000	210,130	130,130
Total revenues	<u>20,309,308</u>	<u>20,833,641</u>	<u>21,221,880</u>	<u>388,239</u>
EXPENDITURES				
Current:				
General government	1,560,922	1,611,643	1,528,445	83,198
Culture - recreation	1,169,994	1,175,494	1,113,679	61,815
Public safety	9,748,550	9,835,765	9,796,448	39,317
Public works	3,499,932	3,527,897	3,221,171	306,726
Non-departmental	<u>3,891,402</u>	<u>3,772,319</u>	<u>3,654,994</u>	<u>117,325</u>
Total current	<u>19,870,800</u>	<u>19,923,118</u>	<u>19,314,737</u>	<u>608,381</u>
Capital outlay:				
Capital outlay - books	8,000	8,500	8,336	164
Capital outlay - buildings	-	2,043,280	2,043,278	2
Capital outlay - machinery and equipment	122,939	120,024	108,746	11,278
Capital outlay - other	42,500	66,833	23,231	43,602
Capital outlay - street construction	75,000	174,806	107,755	67,051
Capital outlay - vehicles	<u>119,068</u>	<u>153,972</u>	<u>125,373</u>	<u>28,599</u>
Total capital outlay	<u>367,507</u>	<u>2,567,415</u>	<u>2,416,719</u>	<u>150,696</u>
Total expenditures	<u>20,238,307</u>	<u>22,490,533</u>	<u>21,731,456</u>	<u>759,077</u>
Excess (deficiency) of revenues over expenditures	<u>71,001</u>	<u>(1,656,892)</u>	<u>(509,576)</u>	<u>1,147,316</u>
OTHER FINANCING SOURCES (USES)				
Gain (loss) on capital asset disposition	-	42,784	42,784	-
Total other financing sources (uses)	<u>-</u>	<u>42,784</u>	<u>42,784</u>	<u>-</u>
Net change in fund balances	71,001	(1,614,108)	(466,792)	1,147,316
Fund balances - beginning	<u>8,272,027</u>	<u>8,272,027</u>	<u>8,272,027</u>	<u>-</u>
Fund balances - ending	<u>\$ 8,343,028</u>	<u>\$ 6,657,919</u>	<u>\$ 7,805,235</u>	<u>\$ 1,147,316</u>

The notes to financial statements are an integral part of this statement.
See note III. A. Budgetary information.
Totals may not foot due to rounding differences.

City of Orange, Texas
Statement of Net Position
Proprietary Funds
September 30, 2017

	Business-type Activities			Governmental Activities
	Water and Sewer Funds	Sanitation Fund	Total Enterprise Funds	Internal Service Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,732,027	\$ 1,529,405	\$ 4,261,432	\$ 801,390
Accounts receivable (net of allowance for uncollectibles)	1,027,128	792,269	1,819,397	-
Due from others	-	-	-	10,191
Inventories, at cost	126,421	-	126,421	-
Prepays	39,058	2,223	41,281	-
Cash with fiscal agent	-	-	-	15,000
Cash and cash equivalents - restricted	3,914,499	-	3,914,499	-
Total current assets	<u>7,839,133</u>	<u>2,323,897</u>	<u>10,163,030</u>	<u>826,581</u>
Noncurrent assets:				
Land	733,122	-	733,122	-
Buildings	530,167	-	530,167	-
Improvements other than buildings	37,428,838	-	37,428,838	-
Machinery and equipment	884,475	-	884,475	-
Transportation vehicles	109,838	204,070	313,908	-
Construction in progress	8,089,688	-	8,089,688	-
Leased equipment	97,772	-	97,772	-
Total noncurrent assets	<u>47,873,900</u>	<u>204,070</u>	<u>48,077,970</u>	<u>-</u>
Total assets	<u>55,713,033</u>	<u>2,527,967</u>	<u>58,241,000</u>	<u>826,581</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on pension liability	844,531	42,323	886,854	-
Deferred outflows on refunding	21,056	-	21,056	-
Total deferred outflows of resources	<u>865,587</u>	<u>42,323</u>	<u>907,910</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>56,578,620</u>	<u>2,570,290</u>	<u>59,148,910</u>	<u>826,581</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,833,450	661,133	2,494,583	159,077
Due to other funds	341,624	61,809	403,433	-
Accrued interest payable	56,695	-	56,695	-
Bonds payable - current	709,627	-	709,627	-
Total current liabilities	<u>2,941,396</u>	<u>722,942</u>	<u>3,664,338</u>	<u>159,077</u>
Noncurrent liabilities:				
Liability for employee benefits	109,255	11,168	120,423	-
Bonds payable	12,256,511	-	12,256,511	-
Net pension liability	1,797,680	85,706	1,883,386	-
Lease obligation payable	77,393	-	77,393	-
Total noncurrent liabilities	<u>14,240,839</u>	<u>96,874</u>	<u>14,337,713</u>	<u>-</u>
Total liabilities	<u>17,182,235</u>	<u>819,816</u>	<u>18,002,051</u>	<u>159,077</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on pension liability	391,312	18,769	410,081	-
Total deferred inflows of resources	<u>391,312</u>	<u>18,769</u>	<u>410,081</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>17,573,547</u>	<u>838,585</u>	<u>18,412,132</u>	<u>159,077</u>
NET POSITION				
Net investment in capital assets	37,174,932	204,070	37,379,002	-
Restricted for:				
Debt service payments	135,868	-	135,868	-
Unrestricted	1,694,273	1,527,635	3,221,908	667,505
Total net position	<u>\$ 39,005,073</u>	<u>\$ 1,731,705</u>	<u>40,736,778</u>	<u>\$ 667,505</u>
Adjustments to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time			34,463	
Net position of business-type activities			<u>\$ 40,771,241</u>	

The notes to financial statements are an integral part of this statement.
Totals may not foot due to rounding differences.

City of Orange, Texas
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2017

	Business-type Activities			Governmental Activities
	Water and Sewer Funds	Sanitation Fund	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES				
Charges for services:				
Water	\$ 2,365,760	\$ -	\$ 2,365,760	\$ -
Sewer	5,051,382	-	5,051,382	-
Sanitation	-	1,809,922	1,809,922	-
Other services	442,819	535,926	978,745	261,539
Total operating revenues	<u>7,859,961</u>	<u>2,345,848</u>	<u>10,205,809</u>	<u>261,539</u>
OPERATING EXPENSES				
Personnel services	1,648,744	100,649	1,749,393	-
Employee benefits	971,967	60,710	1,032,677	-
Contractual services	859,126	1,756,753	2,615,879	-
Supplies	240,936	957	241,893	-
Utilities	561,582	-	561,582	-
Depreciation	1,467,819	70,593	1,538,412	-
Administrative expense	1,049,286	291,659	1,340,945	12,285
Claims	-	-	-	196,539
Premiums	-	-	-	33,781
Total operating expenses	<u>6,799,460</u>	<u>2,281,321</u>	<u>9,080,781</u>	<u>242,605</u>
Operating income (loss)	<u>1,060,501</u>	<u>64,527</u>	<u>1,125,028</u>	<u>18,934</u>
NONOPERATING REVENUES (EXPENSES)				
Bond issuance cost	(104,289)	-	(104,289)	-
Investment income	11,408	1,948	13,356	942
Interest expense	(197,842)	-	(197,842)	-
Gain (loss) on capital asset disposition	8,016	-	8,016	-
Total nonoperating revenues (expenses)	<u>(282,707)</u>	<u>1,948</u>	<u>(280,759)</u>	<u>942</u>
Income (loss) before contributions and transfers	777,794	66,475	844,269	19,876
Capital contributions	134,708	-	134,708	-
Transfers in	-	50,000	50,000	-
Transfers out	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>
Change in net position	862,502	116,475	978,977	19,876
Total net position - beginning	<u>38,142,569</u>	<u>1,615,230</u>		<u>647,630</u>
Total net position - ending	<u>\$ 39,005,071</u>	<u>\$ 1,731,705</u>		<u>\$ 667,506</u>
Adjustment for the net effect of the current year activity between the internal service fund and the enterprise funds			<u>3,205</u>	
Changes in net position of business-type activities (page 37)			<u>\$ 982,182</u>	

The notes to financial statements are an integral part of this statement.
Totals may not foot due to rounding differences.

City of Orange, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2017

	Business-type Activities			Governmental Activities
	Water and Sewer Funds	Sanitation Fund	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 7,863,445	\$ 1,811,743	\$ 9,675,188	\$ 251,348
Payments to employees	(1,593,956)	(97,421)	(1,691,377)	-
Payments to suppliers	(1,722,646)	(1,228,078)	(2,950,724)	(144,205)
Payments for interfund services used	(1,049,286)	(291,659)	(1,340,945)	-
Net cash provided (used) by operating activities	<u>3,497,557</u>	<u>194,585</u>	<u>3,692,142</u>	<u>107,143</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Subsidy from (to) proprietary fund	(50,000)	50,000	-	-
Net cash provided (used) by noncapital financing activities	<u>(50,000)</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(5,546,456)	-	(5,546,456)	-
Sales of capital assets	8,016	-	8,016	-
Issuance of bonds	(104,289)	-	(104,289)	-
Principal paid on capital debt	4,639,616	-	4,639,616	-
Interest paid on capital debt	(320,443)	-	(320,443)	-
Net cash provided (used) by capital and related financing activities	<u>(1,323,556)</u>	<u>-</u>	<u>(1,323,556)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received	11,408	1,948	13,356	942
Net cash provided (used) by investing activities	<u>11,408</u>	<u>1,948</u>	<u>13,356</u>	<u>942</u>
Net increase (decrease) in cash and cash equivalents	2,135,409	246,533	2,381,942	108,085
Cash and cash equivalents - beginning of year	4,511,116	1,270,637	5,781,753	693,305
Cash and cash equivalents - end of year	<u>\$ 6,646,525</u>	<u>\$ 1,517,170</u>	<u>\$ 8,163,695</u>	<u>\$ 801,390</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating Income	\$ 1,060,502	\$ 64,527	\$ 1,125,029	\$ 18,934
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,467,819	70,593	1,538,412	-
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(39,266)	(534,105)	(573,371)	(10,191)
(Increase) decrease in cash with fiscal agent	-	-	-	5,000
(Increase) decrease in inventory	6,807	-	6,807	-
(Increase) decrease in prepaids	(11)	(152)	(163)	-
(Increase) decrease in deferred pension contributions	93,006	4,420	97,426	-
Increase (decrease) in deferred pension liabilities	(18,836)	(909)	(19,745)	-
Increase (decrease) in accounts payable	927,536	590,211	1,517,747	93,401
Total Adjustments	<u>2,437,055</u>	<u>130,058</u>	<u>2,567,113</u>	<u>88,210</u>
Net cash provided (used) by operating activities	<u>\$ 3,497,557</u>	<u>\$ 194,585</u>	<u>\$ 3,692,142</u>	<u>\$ 107,144</u>
Schedule of non-cash capital and related financing activities:				
Contributions of capital assets from government	\$ 134,708	\$ -	\$ 134,708	\$ -

The notes to financial statements are an integral part of this statement.
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City of Orange, Texas
Statement of Net Position
Fiduciary Funds
September 30, 2017

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 34,627
Due from other funds	777
Prepays	<u>258,185</u>
Total assets	<u><u>\$ 293,589</u></u>
 LIABILITIES	
Accounts payable	\$ 21,377
Other liabilities	<u>272,212</u>
Total liabilities	<u><u>\$ 293,589</u></u>

The notes to financial statements are an integral part of this statement.
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CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2017

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 from 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

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2017

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

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

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

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

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

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

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

The government reports the following major governmental funds at September 30, 2017:

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

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2017

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

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2017

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

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2017

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 4.23% of outstanding property taxes at September 30, 2017.

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

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2017

cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value.

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 the 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 are depreciated using the straight line method over the following useful lives:

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

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2017

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

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2017

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

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2017

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 in the general fund. 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 \$3,974,160 at September 30, 2017.

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	

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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II. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “Capital assets used in governmental activities are not financial resources and, therefore, are deferred in the funds.” The details of the \$30,562,662 are as follows:

Capital assets	\$59,543,759
Less: Accumulated depreciation	<u>(28,981,097)</u>
Net adjustment to increase fund balances - total governmental funds to arrive at net position - governmental funds.	<u>\$30,562,662</u>

Another element of that reconciliation explains that “Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.” The details of the \$2,143,760 are as follows:

Accrued municipal court revenue	\$840,730
Accrued property tax revenue	<u>1,303,030</u>
Net adjustment to increase fund balances - total governmental funds to arrive at net position - governmental funds.	<u>\$2,143,760</u>

Another element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of the (\$22,608,587) difference are as follows:

Bonds payable	(\$5,605,000)
Deferred outflows on refundings	161,133
Accrued interest payable	(20,632)
Other post employment benefits	(745,308)

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Notes to the Financial Statements
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Compensated absences	(2,801,027)
Net pension liabilities	(13,214,992)
Lease obligations payable	<u>(382,761)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental funds	<u>(\$22,608,587)</u>

Another element of that reconciliation explains that “Internal service funds are used by management to charge the costs of health insurance and workers’ compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.” The details of this \$633,042 are as follows:

Net position of the internal service funds	\$667,505
Plus: Internal receivable representing charges less than cost to business-type activities - prior years	(31,258)
Less: Internal receivable representing charges more than cost to business-type activities - current year	<u>(3,205)</u>
Net adjustment to increase fund balances - total governmental funds to arrive at net position - governmental funds.	<u>\$633,042</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$342,928 difference are as follows:

Capital outlay	\$2,724,951
Assets deleted during year	(159,113)
Depreciation expense	<u>(2,222,910)</u>

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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Net adjustment to decrease net changes in fund balances - total governmental fund to arrive at changes in net position of governmental activities	<u>\$342,928</u>
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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 \$179,856 difference are as follows:

Municipal court revenue	\$67,166
Property tax revenue	<u>112,690</u>
Net adjustment to increase net changes in fund balances - total governmental fund to arrive at changes in net position of governmental activities.	<u>\$179,856</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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 \$837,343 difference are as follows:

Bonds paid	\$840,000
Deferred outflow on refundings	(44,930)
Change in interest payable	2,328
Lease obligations payments	<u>39,945</u>
Net adjustment to increase net changes in fund balances - total government funds to arrive at changes in net position of governmental funds	<u>\$837,343</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this (\$1,621,099) difference are as follows:

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Notes to the Financial Statements
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Compensated absences	(\$290,088)
Other post employment benefits	(63,076)
Net pension liability costs	<u>(1,267,935)</u>
Net adjustment to decrease net changes in fund balances - total government funds to arrive at changes in net position of governmental funds	<u>(\$1,621,099)</u>

Another element of that reconciliation states that “The net revenues and expenses of certain activities of the internal service funds are reported with governmental activities.” The details of this \$16,670 difference are as follows:

Workers’ compensation internal service fund	<u>\$16,670</u>
Net adjustment to decrease net changes in fund balances- total government funds to arrive at changes in net position of governmental funds	<u>\$16,670</u>

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds which plan expenditure activity for the fiscal year, with the exception of lease accounting. Statement no. 87 of the Governmental Accounting Standards Board was applied after the budget process. The statement of revenues, expenditures, and changes in fund balance – budget and actual for the general fund reflects the lease payments. The statement of revenues, expenditures and changes in fund balances for the governmental funds reflects the net present value of minimum lease payments as a capital outlay and as a other financing source. In fiscal year 2017 annual budgets were adopted for all governmental funds except the Home Program. The Home Program did not have any revenue or expenditures.

Forty-five (45) days prior to the end of the fiscal year the City Manager submits the proposed annual budget and explanatory budget message to the City Council. The budget must be adopted by the twenty-seventh (27th) day of September or the budget, as submitted by the City Manager,

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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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:

<u>Amendment #1</u>	General Fund	\$1,645,923	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, carry forward for purchase of First Financial Bank building, for lease payments on new 2017 fire truck, and carry forward for completion of the addition to fire station #2
	General Capital Improvement Fund	\$1,692	increased costs for inter-fund transfer of funds from the General Fund for the additional funds needed for a change order on the 2016 fire truck purchase
	Water and Sewer Fund	\$4,000	increase costs to complete repairs to sewer service on 16 th Street
	2016 Water and Sewer Bond Construction	\$437,330	increase costs for construction costs associated with the 2016 Tax & Revenue Bond Construction

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	Special Revenue Funds	\$350,912	increase revenue and costs for various special revenue funds. Including Orange Development, Homeland Security Grant, Stark Foundation Clean Up Program and Texas Department of Transportation IH-10 Utility Relocation, and the Texas Water Development Board Grant
<u>Amendment #2</u>	General Fund	\$39,186	increased revenue and costs in various line items during the fiscal year with the major portion for temporary staff position in Finance Department, carry forward for implementation and training for software, for March 2016 flood event and street repairs
	Capital Projects Fund	\$766	increase costs for the change order on the 2016 fire pumper purchase
	Water and Sewer Fund	\$9,900	increased costs for the repairs in Chasse Ridge area, Cypress Bayou area, Tulane Force Main Project and 16 th Street repairs
	Special Revenue Funds	\$106,728	increased revenue and costs for Orange Development Fund, funding for a fishing tournament and for construction of restroom facilities at Riverfront Park

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, 2017.

B. Excess of Expenditures Over Appropriations

Tropical Storm Harvey impacted the City on August 29, 2017. The storm produced record rainfall amounts throughout the area and caused extensive flood damage. The cost of rescues, evacuations, repairing and maintaining City services, and debris removal created unanticipated costs. The costs from Tropical Storm Harvey were incurred near the end of the fiscal year. The timing did not allow for sufficient time to amend the budget for the unanticipated costs. However, the City did have offsetting revenues resulting from receivables for FEMA and insurance claims to cover a majority of the costs as of September 30, 2017.

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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Receivables for Tropical Storm Harvey costs as of September 30, 2017

	<u>FEMA</u> <u>Receivable</u>	<u>Insurance</u> <u>Receivable</u>	<u>Total</u> <u>Receivable</u>
General Fund	\$442,266	\$11,515	\$453,781
Water and Sewer Fund	18,660	82,002	100,662
Sanitation Fund	482,498	0	482,498
Orange Development Fund	<u>1,452</u>	<u>0</u>	<u>1,452</u>
Total	<u>\$944,876</u>	<u>\$93,517</u>	<u>\$1,038,393</u>

Sanitation – For the year ended September 30, 2017, the Sanitation Fund was over budget by \$513,686, due to costs from Tropical Storm Harvey. The Sanitation Fund had offsetting revenues in the amount of \$482,498 to help cover these costs.

Special Revenue Funds – The Home Consortium Fund was over budget by \$10,600. This over budgeted amount was funded by additional revenue in the same amount. The Stark Foundation Grant was over budget by \$4,098. This over budgeted amount was funded by additional grant revenue received during the year.

C. Excess of Appropriations over Expenditures

In the City's General Fund, the capital outlay amount budgeted for street construction exceeded the amount expended by \$67,051 due to the fact that the street repairs were not completed by the fiscal year end. The excess appropriations will be carried forward to the next fiscal year. In the City's General Fund, the amount budgeted for special services in non-departmental department exceeded the amount expended by \$107,574 due to savings or services not needed by the fiscal year end. In the City's general fund, the amount budgeted for petroleum purchases exceeded the amount expended by \$98,312 due to savings from the lower price of petroleum products. The savings amounts will remain in the fund balance.

D. Deficit Fund Balance

At September 30, 2017 the City of Orange did not have any funds that had a deficit fund balance.

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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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 depository 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

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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risk on deposits at September 30, 2017. 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	\$18,057,742
Fair value of investments - U. S. Government securities	<u>0</u>
Total	<u>\$18,057,742</u>
 Cash and cash equivalents	 \$14,006,158
Cash and cash equivalents - temporarily restricted	4,016,957
Cash and cash equivalents - fiduciary fund	<u>34,627</u>
Total	<u>\$18,057,742</u>

At September 30, 2017 the City's investments included only cash and cash equivalents, which may still be subject to credit risk, concentration risk and custodial risk. 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:

CITY OF ORANGE, TEXAS
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	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Receivables:			
Taxes	\$1,360,582	\$0	\$1,360,582
Accounts	2,722,739	1,835,816	4,558,555
Due from others	<u>19,957</u>	<u>0</u>	<u>19,957</u>
Subtotal	4,103,278	1,835,816	5,939,094
Less: allowance for uncollectible	<u>(57,553)</u>	<u>(16,419)</u>	<u>(73,972)</u>
Net total receivables	<u><u>\$4,045,725</u></u>	<u><u>\$1,819,397</u></u>	<u><u>\$5,865,122</u></u>

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

Uncollectibles related to:

Ad valorem taxes - General	\$47,657
Ad valorem taxes - Debt Service	9,896
Water and Sewer	14,113
Sanitation fees	<u>2,306</u>
Total uncollectibles of the current fiscal year	<u><u>\$73,972</u></u>

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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C. Capital Assets

Capital asset activity for the year ended September 30, 2017 was as follows:

Primary Government	Balance at <u>9/30/16</u>	<u>Increases</u>	<u>Decreases</u>	Balance at <u>9/30/17</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$1,585,658	\$329,905	\$0	\$1,915,563
Construction in progress	<u>912,184</u>	<u>134,708</u>	<u>(691,617)</u>	<u>355,275</u>
Total capital assets, not being depreciated	<u>2,497,842</u>	<u>464,613</u>	<u>(691,617)</u>	<u>2,270,838</u>
Capital assets, being depreciated:				
Buildings	24,983,056	1,826,888	0	26,809,944
Office furniture, fixtures and books	4,349,059	155,766	0	4,504,825
Machinery, equipment, vehicles and improvements	16,828,011	694,592	(736,406)	16,786,197
Infrastructure	8,609,250	139,999	0	8,749,249
Leased equipment	<u>0</u>	<u>422,706</u>	<u>0</u>	<u>422,706</u>
Total assets being depreciated	<u>54,769,376</u>	<u>3,239,951</u>	<u>(736,406)</u>	<u>57,272,921</u>
Less accumulated depreciation for:				
Buildings	(7,101,384)	(851,239)	0	(7,952,623)
Office furniture, fixtures and books	(3,825,678)	(99,485)	0	(3,925,163)
Machinery, equipment, vehicles and improvements	(11,128,277)	(991,591)	712,001	(11,407,867)
Infrastructure	(5,414,851)	(252,412)	0	(5,667,263)

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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Primary Government	Balance at <u>9/30/16</u>	<u>Increases</u>	<u>Decreases</u>	Balance at <u>9/30/17</u>
Leased equipment	<u>0</u>	<u>(28,180)</u>	<u>0</u>	<u>(28,180)</u>
Total accumulated depreciation	<u>(27,470,190)</u>	<u>(2,222,907)</u>	<u>712,001</u>	<u>(28,981,096)</u>
Total capital assets, being depreciated, net	<u>27,299,186</u>	<u>1,017,044</u>	<u>(24,405)</u>	<u>28,291,825</u>
Governmental activities capital assets, net	<u>\$29,797,028</u>	<u>\$1,481,657</u>	<u>(\$716,022)</u>	<u>\$30,562,663</u>

Business-type Activities:

Capital assets, not being depreciated:

Land	\$733,122	\$0	\$0	\$733,122
Construction in progress	<u>3,100,589</u>	<u>4,993,949</u>	<u>(4,850)</u>	<u>8,089,688</u>
Total capital assets, not being depreciated	<u>3,833,711</u>	<u>4,993,949</u>	<u>(4,850)</u>	<u>8,822,810</u>

Capital assets , being depreciated:

Buildings	598,277	85,019	0	683,296
Improvements - other than buildings	67,358,131	477,397	0	67,835,528
Machinery & equipment	2,304,938	160,069	0	2,465,007
Leased equipment	0	111,959	<u>0</u>	111,959
Vehicles	<u>1,452,687</u>	<u>0</u>	<u>(49,515)</u>	<u>1,403,172</u>
Total capital assets, being depreciated	<u>71,714,033</u>	<u>834,444</u>	<u>(49,515)</u>	<u>72,498,962</u>

Less: accumulated depreciation for:

Buildings	(140,880)	(12,249)	0	(153,129)
Improvements other than buildings	(29,194,641)	(1,212,048)	0	(30,406,689)
Machinery & equipment	(1,416,611)	(163,920)	0	(1,580,531)

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2017

Primary Government	Balance at <u>9/30/16</u>	<u>Increases</u>	<u>Decreases</u>	Balance at <u>9/30/17</u>
Leased equipment	0	(14,187)	0	(14,187)
Vehicles	<u>(1,002,775)</u>	<u>(136,004)</u>	<u>49,515</u>	<u>(1,089,264)</u>
Total accumulated depreciation	<u>(31,754,907)</u>	<u>(1,538,408)</u>	<u>49,515</u>	<u>(33,243,800)</u>
Total capital assets, being depreciated, net	<u>39,959,126</u>	<u>(703,964)</u>	<u>0</u>	<u>39,255,162</u>
Business-type activities capital assets, net	<u>\$43,792,837</u>	<u>\$4,289,985</u>	<u>(\$4,850)</u>	<u>\$48,077,972</u>

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

Government activities:

General government	\$121,149
Cultural and recreation	292,877
Public safety	1,128,295
Public works	<u>680,586</u>
Total depreciation expense - governmental activities	<u>\$2,222,907</u>

Business-type activities:

Water and Sewer	\$1,467,815
Sanitation	<u>70,593</u>
Total depreciation expense - business-type activities	<u>\$1,538,408</u>

Construction commitments

Construction in progress capital assets consists of the following as of September 30, 2017:

Governmental Activities

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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Rail Road Quiet Zone Project TXDOT	<u>\$ 355,275</u>
Total Governmental Activities	<u>\$355,275</u>
<u>Business-Type Activities</u>	
15 Street Utility Relocation	\$3,310
Water and Sewer System Upgrades 2015 Bond Construction	5,071,770
Waterline Extension Hwy 62 TXDOT	189,910
Water Production Upgrades 2016 Bond Construction	2,796,990
Repairs to Barkins Lift Station	<u>27,708</u>
Total Business Type Activities	<u>\$8,089,688</u>

Tropical Storm Related Impairments

Tropical Storm Harvey hit the City on August 29, 2017. The City was still in the process of assessing damages and compiling insurance claims at the end of the fiscal year. The City may have impairments related to Tropical Storm Harvey in fiscal year 2018. Assets will be evaluated for impairment once insurance claims and FEMA reimbursements have been received, and repairs are made.

D. Interfund Receivables, Payables and Transfers

The City had six short term interfund payables/receivables of cash within the governmental funds at year end which resulted from the way the City pools cash for investment purposes. The City had two short term interfund payables/receivables between the governmental funds and the proprietary funds for allocation of expenditures as year end.

The composition of interfund balances as of September 30, 2017 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	Amount
Governmental Funds:		

CITY OF ORANGE, TEXAS
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General Fund	Special Revenue - CDBG Fund	\$11,408
General Fund	Special Revenue - Stark Foundation Clean-Up Program Grant	21,202
General Fund	Special Revenue - Texas Forrest Service TIFMAS Grant	3,750
General Fund	Special Revenue - Texas Department of Public Safety Emergency Management Grant	29,710
General Fund	Special Revenue - Texas General Land Office GLO	2,648
General Fund	Special Revenue - Texas Water Development Board Grants	<u>17,250</u>
Total Governmental Funds		<u>85,968</u>

Proprietary Funds:

General Fund	Water and Sewer Fund	341,624
General Fund	Sanitation Fund	<u>61,809</u>
Total between governmental and proprietary funds		<u>403,433</u>
Total interfund receivables, payables and transfers		<u>\$489,401</u>

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

Capital Assets Transferred from Governmental Funds:

Texas Department of Transportation - Water Line Extension Hwy 62	<u>\$134,708</u>
Total Capital Assets Transferred	<u>\$134,708</u>

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2017

E. Leases

Governmental Activities -

Capital Lease – Fire Truck

In fiscal year 2017, the City of Orange entered into a lease agreement, as lessee, for financing the acquisition of a fire truck. This lease qualifies as a capital lease for accounting purposes and therefore, is recorded at the present value of the future minimum lease payments in the government-wide statements. The general fund records lease payments as leased asset expenditures and interest expenditures. The City has applied lease accounting per Statement No. 87 of the Governmental Accounting Standards Board. The lease term is sixty (60) months and the rate of interest is 2.49%.

The asset acquired through a capital lease is as follows:

Asset:	
Vehicles	\$422,706
Less: accumulated depreciation	<u>(28,180)</u>
Net Asset	<u>\$394,526</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017 were as follows:

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2017-2018	\$8,605	\$81,395	\$90,000
2018-2019	6,555	83,445	90,000
2019-2020	4,454	85,546	90,000
2020-2021	2,300	87,700	90,000
2021-2022	<u>325</u>	<u>44,675</u>	<u>45,000</u>
	<u>\$22,239</u>	<u>\$382,761</u>	<u>\$405,000</u>

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2017

Business-type Activities –

Lease – Vehicles

In fiscal year 2017 the City of Orange entered into lease agreements for use of motor vehicles to be utilized in the water and sewer fund. These lease agreements are treated as capital leases and therefore, are recorded at the present value of the future minimum lease payments in the Water and Sewer Fund. The lease terms range from forty-eight (48) months to sixty (60) months. The rate of interest is 4.96%.

Leased asset - vehicles:

<u>Asset Description</u>	<u>Lease Term</u>	<u>Value</u>	<u>Accumulated Depreciation</u>	<u>Net Asset Value</u>	<u>Residual Value per Lease Agreement</u>
2017 Ford F150	60 mo.	\$22,365	\$4,473	\$17,892	\$6,790
2017 Ford F150	60 mo.	22,365	4,473	17,892	6,790
2017 Ford F150	60 mo.	22,365	4,473	17,892	6,790
2017 Ford F150	60 mo.	22,365	4,473	17,892	6,790
2017 Ford Explorer	48 mo.	<u>22,501</u>	<u>4,500</u>	<u>18,001</u>	<u>8,075</u>
Totals		<u>\$111,961</u>	<u>\$22,392</u>	<u>\$89,569</u>	<u>\$35,235</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017 were as follows:

Lease obligations – 48 month term

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017-2018	\$5,373	\$840	\$6,213
2018-2019	5,645	568	6,213
2019-2020	5,932	281	6,213
2020-2021	<u>2,433</u>	<u>29</u>	<u>2,462</u>
Totals	<u>\$19,383</u>	<u>\$1,718</u>	<u>\$21,101</u>

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2017

Lease obligations – 60 month term

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017-2018	\$16,644	\$3,594	\$20,238
2018-2019	17,488	2,750	20,238
2019-2020	18,376	1,862	20,238
2020-2021	19,308	930	20,238
2021-2022	<u>8,211</u>	<u>101</u>	<u>8,312</u>
Totals	<u>\$80,027</u>	<u>\$9,237</u>	<u>\$89,264</u>

F. Long-Term Debt

General Obligation Bonds/Certificates of Obligation

The government issues general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. General obligation bonds, certificates of obligation and tax notes have been issued for both governmental and business-type activities. The original amount of general obligation bonds, certificates of obligation and tax notes issued in prior years was \$21,165,000.

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:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Outstanding</u>
Governmental Activities:			
General Obligation Refunding Bonds Series 2013	0.5% - 2.5%	\$5,440,000	\$4,625,000

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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General Obligation Refunding Bonds Series 2015	0.6% - 1.6%	1,980,000	980,000
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Business-type Activities:

General Obligation Refunding Series 2014	2.0% - 3.0%	3,900,000	3,330,000
Tax and Revenue Certificates of Obligation, Series 2015	2.0% - 4.0%	4,845,000	4,455,000
Tax and Revenue Certificates of Obligation, Series 2016	2.0% - 3.0%	<u>5,045,000</u>	<u>4,835,000</u>
		<u>\$21,210,000</u>	<u>\$18,225,000</u>

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

Governmental Activities -

General Obligation Refunding Bonds Series 2013

Year Ending September 30, 2017	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2021-2022	410,000	68,575	478,575
2022-2027	2,205,000	189,878	2,394,878
2027-2028	<u>475,000</u>	<u>5,938</u>	<u>480,938</u>
	<u>\$4,625,000</u>	<u>\$637,128</u>	<u>\$5,262,128</u>

CITY OF ORANGE, TEXAS
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General Obligation Refunding Bonds Series 2015

Year Ending September 30, 2017	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017-2018	\$485,000	\$14,467	\$499,467
2018-2019	<u>495,000</u>	<u>7,920</u>	<u>502,920</u>
	<u>\$980,000</u>	<u>\$22,387</u>	<u>\$1,002,387</u>

Business-type Activities -

General Obligation Advance Refunding Series 2014

Year Ending September 30, 2017	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2021-2022	290,000	66,900	356,900
2022-2027	1,590,000	198,450	1,788,450
2027-2028	<u>350,000</u>	<u>10,500</u>	<u>360,500</u>
	<u>\$3,330,000</u>	<u>\$610,350</u>	<u>\$3,940,350</u>

Tax and Revenue Certificates of Obligation Series 2015

Year Ending September 30, 2017	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017-2018	\$195,000	\$135,550	\$330,550
2018-2019	200,000	131,600	331,600

CITY OF ORANGE, TEXAS
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2019-2020	205,000	127,550	332,550
2020-2021	210,000	123,400	333,400
2021-2022	215,000	119,150	334,150
2022-2027	1,155,000	509,063	1,664,063
2027-2032	1,340,000	316,338	1,656,338
2032-2035	<u>935,000</u>	<u>57,100</u>	<u>992,100</u>
	<u>\$4,455,000</u>	<u>\$1,519,751</u>	<u>\$5,974,751</u>

Tax and Revenue Certificates of Obligation Series 2016

Year Ending September 30, 2017	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017-2018	\$205,000	\$118,363	\$323,363
2018-2019	205,000	114,263	319,263
2019-2020	210,000	110,113	320,113
2020-2021	215,000	105,863	320,863
2021-2022	220,000	100,413	320,413
2022-2027	1,205,000	402,144	1,607,144
2027-2032	1,360,000	248,744	1,608,744
2033-2036	<u>1,215,000</u>	<u>67,631</u>	<u>1,282,631</u>
	<u>\$4,835,000</u>	<u>\$1,267,534</u>	<u>\$6,102,534</u>

Annual Debt Service

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

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	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
Year Ending September 30, 2017	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017-2018	\$855,000	\$121,917	\$976,917	\$670,000	\$345,662	\$1,015,662
2018-2019	875,000	105,995	980,995	675,000	332,212	1,007,212
2019-2020	385,000	88,512	473,512	690,000	318,612	1,008,612
2020-2021	400,000	78,700	478,700	710,000	304,712	1,014,712
2021-2022	410,000	68,575	478,575	725,000	286,463	1,011,463
2022-2027	2,205,000	189,878	2,394,878	3,950,000	1,109,657	5,059,657
2027-2032	475,000	5,938	480,938	3,050,000	575,582	3,625,582
2032-2035	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,150,000</u>	<u>124,731</u>	<u>2,274,731</u>
	<u>\$5,605,000</u>	<u>\$659,515</u>	<u>\$6,264,515</u>	<u>\$12,620,000</u>	<u>\$3,397,631</u>	<u>\$16,017,631</u>

Long-term liability activity for the year ended September 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental activities:</u>					
Bonds Payable:					
General Obligation Bonds	\$6,445,000	\$0	(\$840,000)	\$5,605,000	(\$855,000)
Compensated absences	2,510,939	298,462	(8,374)	2,801,027	(1,450,708)
Net pension liabilities	16,212,200	2,347,114	0	18,559,314	0

CITY OF ORANGE, TEXAS
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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Other post employment benefits	682,232	63,076	0	745,308	0
Lease obligation payable	<u>0</u>	<u>422,706</u>	<u>(39,944)</u>	<u>382,762</u>	<u>(81,395)</u>
	<u>\$25,850,371</u>	<u>\$3,131,358</u>	<u>(\$888,318)</u>	<u>\$28,093,411</u>	<u>(\$2,387,103)</u>
<u>Business-type activities:</u>					
Bonds payable:					
General obligation bonds and certificates of obligation	\$8,235,000	\$5,045,000	(\$660,000)	\$12,620,000	(\$670,000)
General obligation bonds - premium	<u>168,915</u>	<u>172,816</u>	<u>(35,220)</u>	<u>306,511</u>	<u>(17,610)</u>
Total bonds payable	<u>8,403,915</u>	<u>5,217,816</u>	<u>(695,220)</u>	<u>12,926,511</u>	<u>(687,610)</u>
Lease obligation payable	0	111,959	(12,549)	99,410	(22,017)
Compensated absences	122,469	4,436	(6,482)	120,423	(54,413)
Net pension liability	<u>2,001,244</u>	<u>0</u>	<u>(117,858)</u>	<u>1,883,386</u>	<u>0</u>
	<u>\$10,527,628</u>	<u>\$5,334,211</u>	<u>(\$832,109)</u>	<u>\$15,029,730</u>	<u>(\$764,040)</u>

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

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

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

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<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Deferred outflows of resources on pension liability	\$4,657,511	\$0	(\$2,070,174)	\$2,587,337
Deferred outflows of resources on refundings	206,063	0	(44,930)	161,133
Deferred inflows of resources on pension liability	<u>(392,367)</u>	<u>(577)</u>	<u>0</u>	<u>(392,944)</u>
	<u>\$4,471,207</u>	<u>(\$577)</u>	<u>(\$2,115,104)</u>	<u>\$2,355,526</u>
<u>Business-type activities:</u>				
Deferred outflow of resources on pension liability	\$984,280	\$0	(\$97,426)	\$886,854
Deferred outflow of resources refundings	22,984	0	(1,928)	21,056
Deferred inflow of resources on pension liability	<u>(311,968)</u>	<u>(98,113)</u>	<u>0</u>	<u>(410,081)</u>
	<u>\$695,296</u>	<u>(\$98,113)</u>	<u>(\$99,354)</u>	<u>\$497,829</u>

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.

G. 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 Certificates of 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

CITY OF ORANGE, TEXAS
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on the certificates.

In fiscal year 2017 the interest payment on this issue was \$139,400 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 \$7,859,961. At September 30, 2017 the Water and Sewer Enterprise Fund had future pledged revenues in the amount \$18,000.

Series 2016 Tax and Revenue Certificates of Obligation –

In 2016 the City issued \$5,045,000 in Series 2016 Tax and Revenue Certificates of 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 2036.

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

In fiscal year 2017 the interest payment on this issue was \$97,590 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 \$7,859,961. At September 30, 2017 the Water and Sewer Enterprise Fund has future pledged revenues in the amount \$19,000.

H. Restricted Net Position

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

Governmental activities:

Debt service payments	\$81,826
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Business-type activities:

Debt service payments	<u>135,868</u>
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Total	<u>\$217,694</u>
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CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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V. Other Information

A. Risk Management

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

The City provides medical insurance for its employees through United Healthcare Insurance Company 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 United Healthcare Insurance Company 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, 2017, the Workers' Compensation Fund has a designated balance for insurance claim liability of \$444,741 and an undesignated balance of \$222,764. 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

CITY OF ORANGE, TEXAS
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\$667,505. The designation for catastrophic claims is not a legal requirement but is an estimation used to project the future needs of the fund and to aid the City in the setting of rates in future periods.

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

	Beginning of Fiscal Year <u>Liability</u>	Current Year Claims and Changes in <u>Estimates</u>	Claims Payments and Liability <u>Expensed</u>	Balance at Fiscal Year <u>End</u>	
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	
2016-2017	\$359,415	\$281,865	(\$196,539)	\$444,741	
		<u>2016-2017</u>	<u>2015-2016</u>	<u>2014-2015</u>	<u>2013-2014</u>
				<u>2012-2013</u>	
<u>Claim Liability Expensed</u>					
Unpaid claim liability beginning of year	\$39,153	\$82,620	\$38,432	\$111,859	\$95,952
Claims incurred in current year	112,794	90,695	173,889	58,519	185,330
Increase (decrease) in provision for insured events of prior year	204,267	(76,172)	(28,370)	32,405	97,165
Claim payments attributable to current year claims	(26,145)	(51,542)	(91,269)	(47,345)	(81,574)
Claim payments attributable to prior year claims	<u>(243,420)</u>	<u>(6,448)</u>	<u>(10,062)</u>	<u>(117,006)</u>	<u>(185,014)</u>
Total unpaid claim liability expensed at end of year	<u>\$86,649</u>	<u>\$39,153</u>	<u>\$82,620</u>	<u>\$38,432</u>	<u>\$111,859</u>

CITY OF ORANGE, TEXAS
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	<u>2016-2017</u>	<u>2015-2016</u>	<u>2014-2015</u>	<u>2013-2014</u>	<u>2012-2013</u>
<u>Designated for Catastrophic Claim</u>					
Designated for future catastrophic claims - beginning of year	\$359,415	\$406,774	\$369,785	\$370,620	\$344,454
Increase (decrease) in reserve	<u>85,326</u>	<u>(47,359)</u>	<u>36,989</u>	<u>(835)</u>	<u>26,166</u>
Total designated for future catastrophic claims - end of year	<u>\$444,741</u>	<u>\$359,415</u>	<u>\$406,774</u>	<u>\$369,785</u>	<u>\$370,620</u>

B. Subsequent Events

The City of Orange had one subsequent event for fiscal year 2017 as reviewed through April 19, 2018. At the end of September 2017, the City received notice from the Texas Comptroller of Public Accounts that the City has been overpaid by \$257,493.68 in local sales and use taxes. The notice states *“The overpayment was the result of a direct pay taxpayer that filed a refund claim for taxes they paid to their vendors in error and not directly accrued on their direct pay account.”* The claim was verified by the City’s sales tax consultant, and the payment was approved by City Council. In January 2018, the City remitted \$252,343.81 which is the refund amount less the 2% service fee.

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

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Plan Description

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

Retiree Life Insurance

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

The City now has fifteen (15) 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, 2017:

Current active plan members	189
Retirees and others currently receiving benefits	9
Terminated employees entitled to receive future benefits	<u>0</u>
Total	<u>198</u>

Funding Policy

The City of Orange has traditionally paid for some retiree's medical insurance, authorized under prior incentive programs, on an 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 \$78,286. The City of Orange does not presently have a policy that requires funding

CITY OF ORANGE, TEXAS
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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, 2017. The fiscal year 2017 annual unfunded OPEB cost, of \$141,362, is based on current plan provisions and certain demographic and economic assumptions established within the December 8, 2017 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 City allows retirees to participate in the health care insurance benefit. The retirees are required to pay the entire insurance premium and the City does not contribute towards the retirees premiums.

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)	\$139,108
Interest on prior NOPEB	30,700
Amortization adjustment on prior NOPEB	<u>(28,446)</u>
Annual OPEB cost	141,362
Contributions made	<u>0</u>
Increase in NOPEB obligation	141,362
Expected Net OPEB Contributions	(78,286)
NOPEB obligation - beginning of year	<u>682,232</u>
NOPEB obligation - end of year	<u>\$745,308</u>

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The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 are as follows:

Fiscal Year <u>Ended</u>	Annual OPEB <u>Cost</u>	Percentage of Annual OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
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
09/30/2017	\$141,362	55.4%	\$745,308

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 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

CITY OF ORANGE, TEXAS
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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, 2017 actuarial valuation was as follows:

A. Present value (PV) of future benefits	
I) Retirees and beneficiaries	\$451,507
ii) Vested terminated members	0
iii) Active members	2,046,336
Total PV of Future Benefits	\$2,497,843
B. Present value (PV) of future normal costs	\$966,171
C. Actuarial accrued liabilities (A-B)	\$1,531,672
D. Actuarial value of assets	\$0
E. Unfunded actuarial accrued liability (C-D)	\$1,531,672
F. Funded ratio (D/C)	0.00%
G. Annual covered payroll	\$10,281,833
H. Ratio of unfunded actuarial accrued liability to the annual covered payroll (E/G)	14.90%

E. Employee Retirement Systems and Pension Plans

Texas Municipal Retirement System Defined Benefit Pension Plan

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September 30, 2017

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.tmr.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:

	<u>Plan Year 2017</u>	<u>Plan Year 2016</u>
Employee Deposit Rate	7%	7%
Matching Ratio (City to Employee)	2 to 1	2 to 1
Years Required for Vesting	10	10
Service Retirement Eligibility (expressed as age/years of service)	60/10, 0/20	60/10, 0/20
Updated Service Credit	100% repeating, transfers	100% repeating, transfers
Annuity Increase (to retirees)	70% of CPI repeating	70% of CPI repeating

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

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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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, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	132
Inactive employees entitled to but not yet receiving benefits	56
Active employees	<u>155</u>
Total	<u>343</u>

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 17.87% and 17.26% in calendar years 2016 and 2017 respectively. The City's contributions to TMRS for the year ended September 30, 2017 were \$1,542,873, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, 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, 2016, actuarial valuation was determined using the following actuarial assumptions:

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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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, 2016 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:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
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.

CITY OF ORANGE, TEXAS
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Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balance at 12/31/2015	\$66,521,814	\$56,678,721	\$9,843,093
Changes for the current year:			
Service cost	1,525,181	--	1,525,181
Interest	4,435,496	--	4,435,496
Changes in benefit terms	--	--	--
Difference between expected and actual experience	(639,862)	--	(639,862)
Changes in assumptions	--	--	--
Benefit payments, including refunds of employee contributions	(3,146,697)	(3,146,697)	--
Contributions - employer	--	1,527,744	(1,527,744)
Contributions - employee	--	598,445	(598,445)
Net investment income	--	3,830,094	(3,830,094)
Administrative Fees	--	(43,260)	43,260
Other changes	--	<u>(2,331)</u>	<u>2,331</u>
Net changes	<u>2,174,118</u>	<u>2,763,995</u>	<u>(589,877)</u>
Balance at 12/31/2016	<u>\$68,695,932</u>	<u>\$59,442,716</u>	<u>\$9,253,216</u>

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:

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	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$18,453,091	\$9,253,216	\$1,655,047

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, 2017, the City recognized pension expense of \$1,913,524.

At September 30, 2017, 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	--	(\$491,057)
Change in actuarial assumptions	--	
Difference between projected and actual investment earnings	--	(3,424)
Contributions subsequent to the measurement date	<u>1,127,341</u>	--
Total	<u>\$1,127,341</u>	<u>(\$494,481)</u>

The \$1,127,341 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, 2018. Other amounts reported as deferred

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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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
2017	\$331,515
2018	480,082
2019	580,778
2020	(45,498)
2021	--
Thereafter	--
Total	<u>\$1,346,877</u>

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.).

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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:

	<u>Plan Year 2017</u>	<u>Plan Year 2016</u>
Employee Deposit Rate	12%	11.5%
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 an approximately level total benefit when Social Security is taken into account.

At the December 31, 2016 measurement date, the following employees were covered by the benefit terms:

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Inactive employees or beneficiaries currently receiving benefits	42
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>37</u>
Total	80

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, 2016, members began contributing to the fund at a rate of 12% 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, 2016, 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	2% per year
Overall Payroll Growth	4% per year
Cost of Living	None
Salary Increases	3%
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 reported at fair market value, which is a change from the prior year.

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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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Cash & short-term fixed income	0.00%	0.62%
Fixed income	35.0%	3.00%
Equities -		
Large-cap growth	13.0%	8.30%
Large-cap value	13.0%	8.00%
SMid-cap	9.0%	9.25%
International equity	20.0%	8.20%
Emerging markets	10.0%	10.80%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.01%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2017

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 12/31/2015	\$16,683,530	\$8,313,179	\$8,370,351
Changes for the current year:			
Service cost	275,111	--	275,111
Interest	1,256,298	--	1,256,298
Changes in benefit terms	10,200	--	10,200
Difference between expected and actual experience	(513,493)	--	(513,493)
Changes in assumptions	2,748,186	--	2,748,186
Benefit payments, including refunds of employee contributions	(1,115,774)	(1,115,774)	--
Contributions - employer	--	318,457	(318,457)
Contributions - employee	--	264,331	(264,331)
Net investment income	--	393,147	(393,147)
Administrative Fees	--	(18,666)	18,666
Other changes	--	--	--
Net changes	<u>2,660,528</u>	<u>(158,505)</u>	<u>2,819,033</u>
Balance at 12/31/2016	<u>\$19,344,058</u>	<u>\$8,154,674</u>	<u>\$11,189,384</u>

CITY OF ORANGE, TEXAS
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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 6.01%, 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 (5.01%) or 1 percentage point higher (7.01%) than the current rate:

	1% Decrease in Discount Rate <u>(5.01%)</u>	Current Discount Rate <u>(6.01%)</u>	1% Increase in Discount Rate <u>(7.01%)</u>
City's net pension liability	\$13,513,788	\$11,189,384	\$9,256,980

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, 2016 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, 2017, the City recognized pension expense of \$1,302,481. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	--	\$812,623
Change in actuarial assumptions	3,019,216	--
Difference between projected and actual investment earnings	901,814	0
Contributions subsequent to the measurement date	<u>238,042</u>	<u>0</u>
Total	<u>\$4,159,072</u>	<u>\$812,623</u>

CITY OF ORANGE, TEXAS
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The \$238,042 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, 2018. 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 <u>Resources</u>
2018	\$622,194
2019	622,192
2020	523,275
2021	347,953
2022	303,450
Thereafter	<u>689,343</u>
Total	<u>\$3,108,407</u>

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 a Funding Soundness Restoration Plan to the Texas State Pension Review Board on October 17, 2016. The FSRP provisions included the increase of the employees' contribution of 1 percent, which reduced the fund's amortization period to slightly less than 47.4 years. A fund's amortization period

CITY OF ORANGE, TEXAS
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decreases by one year for each passing year. In 2016, a new actuary was chosen by the Orange Firemen's Relief and Retirement Board. Based on recommendations from the new actuarial firm, the board approved changes to some of the actuarial assumptions. The assumptions changed include changes to the valuation method for assets, a decrease in the inflation rate, a decrease in the rate of deferred retirement option plan (DROP) election, and a decrease in the discount rate. As predicted by the actuary, the amortization period increased to 69.3 years as of December 31, 2016. The Pension Review Board notified the Board that the Plan was out of compliance. A second, revised FSRP was submitted on February 12, 2018 with the provisions of a .25 percent member contribution increase and a .25 percent City contribution increase for fiscal years 2017 and 2018, a more aggressive management of the investments, and a possible benefit change. 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. As of April 18, 2018, the City received notice from the Texas State Pension Review Board that the plan is currently in compliance.

The members of the Orange Firemen's Relief and Retirement Fund voted in November 2017 to increase their employee contributions by .25 percent for fiscal year 2017 and another .25 percent increase in fiscal year 2018. City contributions to the fund are controlled by a contract between the International Association of Firefighters, Local 1432 and the City of Orange. The negotiations in 2017 resulted in a .25 percent increase in the City's contributions for fiscal year 2017 and another .25 percent increase for fiscal year 2018. The present contract will expire September 30, 2019.

Employee Retirement Systems and Pension Plans – September 30, 2017

	Texas Municipal Retirement System Defined Benefit <u>Pension Plan</u>	Orange Firemen's Relief and <u>Retirement Fund</u>	<u>Total</u>
Plan fiduciary net position	\$59,442,716	\$8,154,674	\$67,597,390
Net pension liability	\$9,253,216	\$11,189,384	\$20,442,600
Deferred outflows of resources	\$1,127,341	\$4,159,072	\$5,286,413
Deferred inflows of resources	(\$494,481)	\$812,623	\$318,142
Pension expense	\$1,913,524	\$1,302,481	\$3,216,005

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		9/30/2017	09/30/2016	09/30/2015	09/30/2013 (1)
Actuarial value of assets	(A)	\$0	\$0	\$0	\$0
Actuarial accrued liability	(B)	\$1,531,672	\$1,128,762	\$1,128,762	\$1,262,089
Percentage funded	(C) = (A) / (B)	0.00%	0.00%	0.00%	0.00%
Unfunded actuarial accrued liability (UAAL)	(D) = (B) - (A)	\$1,531,672	\$1,128,762	\$1,128,762	\$1,262,089
Annual covered payroll	(E)	\$10,281,833	\$10,409,271	\$10,409,271	\$10,126,889
Ratio of the unfunded actuarial liability to the annual covered payroll	(F) = (D) / (E)	14.60%	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**

	<u>2006-2013 (1)</u>	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>
A. Total Pension Liability				
1. Service Cost	\$0	\$1,390,815	\$1,473,198	\$1,525,181
2. Interest (on the Total Pension Liability)	0	4,331,921	4,436,802	4,435,496
3. Changes of benefit terms	0	0	0	0
4. Difference between expected and actual experience	0	(1,354,539)	(854,615)	(639,862)
5. Change of assumptions	0	0	223,703	0
6. Benefit payments, including refunds of employee contributions	0	(3,015,050)	(2,807,118)	(3,146,697)
7. Net Change in Total Pension Liability	0	1,353,147	2,471,970	2,174,118
8. Total Pension Liability - Beginning	0	62,696,697	64,049,844	66,521,814
9. Total Pension Liability - Ending	<u>\$0</u>	<u>\$64,049,844</u>	<u>\$66,521,814</u>	<u>\$68,695,932</u>
B. Plan Fiduciary Net Position				
1. Contributions - employer	\$0	\$1,657,797	\$1,587,598	\$1,527,744
2. Contributions - employee	0	585,795	576,111	598,445
3. Net investment income	0	3,143,530	84,535	3,830,094
4. Benefit payments, including refunds of employee contributions	0	(3,015,050)	(2,807,118)	(3,146,697)
5. Administrative expense	0	(32,822)	(51,492)	(43,260)
6. Other	0	(2,699)	(2,544)	(2,331)
7. Net Change in Plan Fiduciary Net Position	0	2,336,551	(612,910)	2,763,995
8. Plan Fiduciary Net Position - Beginning	0	54,955,080	57,291,631	56,678,721
9. Plan Fiduciary Net Position - Ending	<u>\$0</u>	<u>\$57,291,631</u>	<u>\$56,678,721</u>	<u>\$59,442,716</u>
C. Net Pension Liability (A.9. - B.9.)	<u>\$0</u>	<u>\$6,758,213</u>	<u>\$9,843,093</u>	<u>\$9,253,216</u>
D. Plan Fiduciary Net Position as a percentage of the Total Pension Liability (B.9. / A.9.)	--	89.45%	85.20%	86.53%
E. Covered Employee Payroll	\$0	\$8,368,497	\$8,230,155	\$8,549,219
F. Net Pension Liability as a percentage of Covered Employee Payroll (C / E)	--	80.76%	119.60%	108.23%

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	FY 2017
Actuarially Determined Contribution	\$0	\$1,586,949	\$1,552,490	\$1,542,873
Contributions in relation to the actuarially determined contribution	0	1,586,949	1,552,490	1,542,873
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Covered employee payroll	\$0	\$8,166,972	\$8,506,325	\$8,856,832
Contributions as a percentage of covered employee payroll	--	19.43%	18.25%	17.42%

Notes to Schedule of Contributions

Valuation Date: December 31, 2016
Notes Actuarially 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:

<p>Actuarial Cost Method</p> <p>Amortization Method</p> <p>Remaining Amortization Period</p> <p>Asset Valuation Method</p> <p>Inflation</p> <p>Salary Increase</p> <p>Investment Rate of Return</p> <p>Retirement Age</p> <p>Mortality</p>	<p>Entry Age Normal</p> <p>Level Percentage of Payroll, Closed</p> <p>30 years</p> <p>10 Year smoothed market, 15% soft corridor</p> <p>2.50%</p> <p>3.50% to 10.50% including inflation</p> <p>6.75%</p> <p>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.</p> <p>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.</p>
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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**

	<u>2006-2013 (1)</u>	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>
A. Total Pension Liability				
1. Service Cost	\$0	\$256,176	\$266,423	\$275,111
2. Interest (on the Total Pension Liability)	0	1,240,296	1,235,592	1,256,298
3. Changes of benefit terms	0	0	0	10,200
4. Difference between expected and actual experience	0	(455,247)	0	(513,493)
5. Change of assumptions	0	587,758	173,418	2,748,186
6. Benefit payments, including refunds of employee contributions	0	(1,084,609)	(1,337,192)	(1,115,774)
7. Net Change in Total Pension Liability	<u>0</u>	<u>544,374</u>	<u>338,241</u>	<u>2,660,528</u>
8. Total Pension Liability - Beginning	<u>0</u>	<u>15,800,915</u>	<u>16,345,289</u>	<u>16,683,530</u>
9. Total Pension Liability - Ending	<u><u>\$0</u></u>	<u><u>\$16,345,289</u></u>	<u><u>\$16,683,530</u></u>	<u><u>\$19,344,058</u></u>
B. Plan Fiduciary Net Position				
1. Contributions - employer	\$0	\$319,060	\$307,304	\$318,457
2. Contributions - employee	0	250,694	244,464	264,331
3. Net investment income	0	746,106	(186,511)	393,147
4. Benefit payments, including refunds of employee contributions	0	(494,593)	(1,337,192)	(1,115,774)
5. Administrative expense	0	(1,084,609)	(24,201)	(18,666)
6. Other	0	(22,162)	0	0
7. Net Change in Plan Fiduciary Net Position	<u>0</u>	<u>(285,504)</u>	<u>(996,136)</u>	<u>(158,505)</u>
8. Plan Fiduciary Net Position - Beginning	<u>0</u>	<u>9,594,819</u>	<u>9,309,315</u>	<u>8,313,179</u>
9. Plan Fiduciary Net Position - Ending	<u><u>\$0</u></u>	<u><u>\$9,309,315</u></u>	<u><u>\$8,313,179</u></u>	<u><u>\$8,154,674</u></u>
C. Net Pension Liability (A.9. - B.9.)	<u><u>\$0</u></u>	<u><u>\$7,035,974</u></u>	<u><u>\$8,370,351</u></u>	<u><u>\$11,189,384</u></u>
D. Plan Fiduciary Net Position as a percentage of the Total Pension Liability (B.9. / A.9.)	--	56.95%	49.83%	42.16%
E. Covered Employee Payroll	\$0	\$2,279,000	\$2,195,029	\$2,274,689
F. Net Pension Liability as a percentage of Covered Employee Payroll (C / E)	--	308.73%	381.33%	491.91%

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	FY 2017
Actuarially Determined Contribution	\$0	\$308,591	\$313,275	\$327,516
Contributions in relation to the actuarially determined contribution	0	308,591	313,275	327,516
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Covered employee payroll	\$0	\$2,204,221	\$2,237,677	\$2,339,397
Contributions as a percentage of covered employee payroll	--	14.00%	14.00%	14.00%

Notes to Schedule of Contributions

Valuation Date: December 31, 2016
Notes Actuarially determined contribution rates for 2016-2017 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	69.3 years
Asset Valuation Method	Fair Market Value
Inflation	2.00%
Salary Increase	3%
Investment Rate of Return	7.75%
Retirement Age	Experience-based table of rates that are specific to the fund.
Mortality	Employee and Healthy 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, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 9,397,570	\$ 9,397,570	\$ 9,393,683	\$ (3,887)
Payment in lieu of taxes	6,939,261	6,939,261	6,883,769	(55,492)
Franchises	285,500	285,500	287,290	1,790
Licenses and permits	339,750	339,750	262,785	(76,965)
Intergovernmental	105,000	129,333	522,907	393,574
Charges for services	3,146,227	3,646,227	3,648,552	2,325
Investment income	16,000	16,000	12,764	(3,236)
Miscellaneous	80,000	80,000	210,130	130,130
Total revenues	20,309,308	20,833,641	21,221,880	388,239
EXPENDITURES				
<u>City Council</u>				
Personal services	10,771	10,771	9,434	(1,337)
Supplies	350	350	214	(136)
Other services and charges	63,500	63,500	62,593	(907)
Total - city council	74,621	74,621	72,241	(2,380)
<u>City Manager</u>				
Personal services	243,648	243,648	253,971	10,323
Supplies	2,300	3,550	3,064	(486)
Other services and charges	48,500	47,250	37,299	(9,951)
Total - city manager	294,448	294,448	294,334	(114)
<u>City Secretary</u>				
Personal services	175,565	175,565	131,563	(44,002)
Supplies	16,700	17,255	14,672	(2,583)
Other services and charges	14,150	13,595	7,145	(6,450)
Total - city secretary	206,415	206,415	153,380	(53,035)
<u>Municipal Court</u>				
Personal services	130,181	136,281	135,159	(1,122)
Supplies	10,000	10,000	3,574	(6,426)
Other services and charges	106,100	106,100	97,572	(8,528)
Total - municipal court	246,281	252,381	236,305	(16,076)
<u>Human Resources</u>				
Personal services	80,930	85,530	81,583	(3,947)
Supplies	22,400	22,400	14,642	(7,758)
Other services and charges	33,300	33,300	39,389	6,089
Total - human resources	136,630	141,230	135,614	(5,616)

(continued)

City of Orange, Texas
Schedule of Expenditures Division Level - Budget and Actual
General Fund
For the Year Ending September 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<u>Finance</u>				
Personal services	386,239	404,510	408,184	3,674
Supplies	51,250	56,976	52,765	(4,211)
Other services and charges	51,350	48,624	47,190	(1,434)
Total - finance	488,839	510,110	508,139	(1,971)
<u>Tax</u>				
Other services and charges	94,500	113,250	113,189	(61)
Total - tax	94,500	113,250	113,189	(61)
<u>MIS</u>				
Supplies	8,000	8,000	4,534	(3,466)
Other services and charges	11,188	11,188	5,654	(5,534)
Total - MIS	19,188	19,188	10,188	(9,000)
Total - general government	1,560,922	1,611,643	1,523,390	(88,253)
<u>Library</u>				
Personal services	373,454	376,454	374,212	(2,242)
Supplies	12,000	12,000	9,510	(2,490)
Other services and charges	34,450	33,950	29,612	(4,338)
Total - library	419,904	422,404	413,334	(9,070)
<u>Natatorium</u>				
Personal services	62,896	62,896	35,676	(27,220)
Supplies	8,250	8,250	4,261	(3,989)
Other services and charges	13,670	13,670	3,375	(10,295)
Total - natatorium	84,816	84,816	43,312	(41,504)
<u>Recreation</u>				
Supplies	3,600	3,600	3,033	(567)
Total - recreation	3,600	3,600	3,033	(567)
<u>Park Maintenance</u>				
Personal services	605,424	608,424	606,855	(1,569)
Supplies	16,150	12,650	11,355	(1,295)
Other services and charges	40,100	43,600	35,790	(7,810)
Total - park maintenance	661,674	664,674	654,000	(10,674)
Total cultural and recreation	1,169,994	1,175,494	1,113,679	(61,815)
<u>Police</u>				
Personal services	5,611,901	5,558,781	5,632,863	74,082
Supplies	114,444	114,444	85,376	(29,068)
Other services and charges	183,100	236,220	201,416	(34,804)
Total - police	5,909,445	5,909,445	5,919,655	10,210
<u>Emergency Management</u>				
Supplies	9,500	8,800	7,160	(1,640)
Other services and charges	5,450	6,150	4,959	(1,191)
Total - emergency management	14,950	14,950	12,119	(2,831)

(continued)

City of Orange, Texas
Schedule of Expenditures Division Level - Budget and Actual
General Fund
For the Year Ending September 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<u>Fire</u>				
Personal services	3,428,753	3,464,753	3,452,969	(11,784)
Supplies	99,500	103,565	91,664	(11,901)
Other services and charges	131,400	131,950	135,836	3,886
Total - fire	3,659,653	3,700,268	3,680,469	(19,799)
<u>Animal Control</u>				
Personal services	143,152	144,752	138,671	(6,081)
Supplies	15,050	15,050	4,735	(10,315)
Other services and charges	6,300	6,300	854	(5,446)
Total - animal control	164,502	166,102	144,260	(21,842)
Total - public safety	9,748,550	9,790,765	9,756,503	(34,262)
<u>Planning</u>				
Personal services	126,924	127,024	131,511	4,487
Supplies	5,675	5,675	1,712	(3,963)
Other services and charges	29,640	29,640	26,944	(2,696)
Total - planning	162,239	162,339	160,167	(2,172)
<u>Code Enforcement</u>				
Personal services	281,958	286,958	264,419	(22,539)
Supplies	4,050	4,300	2,271	(2,029)
Other services and charges	35,100	58,980	28,535	(30,445)
Total - code enforcement	321,108	350,238	295,225	(55,013)
<u>Building Services</u>				
Personal services	288,307	290,007	276,566	(13,441)
Supplies	16,200	16,200	11,326	(4,874)
Other services and charges	179,300	163,535	149,885	(13,650)
Total - building services	483,807	469,742	437,777	(31,965)
<u>Street & Drainage</u>				
Personal services	986,652	996,652	956,579	(40,073)
Supplies	20,883	18,383	19,371	988
Other services and charges	255,050	257,550	219,970	(37,580)
Total - street & drainage	1,262,585	1,272,585	1,195,920	(76,665)
<u>Public Works Administration</u>				
Personal services	219,230	220,030	227,815	7,785
Supplies	4,600	4,600	2,971	(1,629)
Other services and charges	7,650	7,650	2,537	(5,113)
Total - public works administration	231,480	232,280	233,323	1,043
<u>Fleet Maintenance</u>				
Personal services	293,964	294,964	288,180	(6,784)
Supplies	18,000	18,000	15,196	(2,804)
Other services and charges	628,900	628,900	505,763	(123,137)
Total - fleet maintenance	940,864	941,864	809,139	(132,725)

(continued)

City of Orange, Texas
Schedule of Expenditures Division Level - Budget and Actual
General Fund
For the Year Ending September 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<u>Engineering</u>				
Personal services	86,149	87,149	83,795	(3,354)
Supplies	6,300	6,300	4,053	(2,247)
Other services and charges	5,400	5,400	1,771	(3,629)
Total - engineering	97,849	98,849	89,619	(9,230)
Total - public works	3,499,932	3,527,897	3,221,170	(306,727)
<u>Non-Departmental</u>				
Other services and charges	3,891,402	3,772,319	3,654,994	(117,325)
Total - non-departmental	3,891,402	3,772,319	3,654,994	(117,325)
<u>Capital Outlay</u>				
Capital outlay	367,507	2,612,415	2,461,720	(150,695)
Total - capital outlay	367,507	2,612,415	2,461,720	(150,695)
Total expenditures	20,238,307	22,490,533	21,731,456	(759,077)
 Excess (deficiency) of revenues over expenditures	 71,001	 (1,656,892)	 (509,576)	 1,147,316
 OTHER FINANCING SOURCES (USES)				
<u>Gain (loss) on capital asset disposition</u>	-	42,784	42,784	-
Total other financing sources (uses)	-	42,784	42,784	-
 Net change in fund balances	 71,001	 (1,614,108)	 (466,792)	 1,147,316
 Fund balance - beginning	 8,272,027	 8,272,027	 8,272,027	 -
 Fund balance - ending	 <u>\$ 8,343,028</u>	 <u>\$ 6,657,919</u>	 <u>\$ 7,805,235</u>	 <u>\$ 1,147,316</u>

Totals may not foot due to rounding differences.

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, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 967,260	\$ 967,260	\$ 966,053	\$ (1,207)
Investment income	325	325	494	169
Total revenues	<u>967,585</u>	<u>967,585</u>	<u>966,547</u>	<u>(1,038)</u>
EXPENDITURES				
Principal retirement	840,000	840,000	840,000	-
Interest and fiscal charges	<u>138,323</u>	<u>138,323</u>	<u>137,083</u>	<u>(1,241)</u>
Total expenditures	<u>978,323</u>	<u>978,323</u>	<u>977,083</u>	<u>(1,241)</u>
Excess (deficiency) of revenues over expenditures	(10,738)	(10,738)	(10,535)	203
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(10,738)	(10,738)	(10,535)	203
Fund balance - beginning	<u>114,104</u>	<u>114,104</u>	<u>114,104</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 103,366</u></u>	<u><u>\$ 103,366</u></u>	<u><u>\$ 103,569</u></u>	<u><u>\$ 203</u></u>

Totals may not foot due to rounding differences.

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, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Investment income	\$ 1,000	\$ 1,000	\$ 239	\$ (761)
Miscellaneous	-	22,830	22,830	-
Total revenues	1,000	23,830	23,069	(761)
EXPENDITURES				
Capital outlay	100,000	125,288	25,288	(100,000)
Other capital outlay	-	-	-	-
Total expenditures	100,000	125,288	25,288	(100,000)
Excess (deficiency) of revenues over expenditures	(99,000)	(101,458)	(2,219)	99,239
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(99,000)	(101,458)	(2,219)	99,239
Fund balance - beginning	163,239	163,239	163,239	-
Fund balance - ending	<u>\$ 64,239</u>	<u>\$ 61,781</u>	<u>\$ 161,020</u>	<u>\$ 99,239</u>

Totals may not foot due to rounding differences.



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.

Homeland Security Grant Program - This fund is used to account for funds received from Homeland Security for various qualified public safety expenditures.

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.

HUD Home Consortium Fund - This fund is used to account for transactions resulting from prior commitments under the HUD Home Consortium Program. The City of Orange is no longer a part of the Home Consortium.

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

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

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

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

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

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

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

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

Texas 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, 2017

	Special Revenue				
	Animal Shelter Donation Fund	Community Development Block Grant Fund	Confined Space Rescue Fund	Economic Development Fund	Fire Department Donation Fund
ASSETS					
Cash and cash equivalents	\$ 50,915	\$ -	\$ 77,259	\$ 2,304	\$ 25,222
Accounts receivable (net of allowance for uncollectibles)	-	76,965	2,000	-	-
Prepays	-	2,174	-	-	-
Total assets	<u>\$ 50,915</u>	<u>\$ 79,139</u>	<u>\$ 79,259</u>	<u>\$ 2,304</u>	<u>\$ 25,222</u>
LIABILITIES					
Accounts payable	\$ -	\$ 24,544	\$ -	\$ -	\$ -
Due to other funds	-	11,408	-	-	-
Total liabilities	<u>-</u>	<u>35,952</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)					
Nonspendable					
Prepays	-	2,174	-	-	-
Restricted					
Cultural and recreation	-	-	-	-	-
Public safety	50,915	-	79,259	-	25,222
Public works	-	41,013	-	-	-
Tourism and promotion	-	-	-	-	-
Assigned					
Economic development	-	-	-	2,304	-
Unassigned					
(deficits)	<u>50,915</u>	<u>43,187</u>	<u>79,259</u>	<u>2,304</u>	<u>25,222</u>
Total liabilities and fund balances (deficits)	<u>\$ 50,915</u>	<u>\$ 79,139</u>	<u>\$ 79,259</u>	<u>\$ 2,304</u>	<u>\$ 25,222</u>

(continued)

Total may not foot due to rounding differences.

City of Orange, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2017

	Special Revenue				
	Home Program Fund	Law Enforcement Seizure Fund	Library Donation Fund	Municipal Court Technology Fund	Nelda C & HJ Lutcher Stark Foundation Grant Fund
ASSETS					
Cash and cash equivalents	\$ 9,903	\$ 443,564	\$ 89,404	\$ 70,425	\$ 10,090
Accounts receivable (net of allowance for uncollectibles)	-	-	845	-	26,500
Prepays	-	-	-	-	-
Total assets	<u>\$ 9,903</u>	<u>\$ 443,564</u>	<u>\$ 90,249</u>	<u>\$ 70,425</u>	<u>\$ 36,590</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 206	\$ 5,298
Due to other funds	-	-	-	-	21,202
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>206</u>	<u>26,500</u>
FUND BALANCES (DEFICITS)					
Nonspendable					
Prepays	-	-	-	-	-
Restricted					
Cultural and recreation	-	-	90,248	-	-
Public safety	-	443,564	-	70,219	10,090
Public works	9,903	-	-	-	-
Tourism and promotion	-	-	-	-	-
Assigned					
Economic development	-	-	-	-	-
Unassigned					
(deficits)	<u>9,903</u>	<u>443,564</u>	<u>90,248</u>	<u>70,219</u>	<u>10,090</u>
Total liabilities and fund balances (deficits)	<u>\$ 9,903</u>	<u>\$ 443,564</u>	<u>\$ 90,248</u>	<u>\$ 70,425</u>	<u>\$ 36,590</u>

(continued)

Total may not foot due to rounding differences.

City of Orange, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2017

	Special Revenue				
	Orange Development Fund	Parks Donation Fund	Police Donation Fund	Texas Dept. of Transportation (TXDOT) Grant Fund	Texas Dept. of Forest Services (TIFMAS) Grant Fund
ASSETS					
Cash and cash equivalents	\$ 1,102,448	\$ 9,974	\$ 30,255	\$ 229	\$ -
Accounts receivable (net of allowance for uncollectibles)	84,237	-	-	-	3,750
Prepays	1,746	-	-	-	-
Total assets	<u>\$ 1,188,431</u>	<u>\$ 9,974</u>	<u>\$ 30,255</u>	<u>\$ 229</u>	<u>\$ 3,750</u>
LIABILITIES					
Accounts payable	\$ 21,789	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	3,750
Total liabilities	<u>21,789</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,750</u>
FUND BALANCES (DEFICITS)					
Nonspendable					
Prepays	1,746	-	-	-	-
Restricted					
Cultural and recreation	-	9,974	-	-	-
Public safety	-	-	30,255	-	-
Public works	-	-	-	229	-
Tourism and promotion	1,164,896	-	-	-	-
Assigned					
Economic development	-	-	-	-	-
Unassigned					
(deficits)	<u>1,166,642</u>	<u>9,974</u>	<u>30,255</u>	<u>229</u>	<u>-</u>
Total liabilities and fund balances (deficits)	<u>\$ 1,188,431</u>	<u>\$ 9,974</u>	<u>\$ 30,255</u>	<u>\$ 229</u>	<u>\$ 3,750</u>

(continued)

Total may not foot due to rounding differences.

City of Orange, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2017

	Special Revenue			
	Texas Dept. Public Safety Emerg. Mgmt. Grant Fund	Texas General Land Office (GLO) Grant Fund	Texas Water Development Board Grant Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 1,921,992
Accounts receivable (net of allowance for uncollectibles)	30,694	2,648	17,251	244,890
Prepays	-	-	-	3,920
Total assets	<u>\$ 30,694</u>	<u>\$ 2,648</u>	<u>\$ 17,251</u>	<u>\$ 2,170,802</u>
LIABILITIES				
Accounts payable	\$ 985	\$ -	\$ -	\$ 52,822
Due to other funds	29,710	2,648	17,251	85,969
Total liabilities	<u>30,695</u>	<u>2,648</u>	<u>17,251</u>	<u>138,791</u>
FUND BALANCES (DEFICITS)				
Nonspendable				
Prepays	-	-	-	3,920
Restricted				
Cultural and recreation	-	-	-	100,222
Public safety	(1)	-	-	709,523
Public works	-	-	-	51,145
Tourism and promotion	-	-	-	1,164,896
Assigned				
Economic development	-	-	-	2,304
Unassigned				
(deficits)	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>2,032,010</u>
Total liabilities and fund balances (deficits)	<u>\$ 30,694</u>	<u>\$ 2,648</u>	<u>\$ 17,251</u>	<u>\$ 2,170,801</u>

Total may not foot due to rounding differences.

City of Orange, Texas
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2017

	Special Revenue				
	Animal Shelter Donation Fund	Community Development Block Grant Fund	Confined Space Rescue Fund	Economic Development Fund	Fire Department Donation Fund
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Donations	920	-	24,000	-	4,800
Grant income	-	384,597	-	-	-
Investment income	68	-	103	3	33
Program income	-	876	-	-	-
Total revenues	<u>988</u>	<u>385,473</u>	<u>24,103</u>	<u>3</u>	<u>4,833</u>
EXPENDITURES					
Current:					
Culture - Recreation	-	-	-	-	-
Public Safety	625	-	16,585	-	-
Public Works	-	262,232	-	-	-
Capital outlay:					
Capital outlay - Books	-	-	-	-	-
Capital outlay - machinery and equipment	-	-	-	-	-
Capital outlay - other	-	128,711	-	-	-
Capital outlay - water system construction	-	-	-	-	-
Total expenditures	<u>625</u>	<u>390,943</u>	<u>16,585</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	363	(5,470)	7,518	3	4,833
OTHER FINANCING SOURCES (USES)					
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	363	(5,470)	7,518	3	4,833
Fund balances - beginning	50,552	48,657	71,741	2,301	20,388
Fund balances - ending	<u>\$ 50,915</u>	<u>\$ 43,187</u>	<u>\$ 79,259</u>	<u>\$ 2,304</u>	<u>\$ 25,221</u>

(Continued)

Totals may not foot due to rounding differences.

City of Orange, Texas
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2017

	Special Revenue				
	Homeland Security Grant Program	Home Program Fund	HUD Home Consortium Fund	Law Enforcement Seizure Fund	Library Donation Fund
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Donations	-	-	-	-	6,211
Grant income	14,537	-	-	-	845
Investment income	-	-	-	642	127
Program income	-	-	15,900	-	1,309
Total revenues	<u>14,537</u>	<u>-</u>	<u>15,900</u>	<u>642</u>	<u>8,492</u>
EXPENDITURES					
Current:					
Culture - Recreation	-	-	-	-	8,070
Public Safety	14,537	-	-	48,461	-
Public Works	-	-	15,900	-	-
Capital outlay:					
Capital outlay - Books	-	-	-	-	3,484
Capital outlay - machinery and equipment	-	-	-	8,021	-
Capital outlay - other	-	-	-	-	-
Capital outlay - water system construction	-	-	-	-	-
Total expenditures	<u>14,537</u>	<u>-</u>	<u>15,900</u>	<u>56,482</u>	<u>11,554</u>
Excess (deficiency) of revenues over expenditures	-	-	-	(55,840)	(3,062)
OTHER FINANCING SOURCES (USES)					
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	(55,840)	(3,062)
Fund balances - beginning	-	9,903	-	499,403	93,311
Fund balances - ending	<u>\$ -</u>	<u>\$ 9,903</u>	<u>\$ -</u>	<u>\$ 443,563</u>	<u>\$ 90,249</u>

(Continued)

Totals may not foot due to rounding differences.

City of Orange, Texas
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2017

	Special Revenue				
	Municipal Court Technology Fund	Nelda C & HJ Lutcher Stark Foundation Grant Fund	Orange Development Fund	Parks Donation Fund	Police Donation Fund
REVENUES					
Taxes	\$ -	\$ -	\$ 668,713	\$ -	\$ -
Donations	-	-	3,670	-	-
Grant income	-	35,300	-	-	-
Investment income	100	15	1,843	13	42
Program income	8,925	-	1,452	-	-
Total revenues	<u>9,025</u>	<u>35,315</u>	<u>675,678</u>	<u>13</u>	<u>42</u>
EXPENDITURES					
Current:					
Culture - Recreation	-	-	983,154	-	-
Public Safety	6,546	-	-	-	-
Public Works	-	39,398	-	-	-
Capital outlay:					
Capital outlay - Books	-	-	-	-	-
Capital outlay - machinery and equipment	8,021	-	-	-	-
Capital outlay - other	-	-	-	-	-
Capital outlay - water system construction	-	-	-	-	-
Total expenditures	<u>14,567</u>	<u>39,398</u>	<u>983,154</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(5,542)	(4,083)	(307,476)	13	42
OTHER FINANCING SOURCES (USES)					
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(5,542)	(4,083)	(307,476)	13	42
Fund balances - beginning	75,760	14,173	1,474,118	9,960	30,213
Fund balances - ending	<u>\$ 70,218</u>	<u>\$ 10,090</u>	<u>\$ 1,166,642</u>	<u>\$ 9,973</u>	<u>\$ 30,255</u>

(Continued)

Totals may not foot due to rounding differences.

City of Orange, Texas
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2017

	Special Revenue				
	Texas Dept. of Transportation (TXDOT) Grant Fund	Texas Dept. of Forest Service (TIFMAS) Grant Fund	Texas Dept. of Public Safety Emerg. Mgmt. Grant Fund	Texas General Land Office (GLO) Grant Fund	Texas Water Development Board Grant
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Donations	-	-	-	-	-
Grant income	134,708	7,030	30,694	348	977
Investment income	-	-	-	-	-
Program income	-	-	-	-	-
Total revenues	<u>134,708</u>	<u>7,030</u>	<u>30,694</u>	<u>348</u>	<u>977</u>
EXPENDITURES					
Current:					
Culture - Recreation	-	-	-	-	-
Public Safety	-	7,030	30,694	-	-
Public Works	-	-	-	348	977
Capital outlay:					
Capital outlay - Books	-	-	-	-	-
Capital outlay - machinery and equipment	-	-	-	-	-
Capital outlay - other	-	-	-	-	-
Capital outlay - water system construction	134,708	-	-	-	-
Total expenditures	<u>134,708</u>	<u>7,030</u>	<u>30,694</u>	<u>348</u>	<u>977</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-	-
OTHER FINANCING SOURCES (USES)					
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-	-
Fund balances - beginning	229	-	-	-	-
Fund balances - ending	<u>\$ 229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

Totals may not foot due to rounding differences.

City of Orange, Texas
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2017

	Total Nonmajor Special Revenue Funds
REVENUES	
Taxes	\$ 668,713
Donations	39,601
Grant income	609,036
Investment income	2,989
Program income	28,462
Total revenues	<u>1,348,801</u>
EXPENDITURES	
Current:	
Culture - Recreation	991,224
Public Safety	124,478
Public Works	318,855
Capital outlay:	-
Capital outlay - Books	3,484
Capital outlay - machinery and equipment	16,042
Capital outlay - other	128,711
Capital outlay - water system construction	134,708
Total expenditures	<u>1,717,502</u>
Excess (deficiency) of revenues over expenditures	(368,701)
OTHER FINANCING SOURCES (USES)	
Total other financing sources (uses)	<u>-</u>
Net change in fund balances	(368,701)
Fund balances - beginning	2,400,709
Fund balances - ending	<u>\$ 2,032,008</u>

Totals may not foot due to rounding differences.

City of Orange, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Animal Shelter Donation Fund
For the Year Ended September 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Donations	\$ -	\$ -	\$ 920	\$ 920
Investment income	100	100	68	(32)
Total revenues	100	100	988	888
EXPENDITURES				
Current:				
Public Safety	10,000	10,000	625	9,375
Total expenditures	10,000	10,000	625	9,375
Excess (deficiency) of revenues over expenditures	(9,900)	(9,900)	363	10,263
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(9,900)	(9,900)	363	10,263
Fund balances - beginning	50,552	50,552	50,552	-
Fund balances - ending	\$ 40,652	\$ 40,652	\$ 50,915	\$ 10,263

Totals may not foot due to rounding differences.

City of Orange, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Community Development Block Grant (CDBG) Fund
For the Year Ended September 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Grant income	\$ 668,593	\$ 668,593	\$ 384,597	\$ (283,996)
Program income	5,000	5,000	876	(4,124)
Total revenues	<u>673,593</u>	<u>673,593</u>	<u>385,473</u>	<u>(288,120)</u>
EXPENDITURES				
Current:				
Public Works	319,088	319,088	262,232	56,856
Capital outlay:				
Capital outlay - other	298,067	298,067	128,711	169,356
Capital outlay - street construction	<u>57,666</u>	<u>57,666</u>	-	<u>57,666</u>
Total expenditures	<u>674,821</u>	<u>674,821</u>	<u>390,943</u>	<u>283,878</u>
Excess (deficiency) of revenues over expenditures	(1,228)	(1,228)	(5,470)	(4,242)
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,228)	(1,228)	(5,470)	(4,242)
Fund balances - beginning	<u>48,657</u>	<u>48,657</u>	<u>48,657</u>	<u>-</u>
Fund balances - ending	<u>\$ 47,429</u>	<u>\$ 47,429</u>	<u>\$ 43,187</u>	<u>\$ (4,242)</u>

Totals may not foot due to rounding differences.

City of Orange, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Confined Space Rescue Fund
For the Year Ended September 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Donations	\$ 20,000	\$ 20,000	\$ 24,000	\$ 4,000
Investment income	150	150	103	(47)
Total revenues	20,150	20,150	24,103	3,953
EXPENDITURES				
Current:				
Public Safety	45,000	45,000	16,585	28,415
Total expenditures	45,000	45,000	16,585	28,415
Excess (deficiency) of revenues over expenditures	(24,850)	(24,850)	7,518	32,368
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(24,850)	(24,850)	7,518	32,368
Fund balances - beginning	71,741	71,741	71,741	-
Fund balances - ending	\$ 46,891	\$ 46,891	\$ 79,259	\$ 32,368

Totals may not foot due to rounding differences.

City of Orange, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Economic Development Fund
For the Year Ended September 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Investment income	\$ -	\$ -	\$ 3	\$ 3
Total revenues	-	-	3	3
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	3	3
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	3	3
Fund balances - beginning	2,301	2,301	2,301	-
Fund balances - ending	<u>\$ 2,301</u>	<u>\$ 2,301</u>	<u>\$ 2,304</u>	<u>\$ 3</u>

Totals may not foot due to rounding differences.

City of Orange, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Fire Department Donation Fund
For the Year Ended September 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Donations	\$ 2,000	\$ 2,000	\$ 4,800	\$ 2,800
Investment income	50	50	33	(17)
Total revenues	<u>2,050</u>	<u>2,050</u>	<u>4,833</u>	<u>2,783</u>
EXPENDITURES				
Current:				
Public Safety	<u>14,000</u>	<u>14,000</u>	-	<u>14,000</u>
Total expenditures	<u>14,000</u>	<u>14,000</u>	-	<u>14,000</u>
Excess (deficiency) of revenues over expenditures	(11,950)	(11,950)	4,833	16,783
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(11,950)	(11,950)	4,833	16,783
Fund balances - beginning	<u>20,388</u>	<u>20,388</u>	<u>20,388</u>	<u>-</u>
Fund balances - ending	<u>\$ 8,438</u>	<u>\$ 8,438</u>	<u>\$ 25,221</u>	<u>\$ 16,783</u>

Totals may not foot due to rounding differences.

City of Orange, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Homeland Security Grant Program
For the Year Ended September 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Grant income	\$ -	\$ 14,538	\$ 14,537	\$ (1)
Total revenues	-	14,538	14,537	(1)
EXPENDITURES				
Current:				
Public Safety	-	14,538	14,537	1
Total expenditures	-	14,538	14,537	1
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

Totals may not foot due to rounding differences.

City of Orange, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Home Program Fund
For the Year Ended September 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Total revenues	-	-	-	-
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances - beginning	\$ 9,903	\$ 9,903	\$ 9,903	\$ -
Fund balances - ending	<u>\$ 9,903</u>	<u>\$ 9,903</u>	<u>\$ 9,903</u>	<u>\$ -</u>

Totals may not foot due to rounding differences.

City of Orange, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
HUD Home Consortium Fund
For the Year Ended September 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Program income	\$ -	\$ 5,300	\$ 15,900	\$ 10,600
Total revenues	-	5,300	15,900	10,600
EXPENDITURES				
Current:				
Public Works	-	5,300	15,900	(10,600)
Total expenditures	-	5,300	15,900	(10,600)
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

Totals may not foot due to rounding differences.

City of Orange, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Law Enforcement Seizure Fund
For the Year Ended September 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Investment income	\$ 1,200	\$ 1,200	\$ 642	\$ (558)
Forfeitures	5,000	5,000	-	(5,000)
Total revenues	6,200	6,200	642	(5,558)
EXPENDITURES				
Current:				
Public Safety	122,000	113,979	48,461	65,518
Capital outlay:				
Capital outlay - buildings	10,000	10,000	-	10,000
Capital outlay - machinery and equipment	-	8,021	8,021	-
Total expenditures	132,000	132,000	56,482	75,518
Excess (deficiency) of revenues over expenditures	(125,800)	(125,800)	(55,840)	69,960
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(125,800)	(125,800)	(55,840)	69,960
Fund balances - beginning	499,403	499,403	499,403	-
Fund balances - ending	\$ 373,603	\$ 373,603	\$ 443,563	\$ 69,960

Totals may not foot due to rounding differences.

City of Orange, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Library Donation Fund
For the Year Ended September 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Donations	\$ 4,000	\$ 4,000	\$ 6,211	\$ 2,211
Grant income	-	-	845	845
Investment income	200	200	127	(73)
Program income	1,200	1,200	1,309	109
Total revenues	5,400	5,400	8,492	3,092
EXPENDITURES				
Current:				
Culture - Recreation	15,500	16,412	8,070	8,342
Capital outlay:				
Capital outlay - Books	5,000	5,000	3,484	1,516
Total expenditures	20,500	21,412	11,554	9,858
Excess (deficiency) of revenues over expenditures	(15,100)	(16,012)	(3,062)	12,950
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(15,100)	(16,012)	(3,062)	12,950
Fund balances - beginning	93,311	93,311	93,311	-
Fund balances - ending	\$ 78,211	\$ 77,299	\$ 90,249	\$ 12,950

Totals may not foot due to rounding differences.

City of Orange, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Municipal Court Technology Fund
For the Year Ended September 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Investment income	\$ 200	\$ 200	\$ 100	\$ (100)
Program income	9,750	9,750	8,925	(825)
Total revenues	9,950	9,950	9,025	(925)
EXPENDITURES				
Current:				
Public Safety	18,000	9,348	6,546	2,802
Capital outlay:				
Capital outlay - machinery and equipment	-	8,652	8,021	631
Total expenditures	18,000	18,000	14,567	3,433
Excess (deficiency) of revenues over expenditures	(8,050)	(8,050)	(5,542)	2,508
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(8,050)	(8,050)	(5,542)	2,508
Fund balances - beginning	75,760	75,760	75,760	-
Fund balances - ending	\$ 67,710	\$ 67,710	\$ 70,218	\$ 2,508

Totals may not foot due to rounding differences.

City of Orange, Texas
Statement 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, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Grant income	\$ -	\$ 35,300	\$ 35,300	\$ -
Investment income	-	-	15	15
Total revenues	-	35,300	35,315	15
EXPENDITURES				
Current:				
Public Safety	1,881	1,881	-	1,881
Public Works	-	35,300	39,398	(4,098)
Total expenditures	1,881	37,181	39,398	(2,217)
Excess (deficiency) of revenues over expenditures	(1,881)	(1,881)	(4,083)	(2,202)
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(1,881)	(1,881)	(4,083)	(2,202)
Fund balances - beginning	14,173	14,173	14,173	-
Fund balances - ending	\$ 12,292	\$ 12,292	\$ 10,090	\$ (2,202)

Totals may not foot due to rounding differences.

City of Orange, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Orange Development Fund
For the Year Ended September 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 630,000	\$ 630,000	\$ 668,713	\$ 38,713
Donations	2,000	2,000	3,670	1,670
Investment income	2,500	2,500	1,843	(657)
Program income	-	-	1,452	1,452
Total revenues	<u>634,500</u>	<u>634,500</u>	<u>675,678</u>	<u>41,178</u>
EXPENDITURES				
Current:				
Culture - Recreation	<u>707,572</u>	<u>1,164,300</u>	<u>983,154</u>	<u>181,146</u>
Total expenditures	<u>707,572</u>	<u>1,164,300</u>	<u>983,154</u>	<u>181,146</u>
Excess (deficiency) of revenues over expenditures	(73,072)	(529,800)	(307,476)	222,324
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(73,072)	(529,800)	(307,476)	222,324
Fund balances - beginning	<u>1,474,118</u>	<u>1,474,118</u>	<u>1,474,118</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,401,046</u>	<u>\$ 944,318</u>	<u>\$ 1,166,642</u>	<u>\$ 222,324</u>

Totals may not foot due to rounding differences.

City of Orange, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Parks Donation Fund
For the Year Ended September 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Investment income	\$ 25	\$ 25	\$ 13	\$ (12)
Total revenues	25	25	13	(12)
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	25	25	13	(12)
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	25	25	13	(12)
Fund balances - beginning	9,960	9,960	9,960	-
Fund balances - ending	<u>\$ 9,985</u>	<u>\$ 9,985</u>	<u>\$ 9,973</u>	<u>\$ (12)</u>

Totals may not foot due to rounding differences.

City of Orange, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Police Donation Fund
For the Year Ended September 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Investment income	\$ 50	\$ 50	\$ 42	\$ (8)
Total revenues	50	50	42	(8)
EXPENDITURES				
Current:				
Public Safety	5,000	5,000	-	5,000
Total expenditures	5,000	5,000	-	5,000
Excess (deficiency) of revenues over expenditures	(4,950)	(4,950)	42	4,992
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(4,950)	(4,950)	42	4,992
Fund balances - beginning	30,213	30,213	30,213	-
Fund balances - ending	\$ 25,263	\$ 25,263	\$ 30,255	\$ 4,992

Totals may not foot due to rounding differences.

City of Orange, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Texas Department of Transportation (TXDOT) Grant Fund
For the Year Ended September 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Grant income	\$ -	\$ 134,709	\$ 134,708	\$ (1)
Total revenues	-	134,709	134,708	(1)
EXPENDITURES				
Capital outlay:				
Capital outlay - water system construction	-	134,709	134,708	1
Total expenditures	-	134,709	134,708	1
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances - beginning	229	229	229	-
Fund balances - ending	\$ 229	\$ 229	\$ 229	\$ -

Totals may not foot due to rounding differences.

City of Orange, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Texas Department of Forest Services (TIFMAS) Grant Fund
For the Year Ended September 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Grant income	\$ 7,030	\$ 7,030	\$ 7,030	\$ -
Total revenues	7,030	7,030	7,030	-
EXPENDITURES				
Current:				
Public Safety	7,030	7,030	7,030	-
Total expenditures	7,030	7,030	7,030	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

Totals may not foot due to rounding differences.

City of Orange, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Texas Department of Public Safety, Emergency Management Grant Fund
For the Year Ended September 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Grant income	\$ 31,093	\$ 31,093	\$ 30,694	\$ (399)
Total revenues	31,093	31,093	30,694	(399)
EXPENDITURES				
Current:				
Public Safety	31,093	31,093	30,694	399
Total expenditures	31,093	31,093	30,694	399
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

Totals may not foot due to rounding differences.

City of Orange, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Texas General Land Office (GLO) Grant Fund
For the Year Ended September 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Grant income	\$ 3,066,572	\$ 3,066,572	\$ 348	\$ (3,066,224)
Total revenues	3,066,572	3,066,572	348	(3,066,224)
EXPENDITURES				
Current:				
Public Safety	100,000	100,000	-	100,000
Public Works	9,572	9,572	348	9,224
Capital outlay:				
Capital outlay - storm sewer construction	2,957,000	2,957,000	-	2,957,000
Total expenditures	3,066,572	3,066,572	348	3,066,224
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

Totals may not foot due to rounding differences.

City of Orange, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Texas Water Development Board Grant Fund
For the Year Ended September 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Grant income	\$ -	\$ 977	\$ 977	\$ -
Total revenues	-	977	977	-
EXPENDITURES				
Current:				
Public Works	-	977	977	-
Total expenditures	-	977	977	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

Totals may not foot due to rounding differences.



Internal Service Funds

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

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

City of Orange, Texas
Combining Statement of Net Position
Nonmajor Internal Service Fund
September 30, 2017

	Workers' Compensation Insurance Fund
ASSETS	
Cash and cash equivalents	\$ 801,390
Due from others	10,191
Cash with fiscal agent	15,000
Total assets	<u>826,581</u>
LIABILITIES	
Accounts payable	72,428
Claims payable	86,649
Total liabilities	<u>159,077</u>
NET POSITION	
Unrestricted	667,505
Total net position	<u><u>\$ 667,505</u></u>

Totals may not foot due to rounding differences.

City of Orange, Texas
Combining Statement of Revenues, Expenditures, and Changes in Net Position
Internal Service Fund
For the Year Ended September 30, 2017

	Workers' Compensation Insurance Fund
OPERATING REVENUES	
Other services	\$ 261,539
Total operating revenues	<u>261,539</u>
OPERATING EXPENSES	
Administrative expense	12,285
Claims	196,539
Premiums	<u>33,781</u>
Total operating expenses	<u>242,605</u>
Operating income (loss)	<u>18,934</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	<u>942</u>
Total nonoperating revenues (expenses)	<u>942</u>
Change in net position	19,876
Total net position - beginning	<u>647,630</u>
Total net position - ending	<u><u>\$ 667,506</u></u>

Totals may not foot due to rounding differences.

City of Orange, Texas
Statement of Cash Flows
Internal Service Fund
For the Year Ended September 30, 2017

	Workers' Compensation Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 251,348
Payments to suppliers	(144,205)
Net cash provided (used) by operating activities	<u>107,143</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	942
Net cash provided (used) by investing activities	<u>942</u>
Net increase (decrease) in cash and cash equivalents	108,085
Balances - beginning of year	<u>693,305</u>
Balances - end of the year	<u><u>\$ 801,390</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating Income	\$ 18,934
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(10,191)
(Increase) decrease in cash with fiscal agent	5,000
Increase (decrease) in accounts payable	93,401
Total adjustments	<u>88,210</u>
Net cash provided (used) by operating activities	<u><u>\$ 107,144</u></u>

Totals may not foot due to rounding differences.

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
Agency Funds
September 30, 2017

	Municipal Court Escrow Fund	Employee Flex Plan Fund	Orange Employee Benefit Trust Fund	Total Agency Funds
ASSETS				
Cash and cash equivalents	\$ 3,904	\$ 8,055	\$ 22,667	\$ 34,626
Due from other funds	-	-	777	777
Prepays	-	-	258,185	258,185
Total assets	<u>3,904</u>	<u>8,055</u>	<u>281,629</u>	<u>293,588</u>
LIABILITIES				
Accounts payable	-	-	21,377	21,377
Other liabilities	<u>3,904</u>	<u>8,055</u>	<u>260,253</u>	<u>272,212</u>
Total liabilities	<u>3,904</u>	<u>8,055</u>	<u>281,630</u>	<u>293,589</u>

Totals may not foot due to rounding differences.

City of Orange, Texas
Combining Statement of Changes in Fiduciary Assets and Liabilities
For the Year Ended September 30, 2017

	Municipal Court Escrow Agency Fund 10/1/2016	Additions	Deletions	Municipal Court Escrow Agency Fund 9/30/2017
Cash and cash equivalents	\$ 4,865	\$ 8,976	\$ 9,937	\$ 3,904
Total assets	<u>4,865</u>	<u>8,976</u>	<u>9,937</u>	<u>3,904</u>
Other Liabilities - held in trust for municipal court bonds	4,865	9,280	10,241	3,904
Total liabilities	<u>\$ 4,865</u>	<u>\$ 9,280</u>	<u>\$ 10,241</u>	<u>\$ 3,904</u>
	Employee Flex Plan Agency Fund 10/1/2016	Additions	Deletions	Employee Flex Plan Agency Fund 9/30/2017
Cash and cash equivalents	\$ 5,856	\$ 19,755	\$ 17,556	\$ 8,055
Total assets	<u>5,856</u>	<u>19,755</u>	<u>17,556</u>	<u>8,055</u>
Other Liabilities - held in trust for flexible spending accounts	5,856	19,755	17,556	8,055
Total liabilities	<u>\$ 5,856</u>	<u>\$ 19,755</u>	<u>\$ 17,556</u>	<u>\$ 8,055</u>
	Orange Employee Benefit Trust Fund 10/1/2016	Additions	Deletions	Orange Employee Benefit Trust Fund 9/30/2017
Cash and cash equivalents	\$ 229,408	\$ 3,070,362	\$ 3,277,103	\$ 22,667
Accounts receivable	777	-	-	777
Prepays	-	258,185	-	258,185
Total assets	<u>230,185</u>	<u>3,328,547</u>	<u>3,277,103</u>	<u>281,629</u>
Accounts payable	978	3,278,723	3,258,325	21,376
Other Liabilities - held in trust for employee insurance costs	229,207	3,050,607	3,019,561	260,253
Total liabilities	<u>\$ 230,185</u>	<u>\$ 6,329,330</u>	<u>\$ 6,277,886</u>	<u>\$ 281,629</u>
	Total Fiduciary Funds 10/1/2016	Additions	Deletions	Total Fiduciary Funds 9/30/2017
Cash and cash equivalents	\$ 240,129	\$ 3,099,093	\$ 3,304,596	\$ 34,626
Accounts receivable	777	-	-	777
Prepays	-	258,185	-	258,185
Total assets	<u>240,906</u>	<u>3,357,278</u>	<u>3,304,596</u>	<u>293,588</u>
Accounts payable	978	3,278,723	3,258,325	21,376
Other liabilities - held in trust for municipal court bonds	4,865	9,280	10,241	3,904
Other liabilities - held in trust for flexible spending accounts	5,856	19,755	17,556	8,055
Other liabilities - held in trust for employee insurance costs	229,207	3,050,607	3,019,561	260,253
Total liabilities	<u>\$ 240,906</u>	<u>\$ 6,358,365</u>	<u>\$ 6,305,683</u>	<u>\$ 293,588</u>

Totals may not foot due to rounding differences.



STATISTICAL SECTION

This part of the City of Orange's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

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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.	156
Revenue Capacity	
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	162
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.	166
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.	171
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.	173

Table 1

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

	2008	2009	2010 (a)	2011	2012	2013 (b)	2014 (c)	2015 (c)	2016	2017
Government activities										
Net investment in capital assets	\$12,887,162	\$8,524,217	\$9,955,990	\$11,874,957	\$18,716,218	\$19,963,533	\$23,215,863	\$23,174,811	\$23,352,038	\$24,957,665
Restricted	0	57,354	71,058	65,900	14,862	155,728	76,887	91,495	90,042	81,826
Unrestricted	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)	(4,206,781)
Total government activities net position	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	20,832,710
Business-type activities										
Net investment in capital assets	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	37,379,002
Restricted	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	135,868
Unrestricted	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	3,256,371
Total business-type activities net position	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	40,771,241
Primary government										
Net investment in capital assets	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	62,336,667
Restricted	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	217,694
Unrestricted	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	(950,410)
Total primary government net position	\$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	\$61,603,951

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

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

(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 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 activities had a prior period adjustment of (\$1,352,774).

Table 2

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

	2008	2009	2010 (b), (c)	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities										
General government	\$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	\$3,421,279
Cultural and recreation	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	2,292,791
Public safety	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	12,925,242
Public works	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	4,195,377
Interest on long-term debt	328,931	556,581	493,648	460,991	426,512	299,216	281,198	199,043	190,032	179,684
Total governmental activities	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	23,014,373
Business-type activities										
Sanitation	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	2,280,761
Water and Sewer	6,142,062	6,363,207	6,722,574	7,063,797	6,633,507	7,167,489	6,951,782	6,794,993	6,722,558	7,098,876
Total business-type activities	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	9,379,637
Total primary government	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	32,394,010
Program Revenues										
Governmental activities										
Charges for services										
General government	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	1,973,385
Cultural and recreation	37,715	36,527	27,011	36,020	22,777	23,817	22,961	50,620	59,249	61,636
Public safety	194,897	259,217	270,964	199,371	319,280	341,031	183,055	406,569	349,818	296,656
Public works	108,543	225,303	98,552	102,228	54,690	49,164	125,919	114,950	79,100	70,282
Operating grants and contributions										
General government	210,540	164,470	83,547	88,459	112,093	106,590	137,756	97,436	116,460	236,439
Cultural and recreation	13,075	16,991	16,752	18,763	3,019	6,160	46,708	15,290	1,443	3,605
Public safety	671,362	753,682	395,027	247,351	262,965	254,898	84,408	80,673	147,791	428,674
Public works	1,295,456	1,416,415	1,412,616	1,007,070	1,032,602	353,633	268,082	248,688	572,738	284,487
Capital grants and contributions										
General government	12,418	89,964	0	0	34,959	473	0	0	0	0
Cultural and recreation	28,516	213,396	8,185	126,979	3,187	1,704	1,637	1,074	59,817	134,922
Public safety	410,248	1,339,349	663,321	2,316,708	6,155,476	138,848	32,386	330,162	10,000	0
Public works	854,619	813,231	222,996	1,289,006	611,356	1,775,080	4,190,783	1,034,726	100,000	0
Total governmental activities program revenues	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	3,490,096

(Continued)

Table 2 (Continued)

	2008	2009	2010 (b), (c)	2011	2012	2013	2014	2015	2016	2017
Business-type activities										
Charges for services										
Sanitation	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	2,292,420
Water and Sewer	5,693,871	5,979,716	6,699,147	7,144,155	6,248,903	7,713,632	7,317,749	7,752,710	7,847,869	7,777,959
Operating grants and contributions										
Sanitation	0	164,116	150,089	0	0	0	0	0	0	53,428
Water and Sewer	71,356	232,014	21,920	0	0	0	0	0	0	0
Capital grants and contributions										
Sanitation	0	0	39,505	0	0	0	0	0	0	0
Water and Sewer	1,399,931	2,279,357	339,014	84,246	72,611	772,900	821,987	37,715	256,155	134,708
Total business-type activities program revenues	14,595,177	16,446,706	15,649,699	16,097,372	14,196,056	17,969,997	17,258,226	17,367,878	17,835,185	10,258,515
Total primary government program revenues	19,281,423	22,605,376	19,982,884	22,641,385	23,947,982	22,106,688	23,493,899	21,056,048	20,540,947	13,748,611
Net (expense)/revenue	(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)	(19,524,277)
Governmental activities	1,141,347	2,305,489	623,075	229,990	900,653	1,425,913	1,297,343	8,866,433	9,361,919	878,878
Business-type activities	(10,336,494)	(8,858,719)	(13,144,110)	(10,669,859)	(7,149,716)	(11,981,740)	(10,529,601)	(5,229,823)	(7,745,400)	(18,645,399)
Total primary government net expense										
General Revenues and Other Changes in Net Position										
Governmental Activities										
Property taxes	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	7,485,595
Sales taxes	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	2,958,567
Other taxes	684,480	598,063	497,900	474,895	553,828	603,799	622,747	694,827	688,170	696,977
Franchise taxes	336,533	334,756	329,673	342,136	306,524	282,092	298,172	307,093	281,390	287,290
Payment in-lieu of taxes	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	6,883,769
Licenses and permits	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)
Unrestricted investment earnings	287,263	143,409	26,853	20,396	22,267	20,490	13,885	21,843	23,835	17,427
Gain (loss) on sale of assets	0	0	0	0	0	0	0	0	0	(80)
Transfers	(1,012,067)	(6,820,071)	(682,404)	(611,194)	(26,186)	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0	0	0	0	102,181
Total governmental activities	11,957,762	7,724,398	12,812,069	13,279,512	14,344,848	15,541,918	15,539,027	16,420,389	16,908,897	18,431,726
Business-type activities										
Unrestricted investment earnings	168,601	50,334	6,602	7,686	18,516	9,141	10,015	7,866	10,972	13,288
Gain (loss) on sale of assets	0	0	0	0	0	0	0	0	0	8,016
Transfers	1,012,067	6,820,071	682,404	611,194	26,186	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0	0	0	0	82,002
Total business-type activities	1,180,668	6,870,405	689,006	618,880	44,702	9,141	10,015	7,866	10,972	103,306
Total primary government	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	18,535,032
Change in Net Position										
Governmental activities	479,941	(3,439,810)	(955,116)	2,379,663	6,294,479	2,134,265	3,712,083	2,324,133	(198,422)	(1,092,551)
Business-type activities	2,322,015	9,175,894	1,312,081	848,870	945,355	1,435,054	1,307,358	8,874,299	9,372,891	982,184
Total primary government	\$2,801,956	\$5,736,084	\$356,965	\$3,228,533	\$7,239,834	\$3,569,319	\$5,019,441	\$11,198,432	\$9,174,469	(\$110,367)

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

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

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

Table 3

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

<u>Fiscal</u> <u>Year</u>	<u>Property</u> <u>Tax</u>	<u>Sales</u> <u>Tax</u>	<u>Other</u> <u>Tax</u>	<u>Franchise</u> <u>Tax</u>	<u>Total</u>
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
2017	\$7,485,595	\$2,958,567	\$696,977	\$287,290	\$11,428,429

Table 4

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

	2008-2010 (a)	2011	2012	2013	2014	2015	2016	2017
General fund								
Nonspendable:								
Inventory	\$0	\$66,951	\$124,361	\$101,349	\$103,939	\$89,271	\$85,495	\$80,387
Prepays	0	0	120,742	131,434	140,293 (b)	147,243	156,840	201,177
Assigned to:								
Capital outlay	0	369,593	0	0	0	0	0	0
Hurricane recovery	0	249,752	0	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	7,523,669
Total general fund	\$0	\$5,026,937	\$4,294,380	\$5,210,053	\$5,775,635	\$7,192,928	\$8,272,029	\$7,805,233
Debt service								
Restricted for:								
Debt service	\$0	\$114,024	\$76,094	\$155,728	\$114,126	\$115,384	\$114,104	\$103,568
Total debt service	\$0	\$114,024	\$76,094	\$155,728	\$114,126	\$115,384	\$114,104	\$103,568
Capital projects								
Assigned to:								
Capital projects	\$0	\$98,789	\$93,908	\$62,599	\$32,130	\$620,017	\$163,239	\$161,021
Total capital projects	\$0	\$98,789	\$93,908	\$62,599	\$32,130	\$620,017	\$163,239	\$161,021
Other governmental funds								
Special revenue funds								
Nonspendable:								
Prepays	\$0	\$0	\$0	\$4,014	\$609 (b)	\$8,087	\$3,131	\$3,920
Restricted for:								
Cultural and recreation	0	114,391	115,275	115,583	104,655 (b)	114,953	103,272	100,222
Hurricane recovery	0	246,134	0	0	0	0	0	0
Public safety	0	877,088	867,861	903,373	827,899 (b)	787,368	758,132	709,523
Public works	0	53,137	46,509	53,120	69,615 (b)	64,796	61,386	51,146
Tourism and promotion	0	835,280	1,036,102	976,036	1,082,085 (b)	1,297,103	1,472,484	1,164,896
Assigned to:								
Economic development	0	2,268	2,280	2,285	2,292	2,297	2,301	2,304
Total all other governmental funds	\$0	\$2,128,298	\$2,068,027	\$2,054,411	\$2,087,155	\$2,274,604	\$2,400,706	\$2,032,011

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

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

Table 5

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$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	\$11,028,449
Payments in lieu of taxes	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	6,883,769
Franchises	1,044,480	985,522	1,302,854	1,289,831	1,243,852	1,190,589	1,199,098	1,205,744	1,186,241	287,290
Licenses and permits	407,416	531,419	417,235	387,541	375,209	321,067	372,001	416,556	356,816	262,785
Intergovernmental	1,215,187	1,908,101	1,448,148	833,590	1,226,800	498,561	340,410	98,843	239,484	522,907
Charges for services	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	3,648,552
Donations	170,720	183,515	61,207	45,375	67,498	31,042	33,043	30,581	34,092	39,601
Grant income	782,590	400,000	822,476	3,387,878	6,776,309	2,086,515	4,289,863	1,328,923	713,323	631,866
Investment income	287,263	143,408	26,855	20,396	22,267	20,490	13,885	21,843	23,835	16,486
Program income	66,527	39,061	50,087	79,576	23,449	17,766	27,783	31,833	14,448	28,462
Forfeitures	563,239	429,966	275,257	57,701	56,774	67,229	32,386	6,750	12,768	0
Miscellaneous	83,294	41,124	21,571	53,350	77,191	206,859	112,644	505,056	217,847	210,130
Total revenues	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	23,560,297
Expenditures										
General government	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	1,528,445
Cultural and recreation	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	2,104,903
Public safety	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	9,880,982
Public works	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	3,540,026
Non departmental Hurricane	667,723	785,822	54,093	173,125	312,925	0	0	0	0	0
Non departmental	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	3,654,994
Debt Service										
Principal	545,000	555,000	830,000	865,000	895,000	670,000	755,000	800,000	845,000	840,000
Interest and fiscal charges	235,593	534,562	458,003	425,565	391,278	289,028	253,638	190,326	146,030	137,083
Capital Outlay	3,332,853	8,674,015	1,418,353	3,979,351	7,472,353	2,711,531	2,521,322	1,529,310	1,558,920	3,147,657
Total expenditures	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	24,834,090
Excess of revenues over (under) expenditures	(1,589,975)	(6,159,699)	(838,524)	(1,248,646)	(925,970)	999,909	251,270	2,186,187	670,699	(1,273,793)
Other financing sources (uses)										
Transfers in	0	0	0	0	0	0	0	0	257,500	0
Transfers out	0	(579,846)	(379,846)	0	0	0	0	(257,500)	0	0
Bond proceeds	6,807,605	0	0	0	0	0	0	0	0	0
Bond issuance costs	(159,670)	0	0	0	0	0	0	0	0	0
Insurance proceeds	697,971	2,007,303	76,214	690,216	29,868	0	0	0	0	0
Sales of fixed asset	17,280	5,700	1,750	0	60,463	473	274,985	5,610	76,447	42,784
Refunding bonds issued	0	0	0	0	0	5,440,000	0	1,980,000	0	0
Discount on refunding bonds	0	0	0	0	0	(31,855)	0	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	204,641	0	0	0	0
Payment to refunded bond escrow account	0	0	0	0	0	0	0	(1,977,910)	0	0
Net present value of minimum lease payments	0	0	0	0	0	(5,662,786)	0	0	0	0
Total other financing sources and uses	7,363,186	1,433,157	(301,882)	690,216	90,331	(49,527)	274,985	7,700	76,447	425,546
Net changes in fund balances	5,773,211	(4,726,542)	(1,140,406)	(558,430)	(835,639)	950,382	526,255	2,193,887	747,146	(848,247)
Debt service as a percentage of noncapital expenditures	4.61%	6.09%	6.78%	6.64%	6.86%	5.43%	5.55%	5.37%	5.14%	4.51%
Capital outlay figure from the Notes	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	3,147,657

Table 6

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

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Real Property</u>		<u>Personal Property</u>		<u>Total</u>		<u>Est. True Value</u>	<u>Percentage of Total Assessed Value to True Value</u>
		<u>Assessed Value</u>	<u>Percent</u>	<u>Assessed Value</u>	<u>Percent</u>	<u>Assessed Value (a) (b)</u>	<u>Direct Tax Rate</u>		
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%
2017	2016	\$826,796,905	78.98%	\$220,075,517	21.02%	\$1,046,872,422	\$0.70940	\$1,046,872,422	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	City of Orange			Bridge City		Little Cypress		Orange County		Port and		Total (a)	Total (b)	Total (c)	Total (d)
	General Fund	Debt Service	Total Tax Rate	School District	Mauriceville School District	Orangefield School District	West Orange Cove School District	County + (Lateral Road)	Drainage District	Navigation District	District				
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		\$2.78891	\$2.78891	\$2.65891	\$2.78391
2017	\$0.61535	\$0.09405	\$0.70940	\$1.18000	\$1.43000	\$1.29575	\$1.42500	\$0.54400	\$0.11126	\$0.00756		\$2.55222	\$2.80222	\$2.66797	\$2.79722

(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, 2017**

	FY 2017 (a)			FY 2007 (b)		
	Assessed Value	Total Assessed Value	Percent of Value	Assessed Value	Total Assessed Value	Percent of Value
Name						
Inland-Orange	\$181,407,520	1	13.6648%			
Conrad Orange Shipyard	\$29,036,100	2	2.1872%			
Westport Orange Shipyard, LLC	\$20,433,790	3	1.5392%			
Honeywell (Allied)	\$19,895,390	4	1.4987%			
Exxonmobil Chemical Co.	\$17,987,070	5	1.3549%			
Entergy Texas, Inc.	\$15,481,800	6	1.1662%			
TX Majestic, Ltd.	\$6,839,750	7	0.5152%			
Summer Hill Management, LLC	\$5,865,059	8	0.4418%			
Cloeren Company	\$5,194,620	9	0.3913%	\$7,636,380	4	1.1800%
Cypresswood Crossing II, LP	\$5,107,174	10	0.3847%			
Webco Industries, Inc.				\$11,978,530	1	1.8510%
Entergy Gulf States, Inc.				\$8,982,520	2	1.3880%
Signal International Texas, LP				\$7,746,330	3	1.1970%
Community First Holdings, Inc.				\$6,739,470	5	1.0414%
Southwestern Bell Telephone Co.				\$6,512,876	6	1.0064%
Home Depot USA, Inc.				\$6,395,690	7	0.9883%
HD Development Properties, LP				\$5,036,443	8	0.7783%
Dal Sasso International				\$4,720,881	9	0.7295%
Dal Sasso, Anton				\$4,492,182	10	0.6942%
	<u>\$307,248,273</u>		<u>23.1440%</u>	<u>\$70,241,302</u>		<u>10.8542%</u>

(a) Tax roll for Fiscal Year 2017, tax year 2016.

(b) Tax roll for Fiscal Year 2007, tax year 2006.

Table 9

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

Fiscal Year	Total Adj. Tax Levy For Fiscal Year (a)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years		Total Collections to Date	
		Amount	Percentage of Levy	Amount	Percentage of Levy	Amount	Percentage of Levy
2008	\$4,276,094	\$4,075,986	95.32%	\$164,693		\$4,240,679	99.17%
2009	\$5,268,037	\$5,062,658	96.10%	\$164,542		\$5,227,200	99.22%
2010	\$5,546,997	\$5,365,446	96.73%	\$135,759		\$5,501,205	99.17%
2011	\$5,872,854	\$5,657,735	96.34%	\$141,868		\$5,799,603	98.75%
2012	\$5,983,263	\$5,622,255	93.97%	\$177,657		\$5,799,912	96.94%
2013	\$5,837,934	\$5,544,045	94.97%	\$198,586		\$5,742,631	98.37%
2014	\$5,887,657	\$5,669,884	96.30%	\$107,171		\$5,777,055	98.12%
2015	\$5,936,694	\$5,739,169	96.67%	\$79,206		\$5,818,375	98.01%
2016	\$6,091,631	\$5,828,534	95.68%	\$105,715		\$5,934,250	97.42%
2017	\$7,370,670	\$7,059,506	95.78%	\$0		\$7,059,506	95.78%

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

Table 10

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

Fiscal Year	Government Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General	Obligation Bonds & Notes	Capital Leases	General	Obligation Bonds	Certificates of Obligation	Revenue Bonds	Capital Leases		
2008		\$12,270,000	\$0		\$10,370,000	\$0	\$5,095,000	\$44,514	n/a	\$1,216.78
2009		\$11,715,000	\$0		\$9,255,000	\$0	\$4,925,000	\$6,516	n/a	\$1,125.17
2010		\$10,885,000	\$0		\$8,095,000	\$0	\$4,745,000	\$129,765	n/a	\$1,027.68
2011		\$10,020,000	\$0		\$6,790,000	\$0	\$4,560,000	\$80,449	n/a	\$908.33
2012		\$9,125,000	\$0		\$5,500,000	\$0	\$4,370,000	\$29,981	n/a	\$788.11
2013		\$8,740,000	\$0		\$4,180,000	\$0	\$4,170,000	\$0	n/a	\$694.81
2014		\$7,985,000	\$0		\$6,700,000	\$0	\$215,000	\$0	n/a	\$789.73
2015		\$7,290,000	\$0		\$5,275,000	\$4,845,000	\$0	\$0	n/a	\$936.27
2016		\$6,445,000	\$0		\$3,590,000	\$4,645,000	\$0	\$0	n/a	\$789.46
2017		\$5,605,000	\$382,761		\$3,330,000	\$9,290,000	\$0	\$99,410	n/a	\$1,006.03

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

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

Table 11

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

Fiscal Year	General Obligation Debt		Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (a)	Per Capita (b)
	Governmental Activities	Business-Type Activities				
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
2017	\$5,605,000	\$12,620,000	\$239,436	\$17,985,564	1.72%	\$967.23

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

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

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

Table 12

City of Orange, Texas
Direct and Overlapping Governmental Activities Debt

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
City of Orange	\$5,605,000 (a)	100.00%	\$5,605,000
Bridge City ISD	\$18,060,693 (b)	2.26% (c)	\$408,172
Little Cypress Mauriceville ISD	\$64,870,000 (b)	44.59% (c)	\$28,925,533
Orange County	\$5,130,000 (b)	15.97% (c)	\$819,261
Orangefield ISD	\$9,360,000 (b)	5.98% (c)	\$559,728
West Orange Cove CISD	\$56,008,143 (b)	26.53% (c)	\$14,858,960
Subtotal Overlapping Debt	<u>\$153,428,836</u>		<u>\$45,571,654</u>
Total Direct and Overlapping Debt	<u>\$159,033,836</u>		<u>\$51,176,654</u>

Source: Debt outstanding data provided by overlapping entities and compiled by Municipal Advisory Council 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) Information from the Municipal Advisory Council of Texas (Texas MAC) used for debt outstanding from other entities.

(c) Information from the Municipal Advisory Council of Texas (Texas MAC) used for overlapping % information in 2017.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$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	\$132,754,956
Total net debt applicable to limit	\$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	\$5,605,000
Legal debt margin	\$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	\$127,149,956
Total net debt applicable to the limit as a percentage of debt limit	19.71%	14.59%	12.82%	10.96%	9.67%	9.14%	7.71%	6.94%	6.17%	4.41%
Legal Debt Margin Calculation For Fiscal Year 2016										
Total assessed value (a)										\$1,327,549,559
Debt limit 10% of assessed value (b)										\$132,754,956
Amount of debt applicable to debt margin:										
Total bonded debt										\$18,225,000
Less:										
Assets available in governmental debt service fund balance										\$0
Self supported bonds and certificates (c)										\$12,620,000
Total amount of debt applicable to debt limit (d)										\$5,605,000
Legal debt limit										\$127,149,956

- (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 \$3,330,000; the 2015 Tax and Revenue Certificates of Obligation of \$4,455,000; and the 2016 Tax and Revenue Certificates of Obligation of \$4,835,000.
- (d) This includes the 2013 General Obligation Refunding Bonds of \$4,625,000, and the 2015 General Obligation Refunding Bonds of \$980,000.

Table 14

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

Water and Sewer																
Fiscal Year	Charges and Other (a)	Operating Expenses (b)	Net Available Revenue	2007 WS System Revenue			2001 GO Refunding Bonds (c)		2010 Go Refunding Bonds (d),(e)		2014 GO Refunding Bonds (f),(g)		2015 Certificates of Obligation (h)		2016 Certificates of Obligation (i)	
				Principal	Interest	Coverage	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	200,000	116,969
2016	7,856,260	5,096,554	2,759,706	--	--	--	--	--	1,430,000	14,455	255,000	84,484	200,000	116,969	--	--
2017	7,871,369	5,331,641	2,539,728	--	--	--	--	--	--	--	280,000	96,502	190,000	10,893	205,000	103,015

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

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

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

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

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

(e) The GO Advance Refunding, Series 2010 is being paid from surplus revenues of the City's Water and Sewer System.

(f) The GO Refunding, Series 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.

(i) The Certificates of Obligation, Series 2016 is being paid from surplus revenues of the City's Water and Sewer System.

Table 15

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

<u>Fiscal</u> <u>Year</u>	<u>Population (a)</u>	<u>Personal</u> <u>Income (b)</u>	<u>Per Capita</u> <u>Personal</u> <u>Income (a) (b)</u>	<u>Median</u> <u>Age (a)</u>	<u>% Completing</u> <u>High School or</u> <u>Higher (a)</u>	<u>School</u> <u>Enrollment (a)</u>	<u>Unemployment</u> <u>Rate (c)</u>
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%
2017	18,595	n/a	\$23,155 (a)	39.1	85.80%	n/a	8.2%

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**

2017 (a)				2008 (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%	866	1	2.23%	
Invista	732	2	1.93%	600	2	1.55%	
Little Cypress-Mauriceville ISD	584	3	1.54%	600	3	1.55%	
Orange County	500	4	1.32%	523	4	1.35%	
West Orange Cove Consolidated ISD	450	5	1.18%	500	5	1.29%	
International Paper	412	6	1.08%	480	6	1.24%	
Kellogg - Brown & Root	420	7	1.11%	411	7	1.06%	
Lanxess, Inc.	390	8	1.03%	360	8	0.93%	
Lamar State College - Orange	274	9	0.72%	348	9	0.90%	
Cloeren Company, Inc.	250	10	0.66%	300	10	0.77%	
Orangefield ISD	249	11	0.66%	300	11	0.77%	
Firestone Polymers	200	12	0.53%	250	12	0.64%	
Memorial Hermann Baptist Orange	194	13	0.51%	219	13	0.56%	
City of Orange	193	14	0.51%	198	14	0.51%	
Signal International	180	15	0.47%	180	15	0.46%	
Chevron Phillips Chemical Co.	180	16	0.47%	168	16	0.43%	
Printpack, Inc.	141	17	0.37%	162	17	0.42%	
Texas Polymer Services, Inc.	130	18	0.34%	130	18	0.34%	
Orange Shipbuilding & Dry Dock, Inc.	120	19	0.32%	100	19	0.26%	
Beacon Maritime, Inc.	100	20	0.26%	100	20	0.26%	
	<u>6,619</u>		<u>17.42%</u>	<u>6,795</u>		<u>17.52%</u>	
El Dupont de Nemours & Co.							
Invista							
Little Cypress-Mauriceville ISD							
Orange County							
West Orange Cove Consolidated ISD							
International Paper							
Kellogg - Brown & Root							
Lanxess, Inc.							
Lamar State College - Orange							
Cloeren Company, Inc.							
Orangefield ISD							
Firestone Polymers							
Memorial Hermann Baptist Orange							
City of Orange							
Signal International							
Chevron Phillips Chemical Co.							
Printpack, Inc.							
Texas Polymer Services, Inc.							
Orange Shipbuilding & Dry Dock, Inc.							
Beacon Maritime, Inc.							

(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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	5	5	5	5	5
Police	53	53.5	55	56	55	57	57.75	57.75	58	58
Fire	38	38.5	38	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	9	9	9	9
Orange Development	1	1	1	1	1	1	1	1	1	2
Community Development	2	2	2	2	2	2	2	2	1	1
Police Special Revenue	2	2	0	1	1	1	0.25	0.25	0.7	1
Fire Special Revenue	0	0	1	0	0	0	0	0	0	0
Sewer Operations	9	9	9	9	9	9	9	9	9	9
Water Operations	8	8.5	8	8	8	8	8	8	8	8
Wastewater Treatment Plant	7	7	8	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
Sanitation	1	1	1	1	1	1	1	1	1	2
Street Sweeping	1	1	1	1	1	1	1	1	1	1
Total	190	191.5	192.0	193.0	192.0	193.0	194.0	194.0	194.0	195.0

Source: City Annual Budget

Table 18

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

Function	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Police										
Physical arrests	1,236	1,430	1,764	1,521	1,583	1,577	1,239	1,252	1,252	1,088
Parking violations	180	25	30	32	83	14	12	14	10	11
Traffic violations	2,699	2,645	2,019	2,068	2,724	2,320	2,083	2,539	2,736	2,273
Fire										
Number of calls answered	3,976	2,753	2,725	2,803	2,822	2,819	3,168	3,196	3,487	3,603
Inspections	834	608	581	64	249	323	305	474	817	923
Street & Drainage										
Street resurfacing (miles)	0.6	3.0	0.0	1.2	2.0	8.0	1.5	2.1	2.0	0.0
Potholes repaired	3,675	4,400	5,060	5,550	6,000	5,800	6,000	11,900	10,085	14,000
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)	1,441	362	390	360	685	385	250	40	20	30
Natorium patrons (use fees)	6,650	14,181	7,651	4,291	7,158	8,779	8,833	0	10,639	5,404
Library patrons (use fees)	18,145	21,984	18,970	17,674	14,934	14,653	13,878	14,480	13,590	13,746
Water										
New connections	28	43	585	38	14	18	30	34	21	30
Water main breaks	940	1,039	970	863	743	530	766	632	462	420
Average daily consumption (thousands of gallons)	1,658	1,634	1,646	1,719	1,625	1,614	1,500	1,493	1,524	2,650
Wastewater										
Average daily sewage treatment (thousands of gallons)	2,422	2,847	2,770	1,940	2,308	2,427	2,423	2,522	3,422	3,694

Source: Various city departments

Table 19

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

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	57	57	57	57	57.75	57.75	58	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	162	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	1,562
Traffic Signals	7	7	7	7	7	7	7	7	7	7
Cultural and Recreation										
Parks acreage	284	284	284	284	284	284	(a)	284	284	284
Parks	20	20	20	20	20	19	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	4	4
Recreation centers	1	1	0	0	0	0	0	0	0	0
Basketball Courts	0	0	0	0	0	0	0	0	2	2
Splash Pad	0	0	0	0	0	0	0	0	1	1
Water										
Water mains (miles)	140	156	156	156	156	156	156	156	163	170
Fire hydrants	556	726	726	726	726	726	726	726	726	726
Maximum daily capacity										
(thousand of gallons)	7,500	10,613	10,613	10,613	10,613	10,613	10,613	10,613	10,613	10,613
Service connections	6,360	6,921	6,999	7,041	7,046	6,934	6,991	6,991	7,216	6,835
Wastewater										
Sanitary sewers (miles)	135	149	149	149	149	149	149	149	155	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	6,166	6,632	6,763	6,808	6,789	6,690	6,750	6,750	7,000	6,611

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

Source: Various city departments

Table 20

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Water Consumption										
October	50,672	46,343	48,724	50,873	56,313	57,752	51,796	44,039	46,302	49,499
November	55,468	49,117	42,087	45,481	50,243	49,813	48,167	43,736	42,331	48,172
December	44,196	44,395	49,571	45,275	46,626	47,117	50,242	41,742	45,073	43,060
January	49,334	45,973	44,805	44,798	45,120	47,380	50,752	43,629	46,564	44,081
February	48,734	44,704	43,222	45,690	41,875	39,852	48,802	38,829	42,243	39,698
March	45,855	45,037	42,894	41,356	39,046	41,891	41,573	38,754	43,968	41,346
April	44,012	45,620	46,106	50,695	46,233	46,081	38,077	43,414	47,228	44,091
May	50,929	44,214	58,221	51,130	50,367	45,561	40,841	42,131	42,457	46,010
June	53,749	53,127	61,731	68,903	56,486	53,492	44,663	47,219	48,275	49,920
July	55,276	68,324	55,648	59,881	55,313	55,236	40,176	49,333	47,671	47,976
August	55,306	53,127	53,234	58,388	53,936	52,150	43,828	61,251	56,231	48,432
September	51,806	56,539	54,534	64,823	51,489	52,920	48,716	50,802	47,900	48,431
Total	605,337	596,520	600,777	627,293	593,047	589,245	547,633	544,879	556,243	550,716

Water Rates										
Minimum 3/4"	7.82	8.37	9.21	9.58	10.06	10.56	10.56	10.92	10.92	10.92
Minimum 1"	9.55	10.22	11.24	11.69	12.27	12.88	12.88	13.32	13.32	13.32
Minimum 1 1/2"	13.80	14.77	16.25	16.90	17.70	18.64	18.64	19.28	19.28	19.28
Minimum 2"	18.93	20.26	22.29	23.18	24.34	25.56	25.56	26.43	26.43	26.43
Minimum 3"	30.86	33.02	36.32	37.77	39.66	41.64	41.64	43.06	43.06	43.06
Minimum 4"	47.92	51.27	56.40	58.66	61.59	64.67	64.67	66.87	66.87	66.87
Minimum 6"	90.57	96.91	106.60	110.86	116.40	122.22	122.22	126.38	126.38	126.38
Minimum 8"	141.75	151.67	166.84	173.51	182.19	191.30	191.30	197.81	197.81	197.81
Minimum 10"	201.44	215.54	237.09	246.57	258.90	271.85	271.85	281.10	281.10	281.10
Minimum 12"	269.69	288.57	317.43	330.13	346.64	363.97	363.97	376.35	376.35	376.35
Over 1,000 gallon minimum	1.86	1.99	2.19	2.28	2.39	2.51	2.51	2.60	2.60	2.60
Sewer Rates										
Minimum	9.83	10.52	11.57	12.03	12.63	13.26	13.26	13.71	13.71	13.71
Over 1,000 gallon minimum	6.42	6.87	7.56	7.86	8.25	8.66	8.66	8.96	8.96	8.96

Source: Various city departments

CITY OF ORANGE, TEXAS
FEDERAL SINGLE AUDIT REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

**CITY OF ORANGE, TEXAS
FEDERAL SINGLE AUDIT REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 19, 2018.

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*.

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

April 19, 2018

**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, 2017. 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, 2017.

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

April 19, 2018

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

14.218

U.S. Department of Housing and Urban Development Community
Development Block Grant Entitlements

97.036

Department of Homeland Security thru Texas Department of Public
Safety Hurricane Harvey

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

There were no audit findings for the year ended September 30, 2017

CITY OF ORANGE, TEXAS
Schedule of Expenditures of Federal Awards and State Awards
For the year ended September 30, 2017

Federal Grantor/Pass-through Grantor/Program	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>FEDERAL GRANTS</u>			
<u>U. S. Department of Transportation / Federal Highway Administration (FHWA)</u>			
Texas Department of Transportation			
Orange N. 3247 Utility Extension	20.205	CSJ 4704-01-434	134,708
IH-10 Utility Relocation	20.205	CSJ 0028-14-111	-
Total - Federal Highway Administration (FHWA)			\$ 134,708
<u>U. S. Department of Homeland Security</u>			
City of Orange-PD Interoperability Communications (Appl# 3085301)	97.067		7,269
City of Orange-FD Interoperability Communications (Appl# 3084601)	97.067		7,269
City of Orange-FD Interoperability Communications (Appl# 3326401)	97.067		-
Texas Department of Public Safety-Division of Emergency Management			
Emergency Management Performance Grant	97.042	17TX-EMPG-0412	30,694
<u>U. S. Department of Homeland Security / Federal Emergency Management (FEMA)</u>			
Texas Water Development Board			
Flood Mitigation Assistance Grant (Contract# 1300011733)	97.029	FMA-PJ-06-TX-2013-010	977
Texas Department of Public Safety			
March2016 Severe Storms & Flooding	97.036	FEMA-4266-DR-TX	33,808
Hurricane Harvey (FAIN# 4332DRTXP000001)	97.036	FEMA-4332-DR-TX	947,770
Total - U. S. Department of Homeland Security			\$ 1,027,787
<u>U. S. Department of Housing and Urban Development</u>			
Community Development Block Grant Entitlements	14.218	N/A	384,597
Texas General Land Office			
2008 Supplemental Disaster Recovery Fund-GLO round 2.2	14.228	DRS220131 15-524-000-6755	348
Total - U. S. Department of Housing and Urban Development			\$ 384,945
<u>U. S. Department of Justice</u>			
Equitable Sharing Agreement-Justice Funds	16.922	TX1810200	56,481
Bullet Proof Vest Partnership Program	16.607	14074677	-
Total - U. S. Department of Justice			\$ 56,481
<u>Institute of Museum and Library Services</u>			
Texas State Library and Archives Commission			
SFY2017 ILL Lending Reimbursement Program	45.310	LS-00-16-0044-16	845
Total - Institute of Museum and Library Services			\$ 845
TOTAL - EXPENDITURES OF FEDERAL GRANTS			\$ 1,604,766
<u>STATE GRANTS</u>			
<u>Texas Forrest Service</u>			
TIFMAS Grant Assistance Program			
Training Tuition	N/A	2846	7,030
Total - Texas Forrest Service			\$ 7,030
<u>Texas Department of Public Safety</u>			
Texas Division of Emergency Management (TDEM)			
Hurricane Harvey		TCEQ-4332-PW00069	53,547
Total - Texas Department of Public Safety			\$ 53,547
TOTAL - EXPENDITURES OF STATE GRANTS			\$ 60,577

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, 2017 and is presented on the accrual basis of accounting. The information in this schedule is 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 as the time, although the City expects such amounts, if any, to be immaterial.