

City of Orange, Texas



**Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2018**



City of Orange, Texas

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2018

Shawn Oubre, Ph.D., City Manager

Prepared by:
City of Orange Finance Department
Cheryl Zeto, Director of Finance
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CITY OF ORANGE, TEXAS
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2018

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INTRODUCTORY SECTION







March 29, 2019

Honorable Mayor Larry Spears Jr. 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, 2018 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 BrooksWatson & Co., PLLC 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, 2018, 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, 2018, 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 183 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 metropolitan statistical area (MSA), 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 by 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 44 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 131.

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 was awarded Public Assistance Grant Funds from the Federal Emergency Management Agency (FEMA). These grant funds were passed through the Texas Division of Emergency Management (TDEM). The City submitted FEMA projects for reimbursement of all storm related expenditures. The City has also filed 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 and has been reimbursed an estimated 92% of the eligible storm related costs as of the date of this letter. The City continues to recover from the effects of Tropical Storm Harvey. Building permits for Harvey related reports have dropped significantly, as residents and businesses complete the repairs caused by the storm and

subsequent flooding. All City facilities have completed repairs for storm damage and all vehicles and equipment, which were rendered disabled, have been replaced.

Looking forward to the future, the City is applying for grants to provide mitigation measures to reduce the amount of potential damages from future hurricanes, tropical storms and flood events. The City has identified mitigation measures for public facilities and programs that benefit residents. The City is working closely with State and Federal agencies to determine eligibility of projects, and to convey the need for the mitigation measures for the City and for its residents.

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. Following the impact of Tropical Storm Harvey, the City predicted a spike in sales tax revenue for fiscal year 2018 and possible return to normal revenue levels for fiscal year 2019. This has proven to be the case, as the City saw an increase in sales tax revenue of 29.74% over the prior year. As expected, the sales tax revenue collected has returned to a normal range for fiscal year 2019.

Long-term financial planning.

Industrial District Contracts (IDCs) provided 30.8% of the operating revenue for the City's general fund in fiscal year 2018. 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 \$0.74500/\$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 \$0.70000/\$100 in fiscal year 2013, \$0.69000/\$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 \$0.70000/\$100, but it 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 fiscal year 2018, the rate was increased to \$0.71774/\$100, which was above the effective rate. For the fiscal year 2019, the rate was increased to \$0.80510%/\$100.

The taxable property values were affected by Tropical Storm Harvey for fiscal year 2019. City staff and the City Council continue to review the property and industrial values on an annual basis as part of the budget process and due diligence in setting tax rates.

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. The project is well underway and expected to be completed in the second quarter of 2019.

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. As a result of this project, a national restaurant has announced its intention to build at the corner of IH-10 and 16th street in Orange. The City of Orange and the Orange Economic Development Corporation will continue work to promote future commercial development in this area along IH-10.

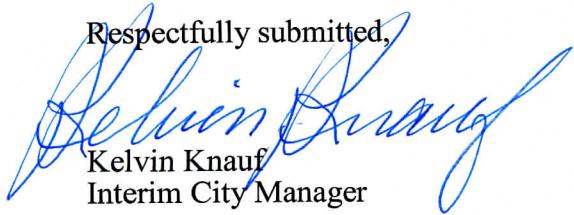
AWARDS AND ACKNOWLEDGMENTS

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, 2017. This was the 26th consecutive year (1992-2017) 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,



Kelvin Knauf
Interim City Manager



Cheryl Zeto

Cheryl Zeto
Director of Finance



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Orange
Texas**

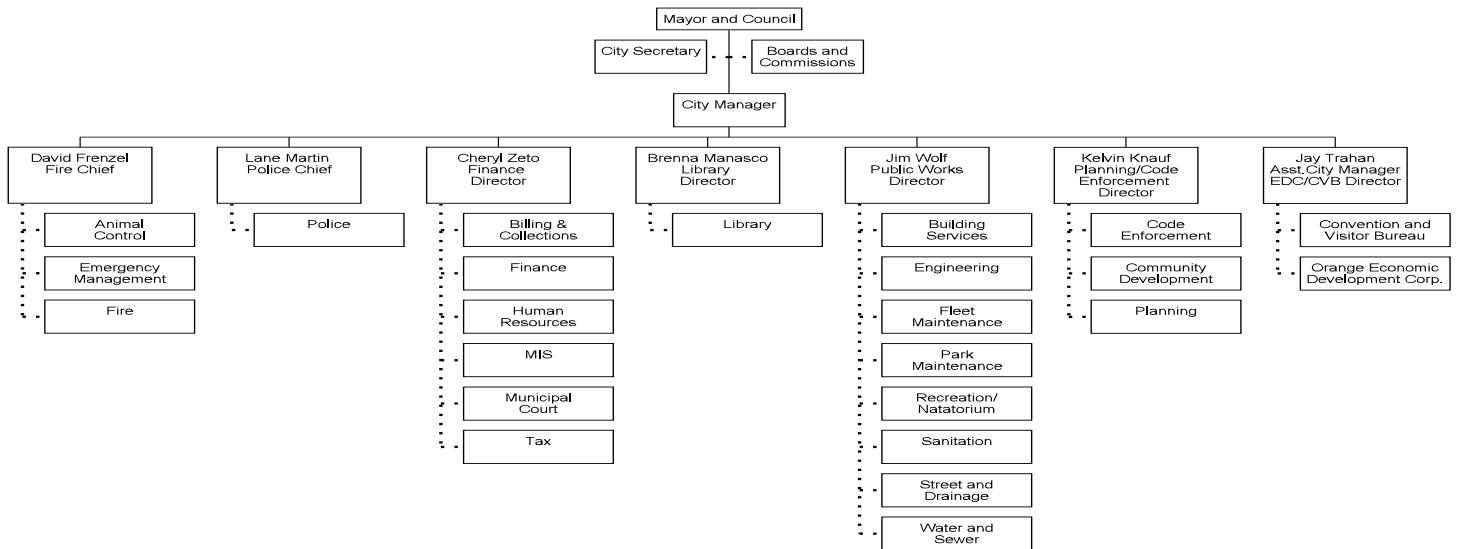
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morill

Executive Director/CEO

City of Orange, Texas Organizational Chart



City of Orange, Texas

City Council

Larry Spears Jr., Mayor

Patrick A. Pullen, Mayor Pro-Tem - Council Member District 1

Brad Childs - Council Member District 2

Terrie T. Salter - Council Member District 3

Annette Pernell - Council Member District 4

Bill Mello - Council Member at Large Position 5

Paul Burch - 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 AUDITOR'S REPORT

To 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, 2018, 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

The City's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note V.E. to the financial statements, due to the implementation of GASB No. 75, the City restated its beginning net position within governmental activities and business-type activities to properly reflect the total OPEB liability and related deferred outflows and inflows of resources, as prescribed by this accounting standard. The City also had adjustments due to accounting errors as described in the footnote. This resulted in changes to the beginning fund balance for the general fund. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion, schedules of changes in net pension liabilities and related ratios, schedule of employer contributions to pension plan, and OPEB schedule of changes in postemployment benefits liability and related ratios 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's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

This accompanying supplementary information is the responsibility of management and was derived from and relates 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 accompanying supplementary information is 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

A handwritten signature in black ink that reads "Brooks Watson & Co." The signature is fluid and cursive, with "Brooks" and "Watson" connected by a single stroke, and "& Co." following in a smaller, separate flourish.

BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
March 29, 2019



CITY OF ORANGE, TEXAS
Management's Discussion and Analysis (MD&A)
September 30, 2018

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, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on pages 3 to 8 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$65,401,425 (net position). The net position is composed (1) net investment in capital assets of \$62,211,589, (2) restricted for debt service of \$453,608, (3) restricted for other purposes of \$2,214,435 and (4) unrestricted of \$521,793. The unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$4,653,603, which is a 7.66% increase for the fiscal year. Governmental activities had an increase in total net position of \$2,320,194, which is a 11.52% increase from the prior fiscal year. The business type activities had an increase in total net position of \$2,333,408, which is a 5.75% increase from the prior fiscal year.
- The largest component of change in net position was an increase in the restricted portion. The restricted net position increased by \$2,450,349.
- The other components of net position also changed within the fiscal year. The net investment in capital assets decreased by \$125,078 and the unrestricted portion increased by \$2,328,332.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,510,159, an increase of \$ 2,265,761 in comparison with the prior year. Of the total amount, \$9,715,030 is available for spending at the government's discretion (unassigned fund balance). The largest fund balance change was in the general fund for an increase of \$2,073,837.
- The general fund revenues were over budget by \$1,076,778 and expenditures were under budget by \$1,481,507.
- The two largest components of additional revenue were an additional \$788,150 in tax revenue, primarily sales tax, and an additional \$222,957 in charges for services.
- Within the general fund the largest budgetary savings were \$428,861 in the non-departmental line item and \$393,113 in the public safety line item.
- Unassigned fund balance for the General Fund was \$9,715,030 or 47.71% of total general fund expenditures at September 30, 2018.
- The City's total long-term bonded debt decreased by \$1,525,000. There were routine bond payments of \$855,000 in Governmental Activities. There were routine bond payments of \$670,000 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 applied for Public Assistance Grant Funds from the Federal Emergency Management Agency (FEMA). These grant funds were passed through the Texas Division of Emergency Management (TDEM). As of September 30, 2018 the City has been reimbursed an estimated 92% of the eligible costs.

CITY OF ORANGE, TEXAS
Management's Discussion and Analysis, Continued
September 30, 2018

- 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. A time extension was approved for this grant through June 30, 2019. The City expended \$406,634 through September 30, 2018.
- 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 \$315,472, and Department of Homeland Security Emergency Management Performance \$28,698.
- The City was also awarded a State grant from the Texas Forest Service, TIFMAS Grant in the amount of \$3,570 for training tuition assistance. These funds were expended in fiscal year 2018.
- 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.

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The government-wide financial statements can be found on pages 38 and 39 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 2018. 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 40 to 43 of this report.

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

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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 45 to 47 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 48 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 49 to 106 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 107 to 111 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 123 to 149 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 \$65,401,425 at the close of the most recent fiscal year.

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

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	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$15,846,568	\$14,480,874	\$8,572,949	\$10,197,493	\$24,719,517	\$24,678,367
Capital assets, net	29,632,133	30,562,662	49,689,262	48,077,970	79,321,395	78,640,632
Total assets	45,478,701	45,043,536	58,262,211	58,275,463	103,740,912	103,318,999
Deferred outflow of resources	1,114,770	7,857,291	230,989	907,910	1,345,759	8,765,201
Current liabilities	1,230,475	1,480,307	1,438,061	2,954,711	2,668,536	4,435,018
Long-term liabilities	19,410,718	28,924,446	13,518,416	15,214,898	32,929,134	44,139,344
Total liabilities	20,641,193	30,404,753	14,956,477	18,169,609	35,597,670	48,574,362
Deferred inflow of resources	3,487,945	2,351,935	599,631	410,081	4,087,576	2,762,016
Net position:						
Net investment in capital assets	\$24,556,626	\$24,957,665	\$37,654,963	\$37,379,002	\$62,211,589	\$62,336,667
Restricted	2,529,941	81,826	138,102	135,868	2,668,043	217,694
Unrestricted	(4,622,234)	(4,895,352)	5,144,027	3,088,813	521,793	(1,806,539)
Total net position	\$22,464,333	\$20,144,139	\$42,937,092	\$40,603,683	\$65,401,425	\$60,747,822

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, \$2,668,043 (4.08%) 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 all three categories of net position when the government is taken as a whole. The governmental activities 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 and Tropical Storm Harvey affects.

As reflected in the following table the City's net position increased by \$4,653,603 during the current fiscal year. Net position for the governmental activities increased \$2,320,194 and net position for the business-

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type activities increased \$2,333,409.

Statement of Activities:

The following table provides a summary of the City's changes in net position:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$1,761,068	\$2,401,969	\$10,051,471	\$10,070,379	\$11,812,539	\$12,472,348
Operating grants and contributions	831,138	953,205	3,564,799	53,428	4,395,937	1,006,633
Capital grants and contributions	67,431	134,922	573,284	134,708	640,715	269,630
General revenues:						
Property taxes	7,853,374	7,485,595	0	0	7,853,374	7,485,595
Sales tax	3,618,034	2,958,567	0	0	3,618,034	2,958,567
Other taxes	807,577	696,977	0	0	807,577	696,977
Franchise taxes	291,156	287,290	0	0	291,156	287,290
Payment-in-lieu of taxes	6,882,340	6,883,769	0	0	6,882,340	6,883,769
Investment earnings	28,541	17,427	12,337	13,288	40,878	30,715
Insurance proceeds	457,367	0	95,864	0	553,231	0
Other revenue	190,431	102,101	29,004	90,018	219,435	192,119
Total revenues	22,788,457	21,921,822	14,326,759	10,361,821	37,115,216	32,283,643
Expenses:						
General government	2,677,375	3,421,279	0	0	2,3677,375	3,421,279
Cultural and recreation	1,735,516	2,292,791	0	0	1,735,516	2,292,791
Public safety	11,956,509	12,925,242	0	0	11,956,509	12,925,242
Public works	3,893,417	4,195,377	0	0	3,893,417	4,195,377

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Interest on long-term debt	178,291	179,684	0	0	178,291	179,684
Water and sewer	0	0	5,199,862	7,098,876	5,199,862	7,098,876
Sanitation	0	0	6,820,644	2,280,761	6,820,644	2,280,761
Total expenses	20,441,108	23,014,373	12,020,506	9,379,637	32,461,614	32,394,010
Change in net position before transfers	2,347,349	(1,092,551)	2,306,253	982,184	4,653,602	(110,367)
Transfers	(27,155)	0	27,155	0	0	0
Total transfers	(27,155)	0	27,155	0	0	0
Change in net position	2,320,194	(1,092,551)	2,333,408	982,184	4,653,602	(110,367)
Beginning net position	20,144,139	21,236,690	40,603,683	39,621,499	60,747,822	60,858,189
Ending net position	\$22,464,333	\$20,144,139	\$42,937,091	\$40,603,683	\$65,401,425	\$60,747,822

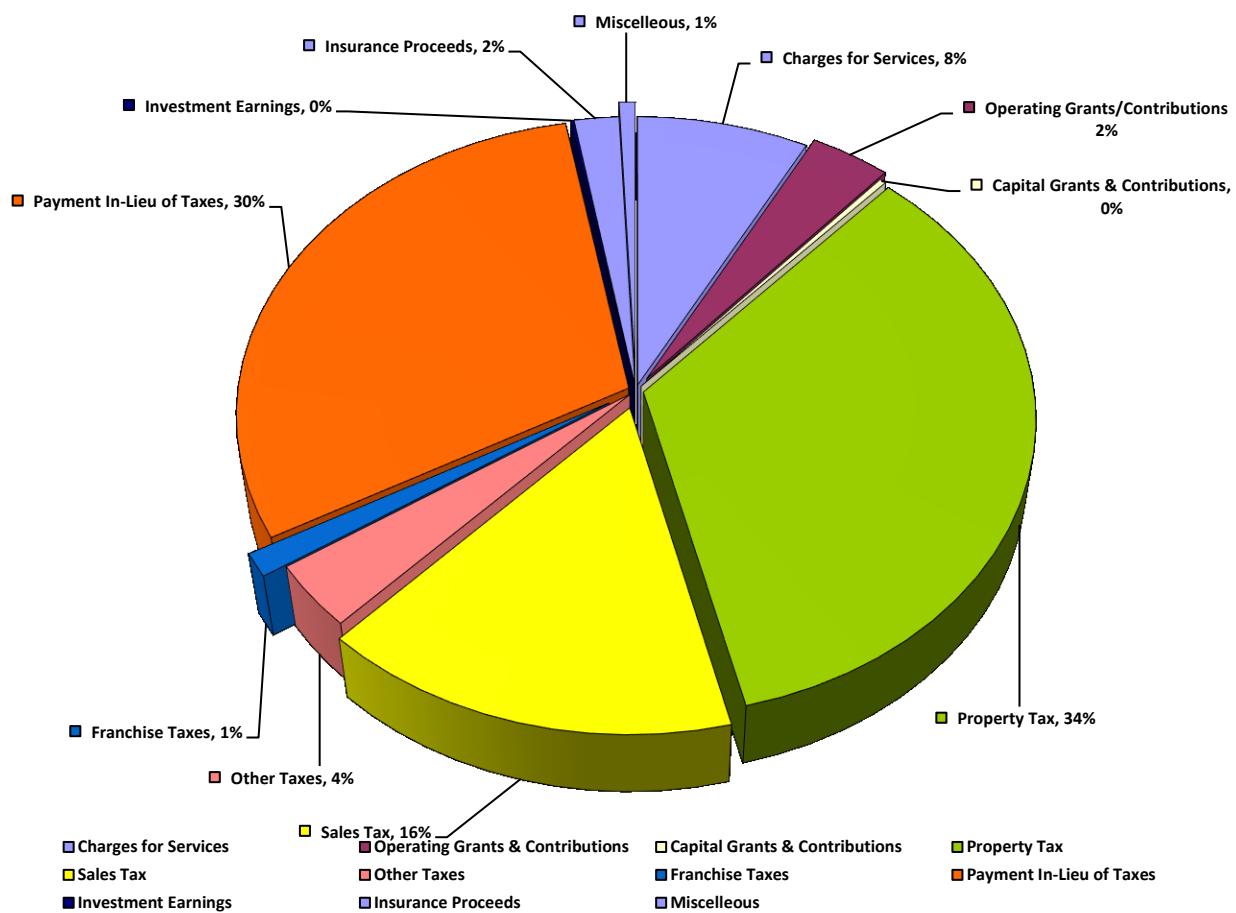
Governmental activities: Governmental activities increased the City of Orange's net position by \$2,320,194.

Unrestricted net position increased by \$273,118. 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 \$145,855 remaining.
- Sales tax increased by \$659,467.
- Other revenue increased due to property lease proceeds of \$120,000.
- Property taxes increased by \$367,779.
- Other taxes increased by \$110,600.
- Restricted net position was adjusted in fiscal year 2018 to include the restricted portion of the nonmajor funds. This adjustment affected the unrestricted net position.

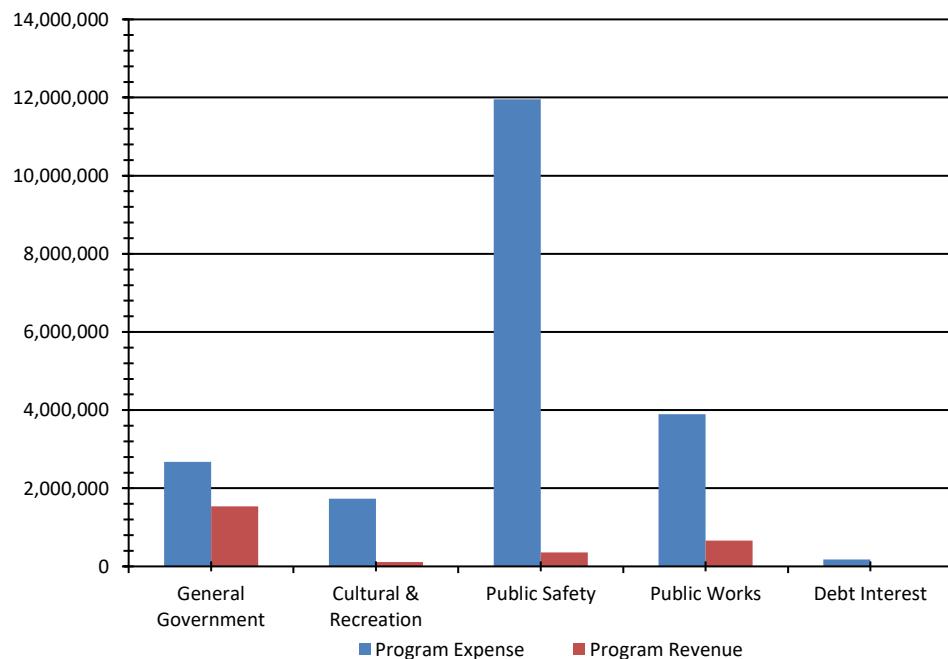
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Governmental Activities - Revenues by Source



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Governmental Activities - Expenses and Program Revenue



Business-type activities: Business-type activities increased the City of Orange's net position by \$2,333,409.

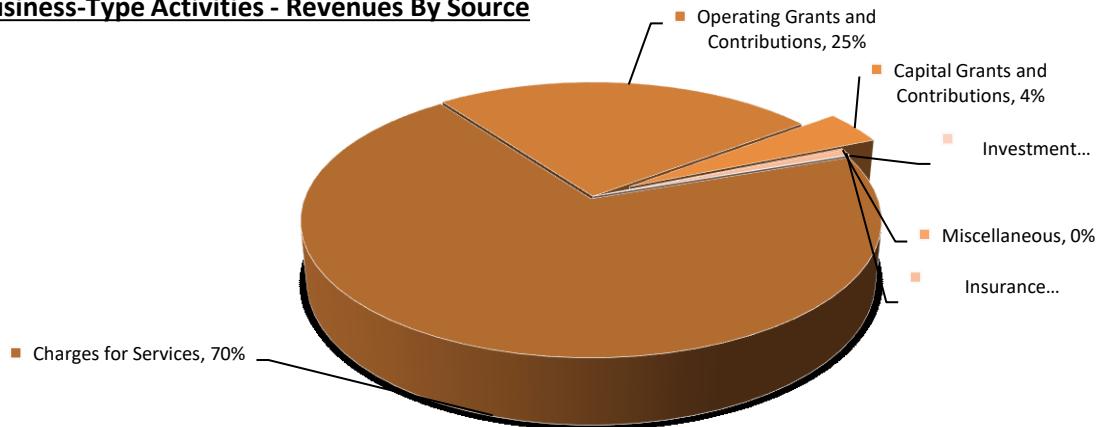
Unrestricted net position increased by \$2,055,214, which is due to increased revenues over expenses.

Other items:

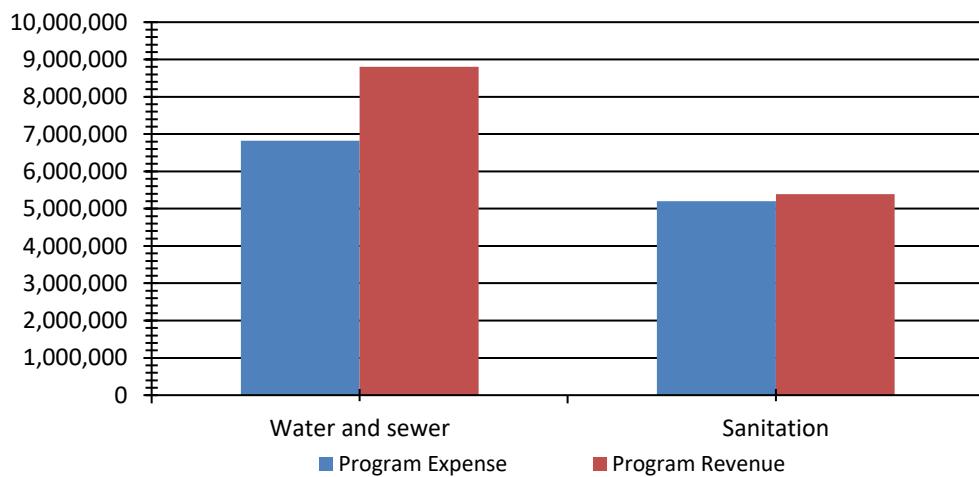
- The contracted sanitation rates to the City remained the same, therefore sanitation rates for City customers were not changed for this fiscal year. Water consumption increased by 2.2% from last year.
- Water and sewer charges for services increased by \$421,215.
- Sanitation charges for services decreased by \$440,123.

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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.

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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 \$12,510,159, an increase of \$2,265,761 in comparison with the prior year. The unassigned fund balance total was \$9,715,030 which is 77.66% of total fund balance. The unassigned fund balance is available for spending at the government's discretion.

Nonspendable:		
	Inventories	\$85,568
	Prepays	226,743
Restricted for:		
	Cultural and recreation	78,186
	Debt service	104,722
	Public safety	622,973
	Public works	35,566
	Tourism and promotion	1,477,710
Assigned to:		
	Capital outlay	161,352
	Economic Development	2,309
Unassigned		
	Unassigned	<u>9,715,030</u>
	Total fund balance	<u>\$12,510,159</u>

The General Fund is the chief operating fund of the City of Orange. At the end of fiscal year 2018 the General Fund had an unassigned fund balance of \$9,715,029, which is \$2,191,360 more than the prior fiscal year. The unassigned fund balance is 47.71% of the total expenditures of the General Fund for fiscal year 2018.

The change in unassigned fund balance was composed of:

- The General Fund's total revenue increased by \$393,039.
- The City saw an increase of \$1,187,071, 11.22%, in general fund tax collections. The City saw a decrease of \$1,429 in IDC contract payments. The changes were the results of tax rate and property values. The ad valorem property tax rate went from \$0.70940/\$100 in fiscal year 2017 to \$0.71774/\$100 in fiscal year 2018. The certified property tax values increased 4.28%. The IDC certified contract values decreased slightly.
- General Fund expenditures decreased overall by \$1,752,569, which is a 7.93% decrease. The General Fund saw changes in various categories of expenditures.
- Capital expenditures decreased by \$1,981,537 for the fiscal year. The decrease was primarily due to the purchase of a building for the new city hall campus in the prior year.
- The City was able to give a 2.5% cost of living salary increase to all full time and part time employees. The City also bid medical insurance and was able to provide similar coverage with

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minor cost changes to employees. Overall General Fund wages and benefits increased by \$517,745, which is a 3.84% increase.

The Debt Service Fund had a fund balance of \$104,721 which is restricted for debt service payments. This is an increase of \$1,153 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 \$161,352 which is assigned to capital outlay. This is an increase of \$331 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 \$2,222,451. This is an increase of \$190,440 from the prior year. None of the City's Special Revenue Funds qualified as major funds for fiscal year 2018.

Proprietary funds. The City of Orange's proprietary fund financial statements 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 \$2,300,533.

Net investment in capital assets increased by \$496,973.

The amount restricted for debt service increased by \$2,234.

Unrestricted net position increased by \$2,055,214. 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's utility revenue was down slightly overall. Water consumption stayed fairly consistent with a modest 2.2% increase from last year.
- Operating expenses decreased by \$800,866 during the fiscal year.
- The City was able to give a 2.5% cost of living salary increase 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 decreased by \$517,239 which is an 18.59% decrease. The decrease is due to the outsourcing of operations for the wastewater treatment plant.
- 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 2018 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:

- There were deferred outflows of resources related to pension liabilities of \$211,863 at September 30, 2018.

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 Management's Discussion and Analysis, Continued
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- There were deferred inflows of resources related to pension liabilities of \$599,631 at September 30, 2018.
- There was also a net deferred outflow of resources on bond refunding of \$19,127 at September 30, 2018.

General Fund Budgetary Highlights

There were two budget amendments that affected the General Fund for fiscal year 2018. The amendment totaled \$584,769 in additional appropriations.

Amendment #1	\$50,896	To amend the budget for work on projects that were not completed in the prior fiscal year. The major of the amendments were to increase both revenue and costs for damage repairs related to Tropical Storm Harvey.
Amendment #2	\$9,831	To amend the budget to increase both revenue and expenses for damage repairs related to Tropical Storm Harvey, and to replace the library's chiller for \$16,850.
Total	<u>\$60,727</u>	

The amendments were funded in part by the receipt of additional revenue for \$524,042 and use of unassigned fund balance of \$60,727.

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	\$5,882,585	\$5,825,880	\$5,278,659	\$539,069
Capital outlay	\$501,338	\$1,032,617	\$702,072	\$330,545
Personnel services	\$14,294,454	\$14,319,356	\$14,007,750	\$311,606

Maintenance and services – major variances

- The City, by Charter, can establish a 2% contingency fund during the budget process. At the end of the fiscal year the City has \$145,855 remaining in this account.
- Due to lower fuel costs during the year the City had a \$28,132 savings in petroleum purchases.
- Several other items were under budget due to price or usage (1) special services \$168,964 (2) chapter 380 economic development program reimbursements \$156,577 (3) other maintenance and services \$114,864 (4) equipment \$61,155 and (5) machinery maintenance \$40,733.

Capital outlay – major variances

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- Street construction was \$258,114 under budget. The amount was carried forward to the 2019 budget, to complete the resurfacing of some City streets.
- Several other items were under budget due to project completion, purchases or usage (1) capital lease equipment \$23,333 (2) other capital outlay \$65,753 and (3) machinery \$6,500.

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, 2018, amounts to \$79,321,394 (net of accumulated depreciation). The investment in capital assets includes land, buildings, furniture, fixtures and books, improvements other than buildings, machinery and equipment, streets, transportation vehicles, and construction in progress.

Capital assets in the governmental activities decreased by \$930,530, 3.04%, in this fiscal year. Capital assets in the business-type activities increased by \$1,611,290, 3.35%.

The following table provides a summary of the City's capital assets, net of depreciation:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$1,915,563	\$1,915,563	\$733,122	\$733,122	\$2,648,685	\$2,648,685
Buildings	18,214,594	18,857,323	516,501	530,167	18,731,095	19,387,490
Furniture, fixtures and books	566,329	579,656	0	0	566,329	579,656
Improvements other than buildings	0	0	37,153,756	37,429,148	37,153,756	37,429,148
Machinery, equipment, vehicles and improvements	5,301,016	5,350,150	991,419	884,165	6,292,435	6,234,315
Vehicles	0	0	197,815	313,909	197,815	313,909
Streets	2,824,870	3,081,988	0	0	2,824,870	3,081,988
Leased equipment	452,830	422,706	238,990	97,772	691,820	520,478
Construction in progress	356,931	355,275	9,857,658	8,089,688	10,214,589	8,444,963
Total Capital Assets, net of depreciation	\$29,632,133	\$30,562,661	\$49,689,261	\$48,077,971	\$79,321,394	\$78,640,632

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

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- Books for the library totaling \$15,422
- Repairs and improvements to buildings totaling \$238,260
- Construction in progress for the Coopers Gulley lining project totaling \$310,539
- Purchase of new SCBA equipment for the fire department totaling \$41,600
- Replacement of air conditioner/chiller totaling \$51,850
- Investment in new playground equipment and park lighting totaling \$69,768
- Purchase of high water rescue vehicles totaling \$57,700
- Construction in progress for water and sewer improvements totaling \$1,985,588
- Replacement of various water well and pump equipment for water system totaling \$157,316
- Purchase of SCADA system to monitor sewer lift stations totaling \$104,977
- Purchase of new radio read water meters totaling \$78,852
- Investment in improvements to sewer lift stations totaling \$248,150
- Investment in sewer line extensions totaling \$247,822

More detailed information about the City of Orange's capital assets is presented in note IV. C to the financial statements.

Long-term debt. At the end of the current fiscal year, the City of Orange has total bonded debt outstanding of \$16,700,000. 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 \$17,000 from the Series 2015 Tax and Revenue Certificates of Obligation and \$18,000 from the Series 2016 Tax and Revenue Certificates of Obligation.

The following table provides a summary of the City's long-term debt:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Certificates of Obligation	\$0	\$0	\$8,890,000	\$9,290,000	\$8,890,000	\$9,290,000
General Obligation Bonds	4,750,000	5,605,000	3,060,000	3,330,000	7,810,000	8,935,000
Total long-term debt	\$4,750,000	\$5,605,000	\$11,950,000	\$12,620,000	\$16,700,000	\$18,225,000

The City's total bonded debt decreased by \$1,525,000, 8.37%, during the current fiscal year.

The government activities total bonded debt decreased by \$855,000, 15.25%, during the current fiscal year.

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- The general obligation bonds of the governmental activities decreased by \$855,000, which represents the debt principal payments for the fiscal year.

The business-type activities total bonded debt decreased by \$670,000, 5.31%, during the current fiscal year.

- The certificates of obligation bonds for the business-type activities decreased by \$400,000 which represents debt principal payments for the fiscal year.
- The general obligation bonds for the business-type activities decreased by \$270,000 which represents debt principal payments for the fiscal year.

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.

More detailed information about the City of Orange's long-term debt is presented in note IV. F to the financial statements.

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 29.74%. The City had anticipated that there would be a spike in the sales tax for the year based on historical data for after a hurricane event. Sales did increase for the fiscal year due to purchases for Tropical Storm Harvey recovery efforts. Collections went from \$2,586,832 in fiscal year 2017 to \$3,356,175 in fiscal year 2018. 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

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- for the City's Component Unit the Orange Economic Development Corporation.
- The sales tax collections for all of Orange County increased by 16.94% for the period of October 1, 2017 to September 30, 2018. The City has seen a 8.17% decrease in sales tax collections for the first quarter of fiscal year 2019, which was expected as the sales return to normal levels after Tropical Storm Harvey.
- Hotel occupancy tax collections increased in fiscal year 2018 by 11%. Collections went from \$668,713 in fiscal year 2017 to \$743,333 in fiscal year 2018.
- The unemployment rate for the Beaumont-Port Arthur metropolitan area (in which Orange is grouped) remained above the state and national average. At September 2018 the unemployment rate was 5.9% while the statewide rate was 3.7% and the national rate was 3.7% (according to the US Bureau of Labor Statistics). The unemployment rate for the local metropolitan area is down from the prior year rate of 8.2%.

Economic factors budgeted fiscal year 2018 -

- The ad valorem tax certified taxable values for the new budget decreased by 8.80% over the prior fiscal year. The certified taxable values went from \$1,111,175,030 in January 2017 to \$1,013,426,581 in January 2018. The City Council set the tax rate at \$0.80510 per \$100 for fiscal year 2019, which was below the rollback rate
- The Industrial District certified values increased by 7.17%. The values went from \$1,164,533,726 in January 2017 to \$1,248,080,056 in January 2018.
- Sales tax increased 29.74% in fiscal year 2018. The City budgeted \$2,725,000 (net of Chapter 380 Agreement reimbursements) in fiscal year 2019, which projects the sales tax collection levels returning to a normal range.

Next year's budgetary information and rates -

- Since there was a decrease in certified property values, the ad valorem tax rate was increased to \$0.80510/\$100. The increase was due to the inverse relationship the effective rate has with certified property values. This rate is slightly more than the effective rate of \$.76937/100 and less than the rollback rate of \$.83005/100.
- 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 \$0.74874/\$100 for fiscal year 2019.
- The water and sewer rates were not adjusted in fiscal year 2019. The current rate structure was adequate for budgetary purposes.
- The sanitation rates were increased by 1% in the first quarter of fiscal year 2019 and then reduced 1% in the next quarter, due to an increase, then decrease by Waste Management based on the diesel prices.
- The City has negotiated one year contract with the Orange Municipal Police Association. This group received a 2.25% cost of living increase for fiscal year 2019.
- The City granted a 2.25% 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 2019 the City stayed with 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.

CITY OF ORANGE, TEXAS
Management's Discussion and Analysis, Continued
September 30, 2018

It was necessary for the City to make some plan modifications along with the change of the provider for fiscal year 2019. Dental and vision insurance were renewed with a slight 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, 2018

	Primary Government			Component Units	
	Governmental Activities		Business-type Activities	Orange Economic Development Corporation	
	 	 	 	 	
ASSETS					
Cash and cash equivalents	\$ 11,712,566	\$ 5,160,178	\$ 16,872,744	\$ 2,702,887	
Investments	247,462	-	247,462	247,462	
Receivables (net of allowance for uncollectibles)	3,259,795	1,580,381	4,840,176		297,214
Internal balances	(67,339)	67,339	-		
Inventories	85,568	150,607	236,175		
Prepays	226,743	33,483	260,226		151,821
Cash and cash equivalents, restricted	351,235	1,549,288	1,900,523		446,882
Grant receivable	30,538	31,673	62,211		
Capital assets not being depreciated:					
Land	1,915,563	733,122	2,648,685		871,059
Construction in progress	356,931	9,857,658	10,214,589		
Capital assets, net of accumulated depreciation:					
Buildings	18,214,594	516,501	18,731,095		
Furniture, fixtures, books	566,329	-	566,329		
Improvements other than buildings	-	37,153,756	37,153,756		6,170,595
Machinery, equipment, vehicles & improvements	5,301,016	991,419	6,292,435		
Vehicles	-	197,815	197,815		
Streets	2,824,870	-	2,824,870		
Leased equipment	452,830	238,990	691,820		
Total assets	<u>45,478,701</u>	<u>58,262,210</u>	<u>103,740,911</u>		<u>10,887,920</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension contributions	1,118,745	198,788	1,317,533		
Pension assumption changes	(120,178)	13,074	(107,104)		
Deferred charges on refunding	116,203	19,127	135,330		
Total deferred outflows of resources	<u>1,114,770</u>	<u>230,989</u>	<u>1,345,759</u>		<u>-</u>
LIABILITIES					
Account payable and other current liabilities	1,212,419	1,383,236	2,595,655		44,384
Accrued interest payable	18,056	54,825	72,881		28,729
Noncurrent liabilities:					
Due within one year, payable from restricted assets	351,253	192,928	544,181		
Due within one year	1,716,909	601,061	2,317,970		345,000
Due in more than one year	5,700,824	11,804,854	17,505,678		5,450,000
Net pension liabilities	10,888,454	748,017	11,636,471		
OPEB liability	753,278	171,557	924,835		
Total liabilities	<u>20,641,193</u>	<u>14,956,478</u>	<u>35,597,671</u>		<u>5,868,113</u>
DEFERRED INFLOWS OF RESOURCES					
Pension investment returns	1,503,130	310,108	1,813,238		
Pension experience	1,984,814	289,523	2,274,337		
Total deferred inflows of resources	<u>3,487,944</u>	<u>599,631</u>	<u>4,087,575</u>		<u>-</u>
NET POSITION					
Net investment in capital assets	24,556,626	37,654,963	62,211,589		1,246,654
Restricted for:					
Debt service payments	315,506	138,102	453,608		418,152
Other purposes	2,214,435	-	2,214,435		
Unrestricted	<u>(4,622,234)</u>	<u>5,144,027</u>	<u>521,793</u>		<u>3,355,001</u>
Total net position	<u>\$ 22,464,333</u>	<u>\$ 42,937,092</u>	<u>\$ 65,401,425</u>		<u>\$ 5,019,807</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, 2018

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position				Component Unit Orange Economic Development Corporation			
	Primary government		Business-type Activities		Total								
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total						
Primary government:													
Governmental activities:													
General government	\$ 2,677,375	\$ 1,357,437	\$ 177,140	\$ -	\$ (1,142,798)	\$ -	\$ (1,142,798)	\$ -	\$ -	\$ -			
Culture - recreation	1,735,516	47,749	1,966	62,431	(1,623,370)	-	(1,623,370)	-	-	-			
Public safety	11,956,509	284,804	64,417	5,000	(11,602,288)	-	(11,602,288)	-	-	-			
Public works	3,893,417	71,078	587,615	-	(3,234,724)	-	(3,234,724)	-	-	-			
Interest on long-term debt	178,291	-	-	-	(178,291)	-	(178,291)	-	-	-			
Total governmental activities	<u>20,441,108</u>	<u>1,761,068</u>	<u>831,138</u>	<u>67,431</u>	<u>(17,781,471)</u>	<u>-</u>	<u>(17,781,471)</u>	<u>-</u>	<u>-</u>	<u>-</u>			
Business-type activities:													
Water and sewer	6,820,644	8,199,174	28,813	573,284	-	1,980,627	1,980,627	-	-	-			
Sanitation	5,199,862	1,852,297	3,535,986	-	-	188,421	188,421	-	-	-			
Total business-type activities	<u>12,020,506</u>	<u>10,051,471</u>	<u>3,564,799</u>	<u>573,284</u>	<u>-</u>	<u>2,169,048</u>	<u>2,169,048</u>	<u>-</u>	<u>-</u>	<u>-</u>			
Total primary government	<u><u>\$ 32,461,614</u></u>	<u><u>\$ 11,812,539</u></u>	<u><u>\$ 4,395,937</u></u>	<u><u>\$ 640,715</u></u>	<u><u>(17,781,471)</u></u>	<u><u>2,169,048</u></u>	<u><u>(15,612,423)</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>			
Component units:													
Economic Development Corporation	\$ 929,346	\$ -	\$ 12,094	\$ -						<u>(917,252)</u>			
Total component units	<u><u>\$ 929,346</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,094</u></u>	<u><u>\$ -</u></u>						<u><u>(917,252)</u></u>			
General revenues:													
Property taxes					7,853,374	-	7,853,374	-	-	-			
Sales taxes					3,618,034	-	3,618,034	1,809,017					
Other taxes					807,577	-	807,577	-	-	-			
Franchise taxes					291,156	-	291,156	-	-	-			
Payment in-lieu of taxes					6,882,340	-	6,882,340	-	-	-			
Investment earnings					28,541	12,337	40,878	6,074					
Gain (loss) on sale of assets					70,431	29,005	99,436	-	-	-			
Insurance proceeds					457,367	95,864	553,231	-	-	-			
Miscellaneous					120,000	-	120,000	-	-	-			
Transfers					(27,155)	27,155	-	-	-	-			
Total general revenues, special items, and transfers					<u>20,101,665</u>	<u>164,361</u>	<u>20,266,026</u>	<u>1,815,091</u>	<u>-</u>	<u>-</u>			
Change in net position					2,320,194	2,333,409	4,653,603	897,839	-	-			
Net position - beginning					<u>20,144,139</u>	<u>40,603,683</u>	<u>60,747,822</u>	<u>4,121,968</u>	<u>-</u>	<u>-</u>			
Net position - ending					<u><u>\$ 22,464,333</u></u>	<u><u>\$ 42,937,092</u></u>	<u><u>\$ 65,401,425</u></u>	<u><u>\$ 5,019,807</u></u>	<u><u>-</u></u>	<u><u>-</u></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
Balance Sheet
Governmental Funds
September 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 8,489,109	\$ 351,235	\$ 161,273	\$ 2,151,370	\$ 11,152,987
Investments	247,462	-	-	-	247,462
Taxes receivable (net of allowance for uncollectibles)	1,038,259	210,784	-	-	1,249,043
Accounts receivable (net of allowance for uncollectibles)	1,380,350	-	80	438,097	1,818,527
Due from other funds	741,979	-	-	-	741,979
Due from others	11,789	1,487	-	-	13,276
Grant receivable	30,538	-	-	-	30,538
Inventories, at cost	85,568	-	-	-	85,568
Prepays	221,037	-	-	5,706	226,743
Total assets	\$ 12,246,091	\$ 563,506	\$ 161,353	\$ 2,595,173	\$ 15,566,123
LIABILITIES					
Accounts payable	\$ 1,108,356	\$ -	\$ -	\$ 47,246	\$ 1,155,602
Partial payment of taxes	1,565	-	-	-	1,565
Due to other funds	-	248,000	-	325,477	573,477
Liability for municipal court	19,684	-	-	-	19,684
Total liabilities	\$ 1,129,605	\$ 248,000	\$ -	\$ 372,723	\$ 1,750,328
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property tax	1,038,259	210,784	-	-	1,249,043
Grant revenue	30,538	-	-	-	30,538
Municipal court revenue	26,055	-	-	-	26,055
Total deferred inflow of resources	\$ 1,094,852	\$ 210,784	\$ -	\$ -	\$ 1,305,636
FUND BALANCES (DEFICITS)					
Nonspendable					
Inventory	85,568	-	-	-	85,568
Prepays	221,037	-	-	5,706	226,743
Restricted					
Cultural and recreation	-	-	-	78,186	78,186
Debt Service	-	104,722	-	-	104,722
Public safety	-	-	-	622,973	622,973
Public works	-	-	-	35,566	35,566
Tourism and promotion	-	-	-	1,477,710	1,477,710
Assigned					
Capital outlay	-	-	161,352	-	161,352
Economic development	-	-	-	2,309	2,309
Unassigned	9,715,030	-	-	-	9,715,030
Total fund balances (deficits)	\$ 10,021,635	\$ 104,722	\$ 161,352	\$ 2,222,450	\$ 12,510,159
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ 12,246,092	\$ 563,506	\$ 161,352	\$ 2,595,173	\$ 15,566,123

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, 2018

Fund balances of governmental funds	\$12,510,159
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are deferred in the funds.	29,632,133
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,305,635
Long-term liabilities, including bonds payable and net pension liabilities are not due and payable in the current period and, therefore are not reported in the funds.	(21,801,949)
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.	818,355
<hr/>	
Net position of governmental activities	<u><u>\$22,464,333</u></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, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 10,580,754	\$ 978,009	\$ -	\$ 774,209	\$ 12,332,972
Payment in lieu of taxes	6,882,340	-	-	-	6,882,340
Franchises	291,156	-	-	-	291,156
Licenses and permits	273,925	-	-	-	273,925
Intergovernmental	54,517	-	-	-	54,517
Charges for services	3,263,651	-	-	-	3,263,651
Donations	-	-	-	41,755	41,755
Grant income	-	-	-	665,777	665,777
Investment income	21,554	642	331	4,338	26,865
Program income	-	-	-	16,802	16,802
Forfeitures	-	-	-	13,093	13,093
Miscellaneous	247,022	-	-	-	247,022
Total revenues	<u>21,614,919</u>	<u>978,651</u>	<u>331</u>	<u>1,515,974</u>	<u>24,109,875</u>
EXPENDITURES					
Current:					
General government	1,555,917	-	-	-	1,555,917
Culture - recreation	1,172,305	-	-	489,414	1,661,719
Public safety	10,049,005	-	-	109,249	10,158,254
Public works	3,193,823	-	-	270,840	3,464,663
Non-departmental	3,421,372	-	-	-	3,421,372
Debt service:					
Interest and fiscal charges	13,440	122,498	-	-	135,938
Principal	97,899	855,000	-	-	952,899
Capital outlay:					
Capital outlay - books	10,300	-	-	5,122	15,422
Capital outlay - buildings	296,782	-	-	-	296,782
Capital outlay - machinery and equipment	41,600	-	-	18,452	60,052
Capital outlay - other	37,944	-	-	56,018	93,962
Capital outlay - street construction	41,886	-	-	-	41,886
Capital outlay - storm sewer construction	-	-	-	310,539	310,539
Capital outlay - vehicles	273,559	-	-	65,900	339,459
Capital outlay - leased equipment	155,817	-	-	-	155,817
Total expenditures	<u>20,361,649</u>	<u>977,498</u>	<u>331</u>	<u>1,325,534</u>	<u>22,664,681</u>
Excess (deficiency) of revenues over expenditures	<u>1,253,270</u>	<u>1,153</u>	<u>331</u>	<u>190,440</u>	<u>1,445,194</u>
OTHER FINANCING SOURCES (USES)					
Gain (loss) on capital asset disposition	27,915	-	-	-	27,915
Insurance proceeds	560,749	-	-	-	560,749
Grant proceeds	76,086	-	-	-	76,086
Net present value of minimum lease payments	155,817	-	-	-	155,817
Total other financing sources (uses)	<u>820,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>820,567</u>
Net change in fund balances	<u>2,073,837</u>	<u>1,153</u>	<u>331</u>	<u>190,440</u>	<u>2,265,761</u>
Fund balances - beginning	<u>7,947,798</u>	<u>103,568</u>	<u>161,021</u>	<u>2,032,011</u>	<u>10,244,398</u>
Fund balances - ending	<u><u>\$ 10,021,635</u></u>	<u><u>\$ 104,721</u></u>	<u><u>\$ 161,352</u></u>	<u><u>\$ 2,222,451</u></u>	<u><u>\$ 12,510,159</u></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, 2018

Net change in fund balances - total governmental funds	\$ 2,265,761
Amounts reported for governmental activities in the statement of net position are different because:	
Net affect of various transactions involving capital assets.	(930,528)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,606
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.	753,698
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.	43,346
Internal service funds are used by management to charge the cost of workers' compensation and medical insurance to individual funds.	<u>185,311</u>
Change in net position of governmental activities (page 39)	<u>\$ 2,320,194</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, Expenditures, and Changes in Fund Balances – Budget and Actual
General Fund
For the Year Ended September 30, 2018

	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual		
REVENUES					
Taxes	\$ 9,792,604	\$ 9,792,604	\$ 10,580,754	\$ 788,150	
Payment in lieu of taxes	6,882,385	6,882,385	6,882,340	(45)	
Franchises	280,270	280,270	291,156	10,886	
Licenses and permits	288,628	288,628	273,925	(14,703)	
Intergovernmental	50,560	50,560	54,517	3,957	
Charges for services	3,040,694	3,040,694	3,263,651	222,957	
Investment income	13,000	13,000	21,554	8,554	
Miscellaneous	180,000	190,000	247,022	57,022	
Total revenues	<u>20,528,141</u>	<u>20,538,141</u>	<u>21,614,919</u>	<u>1,076,778</u>	
EXPENDITURES					
Current:					
General government	1,737,352	1,744,061	1,555,917	188,144	
Culture - recreation	1,219,987	1,179,857	1,172,305	7,552	
Public safety	10,312,896	10,442,118	10,049,005	393,113	
Public works	3,497,144	3,473,038	3,193,823	279,215	
Non-departmental	3,875,135	3,850,233	3,421,372	428,861	
Total current	<u>20,642,514</u>	<u>20,689,307</u>	<u>19,392,422</u>	<u>1,296,885</u>	
Debt Service:					
Interest	-		13,440	(13,440)	
Principal	114,535	121,232	97,899	23,333	
Total debt service	<u>114,535</u>	<u>121,232</u>	<u>111,339</u>	<u>9,893</u>	
Capital outlay:					
Capital outlay - books	10,000	10,300	10,300	-	
Capital outlay - buildings	6,672	296,960	296,782	178	
Capital outlay - machinery and equipment	44,100	48,100	41,600	6,500	
Capital outlay - other	-	103,697	37,944	65,753	
Capital outlay - street construction	300,000	300,000	41,886	258,114	
Capital outlay - vehicles	140,566	273,560	273,559	1	
Capital outlay - leased equipment	-	-	155,817	(155,817)	
Total capital outlay	<u>501,338</u>	<u>1,032,617</u>	<u>857,888</u>	<u>174,729</u>	
Total expenditures	<u>21,258,387</u>	<u>21,843,156</u>	<u>20,361,649</u>	<u>1,481,507</u>	
Excess (deficiency) of revenues over expenditures	<u>(730,246)</u>	<u>(1,305,015)</u>	<u>1,253,270</u>	<u>2,558,285</u>	
OTHER FINANCING SOURCES (USES)					
Gain (loss) on capital asset disposition	-	27,915	27,915	-	
Insurance proceeds	-	469,292	560,749	91,457	
Grant proceeds	-	16,835	76,086	59,251	
Net present value of minimum lease payments	-	-	155,817	155,817	
Total other financing sources (uses)	-	514,042	820,567	306,525	
Net change in fund balances	<u>(730,246)</u>	<u>(790,973)</u>	<u>2,073,837</u>	<u>2,864,810</u>	
Fund balances - beginning	<u>7,947,798</u>	<u>7,947,798</u>	<u>7,947,798</u>	<u>-</u>	
Fund balances - ending	<u>\$ 7,217,552</u>	<u>\$ 7,156,825</u>	<u>\$ 10,021,635</u>	<u>\$ 2,864,810</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, 2018

	Business-type Activities				Governmental Activities	
	Water and Sewer Funds		Sanitation Fund		Total Enterprise Funds	Internal Service Funds
	Water and Sewer Funds	Sanitation Fund	Total Enterprise Funds	Internal Service Funds		
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 3,636,313	\$ 1,523,865	\$ 5,160,178	\$ 895,814		
Accounts receivable (net of allowance for uncollectibles)	1,102,821	477,561	1,580,382	422		
Due from others	-	-	-	10,025		
Inventories, at cost	150,607	-	150,607	-		
Prepays	31,203	2,280	33,483	-		
Cash with fiscal agent	-	-	-	15,000		
Cash and cash equivalents - restricted	1,549,288	-	1,549,288	-		
Total current assets	<u>6,470,232</u>	<u>2,003,706</u>	<u>8,473,938</u>	<u>921,261</u>		
Noncurrent assets:						
Land	733,122	-	733,122	-		
Buildings	516,501	-	516,501	-		
Improvements other than buildings	37,153,756	-	37,153,756	-		
Machinery and equipment	991,419	-	991,419	-		
Transportation vehicles	64,338	133,477	197,815	-		
Construction in progress	9,857,658	-	9,857,658	-		
Leased equipment	238,990	-	238,990	-		
Grant receivable	-	31,673	31,673	-		
Total noncurrent assets	<u>49,555,784</u>	<u>165,150</u>	<u>49,720,934</u>	<u>-</u>		
Total assets	<u>56,026,016</u>	<u>2,168,856</u>	<u>58,194,872</u>	<u>921,261</u>		
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charges on refunding	19,127	-	19,127	-		
Pension contributions	188,286	10,502	198,788	-		
Pension assumption changes	12,384	691	13,075	-		
Total deferred outflows of resources	<u>219,797</u>	<u>11,193</u>	<u>230,990</u>	<u>-</u>		
Total assets and deferred outflows of resources	<u>56,245,813</u>	<u>2,180,049</u>	<u>58,425,862</u>	<u>921,261</u>		
LIABILITIES						
Current liabilities:						
Accounts payable	1,080,826	133,908	1,214,734	35,568		
Due to other funds	168,501	-	168,501	-		
Accrued interest payable	54,825	-	54,825	-		
Liability for employee benefits	41,738	5,776	47,514	-		
Bonds payable - current	692,610	-	692,610	-		
Lease obligation payable - current	53,865	-	53,865	-		
Total current liabilities	<u>2,092,365</u>	<u>139,684</u>	<u>2,232,049</u>	<u>35,568</u>		
Noncurrent liabilities:						
Liability for employee benefits	48,996	5,681	54,677	-		
Bonds payable	11,563,902	-	11,563,902	-		
Net pension liability	708,499	39,518	748,017	-		
OPEB liability	162,494	9,063	171,557	-		
Lease obligation payable	186,275	-	186,275	-		
Total noncurrent liabilities	<u>12,670,166</u>	<u>54,262</u>	<u>12,724,428</u>	<u>-</u>		
Total liabilities	<u>14,762,531</u>	<u>193,946</u>	<u>14,956,477</u>	<u>35,568</u>		
DEFERRED INFLOWS OF RESOURCES						
Pension investment returns	293,725	16,383	310,108	-		
Pension experience	274,227	15,296	289,523	-		
Total deferred inflows of resources	<u>567,952</u>	<u>31,679</u>	<u>599,631</u>	<u>-</u>		
Total liabilities and deferred inflows of resources	<u>15,330,483</u>	<u>225,625</u>	<u>15,556,108</u>	<u>35,568</u>		
NET POSITION						
Net investment in capital assets	37,521,486	133,477	37,654,963	-		
Restricted for:						
Debt service payments	138,102	-	138,102	-		
Unrestricted	3,255,741	1,820,947	5,076,688	885,694		
Total net position	<u>\$ 40,915,329</u>	<u>\$ 1,954,424</u>	<u>42,869,753</u>	<u>\$ 885,694</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			67,339			
Net position of business-type activities			<u>\$ 42,937,092</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, 2018

	Business-type Activities			Governmental Activities	
	Water and Sewer Funds		Sanitation Fund	Total Enterprise Funds	Internal Service Funds
	Water and Sewer Funds	Sanitation Fund	Total Enterprise Funds	Internal Service Funds	
OPERATING REVENUES					
Charges for services:					
Water	\$ 2,626,640	\$ -	\$ 2,626,640	\$ -	
Sewer	5,206,031	-	5,206,031	-	
Sanitation	-	1,852,297	1,852,297	-	
Other services	366,503	-	366,503	260,969	
Total operating revenues	<u>8,199,174</u>	<u>1,852,297</u>	<u>10,051,471</u>	<u>260,969</u>	
OPERATING EXPENSES					
Personnel services	1,491,330	104,474	1,595,804	-	
Employee benefits	611,598	57,428	669,026	-	
Contractual services	1,014,156	1,238,051	2,252,207	-	
Supplies	213,942	1,262	215,204	-	
Utilities	550,591	-	550,591	-	
Depreciation	1,508,036	70,593	1,578,629	-	
Administrative expense	1,101,676	316,778	1,418,454	7,720	
Premiums	-	-	-	36,736	
Total operating expenses	<u>6,491,329</u>	<u>1,788,586</u>	<u>8,279,915</u>	<u>44,456</u>	
Operating income (loss)	<u>1,707,845</u>	<u>63,711</u>	<u>1,771,556</u>	<u>216,513</u>	
NONOPERATING REVENUES (EXPENSES)					
Investment income	12,244	227	12,471	1,676	
Interest expense	(337,521)	-	(337,521)	-	
Gain (loss) on capital asset disposition	10,641	-	10,641	-	
Insurance proceeds	95,864	-	95,864	-	
Grant proceeds	28,813	3,535,986	3,564,799	-	
Disaster recovery costs	-	(3,417,716)	(3,417,716)	-	
Total nonoperating revenues (expenses)	<u>(189,959)</u>	<u>118,497</u>	<u>(71,462)</u>	<u>1,676</u>	
Income (loss) before contributions and transfers	1,517,886	182,208	1,700,094	218,189	
Capital contributions	573,284	-	573,284	-	
Transfers in	27,792	77,779	105,571	-	
Transfers out	(50,000)	(28,416)	(78,416)	-	
Change in net position	2,068,962	231,571	2,300,533	218,189	
Total net position - beginning	<u>38,846,367</u>	<u>1,722,853</u>		<u>667,505</u>	
Total net position - ending	<u>\$ 40,915,329</u>	<u>\$ 1,954,424</u>		<u>\$ 885,694</u>	
Adjustment for the net effect of the current year activity between the internal service fund and the enterprise funds			32,876		
Changes in net position of business-type activities (page 39)			<u>\$ 2,333,409</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, 2018

	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	\$ 8,123,481	\$ 2,135,332	\$ 10,258,813	\$ 260,547	
Payments to suppliers	(2,547,642)	(1,766,595)	(4,314,237)		(167,799)
Payments to employees	(2,386,340)	(163,550)	(2,549,890)		-
Payments for interfund services used	(1,101,676)	(316,778)	(1,418,454)		-
Net cash provided (used) by operating activities	<u>2,087,823</u>	<u>(111,591)</u>	<u>1,976,232</u>		<u>92,748</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Subsidy from (to) proprietary fund	(22,208)	49,363	27,155		-
Due to other funds	(173,123)	(61,809)	(234,932)		-
Harvey cleanup payments	-	(3,417,716)	(3,417,716)		-
Operating grant proceeds	28,813	3,535,986	3,564,799		-
Net cash provided (used) by noncapital financing activities	<u>(166,518)</u>	<u>105,824</u>	<u>(60,694)</u>		<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(3,034,701)	-	(3,034,701)		-
Proceeds from sale of capital assets	144,535	-	144,535		-
Principal paid on capital debt	(670,000)	-	(670,000)		-
Principal paid on capital leases	(52,520)	-	(52,520)		-
Contributed capital	573,284	-	573,284		-
Interest paid on capital debt	(355,072)	-	(355,072)		-
Net cash provided (used) by capital and related financing activities	<u>(3,394,474)</u>	<u>-</u>	<u>(3,394,474)</u>		<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends received	12,244	227	12,471	1,676	
Net cash provided (used) by investing activities	<u>12,244</u>	<u>227</u>	<u>12,471</u>	<u>1,676</u>	
Net increase (decrease) in cash and cash equivalents	(1,460,925)	(5,540)	(1,466,465)		94,424
Cash and cash equivalents - beginning of year	6,646,526	1,529,405	8,175,931		801,390
Cash and cash equivalents - end of year	<u>\$ 5,185,601</u>	<u>\$ 1,523,865</u>	<u>\$ 6,709,466</u>	<u>\$ 895,814</u>	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating Income	\$ 1,707,845	\$ 63,711	\$ 1,771,556	\$ 216,513	
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	1,508,036	70,593	1,578,629		-
Changes in operating assets and liabilities:					
(Increase) decrease in accounts receivable	(75,693)	283,035	207,342	(422)	
(Increase) decrease in inventory	(24,186)	-	(24,186)		-
(Increase) decrease in prepaids	7,856	(57)	7,799		-
Increase (decrease) in accounts payable	(752,622)	(527,225)	(1,279,847)	(123,343)	
(Increase) decrease in liability for employee benefits	(18,521)	289	(18,232)		-
Increase (decrease) in deferred outflows- exp vs assumptions	176,640	12,910	189,550		-
Increase (decrease) in deferred outflows- contributions	656,245	31,821	688,066		-
Increase (decrease) in deferred inflows - earnings	(12,384)	(691)	(13,075)		-
Increase (decrease) in net pension liability	(1,089,181)	(46,188)	(1,135,369)		-
Increase (decrease) in OPEB liability	3,789	211	4,000		-
Total Adjustments	<u>379,979</u>	<u>(175,302)</u>	<u>204,677</u>	<u>(123,765)</u>	
Net cash provided (used) by operating activities	<u>\$ 2,087,824</u>	<u>\$ (111,591)</u>	<u>\$ 1,976,233</u>	<u>\$ 92,748</u>	
Schedule of non-cash capital and related financing activities:					
Capital leases issued for capital assets	\$ 193,250	\$ -	\$ 193,250	\$ -	

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, 2018

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 311,487
Due from other funds	23
Prepaids	777
Total assets	<u><u>\$ 312,287</u></u>
LIABILITIES	
Accounts payable	\$ 13,135
Other liabilities	299,151
Total liabilities	<u><u>\$ 312,286</u></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
Notes to the Financial Statements
September 30, 2018

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 61. 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, Continued
September 30, 2018

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, 2018:

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, Continued
September 30, 2018

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, Continued
September 30, 2018

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. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

2. 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.

CITY OF ORANGE, TEXAS
Notes to the Financial Statements, Continued
September 30, 2018

3. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (*i.e., the current portion of interfund loans*), or “advances to/from other funds” (*i.e., the non-current portion of interfund loans*). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

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

All trade and property tax receivables are shown net of allowance for uncollectibles. Delinquent accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 2.74% of outstanding property taxes at September 30, 2018.

4. Property Taxes

Property taxes are levied annually by October 1 on the basis of the Orange County Appraisal District’s assessed values as of January 1 of that calendar year, in conformity with Subtitle E, Texas Property Tax Code. 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.

5. Pension

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS’s Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. Also, for purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Orange Firemen’s Relief and Retirement Fund additions to/deductions from the plan’s Fiduciary Net Position have been

CITY OF ORANGE, TEXAS
Notes to the Financial Statements, Continued
September 30, 2018

determined on the same basis as they are reported by the plan's actuary. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

6. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the City of Orange Retiree Health Care Plan. The retiree health care plan covers both active and retiree benefits with no segregation of assets, therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) as such the plan is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the plan is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. The retired employees can participate in the City's health care plan by paying the full amount of the premiums. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

7. 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.

8. 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.

CITY OF ORANGE, TEXAS
Notes to the Financial Statements, Continued
September 30, 2018

9. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (*i.e., roads, bridges, and similar items*), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, 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

10. 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

CITY OF ORANGE, TEXAS
Notes to the Financial Statements, Continued
September 30, 2018

refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. (2) The deferred outflow of pension liability is reported in the government-wide statement of net position and the proprietary funds statement of net position. A deferred outflow of pension liability can result from contributions subsequent to the measurement date or differences between projected or actual assumptions, economic experience or investment earnings. Contributions subsequent to the measurement date are deferred and reported in the next account period. Other deferred pension liability outflows are deferred and recognized as expenses over future periods as determined by the actuarial report of the pension.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items that are reported under this section. (1) The deferred inflow of pension liability is reported in the government-wide statement of net position and the proprietary funds statement of net position. A deferred inflow of pension liability results from differences between projected and actual assumptions, economic experience or investment earnings. These amounts are deferred and recognized as expense over future periods as determined by the actuarial report of the pension. (2) Under a modified accrual basis of accounting, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

11. 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.

12. Long-Term Obligations

In the government-wide financial statements, and for proprietary fund types in the fund financial

CITY OF ORANGE, TEXAS
Notes to the Financial Statements, Continued
September 30, 2018

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

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

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

13. Revenues and Expenditures/Expenses

Program Revenues – Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary Funds Operating and Nonoperating Revenues and Expenses – 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 fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to cover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

14. 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:

CITY OF ORANGE, TEXAS
Notes to the Financial Statements, Continued
September 30, 2018

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

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

By resolution the City Council approves the acceptance of grant funding or other special revenue sources received and restricted to a specific purpose. By ordinance, the sale of any City bonded debt also sets out the specific legal requirement for the accumulation and payment of debt service funds.

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

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

Assigned to - portion of fund balance that has limitation because of the intended use. The segregation of funds within a specific governmental fund established the intended use of the funds by the City Council. The segregation of these funds are established during the budgetary process or may be accomplished by specific funds transfers during the year. The Budget is established by resolution adopted by the City Council prior to the start of the new fiscal year. Fund transfers are approved by resolution during the fiscal year. It takes another formal Council action to changes the fund designation of any balances.

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

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

CITY OF ORANGE, TEXAS
Notes to the Financial Statements, Continued
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any of the components of unrestricted fund balance. Further, when the components of 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 \$4,128,503 at September 30, 2018.

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
Assigned to:	Tourism and promotion
	Capital outlay
	Economic development
Unassigned	

II. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Capital assets used in governmental activities are not financial resources and, therefore, are deferred in the funds." The details of the \$29,632,133 are as follows:

Capital assets	\$59,352,392
Less: Accumulated depreciation	<u>(29,720,259)</u>
Net adjustment to increase fund balances - total governmental funds to arrive at net position - governmental funds.	<u>\$29,632,133</u>

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
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Another element of that reconciliation explains that “Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.” The details of the \$1,305,635 are as follows:

Accrued property tax revenue	\$1,249,042
Grants receivable	30,538
Municipal court receivable	<u>26,055</u>
Net adjustment to increase fund balances - total governmental funds to arrive at net position - governmental funds.	<u>\$1,305,635</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 (\$21,801,949) difference are as follows:

Bonds payable	(\$4,750,000)
Deferred outflows on refundings	116,203
Accrued interest payable	(18,056)
Other post employment benefits	(753,278)
Compensated absences	(2,577,277)
Net pension liabilities and deferred (inflows)/outflows	(13,377,832)
Lease obligations payable	<u>(441,709)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental funds	<u>(\$21,801,949)</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 \$818,355 are as follows:

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

Net position of the internal service funds	\$885,694
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>(36,081)</u>
Net adjustment to increase fund balances - total governmental funds to arrive at net position - governmental funds.	<u>\$818,355</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 (\$930,528) difference are as follows:

Capital outlay	\$1,313,920
Assets disposed of during year	(59,835)
Depreciation expense	<u>(2,184,613)</u>
Net adjustment to decrease net changes in fund balances - total governmental fund to arrive at changes in net position of governmental activities	<u>(\$930,528)</u>

Another element of that reconciliation states that “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$2,606 difference are as follows:

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

Grant revenue	\$30,538
Property tax revenue	(53,987)
Municipal court revenue	<u>26,055</u>
Net adjustment to increase net changes in fund balances - total governmental fund to arrive at changes in net position of governmental activities.	<u>\$2,606</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 \$753,698 difference are as follows:

Bonds paid	\$855,000
Deferred outflow on refundings	(44,930)
Change in interest payable	2,576
Capital leases issued	(155,817)
Capital lease obligations paid	<u>96,869</u>
Net adjustment to increase net changes in fund balances - total government funds to arrive at changes in net position of governmental funds	<u>\$753,698</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 \$43,346 difference are as follows:

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

Compensated absences	\$223,750
Other post employment benefits	(17,565)
Net pension expense	<u>(135,684)</u>
Transfer of net pension liability to business type activities	<u>(27,155)</u>
Net adjustment to decrease net changes in fund balances - total government funds to arrive at changes in net position of governmental funds	<u>\$43,346</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 \$185,311 difference are as follows:

Workers' compensation internal service fund	<u>\$185,311</u>
Net adjustment to decrease net changes in fund balances- total government funds to arrive at changes in net position of governmental funds	<u>\$185,311</u>

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, capital projects, special revenue, water & sewer, and sanitation funds. In fiscal year 2018 annual budgets were adopted for all funds except the Home Program, the Economic Development Fund, the Texas Department of Transportation (TXDOT) Grant Fund, and the Texas Water Development Board Grant Fund.

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

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

appropriations) is at the department level. The department level would include the departments within a fund, such as the finance department or water operations department.

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

<u>Amendment #1</u>	General Fund	\$50,896	increased revenues and costs in various line items and departments during the fiscal year primarily for insurance proceeds and repair costs for Tropical Storm Harvey damages, a carry forward for relocation of the park maintenance department, and a carry forward for a vehicles purchase in the police department
	Water and Sewer Fund	(\$656)	increased revenues for insurance proceeds and increased repair costs for Tropical Storm Harvey damages in the water operations, water production, and sewer operations departments
	2016 Water and Sewer Bond Construction	\$775,938	increase construction costs associated with the 2016 Tax & Revenue Bond Construction
	2015 Water and Sewer Bond Construction	\$8,199	Increase construction costs associated with the 2015 Tax & Revenue Bond Construction
	Special Revenue Funds	\$29,500	increase revenue and costs to the Library Donation Fund for a new ILS computer system for the library
<u>Amendment #2</u>	General Fund	\$9,831	increased revenues and costs in various line items during the fiscal year primarily for insurance proceeds and repair costs for Tropical Storm Harvey damages and increase to building maintenance for the library's chiller
	Water and Sewer Fund	(\$19,880)	increase revenue for vehicle auction proceeds and a carry forward for repairs to the service center building on Burton Street for the water operations and sewer operations departments
	Sanitation Fund	(\$103,928)	Increase revenue for reimbursements from FEMA and increase repair costs for Tropical Storm Harvey related damages

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

Special Revenue Funds	\$29,400	increased revenue and costs to the Law Enforcement Seizure Fund and the Animal Shelter Donation Fund to purchase two high water rescue vehicles for the police department and the fire department
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Annual appropriations lapse at the close of the fiscal year. Any outstanding obligation are then re-encumbered against funds of the succeeding year. Accordingly there was not a reservation for encumbrances at September 30, 2018.

B. Excess of Expenditures Over Appropriations

For the year ended September 30, 2018, expenditures exceeded appropriations at the legal level of control as follows:

Special Revenue	
Texas Department of Public Safety, Emergency Management Grant Fund	
Public safety	\$3,727

The Texas Department of Public Safety, Emergency Management Grant Fund was over budget slightly due to the increase in group insurance costs.

C. Excess of Appropriations over Expenditures

For the year ended September 30, 2018, appropriations exceeded expenditures as follows:

General Fund	
Culture – recreation	\$7,552
Public safety	\$393,113
Public works	\$279,215
Non departmental	\$428,861
Capital outlay	\$353,879
Debt Service Fund	
Interest	\$220
Special Revenue Funds	
Culture – recreation	\$135,511
Public safety	\$114,494
Public works	\$95,666

CITY OF ORANGE, TEXAS
Notes to the Financial Statements, Continued
September 30, 2018

Capital outlay	\$2,974,234
Water and Sewer Fund	
Water & Sewer	\$1,279,983
Sanitation Fund	
Sanitation	\$36,540

For the year ended September 30, 2018 most funds were under budget in various line items. Most notably would be capital projects that were not completed during the year and will carry forward to the next fiscal year.

D. Deficit Fund Balance

At September 30, 2018 the City of Orange did not have any funds that had a deficit fund balance.

IV. Detailed Notes on All Funds

A. Deposits and Investments

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

CITY OF ORANGE, TEXAS
Notes to the Financial Statements, Continued
September 30, 2018

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. As of September 30, 2018, the City's investments consisted solely of bank certificates of deposit.

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. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The City and the Economic Development Corporation, a discretely presented component unit, did not have custodial credit risk on deposits at September 30, 2018. 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	\$19,084,754
Fair value of investments – bank certificate of deposit	<u>247,462</u>

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

Total	<u><u>\$19,332,216</u></u>
Cash and cash equivalents	\$16,872,744
Investments – bank certificates of deposit	247,462
Cash and cash equivalents - temporarily restricted	1,900,523
Cash and cash equivalents - fiduciary fund	<u><u>311,487</u></u>
Total	<u><u>\$19,332,216</u></u>

As of September 30, 2018, the primary government had the following investments:

<u><u>Investment Type</u></u>	<u><u>Value</u></u>	<u><u>Weighted Average Maturity (Years)</u></u>
Certificates of deposit	247,462	.87
Total value	<u><u>247,462</u></u>	
Portfolio weighted average maturity		.87

At September 30, 2018, the component unit had the following investments:

<u><u>Investment Type</u></u>	<u><u>Value</u></u>	<u><u>Weighted Average Maturity (Years)</u></u>
Certificates of deposit	247,462	.87
Total value	<u><u>247,462</u></u>	
Portfolio weighted average maturity		.87

B. Receivables

Receivables as of year end, including the applicable allowances for uncollectible accounts

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

governmental and business-type activities are as follows:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	Total
Receivables:			
Taxes	\$1,284,231	\$0	\$1,284,231
Municipal court	931,758	0	931,758
Accounts	1,961,396	1,597,387	3,558,783
Due from others	<u>23,301</u>	<u>0</u>	<u>23,301</u>
Subtotal	4,200,686	1,597,387	5,798,073
Less: allowance for uncollectible	<u>(940,891)</u>	<u>(17,006)</u>	<u>(957,897)</u>
Net total receivables	<u><u>\$3,250,795</u></u>	<u><u>\$1,580,381</u></u>	<u><u>\$4,840,176</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	\$29,250
Municipal court – General	905,703
Ad valorem taxes - Debt Service	5,938
Water and Sewer	14,194
Sanitation fees	<u>2,812</u>
Total uncollectibles of the current fiscal year	<u><u>\$957,897</u></u>

C. Capital Assets

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

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

Primary Government	Balance at <u>9/30/17</u>	Increases	(Decreases) / Reclasses	Balance at <u>9/30/18</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$1,915,563	\$0	\$0	\$1,915,563
Construction in progress	<u>355,275</u>	<u>356,931</u>	<u>(355,275)</u>	<u>356,931</u>
Total capital assets, not being depreciated	<u>2,270,838</u>	<u>356,931</u>	<u>(355,275)</u>	<u>2,272,494</u>
Capital assets, being depreciated:				
Buildings	26,809,944	238,260	(11,052)	27,037,152
Office furniture, fixtures and books	4,504,825	85,190	(425,410)	4,164,605
Machinery, equipment, vehicles and improvements	16,786,197	832,996	(1,068,826)	16,550,367
Infrastructure	8,749,249	0	0	8,749,249
Leased equipment	<u>422,706</u>	<u>155,817</u>	<u>0</u>	<u>578,523</u>
Total assets being depreciated	<u>57,272,921</u>	<u>1,312,263</u>	<u>(1,505,288)</u>	<u>57,079,896</u>
Less accumulated depreciation for:				
Buildings	(7,952,622)	(871,506)	1,568	(8,822,560)
Office furniture, fixtures and books	(3,925,163)	(91,894)	418,786	(3,598,271)
Machinery, equipment, vehicles and improvements	(11,407,866)	(860,582)	1,025,098	(11,243,350)
Infrastructure	(5,667,263)	(257,118)	0	(5,924,381)
Leased equipment	<u>(28,180)</u>	<u>(103,513)</u>	<u>0</u>	<u>(131,693)</u>
Total accumulated depreciation	<u>(28,981,094)</u>	<u>(2,184,613)</u>	<u>1,445,452</u>	<u>(29,720,255)</u>

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

Primary Government	Balance at <u>9/30/17</u>	Increases	(Decreases) / Reclasses	Balance at <u>9/30/18</u>
Total capital assets, being depreciated, net	<u>28,291,827</u>	(872,350)	(59,836)	<u>27,359,641</u>
Governmental activities capital assets, net	<u>\$30,562,665</u>	(\$515,419)	(\$415,111)	<u>\$29,632,135</u>

Business-type Activities:

Capital assets, not being depreciated:

Land	\$733,122	\$0	\$0	\$733,122
Construction in progress	<u>8,089,688</u>	<u>1,985,589</u>	(217,618)	<u>9,857,659</u>
Total capital assets, not being depreciated	<u>8,822,810</u>	<u>1,985,589</u>	(217,618)	<u>10,590,781</u>

Capital assets, being depreciated:

Buildings	683,296	0	0	683,296
Improvements - other than buildings	67,835,528	737,854	217,618	68,791,000
Machinery & equipment	2,465,007	303,253	(47,521)	2,720,739
Leased equipment	111,959	195,774	(22,365)	285,368
Vehicles	<u>1,403,172</u>	<u>5,481</u>	(210,579)	<u>1,198,074</u>
Total capital assets, being depreciated	<u>72,498,962</u>	<u>1,242,362</u>	(62,847)	<u>73,678,477</u>

Less: accumulated depreciation for:

Buildings	(153,129)	(13,666)	0	(166,795)
Improvements other than buildings	(30,406,689)	(1,230,865)	0	(31,637,554)
Machinery & equipment	(1,580,531)	(177,351)	28,873	(1,729,009)
Leased equipment	(14,187)	(35,173)	2,982	(46,378)
Vehicles	<u>(1,089,264)</u>	<u>(121,575)</u>	<u>210,579</u>	<u>(1,000,260)</u>

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

Primary Government	Balance at <u>9/30/17</u>	Increases	(Decreases) / Reclasses	Balance at <u>9/30/18</u>
Total accumulated depreciation	<u>(33,243,800)</u>	<u>(1,578,630)</u>	<u>242,434</u>	<u>(34,579,996)</u>
Total capital assets, being depreciated, net	<u>39,255,162</u>	<u>(336,268)</u>	<u>179,587</u>	<u>39,098,481</u>
Business-type activities capital assets, net	<u>\$48,077,972</u>	<u>\$1,649,321</u>	<u>(\$38,031)</u>	<u>\$49,689,262</u>

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

Government activities:

General government	\$137,207
Cultural and recreation	287,236
Public safety	1,053,513
Public works	<u>706,658</u>
Total depreciation expense - governmental activities	<u>\$2,184,614</u>

Business-type activities:

Water and Sewer	\$1,508,036
Sanitation	<u>70,593</u>
Total depreciation expense - business-type activities	<u>\$1,578,629</u>

Construction commitments

Construction in progress capital assets consists of the following as of September 30, 2018:

Governmental Activities

Sign for Senior Citizen Center	4,506
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CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

Coopers Gulley Lining Project- GLO funded	310,539
Sunset Drive Road Overlay	<u>\$ 41,886</u>
Total Governmental Activities	<u>\$356,931</u>

Business-Type Activities

15 Street Utility Relocation	\$3,310
Water and Sewer System Upgrades 2015 Bond Construction	5,071,770
Water Production Upgrades 2016 Bond Construction	4,719,900
Link Street Water Well Pump Upgrade	42,447
15 th Street Water Tower Repairs	6,042
SCADA System to Monitor Water Wells and Plants	<u>14,190</u>
Total Business Type Activities	<u>\$9,857,659</u>

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, 2018 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds:		
General Fund	Debt Service Fund	\$248,000
General Fund	Special Revenue - Texas Forrest Service TIFMAS Grant	2,500
General Fund	Special Revenue - Texas Department of Public Safety Emergency Management Grant	28,699

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

General Fund	Special Revenue - Texas General Land Office GLO	<u>294,278</u>
Total Governmental Funds		<u>573,477</u>

Proprietary Funds:

General Fund	Water and Sewer Fund	<u>168,501</u>
Total between governmental and proprietary funds		<u>168,501</u>
Total interfund receivables, payables and transfers		<u>\$741,978</u>

E. Leases

Governmental Activities -

Capital Lease – Vehicles

In fiscal year 2017, the City of Orange entered into a lease agreement, as lessee, for financing the acquisition of a fire truck. In fiscal year 2018, the City of Orange began entering into lease agreements with a fleet leasing company for use of motor vehicles to be utilized in various departments within the City. These lease agreements are treated as capital leases for accounting purposes and therefore, are recorded at the present value of the future minimum lease payments in the government-wide statements. The general fund records the lease payments as capital outlay expenditures for leased equipment and records the interest expenditures. The City has applied lease accounting per Statement No. 87 of the Governmental Accounting Standards Board. The lease terms and interest rates vary per lease contract.

Leased asset – vehicles:

<u>Asset Description</u>	<u>Asset Number</u>	<u>Lease Term (months)</u>	<u>Value</u>	<u>Accumulated Depreciation</u>	<u>Net Asset Value</u>	<u>Residual Value per Lease Agreement</u>
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CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

2017 Ferrara Fire Truck	2017-0002	60	\$422,706	\$112,722	309,984	\$0
2018 Ford F150 XLT	2018-0047	60	29,735	3,469	26,266	7,967
2018 Ford Explorer	2018-0048	60	24,125	2,814	21,311	6,771
2018 Ford F250 XL	2018-0049	60	28,562	3,332	25,230	7,955
2018 Ford F150 XLT	2018-0050	60	23,791	3,172	20,619	6,517
2018 Ford F250 XL	2018-0051	60	25,813	3,012	22,802	6,996
2018 Ford F150 XLT	2018-0052	60	<u>23,791</u>	<u>3,172</u>	<u>20,618</u>	<u>6,517</u>
			<u>\$578,523</u>	<u>\$131,693</u>	<u>\$446,830</u>	<u>\$42,723</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018 were as follows:

Lease obligations – 60 month term

	Principal	Interest	Total
2018-2019	\$112,037	\$13,925	\$125,962
2019-2020	115,837	10,125	125,962
2020-2021	119,791	6,171	125,962
2021-2022	78,672	2,290	80,962
2022-2023	<u>15,373</u>	<u>235</u>	<u>15,608</u>
	<u>\$441,710</u>	<u>\$32,746</u>	<u>\$474,456</u>

Business-type Activities –

Capital Lease – Vehicles

In fiscal year 2017 the City of Orange began entering into lease agreements with a fleet leasing company 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 City has applied lease accounting per Statement No. 87 of the Governmental Accounting Standards Board. The lease terms range from forty-eight (48) months to sixty (60) months. The rate of interest varies with each lease contract.

Leased asset - vehicles:

<u>Asset Description</u>	Asset Number	Lease Term	Value	Accumulated Depreciation	Net Asset Value	Residual Value per

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

		<u>(months)</u>				<u>Lease Agreement</u>
2017 Ford F150 XL	2017-0057	60	\$22,364	\$3,727	\$18,637	\$6,390
2017 Ford F150 XL	2017-0059	60	22,364	7,455	14,909	6,390
2017 Ford F150 XL	2017-0060	60	22,365	7,455	14,910	6,390
2017 Ford Explorer	2017-0061	48	22,501	9,375	13,126	7,675
Adjustment for disposal	2017-0058	60	2,524	0	2,524	0
2018 Ford F250	2018-0053	60	27,445	1,830	25,615	7,601
2018 Ford F250	2018-0055	60	27,397	2,740	24,657	7,362
2018 Ford F450	2018-0057	60	55,404	3,694	51,710	16,041
2018 Ford F350	2018-0058	60	39,029	3,903	35,126	10,916
2018 Ford F150 XL	2018-0060	60	21,751	3,237	18,514	5,886
2018 Ford F150 XL	2018-0061	60	<u>22,224</u>	<u>2,963</u>	<u>19,261</u>	<u>6,079</u>
			<u><u>\$285,368</u></u>	<u><u>\$46,379</u></u>	<u><u>\$238,989</u></u>	<u><u>\$80,730</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018 were as follows:

Lease obligations – 48 month term

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018-2019	\$5,646	568	\$6,213
2019-2020	5,932	281	6,213
2020-2021	<u>2,432</u>	<u>29</u>	<u>2,462</u>
	<u><u>\$14,010</u></u>	<u><u>\$878</u></u>	<u><u>\$14,888</u></u>

Lease obligations – 60 month term

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018-2019	\$48,219	\$11,723	\$59,942

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

2019-2020	51,026	8,916	59,942
2020-2021	53,997	5,945	59,942
2021-2022	48,084	2,913	50,997
2022-2023	<u>24,805</u>	<u>504</u>	<u>25,309</u>
	<u><u>\$226,131</u></u>	<u><u>\$30,001</u></u>	<u><u>\$256,132</u></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 \$21,210,000.

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	\$4,255,000
General Obligation Refunding Bonds Series 2015	0.6% - 1.6%	1,980,000	495,000
Business-type Activities:			
General Obligation Refunding Series 2014	2.0% - 3.0%	3,900,000	3,060,000
Tax and Revenue Certificates of Obligation, Series 2015	2.0% - 4.0%	4,845,000	4,260,000

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

Tax and Revenue Certificates of Obligation, Series 2016	2.0% - 3.0%	<u>5,045,000</u>	<u>4,630,000</u>
		<u>\$21,210,000</u>	<u>\$16,700,000</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, 2018	Principal	Interest	Total
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
2022-2023	420,000	58,200	478,200
2023-2028	<u>2,260,000</u>	<u>137,615</u>	<u>2,397,615</u>
	<u>\$4,255,000</u>	<u>\$529,677</u>	<u>\$4,784,677</u>

General Obligation Refunding Bonds Series 2015

Year Ending September 30, 2018	Principal	Interest	Total
2018-2019	<u>\$495,000</u>	<u>\$7,920</u>	<u>\$502,920</u>
	<u>\$495,000</u>	<u>\$7,920</u>	<u>\$502,920</u>

Business-type Activities -

General Obligation Advance Refunding Series 2014

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

Year Ending September 30, 2018	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2022-2023	300,000	58,200	358,200
2023-2028	<u>1,640,000</u>	<u>150,750</u>	<u>1,790,750</u>
	<u>\$3,060,000</u>	<u>\$518,600</u>	<u>\$3,578,600</u>

Tax and Revenue Certificates of Obligation Series 2015

Year Ending September 30, 2018	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018-2019	\$200,000	\$131,600	\$331,600
2019-2020	205,000	127,550	332,550
2020-2021	210,000	123,400	333,400
2021-2022	215,000	119,150	334,150
2022-2023	220,000	114,250	334,250
2023-2028	1,185,000	475,638	1,660,638
2028-2033	1,390,000	266,912	1,656,912
2033-2035	<u>635,000</u>	<u>25,700</u>	<u>660,700</u>
	<u>\$4,260,000</u>	<u>\$1,384,200</u>	<u>\$5,644,200</u>

Tax and Revenue Certificates of Obligation Series 2016

Year Ending September 30, 2018	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018-2019	\$205,000	\$114,263	\$319,263

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

2019-2020	210,000	110,113	320,113
2020-2021	215,000	105,863	320,863
2021-2022	220,000	100,413	320,413
2022-2023	225,000	93,738	318,738
2023-2028	1,240,000	370,856	1,610,856
2028-2033	1,390,000	215,356	1,605,356
2033-2036	<u>925,000</u>	<u>38,569</u>	<u>963,569</u>
	<u>\$4,630,000</u>	<u>\$1,149,171</u>	<u>\$5,779,171</u>

Annual Debt Service

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

Year Ending	<u>Governmental Activities</u>			<u>Business-type Activities</u>			
	September 30, 2018	Principal	Interest	Total	Principal	Interest	Total
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
2022-2023	420,000	58,200	478,200		745,000	266,188	1,011,188
2023-2028	2,260,000	137,615	2,397,615		4,065,000	997,244	5,062,244
2028-2033	0	0	0		2,780,000	482,268	3,262,268

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

2033-2036	0	0	0	<u>1,560,000</u>	64,269	<u>1,624,269</u>
	<u>\$4,750,000</u>	<u>\$537,597</u>	<u>\$5,287,597</u>	<u>\$11,950,000</u>	<u>\$3,051,971</u>	<u>\$15,001,971</u>

Long-term liability activity for the year ended September 30, 2018 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	\$5,605,000	\$0	(\$855,000)	\$4,750,000	(\$875,000)
Compensated absences	2,801,027	140,636	(364,386)	2,577,277	(1,081,125)
Net pension liabilities	18,559,314	0	(7,670,860)	10,888,454	0
Other post employment benefits	745,308	7,970	0	753,278	0
Lease obligation payable	<u>382,762</u>	<u>155,817</u>	<u>(96,869)</u>	<u>441,710</u>	<u>(112,037)</u>
	<u>\$28,093,411</u>	<u>\$304,423</u>	<u>(\$8,987,115)</u>	<u>\$19,410,719</u>	<u>(\$2,068,162)</u>

Business-type activities:

Bonds payable:					
General obligation bonds and certificates of obligation	\$12,620,000	\$0	(\$670,000)	\$11,950,000	(\$675,000)
General obligation bonds - premium	<u>306,511</u>	<u>17,610</u>	<u>(17,610)</u>	<u>306,511</u>	<u>(17,610)</u>
Total bonds payable	<u>12,926,511</u>	<u>17,610</u>	<u>(687,610)</u>	<u>12,256,511</u>	<u>(692,610)</u>
Other post-employment benefits	0	171,557	0	171,557	0
Lease obligation payable	99,410	193,250	(52,520)	240,140	(53,865)
Compensated absences	120,423	8,966	(38,655)	90,734	(41,738)

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Net pension liability	<u>1,883,386</u>	<u>0</u>	<u>(1,135,369)</u>	<u>748,017</u>	<u>0</u>
	<u>\$15,029,730</u>	<u>\$391,383</u>	<u>(\$1,914,154)</u>	<u>\$13,506,959</u>	<u>(\$788,213)</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 and allocated to the appropriate funds.

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 and the activity in the pension plans. These deferred outflows/inflows are listed below:

<u>Governmental activities:</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>
Deferred outflows of resources:				
Refunding of bond issues	\$161,133	\$0	(\$44,930)	\$116,203
Contributions subsequent to measurement date	<u>1,135,926</u>	<u>7,858</u>	<u>(25,039)</u>	<u>1,118,745</u>
Total of deferred outflows of resources	<u>\$1,297,059</u>	<u>\$7,858</u>	<u>(\$69,969)</u>	<u>\$1,234,948</u>
Deferred inflows of resources:				
Difference in expected and actual economic experience for pension plans	\$1,934,130	\$50,684	\$0	\$1,984,814
Difference in projected and actual investment earnings on pension plans	(2,999,243)	4,502,373		1,503,130
Change in actuarial assumptions for pension	<u>(3,116,030)</u>	<u>3,236,208</u>	<u>0</u>	<u>120,178</u>
Total of deferred inflows of resources	<u>(\$4,181,143)</u>	<u>\$7,789,265</u>	<u>\$0</u>	<u>\$3,608,122</u>

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

[\(\\$2,884,084\)](#) [\\$7,797,123](#) [\(\\$69,969\)](#) [\\$4,843,070](#)

Business-type activities:

Deferred outflows of resources:

Refunding of bond issues	\$21,056	\$0	(\$1,929)	\$19,127
Contributions subsequent to measurement date	229,458	0	(30,670)	198,788
Change in actuarial assumptions for pensions	<u>24,741</u>	<u>0</u>	<u>(11,666)</u>	<u>13,075</u>
Total of deferred outflows of resources	<u>\$275,255</u>	<u>\$0</u>	<u>(\$44,265)</u>	<u>\$230,990</u>

Deferred inflows of resources:

Difference in expected and actual economic experience for pension plans	(\$286,605)	\$0	(\$2,918)	(\$289,523)
Difference in projected and actual investment earnings for pension plans	<u>536.005</u>	<u>0</u>	<u>(846,113)</u>	<u>(310,108)</u>
Total deferred inflows of resources	<u>\$249,400</u>	<u>\$0</u>	<u>(\$849,031)</u>	<u>(\$599,631)</u>

	<u>\$524,655</u>	<u>\$0</u>	<u>(\$893,296)</u>	<u>(\$368,641)</u>
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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 and allocated to the appropriate funds.

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.

CITY OF ORANGE, TEXAS
Notes to the Financial Statements, Continued
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The certificates contained a limited pledge of net revenues of the water and sewer utility system. The limited pledge is in an amount not to exceed \$1,000 for the payment of principal and interest on the certificates.

In fiscal year 2018 the interest payment on this issue was \$135,550 and \$1,000, of this amount would have come from pledged revenue. The \$1,000 is 0.0120% of the Water and Sewer annual operating revenue of \$8,323,851. At September 30, 2018 the Water and Sewer Enterprise Fund had future pledged revenues in the amount \$17,000.

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 2018 the interest payment on this issue was \$118,363 and \$1,000 of this amount would have come from pledged revenue. The \$1,000 is 0.0120% of the Water and Sewer annual operating revenue of \$8,323,851. At September 30, 2018 the Water and Sewer Enterprise Fund has future pledged revenues in the amount \$18,000.

H. Restricted Net Position

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

Governmental activities:

Debt service payments	\$315,506
Cultural and recreation	78,186
Public safety	549,733
Public works	35,566
Tourism and promotion	1,477,710

CITY OF ORANGE, TEXAS
Notes to the Financial Statements, Continued
September 30, 2018

Municipal court technology/security	¹ 73,240
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Business-type activities:

Debt service payments	<u>138,102</u>
Total	<u>\$2,668,043</u>

¹ Restricted by enabling legislation.

V. Other Information

A. Risk Management

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

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

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

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, 2018, the Workers' Compensation Fund has a designated balance for insurance claim liability of \$341,130 and an undesignated balance of \$544,564. 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 \$885,694. 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	Current Year	Claims Payments and Liability	Balance at Fiscal Year
	<u>Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Expensed</u>	<u>End</u>
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
2017-2018	\$444,741	(\$104,213)	\$602	\$341,130

2017-2018 **2016-2017** **2015-2016** **2014-2015** **2013-2014**

Claim Liability Expensed

Unpaid claim liability beginning of year	\$86,649	\$39,153	\$82,620	\$38,432	\$111,859
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CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

	<u>2017-2018</u>	<u>2016-2017</u>	<u>2015-2016</u>	<u>2014-2015</u>	<u>2013-2014</u>
Claims incurred in current year	70,718	112,794	90,695	173,889	58,519
Increase (decrease) in provision for insured events of prior year	7,265	204,267	(76,172)	(28,370)	32,405
Claim payments attributable to current year claims	(47,971)	(26,145)	(51,542)	(91,269)	(47,345)
Claim payments attributable to prior year claims	<u>(93,914)</u>	<u>(243,420)</u>	<u>(6,448)</u>	<u>(10,062)</u>	<u>(117,006)</u>
Total unpaid claim liability expensed at end of year	<u>\$22,747</u>	<u>\$86,649</u>	<u>\$39,153</u>	<u>\$82,620</u>	<u>\$38,432</u>

Designated for Catastrophic Claim

Designated for future catastrophic claims - beginning of year	\$444,741	\$359,415	\$406,774	\$369,785	\$370,620
Increase (decrease) in reserve	<u>(103,611)</u>	<u>85,326</u>	<u>(47,359)</u>	<u>36,989</u>	<u>(835)</u>
Total designated for future catastrophic claims - end of year	<u>\$341,130</u>	<u>\$444,741</u>	<u>\$359,415</u>	<u>\$406,774</u>	<u>\$369,785</u>

B. Subsequent Events

On March 12, 2019 the City of Orange approved an ordinance authorizing the issuance of the “City of Orange, Texas, Tax & Revenue Certificates of Obligation, Series 2019”. Proceeds from the sale of the certificates will be used for the purpose of paying in whole or in part, contractual obligations to be incurred for design, construction, repair, replacement improvement or rehabilitation and equipping of public works including (i) streets, roads, sidewalks, alleys, including bridges and intersections, street overlay, landscaping, street scaping, lighting signalization, traffic safety and operational improvements, culverts and related storm drainage and utility relocation and the acquisition of land or interest in land as necessary therefore, (ii) acquisition of emergency services and other vehicles and equipment, (iii) park and recreational facility and infrastructure improvements, (iv) renovations and improvements to the City municipal center building (collectively the “Projects”), (v) professional services for engineering, surveying, geotechnical, auditing, financial advisory, bond counsel, legal counsel and (iv) cost of issuance of the Certificates.

CITY OF ORANGE, TEXAS
Notes to the Financial Statements, Continued
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The par amount of the series 2019 Tax and Revenue Certificates of Obligation will be \$7,785,000 and the issue will be dated April 1, 2019.

Subsequent events were evaluated through March 29, 2019, the date that the financial statements were available to be issued.

C. Contingent Liabilities

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

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

D. Other Post Employment Benefits

Plan Description

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

Retiree Life Insurance

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

The City now has fifteen (10) retirees receiving this benefit and there are no more employees eligible. The present cost to the City is \$384 annually. This cost is funded out of the General Fund revenues on a pay-as-you-go annual basis.

Retiree Medical Insurance

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Notes to the Financial Statements, Continued
September 30, 2018

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.

Employees Covered by Benefit Terms

At the September 30, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Active employees	186
Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to receive future benefits	0
Total	<u>195</u>

Funding Policy

The City of Orange has traditionally paid for a portion the 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 \$48,250. The City of Orange does not presently have a policy that requires funding contributions above the amount required to pay for the ongoing cost of the present retiree incentives. The City will not have any ongoing incentive in future years.

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of September 30, 2018, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial Methods and Assumptions

The Total OPEB Liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation rate	3.0% per year
Overall payroll growth	3.5%
Discount rate	4.06%
Retirees' share of benefit-related costs	Retirees pay the full contribution rate for coverage

CITY OF ORANGE, TEXAS
Notes to the Financial Statements, Continued
September 30, 2018

Administrative expenses All administrative expenses are paid by the City and accounted for under reporting requirements under GASB Statement No. 68

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the RPH-2014 Total Table with Projection MP-2018.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 4.06%. The discount rate was calculated as a 1.06% real rate of return plus a 3.00% for inflation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the city, calculated using the discount rate of 4.06%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.06%) or 1-percentage-point higher (5.06% than the current rate:

1%	Current Single Rate Assumption	1%
Decrease	4.06%	Increase
<u>(3.06%)</u>	<u>4.06%</u>	<u>(5.06%)</u>
\$1,007,191	\$924,835	\$850,681

Changes in the Total OPEB Liability

Total OPEB Liability	
	\$903,270
Balance at 09/30/2017	
Changes for the year:	
Service cost	32,790
Interest	37,025
Benefit payments	(48,250)
Net changes	<u>21,565</u>
Balance at 09/30/2018	\$924,835

CITY OF ORANGE, TEXAS
Notes to the Financial Statements, Continued
September 30, 2018

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

For the year ended September 30, 2018, the City recognized OPEB expense of \$21,565.

At September 30, 2018, there were no deferred outflows of resources or deferred inflows of resources related to the OPEB liability to report.

E. Employee Retirement Systems and Pension Plans

Texas Municipal Retirement System Defined Benefit Pension Plan

Plan Description

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

All eligible employees of the City are required to participate in TMRS. The City of Orange provides pension benefits for all of its full-time employees, except for those employees participating in the Orange Firemen's Relief 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 2018</u>	<u>Plan Year 2017</u>
Employee Deposit Rate	7%	7%
Matching Ratio (City to Employee)	2 to 1	2 to 1

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 Notes to the Financial Statements, Continued
 September 30, 2018

Years Required for Vesting	10	10
Service Retirement Eligibility (expressed as age/years of service)	60/10, 0/20	60/10, 0/20
Updated Service Credit	100% repeating, transfers	100% repeating, transfers
Annuity Increase (to retirees)	70% of CPI repeating	70% of CPI repeating

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

At the December 31, 2017 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	57
Active employees	<u>152</u>
Total	<u>341</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 17.26% and 16.80% in calendar years 2017 and 2018 respectively. The City's contributions to TMRS for the year ended September 30, 2018 were \$1,475,144 and were equal to the required contributions.

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Notes to the Financial Statements, Continued
September 30, 2018

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017, actuarial valuation was determined using the following actuarial assumptions:

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

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

Actuarial assumptions, used in the December 31, 2017 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

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

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:

<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
 Notes to the Financial Statements, Continued
 September 30, 2018

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (A)	Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balance at 12/31/2016	\$68,695,932	\$59,442,716	\$9,253,216
Changes for the current year:			
Service cost	1,576,087	--	1,576,087
Interest	4,583,484	--	4,583,484
Changes in benefit terms	--	--	--
Difference between expected and actual experience	(1,035,886)	--	(1,035,886)
Changes in assumptions	--	--	--
Benefit payments, including refunds of employee contributions	(3,161,024)	(3,161,024)	--
Contributions - employer	--	1,530,851	(1,530,851)
Contributions - employee	--	620,856	(620,856)
Net investment income	--	8,237,619	(8,237,619)
Administrative Fees	--	(42,696)	42,696
Other changes	--	<u>(2,163)</u>	<u>2,163</u>
Net changes	<u>1,962,661</u>	<u>7,183,443</u>	<u>(5,220,782)</u>
Balance at 12/31/2018	<u>\$70,658,593</u>	<u>\$66,626,159</u>	<u>\$4,032,434</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:

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

	1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
City's net pension liability	\$13,433,925	\$4,032,434	(\$3,738,062)

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, 2018, the City recognized pension expense of \$818,977.

At September 30, 2018, 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	--	\$1,560,771
Change in actuarial assumptions	70,482	--
Difference between projected and actual investment earnings	--	1,671,740
Contributions subsequent to the measurement date	1,071,633	--
Total	<u>\$1,142,115</u>	<u>\$3,232,511</u>

The \$1,071,633 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF ORANGE, TEXAS
Notes to the Financial Statements, Continued
September 30, 2018

Year Ended December 31:	Net Deferred Outflows (Inflows) of Resources
2018	(603,648)
2019	(502,952)
2020	(1,129,228)
2021	(926,202)
2022	--
Thereafter	--
Total	<u>(\$3,162,030)</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.). 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.

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

Plan provisions for the City were as follows:

	<u>Plan Year 2018</u>	<u>Plan Year 2017</u>
Employee Deposit Rate	12.25%	12%
Employer Deposit Rate	14.25%	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, 2017 measurement date, the following employees were covered by the benefit terms:

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

CITY OF ORANGE, TEXAS
Notes to the Financial Statements, Continued
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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. This contribution rate has increased October 1, 2017 to the current rate of 12.25%. 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, 2017, 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.

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.

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Notes to the Financial Statements, Continued
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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 2017 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%
Fixed income	35.0%	2.70%
Equities -		
Large-cap growth	13.0%	7.10%
Large-cap value	13.0%	7.10%
SMid-cap	9.0%	7.95%
International equity	20.0%	6.70%
Emerging markets	10.0%	9.30%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.75%. 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 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.

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balance at 12/31/2016	\$19,344,058	\$8,154,674	\$11,189,384
Changes for the current year:			
Service cost	421,632	--	421,632
Interest	1,154,891	--	1,154,891
Changes in benefit terms	2,088	--	2,088
Difference between expected and actual economic experience	--	--	--
Changes in assumptions	(3,193,483)	--	(3,193,483)
Benefit payments, including refunds of employee contributions	(1,103,254)	(1,103,254)	--
Contributions - employer	--	333,259	(333,259)
Contributions - employee	--	285,780	(285,780)
Net investment income	--	1,380,383	(1,380,383)
Administrative Fees	--	(28,947)	28,947
Other changes	--	--	--
Net changes	<u>(2,718,126)</u>	<u>867,221</u>	<u>(3,585,347)</u>
Balance at 12/31/2017	<u>\$16,625,932</u>	<u>\$9,021,895</u>	<u>\$7,604,037</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 7.75%, as well as what the City's net pension liability would be if it were calculated using a

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
City's net pension liability	\$9,304,157	\$7,604,037	\$6,134,620

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, 2017 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, 2018, the City recognized pension expense of \$888,969. At September 30, 2018, 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 economic experience	--	\$713,566
Change in actuarial assumptions	--	177,586
Difference between projected and actual investment earnings	--	141,498
Contributions subsequent to the measurement date	<u>245,900</u>	--
Total	<u>\$245,900</u>	<u>\$1,032,650</u>

The \$245,900 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, 2019. Other amounts reported as deferred

CITY OF ORANGE, TEXAS
Notes to the Financial Statements, Continued
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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 Outflow (Inflow) of Resources
2019	\$41,865
2020	(57,052)
2021	(232,374)
2022	(276,877)
2023	<u>(95,735)</u>
Thereafter	<u>(412,477)</u>
Total	<u><u>(\$1,032,650)</u></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 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.

CITY OF ORANGE, TEXAS
Notes to the Financial Statements, Continued
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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.

In May of 2018, the plan was notified that the Pension Review Board would be performing an intensive review of the plan. After reviewing the information submitted by the plan, the PRB determined that the plan was out of compliance due to the amortization period to service pension outflows exceeding 40 years, and recommended the following: (1) increase contribution rates (2) adjust benefits (3) increase investment earnings and (4) reduce investment fees paid to the advisor. The plan acknowledged the recommendations and is actively working to improve the plan's position. Contribution rates will be negotiated at the upcoming collective bargaining meeting in the summer of 2019. The pension board is in the process of issuing a request for proposal for investment services. The City anticipates that this will allow the plan to secure a new investment advisor contract at a lower fee structure. The pension board continues to monitor the investments and approve changes to money managers as needed to improve the investment earnings. At this time, the union has voted down any benefit changes.

A full valuation of the plan by the actuary is currently underway for the period ended December 31, 2018. Once the plan receives the new valuation report and the new calculated amortization period, the plan will submit a revised FSRP to the PRB.

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

Employee Retirement Systems and Pension Plans – September 30, 2018

	Texas Municipal Retirement System (TMRS) Defined Benefit Pension Plan	Orange Firemen's Relief and Retirement Fund	Total
Plan fiduciary net position	\$66,626,159	\$9,021,895	\$75,648,054
Net pension liability	\$4,032,434	\$7,604,037	\$11,636,471
Deferred outflows of resources:			
Contributions subsequent to measurement date	\$1,071,633	\$245,900	\$1,317,533
Change in actuarial assumptions	<u>70,482</u>	<u>(177,586)</u>	<u>(107,104)</u>
Total deferred outflows of resources	<u>\$1,142,115</u>	<u>\$68,314</u>	<u>\$1,210,429</u>
Deferred inflows of resources:			
Difference in expected and actual economic experience	\$1,560,771	\$713,566	\$2,274,337
Difference in projected and actual investment earnings	<u>1,671,740</u>	<u>141,498</u>	<u>1,813,238</u>
Total deferred inflows of resources	<u>\$3,232,511</u>	<u>\$855,064</u>	<u>\$4,087,575</u>
Pension expense	\$818,977	\$888,969	\$1,707,946

F. Tax Abatement Disclosure

The City enters into economic development agreements to provide financial incentives for the purposes of stimulating the local economic development and business and commercial activity in the City. These agreements are authorized under Chapter 380 of the Texas Local Government Code. The City has entered into one (1) Chapter 380 agreement that calls for rebates of property taxes of 100% on assessed values and of 100% of sales tax collections received by the City for 15 years. In exchange for the fifteen year tax abatements, the agreement calls for payments to the City in the amount of \$330,662 for the first three years beginning in 2015 and a schedule of slight increases every two years thereafter with the final payment due on February 28, 2030. The Chapter 380 agreement amount for the fiscal year 2018 was \$341,925. Property taxes equal to \$1,321,224 were rebated in 2018. Sales Tax is rebated on a quarterly basis, and the total rebated for 2018 was \$401,529.

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements, Continued
 September 30, 2018

G. Restatement

Due to the implementation of GASB No. 75, the City restated its beginning net position within governmental activities and business-type activities to properly reflect the total OPEB liability and related deferred outflows and inflows of resources, as prescribed by this accounting standard. This adjustment was recorded at the fund level for proprietary funds only, and recorded at the government-wide level for both governmental and business-type activities. In addition, the City restated beginning net position and fund balances within governmental activities due to reclassifying sales tax payable and receivable for a timing difference of the reporting month. The City also restated beginning net position and fund balances within governmental activities due to the reclassifying of a receivable for the municipal court.

The restatement of beginning net position and fund balance is as follows:

Governmental		
	Activities	General Fund
Prior year end net position/fund balance, as reported	20,832,710	7,805,233
Impact of GASB 75 implementation	9,595	-
Reclassification of sales tax receivable	336,943	336,943
Reclassification of municipal court receivable	(840,730)	-
Reclassification of sales tax payable	(194,379)	(194,379)
Restated beginning net position/fund balance	<u>20,144,139</u>	<u>7,947,797</u>

	Business-Type	Water & Sewer
	Activities	Fund
Prior year end net position, as reported	\$40,771,241	\$39,005,071
Impact of GASB 75 implementation	(167,557)	(158,705)
Restated beginning net position	<u>\$40,603,684</u>	<u>\$38,846,366</u>

	Sanitation
	Fund
Prior year end net position, as reported	\$1,731,705
Impact of GASB 75 implementation	(8,852)
Restated beginning net position	<u>\$1,722,853</u>

Required Supplementary Information

City of Orange, Texas
Schedule of Changes in Postemployment Benefits Other Than Pensions (OPEB)
Liability and Related Ratios
City of Orange Retiree Health Care Plan
Year Ended:

	<u>09/31/2018</u>
Total OPEB liability	
Service Cost	1 \$ 32,790
Interest	37,025
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refund of participant contributions	(48,250)
Net changes in total OPEB liability	21,565
Total OPEB liability - beginning	903,270
Total OPEB liability - ending (a)	2 \$ 924,835
 Covered payroll	 10,315,629
City's total OPEB liability as a percentage of covered payroll	8.97%

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

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>	<u>12/31/2017</u>
A. Total Pension Liability					
1. Service Cost	\$0	\$1,390,815	\$1,473,198	\$1,525,181	\$1,576,087
2. Interest (on the Total Pension Liability)	0	4,331,921	4,436,802	4,435,496	4,583,484
3. Changes of benefit terms	0	0	0	0	0
4. Difference between expected and actual experience	0	(1,354,539)	(854,615)	(639,862)	(1,035,886)
5. Change of assumptions	0	0	223,703	0	0
6. Benefit payments, including refunds of employee contributions	0	(3,015,050)	(2,807,118)	(3,146,697)	(3,161,024)
7. Net Change in Total Pension Liability	0	1,353,147	2,471,970	2,174,118	1,962,661
8. Total Pension Liability - Beginning	0	62,696,697	64,049,844	66,521,814	68,695,932
9. Total Pension Liability - Ending	\$0	\$64,049,844	\$66,521,814	\$68,695,932	\$70,658,593
B. Plan Fiduciary Net Position					
1. Contributions - employer	\$0	\$1,657,797	\$1,587,598	\$1,527,744	\$1,530,851
2. Contributions - employee	0	585,795	576,111	598,445	620,857
3. Net investment income	0	3,143,530	84,535	3,830,094	8,237,619
4. Benefit payments, including refunds of employee contributions	0	(3,015,050)	(2,807,118)	(3,146,697)	(3,161,024)
5. Administrative expense	0	(32,822)	(51,492)	(43,260)	(42,696)
6. Other	0	(2,699)	(2,544)	(2,331)	(2,164)
7. Net Change in Plan Fiduciary Net Position	0	2,336,551	(612,910)	2,763,995	7,183,443
8. Plan Fiduciary Net Position - Beginning	0	54,955,080	57,291,631	56,678,721	59,442,716
9. Plan Fiduciary Net Position - Ending	\$0	\$57,291,631	\$56,678,721	\$59,442,716	\$66,626,159
C. Net Pension Liability (A.9. - B.9.)	\$0	\$6,758,213	\$9,843,093	\$9,253,216	\$4,032,434
D. Plan Fiduciary Net Position as a percentage of the Total Pension Liability (B.9. / A.9.)	--	89.45%	85.20%	86.53%	94.29%
E. Covered Payroll	\$0	\$8,368,497	\$8,230,155	\$8,549,219	\$8,869,371
F. Net Pension Liability as a percentage of Covered Payroll (C / E)	--	80.76%	119.60%	108.23%	45.46%

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 Employer Contributions Texas Municipal Retirement System Last 10 Fiscal Years

	FY 2007 - FY 2014 (1)	FY 2015	FY 2016	FY 2017	FY 2018
Actuarially Determined Contribution	\$0	\$1,586,949	\$1,552,490	\$1,542,873	\$1,475,144
Contributions in relation to the actuarially determined contribution	0	1,586,949	1,552,490	1,542,873	1,475,144
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0
Covered payroll	\$0	\$8,166,972	\$8,506,325	\$8,856,832	\$8,716,606
Contributions as a percentage of covered payroll	--	19.43%	18.25%	17.42%	16.92%

Notes to Schedule of Contributions

Valuation Date: December 31, 2017
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:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 Year smoothed market, 15% soft corridor
Inflation	2.50%
Salary Increase	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rate multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes There were no benefit changes during the year.

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

Required Supplementary Information

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

	<u>2006-2013 (1)</u>	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>
A. Total Pension Liability					
1. Service Cost	\$0	\$256,176	\$266,423	\$275,111	421,632
2. Interest (on the Total Pension Liability)	0	1,240,296	1,235,592	1,256,298	1,154,891
3. Changes of benefit terms	0	0	0	10,200	2,088
4. Difference between expected and actual experience	0	(455,247)	0	(513,493)	0
5. Change of assumptions	0	587,758	173,418	2,748,186	(3,193,483)
6. Benefit payments, including refunds of employee contributions	0	(1,084,609)	(1,337,192)	(1,115,774)	(1,103,254)
7. Net Change in Total Pension Liability	0	544,374	338,241	2,660,528	(2,718,126)
8. Total Pension Liability - Beginning	0	15,800,915	16,345,289	16,683,530	19,344,058
9. Total Pension Liability - Ending	\$0	\$16,345,289	\$16,683,530	\$19,344,058	\$16,625,932
B. Plan Fiduciary Net Position					
1. Contributions - employer	\$0	\$319,060	\$307,304	\$318,457	333,259
2. Contributions - employee	0	250,694	244,464	264,331	285,780
3. Net investment income	0	746,106	(186,511)	393,147	1,380,383
4. Benefit payments, including refunds of employee contributions	0	(494,593)	(1,337,192)	(1,115,774)	(1,103,254)
5. Administrative expense	0	(1,084,609)	(24,201)	(18,666)	(28,947)
6. Other	0	(22,162)	0	0	0
7. Net Change in Plan Fiduciary Net Position	0	(285,504)	(996,136)	(158,505)	867,221
8. Plan Fiduciary Net Position - Beginning	0	9,594,819	9,309,315	8,313,179	8,154,674
9. Plan Fiduciary Net Position - Ending	\$0	\$9,309,315	\$8,313,179	\$8,154,674	\$9,021,895
C. Net Pension Liability (A.9. - B.9.)	\$0	\$7,035,974	\$8,370,351	\$11,189,384	\$7,604,037
D. Plan Fiduciary Net Position as a percentage of the Total Pension Liability (B.9. / A.9.)	--	56.95%	49.83%	42.16%	54.26%
E. Covered Payroll	\$0	\$2,279,000	\$2,195,029	\$2,274,689	\$2,373,912
F. Net Pension Liability as a percentage of Covered Payroll (C / E)	--	308.73%	381.33%	491.91%	320.32%

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 Employer Contributions Orange Firemen's Relief and Retirement Fund Last 10 Fiscal Years

	FY 2007 - FY 2014 (1)	FY 2015	FY 2016	FY 2017	FY 2018
Actuarially Determined Contribution	\$0	\$308,591	\$313,275	\$327,516	\$341,117
Contributions in relation to the actuarially determined contribution	0	308,591	313,275	327,516	341,117
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0
Covered payroll	\$0	\$2,204,221	\$2,237,677	\$2,339,397	\$2,399,228
Contributions as a percentage of covered payroll	--	14.00%	14.00%	14.00%	14.22%

Notes to Schedule of Contributions

Valuation Date: December 31, 2017
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 Revenues, Expenditures and Changes in Fund Balance Division Level - Budget and Actual
General Fund
For the Year Ending September 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes	\$ 9,792,604	\$ 9,792,604	\$ 10,580,754	\$ 788,150
Payment in lieu of taxes	6,882,385	6,882,385	6,882,340	(45)
Franchises	280,270	280,270	291,156	10,886
Licenses and permits	288,628	288,628	273,925	(14,703)
Intergovernmental	50,560	50,560	54,517	3,957
Charges for services	3,040,694	3,040,694	3,263,651	222,957
Investment income	13,000	13,000	21,554	8,554
Miscellaneous	180,000	190,000	247,022	57,022
Total revenues	20,528,141	20,538,141	21,614,919	1,076,778
EXPENDITURES				
<u>City Council</u>				
Personnel services	10,381	10,707	10,710	3
Supplies	350	1,550	1,529	(21)
Other services and charges	153,500	152,300	48,194	(104,106)
Total - city council	164,231	164,557	60,433	(104,124)
<u>City Manager</u>				
Personnel services	252,790	252,197	248,908	(3,289)
Supplies	3,050	4,050	3,471	(579)
Other services and charges	47,750	46,750	32,139	(14,611)
Total - city manager	303,590	302,997	284,518	(18,479)
<u>City Secretary</u>				
Personnel services	155,425	156,937	156,937	-
Supplies	16,700	15,100	11,928	(3,172)
Other services and charges	16,150	17,750	12,203	(5,547)
Total - city secretary	188,275	189,787	181,068	(8,719)
<u>Municipal Court</u>				
Personnel services	145,261	124,897	124,442	(455)
Supplies	9,000	9,000	3,006	(5,994)
Other services and charges	108,500	108,500	100,655	(7,845)
Total - municipal court	262,761	242,397	228,103	(14,294)
<u>Human Resources</u>				
Personnel services	85,731	85,884	86,497	613
Supplies	22,400	22,600	17,765	(4,835)
Other services and charges	33,300	33,100	16,085	(17,015)
Total - human resources	141,431	141,584	120,347	(21,237)

(continued)

City of Orange, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balance Division Level - Budget and Actual
General Fund
For the Year Ending September 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
<u>Finance</u>				
Personnel services	396,622	411,989	411,247	(742)
Supplies	57,000	66,000	63,865	(2,135)
Other services and charges	56,725	57,725	53,051	(4,674)
Total - finance	510,347	535,714	528,163	(7,551)
<u>Tax</u>				
Other services and charges	118,745	118,745	111,590	(7,155)
Total - tax	118,745	118,745	111,590	(7,155)
<u>MIS</u>				
Personnel services	27,152	27,460	27,279	(181)
Supplies	8,000	8,000	5,366	(2,634)
Other services and charges	12,820	12,820	9,050	(3,770)
Total - MIS	47,972	48,280	41,695	(6,585)
<u>Non Budgeted</u>				
Non budgeted expenses	-	-	13,440	13,440
Total - non budgeted	-	-	13,440	13,440
Total - general government	1,737,352	1,744,061	1,569,357	(174,704)
<u>Library</u>				
Personnel services	393,263	396,145	395,785	(360)
Supplies	11,200	11,200	9,881	(1,319)
Other services and charges	34,690	34,390	31,838	(2,552)
Total - library	439,153	441,735	437,504	(4,231)
<u>Natatorium</u>				
Personnel services	53,031	48	34	(14)
Supplies	8,250	8,250	1,458	(6,792)
Other services and charges	13,670	13,670	-	(13,670)
Total - natatorium	74,951	21,968	1,492	(20,476)
<u>Recreation</u>				
Supplies	3,600	3,600	2,766	(834)
Total - recreation	3,600	3,600	2,766	(834)
<u>Park Maintenance</u>				
Personnel services	646,033	656,304	656,230	(74)
Supplies	16,150	12,750	6,027	(6,723)
Other services and charges	40,100	43,500	68,286	24,786
Total - park maintenance	702,283	712,554	730,543	17,989
Total cultural and recreation	1,219,987	1,179,857	1,172,305	(7,552)
<u>Police</u>				
Personnel services	5,953,366	5,902,137	5,764,822	(137,315)
Supplies	113,500	117,500	76,460	(41,040)
Other services and charges	204,100	200,100	135,681	(64,419)
Total - police	6,270,966	6,219,737	5,976,963	(242,774)
<u>Emergency Management</u>				
Supplies	11,800	11,800	13,074	1,274
Other services and charges	5,450	5,450	3,170	(2,280)
Total - emergency management	17,250	17,250	16,244	(1,006)

(continued)

City of Orange, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balance Division Level - Budget and Actual
General Fund
For the Year Ending September 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
<u>Fire</u>				
Personnel services	3,654,707	3,812,778	3,689,120	(123,658)
Supplies	99,500	121,583	114,720	(6,863)
Other services and charges	97,500	97,500	90,731	(6,769)
Total - fire	3,851,707	4,031,861	3,894,571	(137,290)
<u>Animal Control</u>				
Personnel services	151,373	151,670	148,220	(3,450)
Supplies	15,300	15,300	9,779	(5,521)
Other services and charges	6,300	6,300	3,226	(3,074)
Total - animal control	172,973	173,270	161,225	(12,045)
Total - public safety	10,312,896	10,442,118	10,049,003	(393,115)
<u>Planning</u>				
Personnel services	130,140	130,293	130,165	(128)
Supplies	5,675	5,675	2,649	(3,026)
Other services and charges	30,450	30,450	27,014	(3,436)
Total - planning	166,265	166,418	159,828	(6,590)
<u>Code Enforcement</u>				
Personnel services	294,183	294,791	289,956	(4,835)
Supplies	4,300	4,300	1,408	(2,892)
Other services and charges	35,100	35,100	27,454	(7,646)
Total - code enforcement	333,583	334,191	318,818	(15,373)
<u>Building Services</u>				
Personnel services	305,762	311,348	310,686	(662)
Supplies	16,200	14,100	9,808	(4,292)
Other services and charges	159,300	129,720	116,638	(13,082)
Total - building services	481,262	455,168	437,132	(18,036)
<u>Street & Drainage</u>				
Personnel services	1,017,909	990,868	965,341	(25,527)
Supplies	17,100	21,175	17,053	(4,122)
Other services and charges	267,050	262,975	169,791	(93,184)
Total - street & drainage	1,302,059	1,275,018	1,152,185	(122,833)
<u>Public Works Administration</u>				
Personnel services	225,863	206,688	205,273	(1,415)
Supplies	4,600	5,648	3,665	(1,983)
Other services and charges	7,650	6,602	3,606	(2,996)
Total - public works administration	238,113	218,938	212,544	(6,394)
<u>Fleet Maintenance</u>				
Personnel services	304,536	305,141	299,582	(5,559)
Supplies	15,500	58,590	13,502	(45,088)
Other services and charges	553,900	557,500	508,004	(49,496)
Total - fleet maintenance	873,936	921,231	821,088	(100,143)

(continued)

City of Orange, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balance Division Level - Budget and Actual
General Fund
For the Year Ending September 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Engineering				
Personnel services	90,926	91,074	86,514	(4,560)
Supplies	6,300	6,300	3,440	(2,860)
Other services and charges	4,700	4,700	2,274	(2,426)
Total - engineering	101,926	102,074	92,228	(9,846)
Total - public works	3,497,144	3,473,038	3,193,823	(279,215)
Non-Departmental				
Other services and charges	3,875,135	3,850,233	3,421,372	(428,861)
Total - non-departmental	3,875,135	3,850,233	3,421,372	(428,861)
Capital Outlay				
Capital outlay	615,873	1,153,849	955,789	(198,060)
Total - capital outlay	615,873	1,153,849	955,789	(198,060)
Total expenditures	21,258,387	21,843,156	20,361,649	(1,481,507)
Excess (deficiency) of revenues over expenditures	(730,246)	(1,305,015)	1,253,270	2,558,285
OTHER FINANCING SOURCES (USES)				
Gain (loss) on capital asset disposition	-	27,915	27,915	-
Insurance proceeds	-	469,292	560,749	91,457
Grant proceeds	-	16,835	76,086	59,251
Net present value of minimum lease payments	-	-	155,817	155,817
Total other financing sources (uses)	-	514,042	820,567	306,525
Net change in fund balances	(730,246)	(790,973)	2,073,837	2,864,810
Fund balance - beginning	7,947,798	7,947,798	7,947,798	-
Fund balance - ending	<u>\$ 7,217,552</u>	<u>\$ 7,156,825</u>	<u>\$ 10,021,635</u>	<u>\$ 2,864,810</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, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes	\$ 967,821	\$ 967,821	\$ 978,009	\$ 10,188
Investment income	325	325	642	317
Total revenues	<u>968,146</u>	<u>968,146</u>	<u>978,651</u>	<u>10,505</u>
EXPENDITURES				
Principal retirement	855,000	855,000	855,000	-
Interest and fiscal charges	122,718	122,718	122,498	(220)
Total expenditures	<u>977,718</u>	<u>977,718</u>	<u>977,498</u>	<u>(220)</u>
Excess (deficiency) of revenues over expenditures	(9,572)	(9,572)	1,153	10,725
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(9,572)	(9,572)	1,153	10,725
Fund balance - beginning	<u>103,568</u>	<u>103,568</u>	<u>103,568</u>	<u>-</u>
Fund balance - ending	<u>\$ 93,996</u>	<u>\$ 93,996</u>	<u>\$ 104,721</u>	<u>\$ 10,725</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, 2018

	Budgeted Amounts			Variance with	
	Original	Final	Actual	Final Budget	
REVENUES					
Investment income	\$ 200	\$ 200	\$ 331	\$ 131	
Total revenues	<u>200</u>	<u>200</u>	<u>331</u>	<u>131</u>	
EXPENDITURES					
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Excess (deficiency) of revenues over expenditures	200	200	331	131	
OTHER FINANCING SOURCES (USES)					
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Net change in fund balance	200	200	331	131	
Fund balance - beginning	<u>161,021</u>	<u>161,021</u>	<u>161,021</u>	<u>-</u>	
Fund balance - ending	<u>\$ 161,221</u>	<u>\$ 161,221</u>	<u>\$ 161,352</u>	<u>\$ 131</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.

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.

City of Orange, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2018

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	\$ 33,016	\$ 35,829	\$ 97,192	\$ 2,308	\$ 26,456	
Accounts receivable (net of allowance for uncollectibles)	16	17,630	6,048	1	13	
Prepays	- 398	- 398	- -	- -	- -	
Total assets	<u>\$ 33,032</u>	<u>\$ 53,857</u>	<u>\$ 103,240</u>	<u>\$ 2,309</u>	<u>\$ 26,469</u>	
LIABILITIES						
Accounts payable	\$ -	\$ 12,498	\$ 3,422	\$ -	\$ -	
Due to other funds	- -	- -	- -	- -	- -	
Total liabilities	<u>- -</u>	<u>12,498</u>	<u>3,422</u>	<u>- -</u>	<u>- -</u>	
FUND BALANCES (DEFICITS)						
Nonspendable						
Prepays	- 398	- -	- -	- -	- -	
Restricted						
Cultural and recreation	- -	- -	- -	- -	- -	
Public safety	33,032	- -	99,818	- -	26,469	
Public works	- 40,961	- -	- -	- -	- -	
Tourism and promotion	- -	- -	- -	- -	- -	
Assigned						
Economic development	- -	- -	- -	2,309	- -	
Unassigned						
(deficits)	<u>33,032</u>	<u>41,359</u>	<u>99,818</u>	<u>2,309</u>	<u>26,469</u>	
Total liabilities and fund balances (deficits)	<u>\$ 33,032</u>	<u>\$ 53,857</u>	<u>\$ 103,240</u>	<u>\$ 2,309</u>	<u>\$ 26,469</u>	

(continued)

Total may not foot due to rounding differences.

City of Orange, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2018

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	\$ 349,898	\$ 67,365	\$ 73,203	\$ 10,023	
Accounts receivable (net of allowance for uncollectibles)	-	173	972	36	5	
Prepays	-	-	-	-	-	
Total assets	<u>\$ 9,903</u>	<u>\$ 350,071</u>	<u>\$ 68,337</u>	<u>\$ 73,239</u>	<u>\$ 10,028</u>	
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 144	\$ -	\$ -	
Due to other funds	-	-	-	-	-	
Total liabilities	<u>-</u>	<u>-</u>	<u>144</u>	<u>-</u>	<u>-</u>	
FUND BALANCES (DEFICITS)						
Nonspendable						
Prepays	-	-	-	-	-	
Restricted						
Cultural and recreation	-	-	68,192	-	-	
Public safety	-	350,071	-	73,240	10,028	
Public works	9,903	-	-	-	-	
Tourism and promotion	-	-	-	-	-	
Assigned						
Economic development	-	-	-	-	-	
Unassigned						
(deficits)	<u>9,903</u>	<u>350,071</u>	<u>68,192</u>	<u>73,240</u>	<u>10,028</u>	
Total liabilities and fund balances (deficits)	<u>\$ 9,903</u>	<u>\$ 350,071</u>	<u>\$ 68,336</u>	<u>\$ 73,240</u>	<u>\$ 10,028</u>	

(continued)

Total may not foot due to rounding differences.

City of Orange, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2018

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	\$ 1,405,657	\$ 9,989	\$ 30,302	\$ 229	\$ -	
Accounts receivable (net of allowance for uncollectibles)	79,839	5	15	-	2,500	
Prepads	5,309	-	-	-	-	
Total assets	<u>\$ 1,490,805</u>	<u>\$ 9,994</u>	<u>\$ 30,317</u>	<u>\$ 229</u>	<u>\$ 2,500</u>	
LIABILITIES						
Accounts payable	\$ 7,786	\$ -	\$ -	\$ -	\$ -	
Due to other funds	-	-	-	-	-	
Total liabilities	<u>7,786</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,500</u>
FUND BALANCES (DEFICITS)						
Nonspendable						
Prepads	5,309	-	-	-	-	
Restricted						
Cultural and recreation	-	9,994	-	-	-	
Public safety	-	-	30,317	-	-	
Public works	-	-	-	229	-	
Tourism and promotion	1,477,709	-	-	-	-	
Assigned						
Economic development	-	-	-	-	-	
Unassigned						
(deficits)	<u>1,483,018</u>	<u>9,994</u>	<u>30,317</u>	<u>229</u>	<u>-</u>	
Total liabilities and fund balances (deficits)	<u>\$ 1,490,804</u>	<u>\$ 9,994</u>	<u>\$ 30,317</u>	<u>\$ 229</u>	<u>\$ 2,500</u>	

(continued)

Total may not foot due to rounding differences.

City of Orange, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2018

Special Revenue			
	Texas Dept. Public Safety Emerg. Mgmt. Grant Fund	Texas General Land Office (GLO) Grant Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 2,151,370
Accounts receivable (net of allowance for uncollectibles)	28,698	302,146	438,097
Prepays	-	-	5,707
Total assets	<u><u>\$ 28,698</u></u>	<u><u>\$ 302,146</u></u>	<u><u>\$ 2,595,174</u></u>
LIABILITIES			
Accounts payable	\$ -	\$ 23,395	\$ 47,245
Due to other funds	<u>28,699</u>	<u>294,278</u>	<u>325,477</u>
Total liabilities	<u><u>28,699</u></u>	<u><u>317,673</u></u>	<u><u>372,722</u></u>
FUND BALANCES (DEFICITS)			
Nonspendable			
Prepays	-	-	5,707
Restricted			
Cultural and recreation	-	-	78,186
Public safety	(1)	-	622,974
Public works	-	(15,527)	35,566
Tourism and promotion	-	-	1,477,709
Assigned			
Economic development	-	-	2,309
Unassigned			
(deficits)	<u>(1)</u>	<u>(15,527)</u>	<u>2,222,451</u>
Total liabilities and fund balances (deficits)	<u><u>\$ 28,698</u></u>	<u><u>\$ 302,146</u></u>	<u><u>\$ 2,595,173</u></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, 2018

	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	33	-	28,000	-	4,050
Grant income	-	315,472	-	-	-
Investment income	84	-	183	5	56
Program income	-	6,719	-	-	-
Forfeitures	-	-	-	-	-
Total revenues	<u>117</u>	<u>322,191</u>	<u>28,183</u>	<u>5</u>	<u>4,106</u>
EXPENDITURES					
Current:					
Culture - Recreation	-	-	-	-	-
Public Safety	-	-	7,624	-	2,859
Public Works	-	268,001	-	-	-
Capital outlay:					
Capital outlay - Books	-	-	-	-	-
Capital outlay - machinery and equipment	-	-	-	-	-
Capital outlay - other	-	56,018	-	-	-
Capital outlay - storm sewer construction	-	-	-	-	-
Capital outlay - vehicles	18,000	-	-	-	-
Total expenditures	<u>18,000</u>	<u>324,019</u>	<u>7,624</u>	<u>-</u>	<u>2,859</u>
Excess (deficiency) of revenues over expenditures	(17,883)	(1,828)	20,559	5	1,247
OTHER FINANCING SOURCES (USES)					
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(17,883)	(1,828)	20,559	5	1,247
Fund balances - beginning	50,915	43,187	79,259	2,304	25,222
Fund balances - ending	<u>\$ 33,032</u>	<u>\$ 41,359</u>	<u>\$ 99,818</u>	<u>\$ 2,309</u>	<u>\$ 26,469</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, 2018

	Special Revenue				
	Homeland Security Grant Program	Home Program Fund	Law Enforcement Seizure Fund	Library Donation Fund	Municipal Court Technology Fund
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Donations	-	-	-	6,412	-
Grant income	12,600	-	-	938	-
Investment income	-	-	750	160	144
Program income	-	-	-	1,027	9,056
Forfeitures	-	-	13,093	-	-
Total revenues	<u>12,600</u>	<u>-</u>	<u>13,843</u>	<u>8,537</u>	<u>9,200</u>
EXPENDITURES					
Current:					
Culture - Recreation	-	-	-	25,472	-
Public Safety	12,600	-	40,985	-	6,180
Public Works	-	-	-	-	-
Capital outlay:					
Capital outlay - Books	-	-	-	5,122	-
Capital outlay - machinery and equipment	-	-	18,452	-	-
Capital outlay - other	-	-	-	-	-
Capital outlay - storm sewer construction	-	-	-	-	-
Capital outlay - vehicles	-	-	47,900	-	-
Total expenditures	<u>12,600</u>	<u>-</u>	<u>107,337</u>	<u>30,594</u>	<u>6,180</u>
Excess (deficiency) of revenues over expenditures	-	-	(93,494)	(22,057)	3,020
OTHER FINANCING SOURCES (USES)					
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	(93,494)	(22,057)	3,020
Fund balances - beginning	-	9,903	443,564	90,248	70,219
Fund balances - ending	<u>\$ -</u>	<u>\$ 9,903</u>	<u>\$ 350,070</u>	<u>\$ 68,191</u>	<u>\$ 73,239</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, 2018

Special Revenue					
	Nelda C & HJ Lutcher Stark Foundation Grant Fund	Orange Development Fund	Parks Donation Fund	Police Donation Fund	Texas Dept. of Transportation (TXDOT) Grant Fund
REVENUES					
Taxes	\$ -	\$ 774,209	\$ -	\$ -	\$ -
Donations	-	3,260	-	-	-
Grant income	5,000	-	-	-	-
Investment income	24	2,849	21	62	-
Program income	-	-	-	-	-
Forfeitures	-	-	-	-	-
Total revenues	<u>5,024</u>	<u>780,318</u>	<u>21</u>	<u>62</u>	<u>-</u>
EXPENDITURES					
Current:					
Culture - Recreation	-	463,941	-	-	-
Public Safety	5,086	-	-	-	-
Public Works	-	-	-	-	-
Capital outlay:					
Capital outlay - Books	-	-	-	-	-
Capital outlay - machinery and equipment	-	-	-	-	-
Capital outlay - other	-	-	-	-	-
Capital outlay - storm sewer construction	-	-	-	-	-
Capital outlay - vehicles	-	-	-	-	-
Total expenditures	<u>5,086</u>	<u>463,941</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(62)	316,377	21	62	-
OTHER FINANCING SOURCES (USES)					
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	(62)	316,377	21	62	-
Fund balances - beginning	10,090	1,166,642	9,974	30,255	229
Fund balances - ending	<u>\$ 10,028</u>	<u>\$ 1,483,019</u>	<u>\$ 9,995</u>	<u>\$ 30,317</u>	<u>\$ 229</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, 2018

Special Revenue						
	Texas Dept. of Forest Service (TIFMAS) Grant Fund	Texas Dept. of Public Safety Emerg. Mgmt. Grant Fund	Texas General Land Office (GLO) Grant Fund	Total Nonmajor Special Revenue Funds		
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 774,209		
Donations	-	-	-	41,755		
Grant income	3,570	28,698	299,498	665,776		
Investment income	-	-	-	4,338		
Program income	-	-	-	16,802		
Forfeitures	-	-	-	13,093		
Total revenues	<u>3,570</u>	<u>28,698</u>	<u>299,498</u>	<u>1,515,973</u>		
EXPENDITURES						
Current:						
Culture - Recreation	-	-	-	489,413		
Public Safety	3,570	28,698	1,647	109,249		
Public Works	-	-	2,839	270,840		
Capital outlay:						
Capital outlay - Books	-	-	-	5,122		
Capital outlay - machinery and equipment	-	-	-	18,452		
Capital outlay - other	-	-	-	56,018		
Capital outlay - storm sewer construction	-	-	310,539	310,539		
Capital outlay - vehicles	-	-	-	65,900		
Total expenditures	<u>3,570</u>	<u>28,698</u>	<u>315,025</u>	<u>1,325,533</u>		
Excess (deficiency) of revenues over expenditures	-	-	(15,527)	190,440		
OTHER FINANCING SOURCES (USES)						
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		
Net change in fund balances	-	-	(15,527)	190,440		
Fund balances - beginning	-	(1)	-	2,032,010		
Fund balances - ending	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ (15,527)</u>	<u>\$ 2,222,450</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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Donations	\$ 500	\$ 500	\$ 33	\$ (467)
Investment income	60	60	84	24
Total revenues	<u>560</u>	<u>560</u>	<u>117</u>	<u>(443)</u>
EXPENDITURES				
Current:				
Capital outlay:				
Capital outlay - vehicles	10,000	18,000	18,000	-
Total expenditures	<u>10,000</u>	<u>18,000</u>	<u>18,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(9,440)	(17,440)	(17,883)	(443)
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(9,440)	(17,440)	(17,883)	(443)
Fund balances - beginning	<u>50,915</u>	<u>50,915</u>	<u>50,915</u>	<u>-</u>
Fund balances - ending	<u>\$ 41,475</u>	<u>\$ 33,475</u>	<u>\$ 33,032</u>	<u>\$ (443)</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
Community Development Block Grant (CDBG) Fund
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Grant income	\$ 608,702	\$ 608,702	\$ 315,472	\$ (293,230)
Program income	500	500	6,719	6,219
Total revenues	<u>609,202</u>	<u>609,202</u>	<u>322,191</u>	<u>(287,011)</u>
EXPENDITURES				
Current:				
Public Works	282,061	282,061	268,001	14,060
Capital outlay:				
Capital outlay - other	333,712	333,712	56,018	277,694
Total expenditures	<u>615,773</u>	<u>615,773</u>	<u>324,019</u>	<u>291,754</u>
Excess (deficiency) of revenues over expenditures	(6,571)	(6,571)	(1,828)	4,743
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(6,571)	(6,571)	(1,828)	4,743
Fund balances - beginning	43,187	43,187	43,187	-
Fund balances - ending	<u>\$ 36,616</u>	<u>\$ 36,616</u>	<u>\$ 41,359</u>	<u>\$ 4,743</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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Donations	\$ 20,000	\$ 20,000	\$ 28,000	\$ 8,000
Investment income	100	100	183	83
Total revenues	<u>20,100</u>	<u>20,100</u>	<u>28,183</u>	<u>8,083</u>
EXPENDITURES				
Current:				
Public Safety	45,000	45,000	7,624	37,376
Total expenditures	<u>45,000</u>	<u>45,000</u>	<u>7,624</u>	<u>37,376</u>
Excess (deficiency) of revenues over expenditures	(24,900)	(24,900)	20,559	45,459
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(24,900)	(24,900)	20,559	45,459
Fund balances - beginning	<u>79,259</u>	<u>79,259</u>	<u>79,259</u>	<u>-</u>
Fund balances - ending	<u>\$ 54,359</u>	<u>\$ 54,359</u>	<u>\$ 99,818</u>	<u>\$ 45,459</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
Economic Development Fund
For the Year Ended September 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Investment income	\$ -	\$ -	\$ 5	\$ 5
Total revenues	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>
EXPENDITURES				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	5	5
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	5	5
Fund balances - beginning	<u>2,304</u>	<u>2,304</u>	<u>2,304</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,304</u>	<u>\$ 2,304</u>	<u>\$ 2,309</u>	<u>\$ 5</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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Donations	\$ 3,000	\$ 3,000	\$ 4,050	\$ 1,050
Investment income	32	32	56	24
Total revenues	<u>3,032</u>	<u>3,032</u>	<u>4,106</u>	<u>1,074</u>
EXPENDITURES				
Current:				
Public Safety	14,000	14,000	2,859	11,141
Total expenditures	<u>14,000</u>	<u>14,000</u>	<u>2,859</u>	<u>11,141</u>
Excess (deficiency) of revenues over expenditures	(10,968)	(10,968)	1,247	12,215
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(10,968)	(10,968)	1,247	12,215
Fund balances - beginning	<u>25,222</u>	<u>25,222</u>	<u>25,222</u>	<u>-</u>
Fund balances - ending	<u>\$ 14,254</u>	<u>\$ 14,254</u>	<u>\$ 26,469</u>	<u>\$ 12,215</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, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Grant income	\$ -	\$ 12,694	\$ 12,600	\$ (94)
Total revenues	<u>-</u>	<u>12,694</u>	<u>12,600</u>	<u>(94)</u>
EXPENDITURES				
Current:				
Public Safety	<u>-</u>	<u>12,694</u>	<u>12,600</u>	<u>94</u>
Total expenditures	<u>-</u>	<u>12,694</u>	<u>12,600</u>	<u>94</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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
Home Program Fund
For the Year Ended September 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Program income	\$ 5,300	\$ 5,300	\$ -	\$ (5,300)
Total revenues	<u>5,300</u>	<u>5,300</u>	<u>-</u>	<u>(5,300)</u>
EXPENDITURES				
Current:				
Public Works	5,300	5,300	-	5,300
Total expenditures	<u>5,300</u>	<u>5,300</u>	<u>-</u>	<u>5,300</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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
Law Enforcement Seizure Fund
For the Year Ended September 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Investment income	\$ 660	\$ 660	\$ 750	\$ 90
Forfeitures	-	-	13,093	13,093
Total revenues	<u>660</u>	<u>660</u>	<u>13,843</u>	<u>13,183</u>
EXPENDITURES				
Current:				
Public Safety	117,000	70,347	40,985	29,362
Capital outlay:				
Capital outlay - buildings	10,000	10,000	-	10,000
Capital outlay - machinery and equipment	-	18,453	18,452	1
Capital outlay - vehicles	49,600	47,900	47,900	1,700
Total expenditures	<u>127,000</u>	<u>148,400</u>	<u>107,337</u>	<u>41,063</u>
Excess (deficiency) of revenues over expenditures	(126,340)	(147,740)	(93,494)	54,246
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(126,340)	(147,740)	(93,494)	54,246
Fund balances - beginning	<u>443,564</u>	<u>443,564</u>	<u>443,564</u>	<u>-</u>
Fund balances - ending	<u>\$ 317,224</u>	<u>\$ 295,824</u>	<u>\$ 350,070</u>	<u>\$ 54,246</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
Library Donation Fund
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Donations	\$ 4,000	\$ 4,000	\$ 6,412	\$ 2,412
Grant income	-	-	938	938
Investment income	120	120	160	40
Program income	1,200	1,200	1,027	(173)
Total revenues	<u>5,320</u>	<u>5,320</u>	<u>8,537</u>	<u>3,217</u>
EXPENDITURES				
Current:				
Culture - Recreation	7,300	36,300	25,472	10,828
Capital outlay:				
Capital outlay - Books	5,000	5,500	5,122	378
Total expenditures	<u>12,300</u>	<u>41,800</u>	<u>30,594</u>	<u>11,206</u>
Excess (deficiency) of revenues over expenditures	(6,980)	(36,480)	(22,057)	14,423
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(6,980)	(36,480)	(22,057)	14,423
Fund balances - beginning	<u>90,248</u>	<u>90,248</u>	<u>90,248</u>	<u>-</u>
Fund balances - ending	<u>\$ 83,268</u>	<u>\$ 53,768</u>	<u>\$ 68,191</u>	<u>\$ 14,423</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
Municipal Court Technology Fund
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Investment income	\$ 100	\$ 100	\$ 144	\$ 44
Program income	9,500	9,500	9,056	(444)
Total revenues	<u>9,600</u>	<u>9,600</u>	<u>9,200</u>	<u>(400)</u>
EXPENDITURES				
Current:				
Public Safety	18,000	18,000	6,180	11,820
Total expenditures	<u>18,000</u>	<u>18,000</u>	<u>6,180</u>	<u>11,820</u>
Excess (deficiency) of revenues over expenditures	(8,400)	(8,400)	3,020	11,420
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(8,400)	(8,400)	3,020	11,420
Fund balances - beginning	<u>70,219</u>	<u>70,219</u>	<u>70,219</u>	<u>-</u>
Fund balances - ending	<u>\$ 61,819</u>	<u>\$ 61,819</u>	<u>\$ 73,239</u>	<u>\$ 11,420</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
Nelda C and HJ Lutcher Stark Foundation Grant Fund
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Grant income	\$ -	\$ 5,000	\$ 5,000	\$ -
Investment income	17	17	24	7
Total revenues	<u>17</u>	<u>5,017</u>	<u>5,024</u>	<u>7</u>
EXPENDITURES				
Current:				
Public Safety	1,881	6,881	5,086	1,795
Total expenditures	<u>1,881</u>	<u>6,881</u>	<u>5,086</u>	<u>1,795</u>
Excess (deficiency) of revenues over expenditures	(1,864)	(1,864)	(62)	1,802
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,864)	(1,864)	(62)	1,802
Fund balances - beginning	10,090	10,090	10,090	-
Fund balances - ending	<u>\$ 8,226</u>	<u>\$ 8,226</u>	<u>\$ 10,028</u>	<u>\$ 1,802</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
Orange Development Fund
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 630,000	\$ 630,000	\$ 774,209	\$ 144,209
Donations	4,000	4,000	3,260	(740)
Investment income	2,000	2,000	2,849	849
Total revenues	<u>636,000</u>	<u>636,000</u>	<u>780,318</u>	<u>144,318</u>
EXPENDITURES				
Current:				
Culture - Recreation	588,624	588,624	463,941	124,683
Total expenditures	<u>588,624</u>	<u>588,624</u>	<u>463,941</u>	<u>124,683</u>
Excess (deficiency) of revenues over expenditures	47,376	47,376	316,377	269,001
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	47,376	47,376	316,377	269,001
Fund balances - beginning	<u>1,166,642</u>	<u>1,166,642</u>	<u>1,166,642</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,214,018</u>	<u>\$ 1,214,018</u>	<u>\$ 1,483,019</u>	<u>\$ 269,001</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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Donations	\$ 500	\$ 500	\$ -	\$ (500)
Investment income	15	15	21	6
Total revenues	<u>515</u>	<u>515</u>	<u>21</u>	<u>(494)</u>
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	515	515	21	(494)
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	515	515	21	(494)
Fund balances - beginning	9,974	9,974	9,974	-
Fund balances - ending	<u>\$ 10,489</u>	<u>\$ 10,489</u>	<u>\$ 9,995</u>	<u>\$ (494)</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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Investment income	\$ 40	\$ 40	\$ 62	\$ 22
Total revenues	<u>40</u>	<u>40</u>	<u>62</u>	<u>22</u>
EXPENDITURES				
Current:				
Public Safety	5,000	5,000	-	5,000
Total expenditures	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Excess (deficiency) of revenues over expenditures	(4,960)	(4,960)	62	5,022
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(4,960)	(4,960)	62	5,022
Fund balances - beginning	30,255	30,255	30,255	-
Fund balances - ending	<u>\$ 25,295</u>	<u>\$ 25,295</u>	<u>\$ 30,317</u>	<u>\$ 5,022</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
Texas Department of Transportation (TXDOT) Grant Fund
For the Year Ended September 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
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	229	229	229	-
Fund balances - ending	<u>\$ 229</u>	<u>\$ 229</u>	<u>\$ 229</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
Texas Department of Forest Services (TIFMAS) Grant Fund
For the Year Ended September 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Grant income	\$ 3,280	\$ 3,570	\$ 3,570	\$ -
Total revenues	<u>3,280</u>	<u>3,570</u>	<u>3,570</u>	<u>-</u>
EXPENDITURES				
Current:				
Public Safety	3,280	3,570	3,570	-
Total expenditures	<u>3,280</u>	<u>3,570</u>	<u>3,570</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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
Texas Department of Public Safety, Emergency Management Grant Fund
For the Year Ended September 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Grant income	\$ 31,093	\$ 31,093	\$ 28,698	\$ (2,395)
Total revenues	<u>31,093</u>	<u>31,093</u>	<u>28,698</u>	<u>(2,395)</u>
EXPENDITURES				
Current:				
Public Safety	24,971	24,971	28,698	(3,727)
Total expenditures	<u>24,971</u>	<u>24,971</u>	<u>28,698</u>	<u>(3,727)</u>
Excess (deficiency) of revenues over expenditures	6,122	6,122	-	(6,122)
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	6,122	6,122	-	(6,122)
Fund balances - beginning	(1)	(1)	(1)	-
Fund balances - ending	<u>\$ 6,121</u>	<u>\$ 6,121</u>	<u>\$ (1)</u>	<u>\$ (6,122)</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
Texas General Land Office (GLO) Grant Fund
For the Year Ended September 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Grant income	\$ 3,075,764	\$ 3,075,764	\$ 299,498	\$ (2,776,266)
Total revenues	<u>3,075,764</u>	<u>3,075,764</u>	<u>299,498</u>	<u>(2,776,266)</u>
EXPENDITURES				
Current:				
Public Works	80,792	80,792	4,486	76,306
Capital outlay:				
Capital outlay - storm sewer construction	2,995,001	2,995,001	310,539	2,684,462
Total expenditures	<u>3,075,793</u>	<u>3,075,793</u>	<u>315,025</u>	<u>2,760,768</u>
Excess (deficiency) of revenues over expenditures	(29)	(29)	(15,527)	(15,498)
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(29)	(29)	(15,527)	(15,498)
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ (29)</u>	<u>\$ (29)</u>	<u>\$ (15,527)</u>	<u>\$ (15,498)</u>

Totals may not foot due to rounding differences.



Internal Service Funds

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

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

City of Orange, Texas
Combining Statement of Net Position
Nonmajor Internal Service Fund
September 30, 2018

	Workers' Compensation Insurance Fund
ASSETS	
Cash and cash equivalents	\$ 895,814
Due from others	10,025
Cash with fiscal agent	15,000
Receivables (net of allowance for uncollectibles)	422
Total assets	<u>921,261</u>
LIABILITIES	
Accounts payable	35,568
Total liabilities	<u>35,568</u>
NET POSITION	
Unrestricted	885,694
Total net position	<u><u>885,694</u></u>

Totals may not foot due to rounding differences.

City of Orange, Texas
Statement of Revenues, Expenditures, and Changes in Net Position
Internal Service Fund
For the Year Ended September 30, 2018

	Workers' Compensation Insurance Fund
OPERATING REVENUES	
Other services	\$ 260,969
Total operating revenues	<u>260,969</u>
OPERATING EXPENSES	
Administrative expense	7,720
Premiums	<u>36,736</u>
Total operating expenses	<u>44,456</u>
Operating income (loss)	<u>216,513</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	<u>1,676</u>
Total nonoperating revenues (expenses)	<u>1,676</u>
Change in net position	218,189
Total net position - beginning	<u>667,505</u>
Total net position - ending	<u>\$ 885,694</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, 2018

	Workers' Compensation Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 260,713
Payments to suppliers	(167,965)
Net cash provided (used) by operating activities	<u>92,748</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	1,676
Net cash provided (used) by investing activities	<u>1,676</u>
Net increase (decrease) in cash and cash equivalents	94,424
Balances - beginning of year	<u>801,390</u>
Balances - end of the year	<u>\$ 895,814</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating Income	\$ 216,514
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(256)
Increase (decrease) in accounts payable	(123,509)
Total adjustments	<u>(123,765)</u>
Net cash provided (used) by operating activities	<u>\$ 92,749</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
Statement of Fiduciary Net Position
Agency Funds
September 30, 2018

	Municipal Court Escrow Fund	Employee Flex Plan Fund	Orange Employee Benefit Trust Fund	Total Agency Funds
ASSETS				
Cash and cash equivalents	\$ 6,502	\$ 8,939	\$ 296,046	\$ 311,487
Due from other funds	-	-	777	777
Receivable (net of allowance for uncollectibles)	-	-	23	23
Total assets	6,502	8,939	296,846	312,287
LIABILITIES				
Accounts payable	-	-	13,135	13,135
Other liabilities	6,502	8,939	283,711	299,152
Total liabilities	6,502	8,939	296,846	312,287

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, 2018

	Municipal		Municipal
	Court Escrow		Court Escrow
	Agency Fund		Agency Fund
	10/1/2017	Additions	Deletions
	9/30/2018		
Cash and cash equivalents	\$ 3,904	\$ 10,755	\$ 8,157
Total assets	<u>3,904</u>	<u>10,755</u>	<u>8,157</u>
Other Liabilities - held in trust for municipal court bonds	3,904	12,921	10,323
Total liabilities	<u>3,904</u>	<u>12,921</u>	<u>10,323</u>
	\$ 3,904	\$ 12,921	\$ 6,502
	Employee Flex		Employee
	Plan Agency		Flex Plan
	Fund		Agency Fund
	10/1/2017	Additions	Deletions
	9/30/2018		
Cash and cash equivalents	\$ 8,055	\$ 20,078	\$ 19,194
Total assets	<u>8,055</u>	<u>20,078</u>	<u>19,194</u>
Other Liabilities - held in trust for flexible spending accounts	8,055	19,075	18,191
Total liabilities	<u>8,055</u>	<u>\$ 19,075</u>	<u>\$ 18,191</u>
	\$ 8,055	\$ 19,075	\$ 8,939
	Orange		Orange
	Employee		Employee
	Benefit Trust		Benefit Trust
	Fund		Fund
	10/1/2017	Additions	Deletions
	9/30/2018		
Cash and cash equivalents	\$ 22,667	\$ 3,459,108	\$ 3,185,729
Receivable (net of allowance for uncollectibles)	\$ -	\$ 23	\$ -
Due to other funds	777	-	777
Prepays	258,185	-	258,185
Total assets	<u>281,629</u>	<u>3,459,131</u>	<u>3,443,914</u>
Accounts payable	21,376	3,158,413	3,166,654
Other Liabilities - held in trust for employee insurance costs	260,253	3,440,056	3,416,598
Total liabilities	<u>\$ 281,629</u>	<u>\$ 6,598,469</u>	<u>\$ 6,583,252</u>
	\$ 281,629	\$ 6,598,469	\$ 296,846
	Total		Total
	Fiduciary		Fiduciary
	Funds		Funds
	10/1/2017	Additions	Deletions
	9/30/2018		
Cash and cash equivalents	\$ 34,626	\$ 3,489,941	\$ 3,213,080
Receivable (net of allowance for uncollectibles)	\$ -	\$ 23	\$ -
Due from other funds	777	-	777
Prepays	258,185	-	258,185
Total assets	<u>293,588</u>	<u>3,489,964</u>	<u>3,471,265</u>
Accounts payable	21,376	3,158,413	3,166,654
Other liabilities - held in trust for municipal court bonds	3,904	12,921	10,323
Other liabilities - held in trust for flexible spending accounts	8,055	19,075	18,191
Other liabilities - held in trust for employee insurance costs	260,253	3,440,056	3,416,598
Total liabilities	<u>\$ 293,588</u>	<u>\$ 6,630,465</u>	<u>\$ 6,611,766</u>
	\$ 293,588	\$ 6,630,465	\$ 312,287

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.	160
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	166
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.	170
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.	175
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.	177

Table 1

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

	2009	2010 (a)	2011	2012	2013 (b)	2014 (c)	2015 (c)	2016	2017	2018 (d)
Government activities										
Net investment in capital assets	\$8,524,217	\$8,955,990	\$11,874,957	\$18,716,218	\$19,963,533	\$23,215,863	\$23,174,811	\$23,352,038	\$24,957,665	\$24,556,626
Restricted	57,354	71,058	65,900	14,862	155,728	76,887	91,495	90,042	81,826	2,529,941
Unrestricted	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)	(4,622,234)
Total government activities net position	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	22,464,333
Business-type activities										
Net investment in capital assets	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	37,654,963
Restricted	1,749,284	1,443,873	1,428,684	1,434,849	1,488,660	1,457,546	777,587	66,923	135,868	138,102
Unrestricted	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	5,144,027
Total business-type activities net position	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	42,937,092
Primary government										
Net investment in capital assets	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	62,211,589
Restricted	1,806,638	1,514,931	1,494,584	1,449,711	1,644,388	1,534,433	869,082	156,965	217,694	2,668,043
Unrestricted	10,382,850	9,269,986	8,882,764	8,623,322	9,616,870	(2,960,639)	349,784	757,706	(950,410)	521,793
Total primary government net position	\$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	\$65,401,425

- (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 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).
- (d) In fiscal year 2018, the restricted portion of net position in the government wide statement of net position was adjusted to include the restricted amounts of the non major funds.

Table 2

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

	2009	2010 (b), (c)	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities										
General government	\$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	\$2,677,375
Cultural and recreation	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	1,735,516
Public safety	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	11,956,509
Public works	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	3,893,417
Interest on long-term debt	556,581	493,648	460,991	426,512	299,216	281,198	199,043	190,032	179,684	178,291
Total governmental activities	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	20,441,108
Business-type activities										
Sanitation	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	5,199,862
Water and Sewer	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	6,820,644
Total business-type activities	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	12,020,506
Total primary government	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	32,461,614
Program Revenues										
Governmental activities										
Charges for services										
General government	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	1,357,437
Cultural and recreation	36,527	27,011	36,020	22,777	23,817	22,961	50,620	59,249	61,636	47,749
Public safety	259,217	270,964	199,371	319,280	341,031	183,055	406,569	349,818	296,656	284,804
Public works	225,303	98,552	102,228	54,690	49,164	125,919	114,950	79,100	70,292	71,078
Operating grants and contributions										
General government	164,470	83,547	88,459	112,093	106,590	137,756	97,436	116,460	236,439	177,140
Cultural and recreation	16,991	16,752	18,763	3,019	6,160	46,708	15,290	1,443	3,605	1,966
Public safety	753,682	395,027	247,351	262,965	254,898	84,408	80,673	147,791	428,674	64,417
Public works	1,416,415	1,412,616	1,007,070	1,032,602	353,633	268,082	248,688	572,738	284,487	587,615
Capital grants and contributions										
General government	89,964	0	0	34,959	473	0	0	0	0	0
Cultural and recreation	213,396	8,185	126,979	3,187	1,704	1,637	1,074	59,817	134,922	62,431
Public safety	1,339,349	663,321	2,316,708	6,155,476	138,848	32,386	330,162	10,000	0	5,000
Public works	813,231	222,996	1,289,006	611,356	1,775,080	4,190,783	1,034,726	100,000	0	0
revenues	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	2,659,637

(Continued)

Table 2 (Continued)

	<u>2009</u>	<u>2010 (b), (c)</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Business-type activities										
Charges for services										
Sanitation	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	1,852,297
Water and Sewer	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	8,199,174
Operating grants and contributions										
Sanitation	164,116	150,089	0	0	0	0	0	0	53,428	3,535,986
Water and Sewer	232,014	21,920	0	0	0	0	0	0	0	28,813
Capital grants and contributions										
Sanitation	0	39,505	0	0	0	0	0	0	0	0
Water and Sewer	2,279,357	339,014	84,246	72,611	772,900	821,987	37,715	256,155	134,708	573,284
Total business-type activities program revenues	16,446,706	15,649,699	16,097,372	14,196,056	17,968,997	17,258,226	17,367,878	17,835,185	10,258,515	14,189,554
Total primary government program revenues	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	16,849,191
Net (expense)/revenue										
Governmental activities	(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)	(17,781,471)
Business-type activities	2,305,489	623,075	229,990	900,653	1,425,913	1,297,343	8,866,433	9,361,919	878,878	2,169,048
Total primary government net expense	(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)	(15,612,423)
General Revenues and Other Changes in Net Position										
Governmental Activities										
Property taxes	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	7,853,374
Sales taxes	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	3,618,034
Other taxes	598,063	497,900	474,895	553,828	603,799	622,747	694,827	688,170	696,977	807,577
Franchise taxes	334,756	329,673	342,136	306,524	282,092	298,172	307,093	281,390	287,290	291,156
Payment in-lieu of taxes	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	6,882,340
Licenses and permits	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)
Unrestricted investment earnings	143,409	26,853	20,396	22,267	20,490	13,885	21,843	23,835	17,427	28,541
Gain (loss) on sale of assets	0	0	0	0	0	0	0	0	(80)	70,431
Transfers	(6,820,071)	(682,404)	(611,194)	(26,186)	0	0	0	0	0	(27,155)
Insurance	0	0	0	0	0	0	0	0	0	457,367
Miscellaneous	0	0	0	0	0	0	0	0	102,181	120,000
Total governmental activities	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	20,101,665
Business-type activities										
Unrestricted investment earnings	50,334	6,602	7,686	18,516	9,141	10,015	7,866	10,972	13,288	12,337
Gain (loss) on sale of assets	0	0	0	0	0	0	0	0	8,016	29,005
Transfers	6,820,071	682,404	611,194	26,186	0	0	0	0	0	27,155
Miscellaneous	0	0	0	0	0	0	0	0	82,002	95,864
Total business-type activities	6,870,405	689,006	618,880	44,702	9,141	10,015	7,866	10,972	103,306	164,361
Total primary government	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	20,266,026
Change in Net Position										
Governmental activities	(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)	2,320,194
Business-type activities	9,175,894	1,312,081	848,870	945,355	1,435,054	1,307,358	8,874,299	9,372,891	982,184	2,333,409
Total primary government	\$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)	\$4,653,603

(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 Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Other Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
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
2018	\$7,853,374	\$3,618,034	\$807,577	\$291,156	\$12,570,141

Table 4

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

	<u>2009-2010 (a)</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General fund									
Nonspendable:									
Inventory	\$0	\$66,951	\$124,361	\$101,349	\$103,939	\$89,271	\$85,495	\$80,387	\$85,568
Prepays	0	0	120,742	131,434	140,293 (b)	147,243	156,840	201,177	221,037
Assigned to:									
Capital outlay	0	369,593	0	0	0	0	0	0	0
Hurricane recovery	0	249,752	0	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	7,666,234	9,715,030
Total general fund	<u>\$0</u>	<u>\$5,026,937</u>	<u>\$4,294,380</u>	<u>\$5,210,053</u>	<u>\$5,775,635</u>	<u>\$7,192,928</u>	<u>\$8,272,029</u>	<u>\$7,947,798</u>	<u>\$10,021,635</u>
Debt service									
Restricted for:									
Debt service	\$0	\$114,024	\$76,094	\$155,728	\$114,126	\$115,384	\$114,104	\$103,568	104,722
Total debt service	<u>\$0</u>	<u>\$114,024</u>	<u>\$76,094</u>	<u>\$155,728</u>	<u>\$114,126</u>	<u>\$115,384</u>	<u>\$114,104</u>	<u>\$103,568</u>	<u>104,722</u>
Capital projects									
Assigned to:									
Capital projects	\$0	\$98,789	\$93,908	\$62,599	\$32,130	\$620,017	\$163,239	\$161,021	\$161,352
Total capital projects	<u>\$0</u>	<u>\$98,789</u>	<u>\$93,908</u>	<u>\$62,599</u>	<u>\$32,130</u>	<u>\$620,017</u>	<u>\$163,239</u>	<u>\$161,021</u>	<u>\$161,352</u>
Other governmental funds									
Special revenue funds									
Nonspendable:									
Prepays	\$0	\$0	\$0	\$4,014	\$609 (b)	\$8,087	\$3,131	\$3,920	5,706
Restricted for:									
Cultural and recreation	0	114,391	115,275	115,583	104,655 (b)	114,953	103,272	100,222	78,186
Hurricane recovery	0	246,134	0	0	0	0	0	0	0
Public safety	0	877,088	867,861	903,373	827,899 (b)	787,368	758,132	709,523	622,973
Public works	0	53,137	46,509	53,120	69,615 (b)	64,796	61,386	51,146	35,566
Tourism and promotion	0	835,280	1,036,102	976,036	1,082,085 (b)	1,297,103	1,472,484	1,164,896	1,477,710
Assigned to:									
Economic development	0	2,268	2,280	2,285	2,292	2,297	2,301	2,304	2,309
Total all other governmental funds	<u>\$0</u>	<u>\$2,128,298</u>	<u>\$2,068,027</u>	<u>\$2,054,411</u>	<u>\$2,087,155</u>	<u>\$2,274,604</u>	<u>\$2,400,706</u>	<u>\$2,032,011</u>	<u>\$2,222,450</u>

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

(b) Prior to fiscal year 2014 prepays 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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$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	\$12,332,972
Payments in lieu of taxes	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	6,882,340
Franchises	985,522	1,302,854	1,289,831	1,243,862	1,190,589	1,199,098	1,205,744	1,186,241	287,290	291,156
Licenses and permits	531,419	417,235	387,541	375,209	321,067	372,001	416,556	356,816	262,785	273,925
Intergovernmental	1,908,101	1,448,148	833,590	1,226,800	498,561	340,410	98,843	239,484	522,907	54,517
Charges for services	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	3,263,651
Donations	183,515	61,207	45,375	67,498	31,042	33,043	30,581	34,092	39,601	41,755
Grant income	400,000	822,476	3,387,878	6,776,309	2,086,515	4,289,863	1,328,923	713,323	631,866	665,777
Investment income	143,408	26,855	20,396	22,267	20,490	13,885	21,843	23,835	16,486	26,865
Program income	39,061	50,087	79,576	23,449	17,766	27,783	31,833	14,448	28,462	16,802
Forfeitures	429,966	275,257	57,701	56,774	67,229	32,386	6,750	12,768	0	13,093
Miscellaneous	41,124	21,571	53,350	77,191	206,859	112,644	505,056	217,847	210,130	247,022
Total revenues	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	24,109,875
Expenditures										
General government	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	1,555,917
Cultural and recreation	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	1,661,719
Public safety	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	10,158,254
Public works	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	3,464,663
Non departmental Hurricane	785,822	54,093	173,125	312,925	0	0	0	0	0	0
Non departmental	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	3,421,372
Debt Service										
Principal	555,000	830,000	865,000	895,000	670,000	755,000	800,000	845,000	840,000	952,899
Interest and fiscal charges	534,562	458,003	425,565	391,278	289,028	253,638	190,326	146,030	137,083	135,938
Capital Outlay	8,674,015	1,418,833	3,979,351	7,472,353	2,711,531	5,281,322	1,529,310	1,558,920	3,147,657	1,313,919
Total expenditures	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	22,664,681
Excess of revenues over (under) expenditures	(6,159,699)	(838,524)	(1,248,646)	(925,970)	999,909	251,270	2,186,187	670,699	(1,273,793)	1,445,194
Other financing sources (uses)										
Transfers in	0	0	0	0	0	0	257,500	0	0	0
Transfers out	(579,846)	(379,846)	0	0	0	0	(257,500)	0	0	0
Insurance proceeds	2,007,303	76,214	690,216	29,868	0	0	0	0	0	560,749
Sales of fixed asset	5,700	1,750	0	60,463	473	274,985	5,610	76,447	42,784	27,915
Refunding bonds issued	0	0	0	0	5,440,000	0	1,980,000	0	0	0
Discount on refunding bonds	0	0	0	0	(31,855)	0	0	0	0	0
Premium on tax notes issued	0	0	0	0	204,641	0	0	0	0	0
Payment to refunded bond escrow account	0	0	0	0	(5,662,786)	0	(1,977,910)	0	0	0
Grant proceeds	0	0	0	0	0	0	0	0	0	76,086
Net present value of minimum lease payments	0	0	0	0	0	0	0	0	382,762	155,817
Total other financing sources and uses	1,433,157	(301,882)	690,216	90,331	(49,527)	274,985	7,700	76,447	425,546	820,567
Net changes in fund balances	(4,726,542)	(1,140,406)	(558,430)	(835,639)	950,382	526,255	2,193,887	747,146	(848,247)	2,265,761
Debt service as a percentage of noncapital expenditures	6.09%	6.78%	6.64%	6.86%	5.43%	5.55%	5.37%	5.14%	4.51%	5.10%
Capital outlay figure from the Notes	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	1,313,919

Table 6

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

Fiscal Year	Tax Year	Real Property		Personal Property		Total Assessed Value (a) (b)	Total Direct Tax Rate	Est. True Value	Percentage of Total Assessed Value to True Value
		Assessed Value	Percent	Assessed Value	Percent				
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%
2018	2017	\$863,394,360	79.09%	\$228,286,425	20.91%	\$1,091,680,785	\$0.71774	\$1,091,680,785	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 School District	Little Cypress Mauriceville School District	Orangefield School District	West Orange Cove School District	Orange County				Total (a)	Total (b)	Total (c)	Total (d)
	General Fund	Debt Service	Total Tax Rate					County + (Lateral Road)	Drainage District	Port and Navigation District					
2009	\$0.58245	\$0.16255	\$0.74500	\$1.21000	\$1.14823	\$1.17000	\$1.24858	\$0.51700	\$0.10080	\$0.00909	\$2.58189	\$2.52012	\$2.54189	\$2.62047	
2010	\$0.57087	\$0.17413	\$0.74500	\$1.29000	\$1.14667	\$1.17000	\$1.43204	\$0.57075	\$0.10770	\$0.00909	\$2.72254	\$2.57921	\$2.60254	\$2.86458	
2011	\$0.57930	\$0.16570	\$0.74500	\$1.19000	\$1.15721	\$1.17000	\$1.35270	\$0.53559	\$0.09869	\$0.00832	\$2.57760	\$2.54481	\$2.55760	\$2.74030	
2012	\$0.58278	\$0.16222	\$0.74500	\$1.19000	\$1.15567	\$1.17000	\$1.28600	\$0.52990	\$0.10195	\$0.00821	\$2.57506	\$2.54073	\$2.55506	\$2.67106	
2013	\$0.56708	\$0.13292	\$0.70000	\$1.19000	\$1.58350	\$1.17000	\$1.45660	\$0.52990	\$0.10726	\$0.00811	\$2.53527	\$2.92877	\$2.51527	\$2.80187	
2014	\$0.57408	\$0.11592	\$0.69000	\$1.19000	\$1.16521	\$1.17000	\$1.42774	\$0.54400	\$0.10726	\$0.00790	\$2.53916	\$2.51437	\$2.51916	\$2.77690	
2015	\$0.56813	\$0.11318	\$0.68131	\$1.19000	\$1.41000	\$1.17000	\$1.42774	\$0.54400	\$0.10726	\$0.00779	\$2.53036	\$2.75036	\$2.51036	\$2.76810	
2016	\$0.58412	\$0.11588	\$0.70000	\$1.19000	\$1.43000	\$1.30000	\$1.42500	\$0.54400	\$0.10726	\$0.00765	\$2.54891	\$2.78891	\$2.65891	\$2.78391	
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	
2018	\$0.62759	\$0.09015	\$0.71774	\$1.17000	\$1.43000	\$1.27997	\$1.42500	\$0.54200	\$0.11126	\$0.00730	\$2.54830	\$2.80830	\$2.65827	\$2.80330	

(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, 2018**

Name	FY 2018 (a)			FY 2009 (b)		
	Assessed Value	Percent of Total Assessed Value		Assessed Value	Percent of Total Assessed Value	
Inland-Orange	\$183,213,060	1	12.8736%			
Exxonmobil Chemical Co.	\$37,510,760	2	2.6357%	\$6,877,030	6	0.9749%
Conrad Orange Shipyard	\$26,837,420	3	1.8858%			
Westport Orange Shipyard, LLC	\$20,415,150	4	1.4345%			
Entergy Texas, Inc.	\$17,351,180	5	1.2192%	\$10,482,710	2	1.4860%
Honeywell (Allied)	\$15,049,730	6	1.0575%			
Baptist Hospital - Orange	\$11,666,204	7	0.8197%			
TRQ Oakwood Village, LP	\$6,468,050	8	0.4545%			
TX Majestic, Ltd.	\$6,252,964	9	0.4394%			
Orange Navy, LP	\$5,694,509	10	0.4001%			
Webco Industries, Inc.				\$13,365,810	1	1.8947%
Signal International Texas, LP				\$10,141,310	3	1.4376%
Orange Shipbuilding				\$9,919,532	4	1.4062%
Cloeren Company				\$7,113,910	5	1.0084%
Southwestern Bell Telephone Co.				\$6,378,236	7	0.9042%
Dal Sasso International				\$5,352,049	8	0.7587%
Home Depot USA, Inc.				\$5,335,442	9	0.7563%
Suntrust Equipment Finance & Leasing				\$5,223,248	10	0.7404%
	\$330,459,027		23.2200%	\$80,189,277		11.3673%

(a) Tax roll for Fiscal Year 2018, tax year 2017.

(b) Tax roll for Fiscal Year 2009, tax year 2008.

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			Total Collections to Date	
		Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2009	\$5,267,429	\$5,062,658	96.11%	\$168,064	\$5,230,722	99.30%
2010	\$5,546,307	\$5,365,446	96.74%	\$138,652	\$5,504,098	99.24%
2011	\$5,869,884	\$5,657,735	96.39%	\$147,563	\$5,805,298	98.90%
2012	\$5,982,293	\$5,622,255	93.98%	\$188,788	\$5,811,043	97.14%
2013	\$5,836,675	\$5,544,045	94.99%	\$211,923	\$5,755,968	98.62%
2014	\$5,886,222	\$5,669,884	96.32%	\$122,496	\$5,792,380	98.41%
2015	\$5,935,156	\$5,739,169	96.70%	\$95,866	\$5,835,035	98.31%
2016	\$6,090,440	\$5,828,534	95.70%	\$135,641	\$5,964,175	97.93%
2017	\$7,366,545	\$7,059,506	95.83%	\$159,234	\$7,218,740	97.99%
2018	\$7,700,442	\$7,489,506	97.26%	\$0	\$7,489,506	97.26%

(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 <u>Bonds & Notes</u>	Capital Leases	General Obligation <u>Bonds</u>	Certificates of Obligation	Revenue <u>Bonds</u>	Capital Leases				
2009	\$11,715,000	\$0	\$9,255,000	\$0	\$4,925,000	\$6,516	\$20,976,516	n/a	\$1,125.17	
2010	\$10,885,000	\$0	\$8,095,000	\$0	\$4,745,000	\$129,765	\$19,109,765	n/a	\$1,027.68	
2011	\$10,020,000	\$0	\$6,790,000	\$0	\$4,560,000	\$80,449	\$16,890,449	n/a	\$908.33	
2012	\$9,125,000	\$0	\$5,500,000	\$0	\$4,370,000	\$29,981	\$14,654,981	n/a	\$788.11	
2013	\$8,740,000	\$0	\$4,180,000	\$0	\$4,170,000	\$0	\$12,920,000	n/a	\$694.81	
2014	\$7,985,000	\$0	\$6,700,000	\$0	\$215,000	\$0	\$14,685,000	n/a	\$789.73	
2015	\$7,290,000	\$0	\$5,275,000	\$4,845,000	\$0	\$0	\$17,410,000	n/a	\$936.27	
2016	\$6,445,000	\$0	\$3,590,000	\$4,645,000	\$0	\$0	\$14,680,000	n/a	\$789.46	
2017	\$5,605,000	\$382,761	\$3,330,000	\$9,290,000	\$0	\$99,410	\$18,707,171	n/a	\$1,006.03	
2018	\$4,750,000	\$441,710	\$3,060,000	\$8,890,000	\$0	\$240,140	\$17,381,850	n/a	\$934.76	

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 <u>Year</u>	General Obligation Debt		Less: Amounts Available in Debt Service		Percentage of Estimated Actual Taxable Value of Property (a)	Per Capita (b)
	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	Fund	Total		
2009	\$11,715,000	\$9,255,000	\$1,806,638	\$19,163,362	2.72%	\$1,027.91
2010	\$10,885,000	\$8,095,000	\$1,514,931	\$17,465,069	2.35%	\$939.23
2011	\$10,020,000	\$6,790,000	\$1,494,584	\$15,315,416	1.93%	\$823.63
2012	\$9,125,000	\$5,500,000	\$1,449,711	\$13,175,289	1.63%	\$708.54
2013	\$8,740,000	\$4,180,000	\$1,644,388	\$11,275,612	1.39%	\$606.38
2014	\$7,985,000	\$6,700,000	\$1,534,433	\$13,150,567	1.49%	\$707.21
2015	\$7,290,000	\$10,120,000	\$869,082	\$16,540,918	1.84%	\$889.54
2016	\$6,445,000	\$8,235,000	\$156,965	\$14,523,035	1.66%	\$781.02
2017	\$5,605,000	\$12,620,000	\$217,694	\$18,007,306	1.72%	\$968.40
2018	\$4,750,000	\$11,950,000	\$471,281	\$16,228,719	1.49%	\$872.75

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	\$5,190,680 (a)	100.00%	\$5,190,680
Bridge City ISD	\$14,400,000 (b)	2.52% (c)	\$362,880
Little Cypress Mauriceville ISD	\$77,650,000 (b)	44.57% (c)	\$34,608,605
Orange County	\$4,885,000 (b)	18.19% (c)	\$888,582
Orangetield ISD	\$11,950,000 (b)	5.59% (c)	\$668,005
West Orange Cove CISD	\$48,068,689 (b)	28.25% (c)	\$13,579,405
Subtotal Overlapping Debt	<u>\$156,953,689</u>		<u>\$50,107,476</u>
Total Direct and Overlapping Debt	<u>\$162,144,369</u>		<u>\$55,298,156</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 2018.

Table 13

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	\$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	\$142,305,557
Total net debt applicable to limit	\$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	\$4,750,000
Legal debt margin	\$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	\$137,555,557
Total net debt applicable to the limit as a percentage of debt limit	14.59%	12.82%	10.96%	9.67%	9.14%	7.71%	6.94%	6.17%	4.41%	3.45%

**Legal Debt Margin Calculation
For Fiscal Year 2016**

Total assessed value (a)	\$1,423,055,574
Debt limit 10% of assessed value (b)	\$142,305,557
Amount of debt applicable to debt margin:	
Total bonded debt	\$16,700,000
Less:	
Assets available in governmental debt service fund balance	\$0
Self supported bonds and certificates (c)	\$11,950,000
Total amount of debt applicable to	<u>\$4,750,000</u>
Legal debt limit	\$137,555,557

(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 \$3,060,000; the 2015 Tax and Revenue Certificates of Obligation of \$4,260,000; and the 2016 Tax and Revenue Certificates of Obligation of \$4,630,000.
 (d) This includes the 2013 General Obligation Refunding Bonds of \$4,255,000, and the 2015 General Obligation Refunding Bonds of \$495,000.

Table 14

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

Fiscal Year	Water and Sewer			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	Bonds	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
	Charges and Other (a)	Operating Expenses (b)	Net Available Revenue	Principal	Interest	Coverage											
2009	5,962,767	4,523,215	1,439,552	170,000	208,846	3.80	1,115,000	435,406	--	--	--	--	--	--	--	--	
2010	6,703,436	4,689,281	2,014,155	180,000	202,046	5.27	1,160,000	389,181	--	--	--	--	--	--	--	--	
2011	7,149,432	4,898,200	2,251,232	185,000	193,640	5.95	1,047,978	123,075	130,000	147,645	--	--	--	--	--	--	
2012	7,338,732	4,889,715	2,449,017	190,000	186,207	6.51	--	--	1,290,000	160,318	--	--	--	--	--	--	
2013	7,720,675	4,972,511	2,748,164	200,000	179,846	7.23	--	--	1,320,000	135,125	--	--	--	--	--	--	
2014	7,325,005	5,273,728	2,051,277	205,000	93,207	6.88	--	--	1,355,000	96,714	25,000	38,510	--	--	--	--	
2015	7,757,844	5,047,447	2,710,397	215,000	7,698	12.17	--	--	1,395,000	57,952	30,000	119,287	0	19,389	--	--	
2016	7,856,260	5,096,554	2,759,706	--	--	--	--	--	1,430,000	14,455	255,000	84,484	200,000	116,969	--	--	
2017	7,871,369	5,331,641	2,539,728	--	--	--	--	--	--	260,000	96,502	190,000	10,893	205,000	103,015		
2018	8,211,418	4,983,293	3,228,125	--	--	--	--	--	--	270,000	91,270	195,000	135,314	205,000	118,409		

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

Fiscal Year	Population (a)	Personal Income (b)	Per Capita Personal Income (a) (b)	Median Age (a)	% Completing High School or Higher (a)	School Enrollment (a)	Unemployment Rate (c)
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%
2018	18,595	n/a	\$23,155 (a)	37.4	88.70%	n/a	5.9%

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**

Employer	2018 (a)			2009 (c)			
	Employees	Rank	Percentage of Total County Employment (b)	Employees	Rank	Percentage of Total City Employment (d)	
El Dupont de Nemours & Co.	920	1	2.42%	El Dupont de Nemours & Co.	866	1	2.23%
Invista	732	2	1.93%	Mundy Industrial Contractors, Inc.	600	2	1.55%
Little Cypress-Mauriceville ISD	584	3	1.54%	West Orange Cove Consolidated ISD	600	3	1.55%
Orange County	500	4	1.32%	Little Cypress-Mauriceville ISD	523	4	1.35%
West Orange Cove Consolidated ISD	450	5	1.18%	Temple Inland	500	5	1.29%
International Paper	412	6	1.08%	Invista	480	6	1.24%
Kellog - Brown & Root	420	7	1.11%	Orange County	411	7	1.06%
Lanxess, Inc.	390	8	1.03%	Memorial Hermann Baptist Orange	360	8	0.93%
Lamar State College - Orange	274	9	0.72%	Lanxess, Inc.	348	9	0.90%
Cloeren Company, Inc.	250	10	0.66%	Cloeren Company, Inc.	300	10	0.77%
Orangefied ISD	249	11	0.66%	Firestone Polymers	300	11	0.77%
Firestone Polymers	200	12	0.53%	Lamar State College - Orange	250	12	0.64%
Memorial Hermann Baptist Orange	194	13	0.51%	Orangefied ISD	219	13	0.56%
City of Orange	193	14	0.51%	City of Orange	198	14	0.51%
Signal International	180	15	0.47%	Signal International	180	15	0.46%
Chevron Phillips Chemical Co.	180	16	0.47%	Chevron Phillips Chemical Co.	168	16	0.43%
Printpack, Inc.	141	17	0.37%	Printpack, Inc.	162	17	0.42%
Texas Polymer Services, Inc.	130	18	0.34%	Texas Polymer Services, Inc.	130	18	0.34%
Orange Shipbuilding & Dry Dock, Inc.	120	19	0.32%	Beacon Maritime, Inc.	100	19	0.26%
Beacon Maritime, Inc.	100	20	0.26%	Orange Shipbuilding & Dry Dock, Inc.	100	20	0.26%
	<u>6,619</u>		<u>17.42%</u>		<u>6795</u>		<u>17.52%</u>

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

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

(c) 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

<u>Employer</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>	<u>2018</u>
City Manager	1	1	1	1	1	1	1	1	1	1
City Secretary	2	2	2	2	2	2	2	2	2	2
Municipal Court	2	2	2	2	2	2	2	2	2	2
Personnel	1	1	1	1	1	1	1	1	1	1
Finance	4	4	4	4	4	4	4	4	4	4
Animal Control	2	2	2	2	2	2	2	2	2	2
Library	6	6	6	6	5	5	5	5	5	5
Police	53.5	55	56	55	57	57.75	57.75	58	58	58
Fire	38.5	38	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	9	9	9	9	9
Orange Development	1	1	1	1	1	1	1	1	2	2
Community Development	2	2	2	2	2	2	2	1	1	1
Police Special Revenue	2	0	1	1	1	0.25	0.25	0.7	1	1
Fire Special Revenue	0	1	0	0	0	0	0	0	0	0
Sewer Operations	9	9	9	9	9	9	9	9	9	9
Water Operations	8.5	8	8	8	8	8	8	8	8	8
Wastewater Treatment Plant	7	8	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	2	2
Street Sweeping	1	1	1	1	1	1	1	1	1	1
Total	<u>191.5</u>	<u>192.0</u>	<u>193.0</u>	<u>192.0</u>	<u>193.0</u>	<u>194.0</u>	<u>194.0</u>	<u>194.0</u>	<u>195.0</u>	<u>195.0</u>

Source: City Annual Budget

Table 18

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

<u>Function</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>	<u>2018</u>
Police										
Physical arrests	1,430	1,764	1,521	1,583	1,577	1,239	1,252	1,252	1,088	1,223
Parking violations	25	30	32	83	14	12	14	10	11	25
Traffic violations	2,645	2,019	2,068	2,724	2,320	2,083	2,539	2,736	2,273	2,605
Fire										
Number of calls answered	2,753	2,725	2,803	2,822	2,819	3,168	3,196	3,487	3,603	3,485
Inspections	608	581	64	249	323	305	474	817	923	812
Street & Drainage										
Street resurfacing (miles)	3.0	0.0	1.2	2.0	8.0	1.5	2.1	2.0	0.0	1
Potholes repaired	4,400	5,060	5,550	6,000	5,800	6,000	11,900	10,085	14,000	24,849
Culture and recreation										
Recreation center (use fees)	362	390	360	685	385	250	40	20	30	0
Natatorium patrons (use fees)	14,181	7,651	4,291	7,158	8,779	8,833	0	10,639	5,404	0
Library patrons (use fees)	21,984	18,970	17,674	14,934	14,653	13,878	14,480	13,590	13,746	12,749
Water										
New connections	43	585	38	14	18	30	34	21	30	38
Water main breaks	1,039	970	863	743	530	766	632	462	420	482
Average daily consumption (thousands of gallons)	1,634	1,646	1,719	1,625	1,614	1,500	1,493	1,524	1,509	1,542
Wastewater										
Average daily sewage treatment (thousands of gallons)	2,847	2,770	1,940	2,308	2,427	2,423	2,522	3,422	3,694	3,266

Source: Various city departments

Table 19
City of Orange, Texas
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	57	57	57	57	57.75	57.75	58	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)	162	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	(a)	284	284	284	284
Parks	20	20	20	20	19	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	4	4	4
Recreation centers	1	0	0	0	0	0	0	0	0	0
Basketball Courts	0	0	0	0	0	0	0	2	2	2
Splash Pad	0	0	0	0	0	0	0	1	1	1
Water										
Water mains (miles)	156	156	156	156	156	156	156	163	170	170
Fire hydrants	726	726	726	726	726	726	726	726	726	726
Maximum daily capacity (thousand of gallons)	10,613	10,613	10,613	10,613	10,613	10,613	10,613	10,613	10,613	10,613
Service connections	6,921	6,999	7,041	7,046	6,934	6,991	6,991	7,216	6,835	6,867
Wastewater										
Sanitary sewers (miles)	149	149	149	149	149	149	149	155	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	6,632	6,763	6,808	6,789	6,690	6,750	6,750	7,000	6,611	6,621

(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>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>	<u>2018</u>
Water Consumption										
October	46,343	48,724	50,873	56,313	57,752	51,796	44,039	46,302	49,499	48,396
November	49,117	42,087	45,481	50,243	49,813	48,167	43,736	42,331	48,172	42,124
December	44,395	49,571	45,275	46,626	47,117	50,242	41,742	45,073	43,060	40,177
January	45,973	44,805	44,798	45,120	47,380	50,752	43,629	46,564	44,081	46,726
February	44,704	43,222	45,690	41,875	39,852	48,802	38,829	42,243	39,698	45,188
March	45,037	42,894	41,356	39,046	41,891	41,573	38,754	43,968	41,346	39,860
April	45,620	46,106	50,695	46,233	46,081	38,077	43,414	47,228	44,091	41,464
May	44,214	58,221	51,130	50,367	45,561	40,841	42,131	42,457	46,010	48,338
June	53,127	61,731	68,903	56,486	53,492	44,663	47,219	48,275	49,920	56,263
July	68,324	55,648	59,881	55,313	55,236	40,176	49,333	47,671	47,976	51,660
August	53,127	53,234	58,388	53,936	52,150	43,828	61,251	56,231	48,432	54,970
September	56,539	54,534	64,823	51,489	52,920	48,716	50,802	47,900	48,431	47,619
Total	596,520	600,777	627,293	593,047	589,245	547,633	544,879	556,243	550,716	562,785
Water Rates										
Minimum 3/4"	8.37	9.21	9.58	10.06	10.56	10.56	10.92	10.92	10.92	10.92
Minimum 1"	10.22	11.24	11.69	12.27	12.88	12.88	13.32	13.32	13.32	13.32
Minimum 1 1/2"	14.77	16.25	16.90	17.70	18.64	18.64	19.28	19.28	19.28	19.28
Minimum 2"	20.26	22.29	23.18	24.34	25.56	25.56	26.43	26.43	26.43	26.43
Minimum 3"	33.02	36.32	37.77	39.66	41.64	41.64	43.06	43.06	43.06	43.06
Minimum 4"	51.27	56.40	58.66	61.59	64.67	64.67	66.87	66.87	66.87	66.87
Minimum 6"	96.91	106.60	110.86	116.40	122.22	122.22	126.38	126.38	126.38	126.38
Minimum 8"	151.67	166.84	173.51	182.19	191.30	191.30	197.81	197.81	197.81	197.81
Minimum 10"	215.54	237.09	246.57	258.90	271.85	271.85	281.10	281.10	281.10	281.10
Minimum 12"	288.57	317.43	330.13	346.64	363.97	363.97	376.35	376.35	376.35	376.35
Over 1,000 gallon minimum	1.99	2.19	2.28	2.39	2.51	2.51	2.60	2.60	2.60	2.60
Sewer Rates										
Minimum	10.52	11.57	12.03	12.63	13.26	13.26	13.71	13.71	13.71	13.71
Over 1,000 gallon minimum	6.87	7.56	7.86	8.25	8.66	8.66	8.96	8.96	8.96	8.96

Source: Various city departments

CITY OF ORANGE, TEXAS
OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

CITY OF ORANGE, TEXAS
OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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BW&C
BROOKSWATSON & CO.
CERTIFIED PUBLIC ACCOUNTANTS

**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**

Independent Auditor's Report

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Orange, Texas as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise City of Orange, Texas's basic financial statements, and have issued our report thereon dated March 29, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we have reported to management of the City in a separate letter dated March 29, 2019.

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.

Respectfully,

A handwritten signature in black ink that reads "Brooks Watson & Co." The signature is fluid and cursive, with "Brooks" and "Watson" connected by a horizontal stroke, and "Co." written in a smaller, separate stroke.

BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, TX 77032
March 29, 2019

City of Orange, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2018

I. SUMMARY OF AUDITOR'S RESULTS:

Financial Statements

Type of auditor's report issued:

The auditor's report on the basic financial statements of the City expresses an unmodified opinion.

Internal control over financial reporting:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Is any noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

II. FINANCIAL STATEMENT FINDINGS:

None.

City of Orange, Texas
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2018

I. SUMMARY OF PRIOR YEAR AUDIT FINDINGS:

None.

