

City of Orange, Texas



**Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2019**



City of Orange, Texas

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2019

Michael Kunst, City Manager

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



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For the Fiscal Year Ended September 30, 2019

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INTRODUCTORY SECTION







March 29, 2020

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, 2019 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 for 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, 2019, 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 unmodified opinion that the City of Orange's financial statements for the fiscal year ended September 30, 2019, 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 185 through 188.

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 42 as part of the basic financial statements for the governmental funds. For governmental funds, other than the General Fund and major Governmental Funds, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 132.

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 September 19, 2019 Tropical Storm Imelda made landfall in Southeast Texas. This storm was only rainmaker and certain areas did receive a large about of rainfall. The City did not sustain any damages to City property, but a small number of citizens did receive flood damage. As a result, additional funding was made available from State and Federal sources. The City is currently applying for several grants. Funding is also available for mitigation for citizens that qualify. The City is assisting citizens in the application process and will administer the grants.

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 and for fiscal year 2020.

Long-term financial planning.

Industrial District Contracts (IDCs) provided 37.17% of the operating revenue for the City's general fund in fiscal year 2019. 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 the subsequent years, the City has adopted slight increases to the tax rate. For the fiscal year 2019, the rate was increased to \$0.80510/\$100 and for fiscal year 2020 the adopted rate was \$0.80690/\$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 had 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 was increased to approximately 33% of operating expenses for the fiscal year 2020. The reserves are reviewed annually when the City budget is formulated. This policy places 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 was completed in fiscal year 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, 2018. This was the 27th consecutive year (1992-2018) 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,



Michael Kunst
City Manager



Cheryl Zeto
Director of Finance



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Orange
Texas**

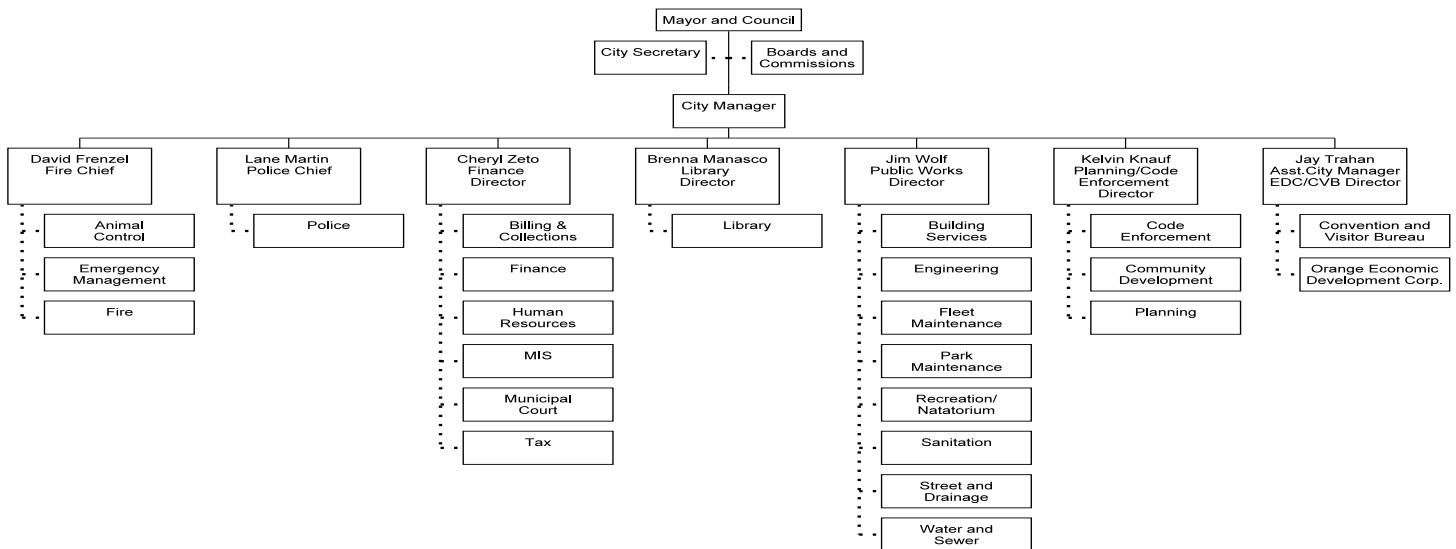
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2018

Christopher P. Monell

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 Salter - Council Member District 3

Mary McKenna - Council Member District 4

Caroline Hennigan - Council Member at Large Position 5

Paul Burch - Council Member at Large Position 6

City Manager

Michael Kunst

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, 2019, 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, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion, schedule of changes in net pension liability and related ratios, schedule of employee contributions to pension plan, and OPEB schedule of funding progress, 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, 2020 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" on the first line and "Watson & Co." on the second line.

BrooksWatson & Co., PLLC
14950 Heathrow Forest Pkwy | Ste 530
Certified Public Accountants
Houston, Texas
March 29, 2020



CITY OF ORANGE, TEXAS
Management's Discussion and Analysis (MD&A)
September 30, 2019

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, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on pages 3 to 7 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$68,867,500 (net position). The net position is composed (1) net investment in capital assets of \$64,424,441, (2) restricted for debt service of \$393,870, (3) restricted for other purposes of \$2,342,474 and (4) unrestricted of \$1,706,715. 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 \$3,466,075, which is a 5.30% increase for the fiscal year. Governmental activities had an increase in total net position of \$2,970,775, which is a 13.22% increase from the prior fiscal year. The business type activities had an increase in total net position of \$495,300, which is a 1.15% increase from the prior fiscal year.
- The largest component of change in net position was an increase in the net investment in capital assets. The net investment in capital assets increased by \$2,212,852.
- The other components of net position also changed within the fiscal year. The restricted portion of net position increased by \$68,301 and the unrestricted portion increased by \$1,184,922.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$21,038,453, an increase of \$8,528,294 in comparison with the prior year. Of the total amount, \$11,263,925 is available for spending at the government's discretion (unassigned fund balance). The largest fund balance change was in the capital projects fund for an increase of \$6,903,272.
- The general fund revenues were over budget by \$904,815 and expenditures were under budget by \$1,019,855.
- The most significant components of additional revenue were an additional \$846,032 in payments in lieu of taxes revenue, an additional \$233,065 in taxes, primarily sales tax, and an additional \$196,880 in investment income due to a change in the banking strategy.
- Within the general fund there were savings in the general government, non-departmental and public works line items. The budget savings were \$360,893, \$350,520 and \$298,215 respectively.
- Unassigned fund balance for the General Fund was \$11,291,929 or 51.49% of total general fund expenditures at September 30, 2019.
- The City's total long-term bonded debt increased by \$6,235,000 due to an issue of Certificated of Obligation in 2019. There were routine bond payments of \$875,000 in Governmental Activities. There were routine bond payments of \$675,000 in the Business-Type Activities.
- 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 \$2,540,688 in the fiscal year ending September 30, 2019.
- On September 19, 2019 Tropical Storm Imelda made landfall in Southeast Texas. This storm was only a rainmaker and certain areas did receive a large about of rainfall. The City did not sustain any damages to City property, but a small number of citizens did receive flood damage. As a result, additional funding was made available from State and Federal sources. The City is currently

CITY OF ORANGE, TEXAS
Management's Discussion and Analysis, Continued
September 30, 2019

applying for several grants. Funding is also available for mitigation for citizens that qualify. The City is assisting citizens in the application process and will administer the grants.

- 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 in the amount of \$326,437, and the Department of Homeland Security Emergency Management Grant.
- The City was also awarded a State grant from the Texas Forest Service, TIFMAS Grant in the amount of \$2,967 for training tuition assistance. These funds were expended in fiscal year 2019.
- Several City special revenue funds also received additional grants and donations 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 activities.

The government-wide financial statements include not only the City of Orange itself (known as the primary government), but also a legally separate economic development corporation for which the City of Orange is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 36 and 37 of this report.

CITY OF ORANGE, TEXAS
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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-three (23) 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 (20) 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 2019. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 38 to 41 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only

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in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund and the Sanitation Fund, both of which are considered to be major funds of the City. Conversely, the internal service fund is combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service fund is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 43 to 45 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 46 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 47 to 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 151 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 \$68,867,500 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 | |
|--------------------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Current and other assets | \$26,343,009 | \$15,846,568 | \$8,960,591 | \$8,572,949 | \$35,303,600 | \$24,419,516 |
| Capital assets, net | 32,754,995 | 29,632,133 | 49,026,985 | 49,689,262 | 81,781,980 | 79,321,395 |
| Total assets | 59,098,004 | 45,478,701 | 57,987,576 | 58,262,211 | 117,085,580 | 103,740,911 |
| Deferred outflow of resources | 9,764,257 | 1,114,770 | 773,984 | 230,989 | 10,538,241 | 1,345,759 |
| Current liabilities | 2,514,842 | 1,230,475 | 1,235,845 | 1,438,061 | 3,750,687 | 2,668,536 |
| Long-term liabilities | 38,834,429 | 19,410,718 | 13,880,741 | 13,518,416 | 52,715,170 | 32,929,135 |
| Total liabilities | 41,349,271 | 20,641,193 | 15,116,586 | 14,956,477 | 56,465,857 | 35,597,671 |
| Deferred inflow of resources | 2,106,472 | 3,487,945 | 212,581 | 599,631 | 2,319,053 | 4,087,576 |
| Net position: | | | | | | |
| Net investment in capital assets | \$27,309,838 | \$24,556,626 | \$37,114,603 | \$37,654,963 | \$64,424,441 | \$62,211,589 |
| Restricted | 2,622,496 | 2,529,941 | 141,855 | 138,102 | 2,764,351 | 2,668,043 |
| Unrestricted | (4,525,815) | (4,622,234) | 6,175,934 | 5,144,027 | 1,650,119 | 521,793 |
| Total net position | \$25,406,519 | \$22,464,333 | \$43,432,392 | \$42,937,092 | \$68,838,911 | \$65,401,425 |

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, \$2,764,351 (4.02%) 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, primarily due to the reporting requirements of GASB 68.

As reflected in the following table the City's net position increased by \$3,437,485 during the current fiscal

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year. Net position for the governmental activities increased \$2,942,185 and net position for the business-type activities increased \$495,300.

Statement of Activities:

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|------------------------------------|-------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$1,759,097 | \$1,761,068 | \$9,859,120 | \$10,051,471 | \$11,618,217 | \$11,812,539 |
| Operating grants and contributions | 3,535,173 | 831,138 | 144,189 | 3,564,799 | 3,679,362 | 4,395,937 |
| Capital grants and contributions | 102,868 | 67,431 | 0 | 573,284 | 102,868 | 640,715 |
| General revenues: | | | | | | |
| Property taxes | 7,954,550 | 7,853,374 | 0 | 0 | 7,954,550 | 7,853,374 |
| Sales tax | 3,406,770 | 3,618,034 | 0 | 0 | 3,406,770 | 3,618,034 |
| Other taxes | 606,348 | 807,577 | 0 | 0 | 606,348 | 807,577 |
| Franchise taxes | 334,324 | 291,156 | 0 | 0 | 334,324 | 291,156 |
| Payment-in-lieu of taxes | 8,699,042 | 6,882,340 | 0 | 0 | 8,699,042 | 6,882,340 |
| Investment earnings | 274,781 | 28,541 | 112,086 | 12,337 | 386,867 | 40,878 |
| Insurance proceeds | 10,096 | 457,367 | 0 | 95,864 | 10,096 | 553,231 |
| Other revenue | 108,609 | 190,431 | 9,528 | 29,004 | 118,137 | 219,435 |
| Total revenues | 26,791,658 | 22,788,457 | 10,124,923 | 14,326,759 | 36,916,581 | 37,115,216 |
| Expenses: | | | | | | |
| General government | 3,505,832 | 2,677,375 | 0 | 0 | 3,505,832 | 2,677,375 |
| Cultural and recreation | 1,871,636 | 1,735,516 | 0 | 0 | 1,871,636 | 1,735,516 |
| Public safety | 13,848,928 | 11,956,509 | 0 | 0 | 13,848,928 | 11,956,509 |
| Public works | 4,137,174 | 3,893,417 | 0 | 0 | 4,137,174 | 3,893,417 |

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| | | | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Interest on long-term debt | 485,903 | 178,291 | 0 | 0 | 485,903 | 178,291 |
| Water and sewer | 0 | 0 | 7,662,368 | 5,199,862 | 7,662,368 | 5,199,862 |
| Sanitation | 0 | 0 | 1,967,255 | 6,820,643 | 1,967,255 | 6,820,643 |
| Total expenses | 23,849,473 | 20,441,108 | 9,629,623 | 12,020,505 | 33,479,096 | 32,461,613 |
| Change in net position before transfers | 2,942,185 | 2,347,349 | 495,300 | 2,306,254 | 3,437,485 | 4,653,603 |
| Transfers | 0 | (27,155) | 0 | 27,155 | 0 | 0 |
| Total transfers | 0 | (27,155) | 0 | 27,155 | 0 | 0 |
| Change in net position | 2,942,185 | 2,320,194 | 495,300 | 2,333,409 | 3,437,485 | 4,653,603 |
| Beginning net position | 22,464,333 | 20,144,139 | 42,937,092 | 40,603,683 | 65,401,425 | 60,747,822 |
| Ending net position | \$25,406,518 | \$22,464,333 | \$43,432,392 | \$42,937,092 | \$68,838,910 | \$65,401,425 |

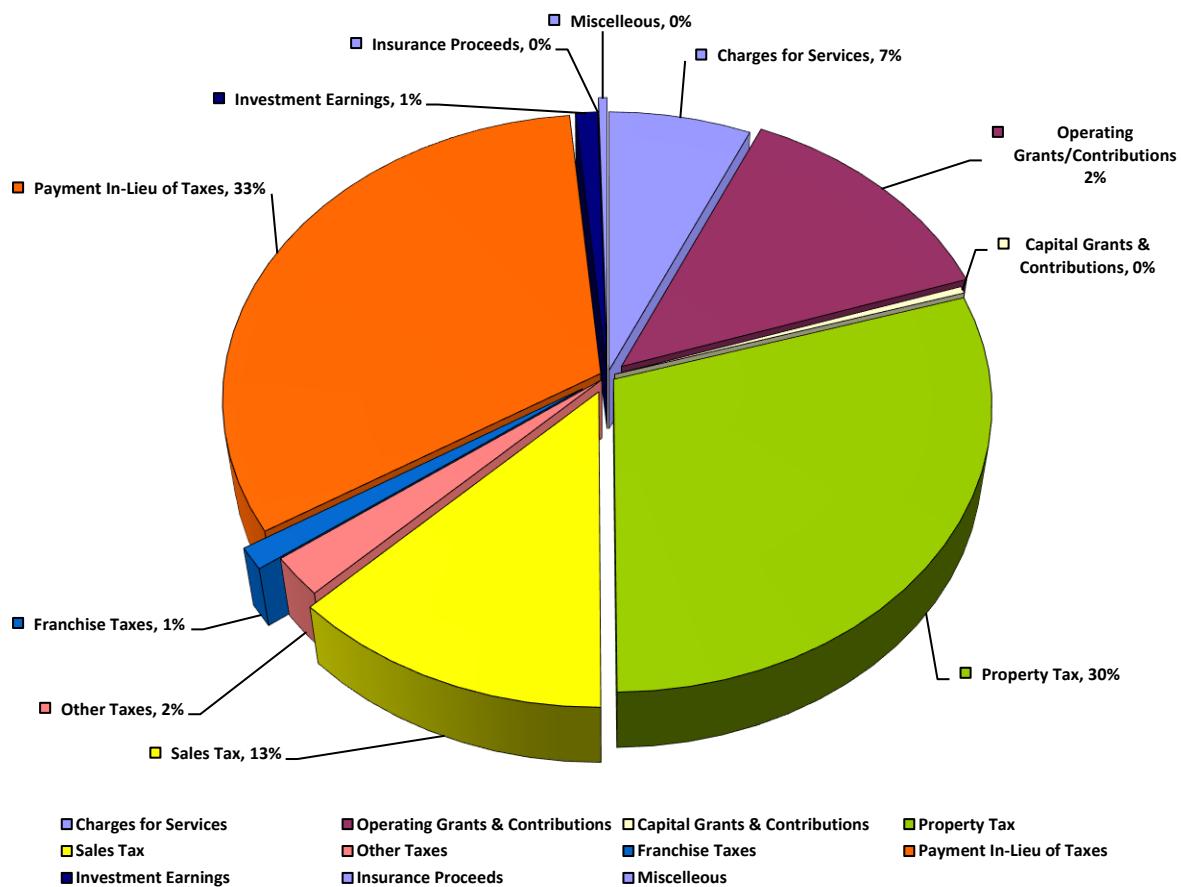
Governmental activities: Governmental activities increased the City of Orange's net position by \$2,942,185.

Unrestricted net position increased by \$96,418. Some of the contributing factors 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 \$175,998 remaining.
- Sales tax decreased by (\$211,263).
- Property taxes increased by \$101,176.
- Other taxes increased by \$201,229.
- Investment earnings increased by 246,240.
- Insurance proceeds decreased by (\$447,271).

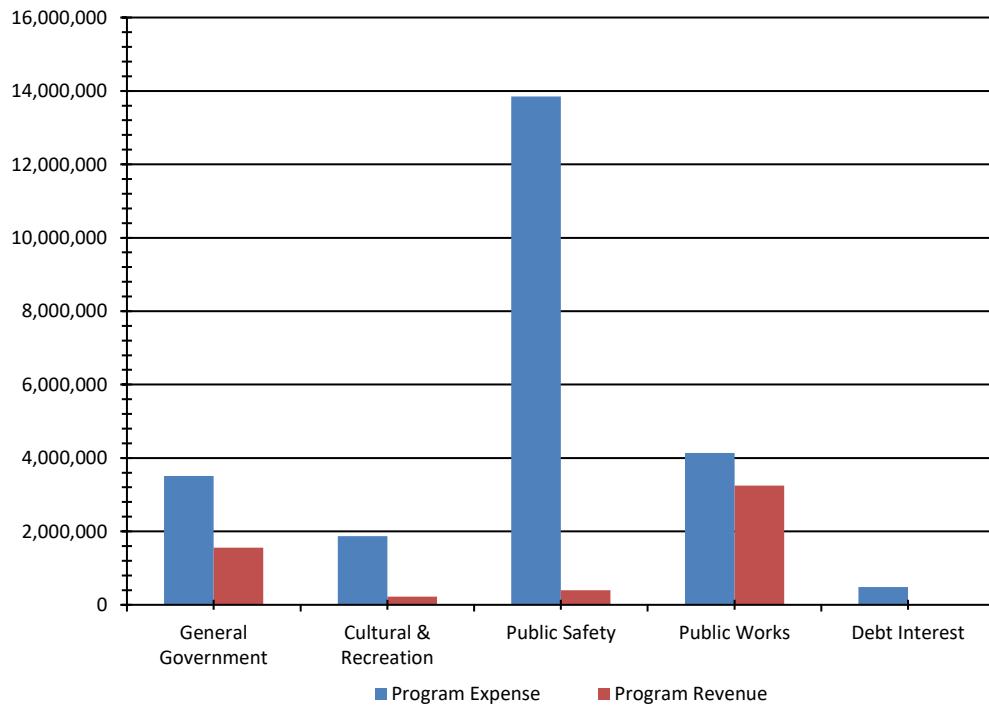
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Governmental Activities - Revenues by Source



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Governmental Activities - Expenses and Program Revenue



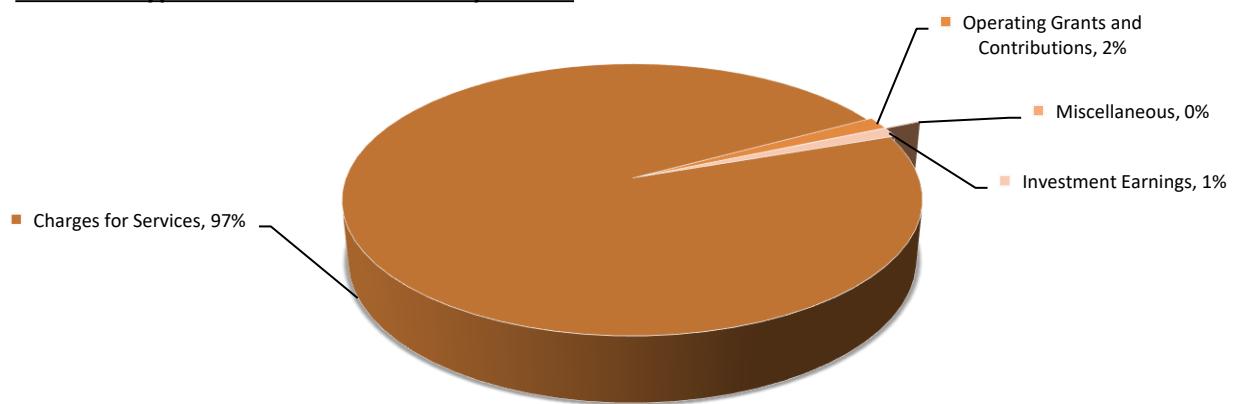
Business-type activities: Business-type activities increased the City of Orange's net position by \$495,300.

Unrestricted net position increased by \$1,031,907, some of the contributing factors include:

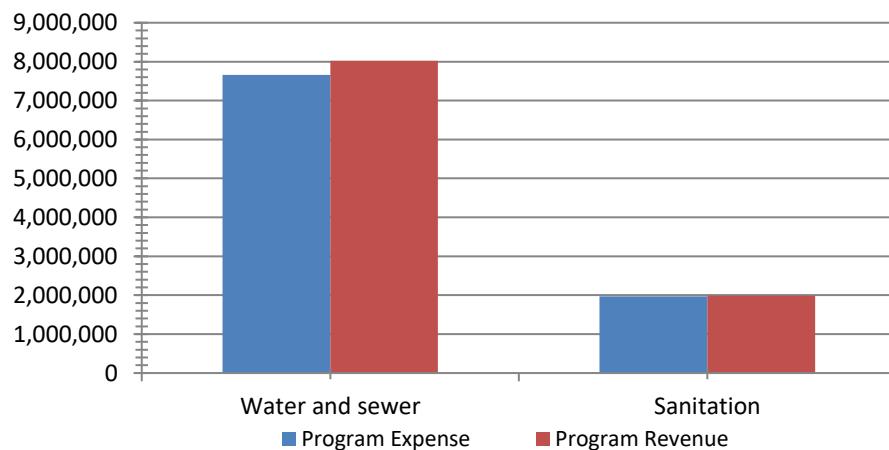
- The contracted sanitation rates to the City increased by 8.2%, due to a change in service to an automated truck. Sanitation rates for citizens increased by the same 8.2% for this new service. Rates also increased an additional \$2.50 per location to fund the purchase and operation of an additional grapple truck for limb and debris removal.
- Water consumption decreased by 6.1% from last year.
- Water and sewer charges for services decreased by (\$321,545).
- Sanitation charges for services increased by \$129,194.
- Investment earnings increased by \$99,749.
- Total costs for business-type activities decreased by (\$2,390,883).
- Sanitation expenses decreased by \$4,853,388 due to the debris removal costs from Tropical Storm Harvey which were included in the prior year.

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Business-Type Activities - Revenues By Source



Business-Type Activities - Expenses and Program Revenues



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Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Orange governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the 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 \$21,038,453, an increase of \$8,528,294 in comparison with the prior year. The unassigned fund balance total was \$11,263,925 which is 53.54% of total fund balance. The unassigned fund balance is available for spending at the government's discretion.

| | |
|-------------------------|---------------------|
| Nonspendable: | |
| Inventories | \$86,150 |
| Prepads | 205,384 |
| Restricted for: | |
| Cultural and recreation | 145,456 |
| Debt service | 45,543 |
| Public safety | 659,730 |
| Public works | 34,258 |
| Tourism and promotion | 1,531,035 |
| Assigned to: | |
| Capital outlay | 7,064,624 |
| Economic Development | 2,348 |
| Unassigned | |
| Unassigned | <u>11,263,925</u> |
| | |
| Total fund balance | <u>\$21,038,453</u> |

The General Fund is the chief operating fund of the City of Orange. At the end of fiscal year 2019 the General Fund had an unassigned fund balance of \$11,291,929, which is \$1,576,899 more than the prior fiscal year. The unassigned fund balance is 51.49% of the total expenditures of the General Fund for fiscal year 2019.

The change in unassigned fund balance was composed of:

- The General Fund's total revenue increased by \$1,787,516.
- The City saw a decrease of (\$255,646), (2.42%), in general fund tax collections. The City saw an increase of \$1,816,702 in IDC contract payments. The changes were the results of tax rate and property values. The ad valorem property tax rate went from \$0.71774/\$100 in fiscal year 2018 to \$0.80510/\$100 in fiscal year 2019. The certified property tax values decreased 8.80%. The IDC certified contract values increased slightly.

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- General Fund expenditures increased overall by \$1,568,294, which is a 7.70% increase. The General Fund saw changes in various categories of expenditures.
- Capital expenditures increased by \$628,447 for the fiscal year. The increase was primarily due to the rehabilitation expenses for the new City Hall campus and various street repairs.
- The City was able to give a 2.25% cost of living salary increase to all full time and part time employees. The City's medical insurance renewal came in with only a slight increase. Therefore, the insurance coverage remained the same with a slight increase to the City's portion and to the employees. Overall General Fund wages and benefits increased by \$421,079, which is a 3.0% increase.

The Debt Service Fund had a fund balance of \$45,544 which is restricted for debt service payments. This is a decrease of (\$59,178) 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 \$7,064,623 which is assigned to capital outlay. This is an increase of \$6,903,272 from the prior year. The increase is due to the issuance of certificates of obligation bonds in 2019 for the funding of various City projects. These projects include street improvements, construction of a pavilion at the City's boat ramp, construction of a recreation center, purchase of a generator for City Hall, and purchase of a new fire truck.

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 \$2,348,640. This is an increase of \$126,190 from the prior year. None of the City's Special Revenue Funds qualified as major funds for fiscal year 2019.

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 \$495,300.

Net investment in capital assets decreased by (\$540,360).

The amount restricted for debt service increased by \$3,753.

Unrestricted net position increased by \$1,031,907. Some of the major items contributing to the increase were:

- The water and sewer rates remained the same for this fiscal year. The sanitation rates increased 8.2% due to an increase in the contracted rate. The sanitation rates also increase \$2.50 per location for fund the purchase and operation of an additional grapple truck. The City's utility revenue was down slightly overall. Water consumption stayed fairly consistent with a (6.1%) decrease from last year.
- Overall operating expenses increased by \$857,803 during the fiscal year.
- Sanitation expenses decreased by \$4,853,388 due to the debris removal costs from Tropical Storm Harvey, which were incurred in fiscal year 2018.
- The City was able to give a 2.25% cost of living salary increase to all full time and part time employees. The City's medical insurance renewal came in with only a slight increase. Therefore,

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the insurance coverage remained the same with a slight increase to the City's portion and to the employees. Overall Proprietary Funds wages and benefits increased by \$38,735 which is an 1.71% increase.

- There were deferred outflows of resources related to pension liabilities of \$756,786 at September 30, 2019.
- There were deferred inflows of resources related to pension liabilities of \$212,581 at September 30, 2019.
- There was also a net deferred outflow of resources on bond refunding of \$17,198 at September 30, 2019.

General Fund Budgetary Highlights

There were two budget amendments that affected the General Fund for fiscal year 2019. The amendments amounted to \$1,129,906 in additional appropriations.

| | | |
|--------------|------------------|--|
| Amendment #1 | \$208,068 | To amend the street and drainage department budget for the completion of the Sunset Drive road repaving projects, which is a carryforward from the prior year. |
| Amendment #2 | \$215,427 | To amend the budget to increase both revenue and expenses related to Tropical Storm Harvey, for cost of improvements to new City Hall and cost to replace the boiler equipment at the police department. |
| Total | <u>\$423,495</u> | |

The amendments were funded in part by the receipt of additional revenue for \$706,411 and use of unassigned fund balance of \$423,495.

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 | \$6,203,774 | \$6,282,530 | \$5,412,606 | \$876,812 |
| Personnel services | \$14,639,278 | \$14,609,046 | \$14,428,829 | \$180,217 |
| Supplies | \$499,807 | \$555,315 | \$472,628 | \$83,025 |
| Capital outlay | \$345,533 | \$1,371,407 | \$1,462,259 | (\$90,852) |

Maintenance and services – major variances

- The City, by Charter, can establish a 2% contingency fund during the budget process. At the end

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of the fiscal year the City has \$175,998 remaining in this account.

- Due to lower fuel costs during the year the City had a \$30,832 savings in petroleum purchases.
- Several other items were under budget due to price or usage (1) other maintenance and services \$290,633 (2) special services \$191,385 (3) electricity expense \$111,509 (4) machinery maintenance \$61,174 and (5) chapter 380 economic development program reimbursements \$27,522.

Capital outlay – major variances

- Street construction was \$75,689 under budget. The amount was carried forward to the 2020 budget, to complete the resurfacing of some City streets.
- Several other items were under budget due to project completion, purchases or usage (1) other capital outlay \$92,405 and (2) machinery \$14,330.
- Buildings was over budget \$282,707 due to the rehabilitation and remodeling of the new City Hall campus.

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, 2019, amounts to \$81,781,980 (net of accumulated depreciation). The investment in capital assets includes land, buildings, furniture, fixtures and books, improvements other than buildings, machinery and equipment, streets, transportation vehicles, and construction in progress.

Capital assets in the governmental activities increased by \$3,122,862, 10.54%, in this fiscal year. Capital assets in the business-type activities decreased by (\$662,276), (1.33%).

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|--------------------------------|-------------|---------------------------------|-------------|--------------|-------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Land | \$1,915,563 | \$1,915,563 | \$785,122 | \$733,122 | \$2,700,685 | \$2,648,685 |
| Buildings | 17,490,564 | 18,214,594 | 1,067,316 | 516,501 | 18,557,880 | 18,731,095 |
| Furniture, fixtures and books | 639,513 | 566,329 | 0 | 0 | 639,513 | 566,329 |
| Improvements other than buildings | 0 | 0 | 45,596,950 | 37,153,756 | 45,596,950 | 37,153,756 |
| Machinery, equipment, vehicles and improvements | 8,019,986 | 5,301,016 | 941,431 | 991,419 | 8,961,417 | 6,292,435 |
| Vehicles | 0 | 0 | 96,295 | 197,815 | 96,295 | 197,815 |

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| | | | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Streets | 3,085,030 | 2,824,870 | 0 | 0 | 3,085,030 | 2,824,870 |
| Leased equipment | 357,992 | 452,830 | 389,416 | 238,990 | 747,408 | 691,820 |
| Construction in progress | 1,246,347 | 356,931 | 150,455 | 9,857,658 | 1,396,802 | 10,214,589 |
| Total Capital Assets, net of depreciation | \$32,754,995 | \$29,632,133 | \$49,026,985 | \$49,689,261 | \$81,781,980 | \$79,321,394 |

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

- Books for the library totaling \$12,213
- Repairs and improvements to buildings totaling \$30,554
- Construction in progress for the Coopers Gulley lining project totaling \$2,746,475
- Investment in new playground equipment totaling \$99,193
- Construction in progress for street repairs \$1,079,517
- Construction in progress for prepayment of 2019 fire truck \$589,962
- Rehabilitation and remodel of new City Hall campus \$283,005
- Purchase two lawn mowers for parks department \$18,670
- Purchase of software for ticket writers \$20,800
- Purchase of three police patrol units \$100,227
- Construction in progress for water and sewer improvements totaling \$147,145
- Replacement of various water well and pump equipment for water system totaling \$144,060
- Purchase of new radio read water meters totaling \$114,832
- Investment in sewer line extensions totaling \$91,601
- Replacement of various equipment for the sewer system \$58,096
- Repairs to the wastewater treatment plant \$225,868

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 \$22,935,000. All the outstanding debt is backed by the full faith and credit of the government. There is a minimal Water and Sewer System revenue pledge of \$16,000 from the Series 2015 Tax and Revenue Certificates of Obligation and \$17,000 from the Series 2016 Tax and Revenue Certificates of Obligation.

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

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| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------|-------------------------|--------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Certificates of Obligation | \$7,785,000 | \$0 | \$8,485,000 | \$8,890,000 | \$16,270,000 | \$8,890,000 |
| General Obligation Bonds | 3,875,000 | 4,750,000 | 2,790,000 | 3,060,000 | 6,665,000 | 7,810,000 |
| Total long-term debt | \$11,660,000 | \$4,750,000 | \$11,275,000 | \$11,950,000 | \$22,935,000 | \$16,700,000 |

The City's total bonded debt increased by \$6,235,000, 37.34%, during the current fiscal year.

The government activities total bonded debt increased by \$6,910,000, 145.47%, during the current fiscal year, due to the issue of the Series 2019, tax and revenue certificates of obligation.

- The certificate of obligation bonds of the governmental activities increased by \$7,785,000 due to the issue of the Series 2019, tax and revenue certificates of obligation bonds.
- The general obligation bonds of the governmental activities decreased by (\$875,000), which represents the debt principal payments for the fiscal year.

The business-type activities total bonded debt decreased by (\$675,000), (5.65%), during the current fiscal year.

- The certificates of obligation bonds for the business-type activities decreased by (\$405,000) 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 2019, Tax and Revenue Certificates of Obligation, the City was assigned an 'AA-' rating from Standard & Poor's Global Ratings. Standard & Poor's affirmed its 'AA-' rating on the City's general obligation (GO) 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"

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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 for fiscal year 2019-

- Sales tax collections (net of reimbursements for the Chapter 380 Agreement) decreased (3.84%). The City had experienced a spike in sales tax revenue after Tropical Storm Harvey, and as expected there has been a subsequent reduction to a more typical revenue level. Collections went from \$3,356,175 in fiscal year 2018 (post TS Harvey) to \$3,227,397 in fiscal year 2019. The Chapter 380 Agreement went into effect during the 2016 fiscal year. The sales tax remitted by the entity is reimbursed on a quarterly basis. The figures and percentages above are net of these reimbursements. In addition, the sales tax figures above have also been adjusted for the sales tax collections for economic development which are collected for the City's Component Unit the Orange Economic Development Corporation.
- The sales tax collections for all of Orange County decreased by (0.43%) for the period of October 1, 2018 to September 30, 2019. The City has seen a 0.20% increase in sales tax collections for the first quarter of fiscal year 2020.
- Hotel occupancy tax collections decreased in fiscal year 2019 by (23.41%). Collections went from \$743,333 in fiscal year 2018 to \$569,338 in fiscal year 2019.
- The unemployment rate for the Beaumont-Port Arthur metropolitan area (in which Orange is grouped) remained above the state and national average. At September 2019 the unemployment rate was 5.3% while the statewide rate was 3.4% and the national rate was 3.5% (according to the US Bureau of Labor Statistics). The unemployment rate for the local metropolitan area is down from the prior year rate of 5.9%.

Economic factors budgeted fiscal year 2020 -

- The ad valorem tax certified taxable values for the new 2020 budget year increased by 7.67% over the prior fiscal year. The certified taxable values went from \$1,013,426,589 in January 2018 to \$1,091,199,949 in January 2019. The City Council set the tax rate at \$0.80690 per \$100 for fiscal year 2020, which was below the rollback rate
- The Industrial District certified values increased by 11.09% for fiscal year 2020. The values went from \$1,248,080,056 in January 2018 to \$1,386,465,361 in January 2019.
- Sales tax decreased (3.84%) in fiscal year 2019. The City budgeted \$3,000,000 (net of Chapter 380 Agreement reimbursements) in fiscal year 2020, which projects the sales tax collection level to be slightly above the fiscal year 2019 level.

CITY OF ORANGE, TEXAS
Management's Discussion and Analysis, Continued
September 30, 2019

Next year's budgetary information and rates -

- Due to new legislation which limits a municipality's ability to raise taxes by lowering the maximum tax rate allowed without an election, the ad valorem tax rate was increased to \$0.80690/\$100. This rate is slightly more than the effective rate of \$.75150/100 and less than the rollback rate of \$.80691/100.
- 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 \$0.75042/\$100 for fiscal year 2020.
- The water and sewer rates were not adjusted in fiscal year 2020. The current rate structure was adequate for budgetary purposes.
- The sanitation rates were increased twice in 2019. The first increase was 8.2%, based on the Waste Management cost increase for a new automated truck service. The second increase was \$2.50 per location to fund the purchase of an additional grapple truck, to enhance the brush, limb and debris removal services.
- The City has negotiated a one-year contract with the Orange Municipal Police Association. This group received a 3.00% cost of living increase for fiscal year 2020.
- The City has negotiated a one-year contract with the International Association of Firefighters Local 1432. This group received a 3.00% cost of living increase for fiscal year 2020.
- The City granted a 3.00% cost of living increase for non-union employees for fiscal year 2020.
- The City budgeted step increases for non-union employees who have not reached their top step.
- For fiscal year 2020 the City decided to remain with Blue Cross Blue Shield of Texas for medical insurance. The City works with a consulting firm to negotiate with medical insurance providers. For fiscal year 2020, the City received an unprecedented 8% decrease in the rates. The City passed a portion of the savings on to the employees. 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, 2019

| | Primary Government | | | Component Units | |
|---|--------------------------------|----------------------|---------------------------------|--|----------|
| | Governmental Activities | | Business-type Activities | Orange Economic Development Corporation | |
| | | | | | |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 14,851,259 | \$ 6,516,884 | \$ 21,368,143 | \$ 2,365,324 | |
| Investments | 245,000 | - | 245,000 | 245,000 | |
| Receivables (net of allowance for uncollectibles) | 3,130,620 | 1,261,386 | 4,392,006 | 287,687 | |
| Internal balances | (99,706) | 99,706 | - | - | |
| Inventories | 86,150 | 155,171 | 241,321 | - | |
| Prepays | 206,285 | 36,019 | 242,304 | 149,277 | |
| Cash and cash equivalents, restricted | 7,449,741 | 891,425 | 8,341,166 | 461,057 | |
| Grant receivable | 473,660 | - | 473,660 | | |
| Capital assets not being depreciated: | | | | | |
| Land | 1,915,563 | 785,122 | 2,700,685 | 871,059 | |
| Construction in progress | 1,246,347 | 150,455 | 1,396,802 | 309,784 | |
| Capital assets, net of accumulated depreciation: | | | | | |
| Buildings | 17,490,564 | 1,067,316 | 18,557,880 | - | |
| Furniture, fixtures, books | 639,513 | - | 639,513 | - | |
| Improvements other than buildings | - | 45,596,950 | 45,596,950 | 5,865,661 | |
| Machinery, equipment, vehicles & improvements | 8,019,986 | 941,431 | 8,961,417 | - | |
| Vehicles | - | 96,295 | 96,295 | - | |
| Streets | 3,085,030 | - | 3,085,030 | - | |
| Leased equipment | 357,992 | 389,416 | 747,408 | - | |
| Total assets | <u>59,098,004</u> | <u>57,987,576</u> | <u>117,085,580</u> | <u>10,554,849</u> | |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Pension contributions | 1,111,311 | 172,442 | 1,283,753 | - | |
| Pension assumption changes | 5,035,209 | 3,276 | 5,038,485 | - | |
| Pension investment returns | 3,540,468 | 581,068 | 4,121,536 | - | |
| Deferred charges on refunding | 77,269 | 17,198 | 94,467 | - | |
| Total deferred outflows of resources | <u>9,764,257</u> | <u>773,984</u> | <u>10,538,241</u> | <u>-</u> | |
| LIABILITIES | | | | | |
| Account payable and other current liabilities | 2,453,566 | 1,183,221 | 3,636,787 | 58,680 | |
| Accrued interest payable | 61,276 | 52,624 | 113,900 | 27,355 | |
| Noncurrent liabilities: | | | | | |
| Compensated absences, current | 1,249,717 | 52,275 | 1,301,992 | - | |
| Compensated absences, noncurrent | 1,529,775 | 55,757 | 1,585,532 | - | |
| Debt, current | 782,074 | 808,129 | 1,590,203 | 369,872 | |
| Debt, noncurrent | 11,643,763 | 11,168,917 | 22,812,680 | 5,095,000 | |
| Net pension liabilities | 22,841,725 | 1,635,762 | 24,477,487 | - | |
| OPEB liability | 787,375 | 159,900 | 947,275 | - | |
| Total liabilities | <u>41,349,271</u> | <u>15,116,585</u> | <u>56,465,856</u> | <u>5,550,907</u> | |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Pension experience | 2,106,472 | 212,581 | 2,319,053 | - | |
| Total deferred inflows of resources | <u>2,106,472</u> | <u>212,581</u> | <u>2,319,053</u> | <u>-</u> | |
| NET POSITION | | | | | |
| Net investment in capital assets | 27,309,838 | 37,114,603 | 64,424,441 | 1,596,504 | |
| Restricted for: | | | | | |
| Debt service payments | 252,015 | 141,855 | 393,870 | 433,702 | |
| Other purposes | 2,370,481 | - | 2,370,481 | - | |
| Unrestricted | <u>(4,525,815)</u> | <u>6,175,934</u> | <u>1,650,119</u> | <u>2,973,736</u> | |
| Total net position | <u>\$ 25,406,519</u> | <u>\$ 43,432,392</u> | <u>\$ 68,838,911</u> | <u>\$ 5,003,942</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, 2019

| Functions/Programs | Program Revenues | | | | | Net (Expense) Revenue and Changes in Net Position | | | | | Component Unit Orange Economic Development Corporation | |
|--|-----------------------------|-----------------------------|------------------------------------|----------------------------------|-----------------------------|---|-----------------------------|----------------------------|-----------------|-----------------|---|--|
| | Primary government | | Business-type activities | | | Primary Government | | | Total | | | |
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | | | | | | |
| Primary government: | | | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | | | |
| General government | \$ 3,505,832 | \$ 1,374,621 | \$ 179,384 | \$ - | \$ (1,951,827) | \$ - | \$ (1,951,827) | \$ - | \$ (1,951,827) | \$ - | | |
| Culture - recreation | 1,871,636 | 45,884 | 71,242 | 102,868 | (1,651,642) | - | - | (1,651,642) | - | - | | |
| Public safety | 13,848,928 | 272,759 | 99,888 | - | (13,476,281) | - | - | (13,476,281) | - | - | | |
| Public works | 4,137,174 | 65,833 | 3,184,659 | - | (886,682) | - | - | (886,682) | - | - | | |
| Interest on long-term debt | 485,903 | - | - | - | (485,903) | - | - | (485,903) | - | - | | |
| Total governmental activities | <u>23,849,473</u> | <u>1,759,097</u> | <u>3,535,173</u> | <u>102,868</u> | <u>(18,452,335)</u> | <u>-</u> | <u>-</u> | <u>(18,452,335)</u> | <u>-</u> | <u>-</u> | | |
| Business-type activities: | | | | | | | | | | | | |
| Water and sewer | 7,662,368 | 7,877,629 | 140,349 | - | - | 355,610 | 355,610 | - | - | - | | |
| Sanitation | 1,967,255 | 1,981,491 | 3,840 | - | - | 18,076 | 18,076 | - | - | - | | |
| Total business-type activities | <u>9,629,623</u> | <u>9,859,120</u> | <u>144,189</u> | <u>-</u> | <u>-</u> | <u>373,686</u> | <u>373,686</u> | <u>-</u> | <u>-</u> | <u>-</u> | | |
| Total primary government | <u><u>\$ 33,479,096</u></u> | <u><u>\$ 11,618,217</u></u> | <u><u>\$ 3,679,362</u></u> | <u><u>\$ 102,868</u></u> | <u><u>(18,452,335)</u></u> | <u><u>373,686</u></u> | <u><u>373,686</u></u> | <u><u>(18,078,649)</u></u> | <u><u>-</u></u> | <u><u>-</u></u> | | |
| Component units: | | | | | | | | | | | | |
| Economic Development Corporation | \$ 1,788,410 | \$ - | \$ 12,281 | \$ - | | | | | | | <u>(1,776,129)</u> | |
| Total component units | <u><u>\$ 1,788,410</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 12,281</u></u> | <u><u>\$ -</u></u> | | | | | | | <u><u>(1,776,129)</u></u> | |
| General revenues: | | | | | | | | | | | | |
| Property taxes | | | | | 7,954,550 | - | 7,954,550 | - | - | - | | |
| Sales taxes | | | | | 3,406,770 | - | 3,406,770 | 1,703,378 | | | | |
| Other taxes | | | | | 606,348 | - | 606,348 | - | | | | |
| Franchise taxes | | | | | 334,324 | - | 334,324 | - | | | | |
| Payment in-lieu of taxes | | | | | 8,699,042 | - | 8,699,042 | - | | | | |
| Investment earnings | | | | | 274,781 | 112,086 | 386,867 | 56,887 | | | | |
| Gain (loss) on sale of assets | | | | | 48,609 | 9,528 | 58,137 | - | | | | |
| Insurance proceeds | | | | | 10,096 | - | 10,096 | - | | | | |
| Miscellaneous | | | | | 60,000 | - | 60,000 | - | | | | |
| Total general revenues, special items, and transfers | | | | | <u>21,394,520</u> | <u>121,614</u> | <u>21,516,134</u> | <u>1,760,265</u> | | | | |
| Change in net position | | | | | 2,942,185 | 495,300 | 3,437,485 | (15,864) | | | | |
| Net position - beginning | | | | | <u>22,464,333</u> | <u>42,937,092</u> | <u>65,401,425</u> | <u>5,019,806</u> | | | | |
| Net position - ending | | | | | <u><u>\$ 25,406,518</u></u> | <u><u>\$ 43,432,392</u></u> | <u><u>\$ 68,838,910</u></u> | <u><u>\$ 5,003,942</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, 2019

| | General Fund | Debt Service Fund | Capital Projects Fund | Total Nonmajor Funds | Total Governmental Funds |
|---|----------------------|-------------------|-----------------------|----------------------|--------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 11,255,921 | \$ - | \$ 161,010 | \$ 2,323,189 | \$ 13,740,120 |
| Investments | 245,000 | - | - | - | 245,000 |
| Taxes receivable (net of allowance for uncollectibles) | 1,109,334 | 206,472 | - | - | 1,315,806 |
| Accounts receivable (net of allowance for uncollectibles) | 1,138,665 | - | 203 | 608,304 | 1,747,172 |
| Due from other funds | 306,806 | - | - | - | 306,806 |
| Due from others | 34,089 | 4,033 | - | - | 38,122 |
| Grant receivable | 473,660 | - | - | - | 473,660 |
| Inventories, at cost | 86,150 | - | - | - | 86,150 |
| Prepays | 201,567 | - | - | 4,718 | 206,285 |
| Cash and cash equivalents - restricted | - | 41,511 | 7,408,230 | - | 7,449,741 |
| Total assets | \$ 14,851,192 | \$ 252,016 | \$ 7,569,443 | \$ 2,936,211 | \$ 25,608,862 |
| LIABILITIES | | | | | |
| Accounts payable | \$ 1,643,085 | \$ - | \$ 504,819 | \$ 280,913 | \$ 2,428,817 |
| Partial payment of taxes | 1,565 | - | - | - | 1,565 |
| Due to other funds | - | - | - | 278,654 | 278,654 |
| Liability for municipal court | 14,505 | - | - | - | 14,505 |
| Total liabilities | 1,659,155 | - | 504,819 | 559,567 | 2,723,541 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue-property tax | 1,109,334 | 206,472 | - | - | 1,315,806 |
| Grant revenue | 473,660 | - | - | 28,003 | 501,663 |
| Municipal court revenue | 29,396 | - | - | - | 29,396 |
| Total deferred inflow of resources | 1,612,390 | 206,472 | - | 28,003 | 1,846,865 |
| FUND BALANCES (DEFICITS) | | | | | |
| Nonspendable | | | | | |
| Inventory | 86,150 | - | - | - | 86,150 |
| Prepays | 201,567 | - | - | 3,817 | 205,384 |
| Restricted | | | | | |
| Cultural and recreation | - | - | - | 145,456 | 145,456 |
| Debt Service | - | 45,543 | - | - | 45,543 |
| Public safety | - | - | - | 659,730 | 659,730 |
| Public works | - | - | - | 34,258 | 34,258 |
| Tourism and promotion | - | - | - | 1,531,035 | 1,531,035 |
| Assigned | | | | | |
| Capital outlay | - | - | 7,064,624 | - | 7,064,624 |
| Economic development | - | - | - | 2,348 | 2,348 |
| Unassigned | 11,291,929 | - | - | (28,004) | 11,263,925 |
| Total fund balances (deficits) | 11,579,646 | 45,543 | 7,064,624 | 2,348,640 | 21,038,453 |
| Total liabilities, deferred inflows of resources, and fund balances (deficits) | \$ 14,851,191 | \$ 252,015 | \$ 7,569,443 | \$ 2,936,210 | \$ 25,608,859 |

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, 2019

| | |
|--|----------------------------|
| Fund balances of governmental funds | \$21,038,454 |
| 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. | 32,754,995 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | 1,846,865 |
| 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. | (31,237,919) |
| 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. | 1,004,123 |
| <hr/> | |
| Net position of governmental activities | <u><u>\$25,406,518</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, 2019

| | General Fund | Debt Service Fund | Capital Projects Fund | Total Nonmajor Funds | Total Governmental Funds |
|---|-----------------------------|-------------------------|----------------------------|----------------------------|-----------------------------|
| REVENUES | | | | | |
| Taxes | \$ 10,325,108 | \$ 1,005,932 | \$ - | \$ 569,864 | \$ 11,900,904 |
| Payment in lieu of taxes | 8,699,042 | - | - | - | 8,699,042 |
| Franchises | 334,324 | - | - | - | 334,324 |
| Licenses and permits | 289,724 | - | - | - | 289,724 |
| Intergovernmental | 55,706 | - | - | - | 55,706 |
| Charges for services | 3,264,271 | - | - | - | 3,264,271 |
| Donations | - | - | - | 117,310 | 117,310 |
| Grant income | 47,497 | - | - | 2,891,128 | 2,938,625 |
| Investment income | 211,880 | 2,784 | 6,197 | 37,914 | 258,775 |
| Program income | - | - | - | 34,147 | 34,147 |
| Forfeitures | - | - | - | 33,200 | 33,200 |
| Miscellaneous | 174,883 | - | - | - | 174,883 |
| Total revenues | <u>23,402,435</u> | <u>1,008,716</u> | <u>6,197</u> | <u>3,683,563</u> | <u>28,100,911</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 1,694,855 | - | - | 10,168 | 1,705,023 |
| Culture - recreation | 1,160,846 | - | - | 499,582 | 1,660,428 |
| Public safety | 10,410,846 | - | - | 81,541 | 10,492,387 |
| Public works | 3,343,800 | - | - | 256,720 | 3,600,520 |
| Non-departmental | 3,703,715 | - | - | - | 3,703,715 |
| Debt service: | | | | | |
| Interest and fiscal charges | 14,763 | 192,894 | - | - | 207,657 |
| Principal | 114,783 | 875,000 | - | - | 989,783 |
| Debt issuance costs | - | - | 217,926 | - | 217,926 |
| Capital outlay: | | | | | |
| Capital outlay - books | 10,470 | - | - | 1,743 | 12,213 |
| Capital outlay - buildings | 313,261 | - | 44,200 | - | 357,461 |
| Capital outlay - machinery and equipment | 85,649 | - | 17,685 | - | 103,334 |
| Capital outlay - other | 676,573 | - | - | 167,773 | 844,346 |
| Capital outlay - street construction | 207,379 | - | 454,819 | - | 662,198 |
| Capital outlay - storm sewer construction | - | - | - | 2,539,848 | 2,539,848 |
| Capital outlay - vehicles | 168,926 | - | 589,962 | - | 758,888 |
| Capital outlay - leased equipment | 24,077 | - | - | - | 24,077 |
| Total expenditures | <u>21,929,943</u> | <u>1,067,894</u> | <u>1,324,592</u> | <u>3,557,375</u> | <u>27,879,804</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,472,492</u> | <u>(59,178)</u> | <u>(1,318,395)</u> | <u>126,188</u> | <u>221,107</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Gain (loss) on capital asset disposition | 51,349 | - | - | - | 51,349 |
| Insurance proceeds | 10,096 | - | - | - | 10,096 |
| Net present value of minimum lease payments | 24,077 | - | - | - | 24,077 |
| Proceeds from bond issue | - | - | 7,785,000 | - | 7,785,000 |
| Premium from bond issue | - | - | 436,666 | - | 436,666 |
| Total other financing sources (uses) | <u>85,522</u> | <u>-</u> | <u>8,221,666</u> | <u>-</u> | <u>8,307,188</u> |
| Net change in fund balances | <u>1,558,014</u> | <u>(59,178)</u> | <u>6,903,271</u> | <u>126,188</u> | <u>8,528,295</u> |
| Fund balances - beginning | <u>10,021,634</u> | <u>104,722</u> | <u>161,352</u> | <u>2,222,451</u> | <u>12,510,159</u> |
| Fund balances - ending | <u>\$ 11,579,648</u> | <u>\$ 45,544</u> | <u>\$ 7,064,623</u> | <u>\$ 2,348,639</u> | <u>\$ 21,038,454</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, 2019

| | |
|---|---------------------|
| Net change in fund balances - total governmental funds | \$ 8,528,295 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Net affect of various transactions involving capital assets. | 3,122,862 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 541,230 |
| 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. | (7,316,280) |
| 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. | (2,119,690) |
| Internal service funds are used by management to charge the cost of workers' compensation and medical insurance to individual funds. | 185,768 |
| Change in net position of governmental activities (page 37) | <u>\$ 2,942,185</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, 2019

| | Budgeted Amounts | | | Variance with Final Budget |
|---|-------------------------|---------------|---------------|---------------------------------------|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Taxes | \$ 10,092,043 | \$ 10,092,043 | \$ 10,325,108 | \$ 233,065 |
| Payment in lieu of taxes | 7,853,010 | 7,853,010 | 8,699,042 | 846,032 |
| Franchises | 275,000 | 275,000 | 334,324 | 59,324 |
| Licenses and permits | 255,100 | 255,100 | 289,724 | 34,624 |
| Intergovernmental | 45,000 | 45,000 | 55,706 | 10,706 |
| Charges for services | 3,139,707 | 3,139,707 | 3,264,271 | 124,564 |
| Investment income | 15,000 | 15,000 | 211,880 | 196,880 |
| Grant income | - | 677,760 | 47,497 | (630,263) |
| Miscellaneous | 145,000 | 145,000 | 174,883 | 29,883 |
| Total revenues | 21,819,860 | 22,497,620 | 23,402,435 | 904,815 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,916,988 | 2,055,748 | 1,694,855 | 360,893 |
| Culture - recreation | 1,208,485 | 1,211,138 | 1,160,846 | 50,292 |
| Public safety | 10,526,355 | 10,484,355 | 10,410,846 | 73,509 |
| Public works | 3,573,090 | 3,642,015 | 3,343,800 | 298,215 |
| Non-departmental | 4,118,541 | 4,054,235 | 3,703,715 | 350,520 |
| Total current | 21,343,459 | 21,447,491 | 20,314,062 | 1,133,429 |
| Debt Service: | | | | |
| Interest | - | | 14,763 | (14,763) |
| Principal | 131,500 | 131,500 | 114,783 | 16,717 |
| Total debt service | 131,500 | 131,500 | 129,546 | 1,954 |
| Capital outlay: | | | | |
| Capital outlay - books | 10,000 | 10,500 | 10,470 | 30 |
| Capital outlay - buildings | 5,854 | 39,654 | 313,261 | (273,607) |
| Capital outlay - machinery and equipment | 99,979 | 99,979 | 85,649 | 14,330 |
| Capital outlay - other | - | 768,378 | 676,573 | 91,805 |
| Capital outlay - street construction | 75,000 | 283,068 | 207,379 | 75,689 |
| Capital outlay - vehicles | 154,100 | 169,228 | 168,926 | 302 |
| Capital outlay - leased equipment | - | - | 24,077 | (24,077) |
| Total capital outlay | 344,933 | 1,370,807 | 1,486,335 | (115,528) |
| Total expenditures | 21,819,892 | 22,949,798 | 21,929,943 | 1,019,855 |
| Excess (deficiency) of revenues over expenditures | (32) | (452,178) | 1,472,492 | 1,924,670 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Gain (loss) on capital asset disposition | - | 13,128 | 51,349 | 38,221 |
| Insurance proceeds | - | 15,523 | 10,096 | (5,427) |
| Net present value of minimum lease payments | - | - | 24,077 | 24,077 |
| Total other financing sources (uses) | - | 28,651 | 85,522 | 56,871 |
| Net change in fund balances | (32) | (423,527) | 1,558,014 | 1,981,541 |
| Fund balances - beginning | 10,021,634 | 10,021,634 | 10,021,634 | - |
| Fund balances - ending | \$ 10,021,602 | \$ 9,598,107 | \$ 11,579,648 | \$ 1,981,541 |

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, 2019

| | Business-type Activities | | | Governmental Activities | |
|--|---------------------------------|------------------------|-------------------------------|--------------------------------|------------------|
| | Water and Sewer Funds | Sanitation Fund | Total Enterprise Funds | Internal Service Funds | |
| | | | | | |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 4,534,332 | \$ 1,982,552 | \$ 6,516,884 | \$ 1,094,140 | |
| Accounts receivable (net of allowance for uncollectibles) | 1,019,513 | 241,873 | 1,261,386 | | 1,368 |
| Due from others | - | - | - | | - |
| Inventories, at cost | 155,171 | - | 155,171 | | - |
| Prepays | 32,059 | 3,960 | 36,019 | | |
| Cash with fiscal agent | - | - | - | | 17,000 |
| Cash and cash equivalents - restricted | 891,425 | - | 891,425 | | - |
| Total current assets | <u>6,632,500</u> | <u>2,228,385</u> | <u>8,860,885</u> | | <u>1,112,508</u> |
| Noncurrent assets: | | | | | |
| Land | 785,122 | - | 785,122 | | - |
| Buildings | 1,067,316 | - | 1,067,316 | | - |
| Improvements other than buildings | 45,596,950 | - | 45,596,950 | | - |
| Machinery and equipment | 941,431 | - | 941,431 | | - |
| Transportation vehicles | 29,110 | 67,185 | 96,295 | | - |
| Construction in progress | 150,455 | - | 150,455 | | - |
| Leased equipment | 224,373 | 165,042 | 389,415 | | - |
| Total noncurrent assets | <u>48,794,757</u> | <u>232,227</u> | <u>49,026,984</u> | | <u>-</u> |
| Total assets | <u>55,427,257</u> | <u>2,460,612</u> | <u>57,887,869</u> | | <u>1,112,508</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred charges on refunding | 17,198 | - | 17,198 | | - |
| Pension contributions | 157,936 | 14,506 | 172,442 | | - |
| Pension investment returns | 532,187 | 48,881 | - | | - |
| Pension assumption changes | 3,000 | 276 | 3,276 | | - |
| Total deferred outflows of resources | <u>710,321</u> | <u>63,663</u> | <u>192,916</u> | | <u>-</u> |
| Total assets and deferred outflows of resources | <u>56,137,578</u> | <u>2,524,275</u> | <u>58,080,785</u> | | <u>1,112,508</u> |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 997,429 | 157,641 | 1,155,070 | | 8,678 |
| Due to other funds | 28,152 | - | 28,152 | | - |
| Accrued interest payable | 52,624 | - | 52,624 | | - |
| Compensated absences - current | 46,421 | 5,854 | 47,514 | | - |
| Bonds payable - current | 707,610 | - | 707,610 | | - |
| Lease obligation payable - current | 65,212 | 35,308 | 100,520 | | - |
| Total current liabilities | <u>1,897,448</u> | <u>198,803</u> | <u>2,091,490</u> | | <u>8,678</u> |
| Noncurrent liabilities: | | | | | |
| Compensated absences - noncurrent | 45,924 | 9,833 | 55,757 | | - |
| Bonds payable | 10,856,292 | - | 10,856,292 | | - |
| Net pension liability | 1,498,156 | 137,606 | 1,635,762 | | - |
| OPEB liability | 146,449 | 13,451 | 159,900 | | - |
| Lease obligation payable | 163,247 | 149,378 | 312,625 | | - |
| Total noncurrent liabilities | <u>12,710,068</u> | <u>310,268</u> | <u>13,020,336</u> | | <u>-</u> |
| Total liabilities | <u>14,607,516</u> | <u>509,071</u> | <u>15,111,826</u> | | <u>8,678</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Pension experience | 194,698 | 17,883 | 212,581 | | - |
| Total deferred inflows of resources | <u>194,698</u> | <u>17,883</u> | <u>212,581</u> | | <u>-</u> |
| Total liabilities and deferred inflows of resources | <u>14,802,214</u> | <u>526,954</u> | <u>15,324,407</u> | | <u>8,678</u> |
| NET POSITION | | | | | |
| Net investment in capital assets | 36,882,376 | 232,227 | 37,114,603 | | - |
| Restricted for: | | | | | |
| Debt service payments | 141,855 | - | 141,855 | | - |
| Unrestricted | 4,311,133 | 1,765,095 | 6,076,228 | 1,103,829 | - |
| Total net position | <u>\$ 41,335,364</u> | <u>\$ 1,997,322</u> | <u>43,332,686</u> | <u>\$ 1,103,829</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 | | | 99,706 | | |
| Net position of business-type activities | | | <u>\$ 43,432,392</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, 2019

| | Business-type Activities | | | Governmental Activities |
|---|---------------------------------|------------------------|-------------------------------|--------------------------------|
| | Water and Sewer Funds | Sanitation Fund | Total Enterprise Funds | Internal Service Funds |
| | | | | |
| OPERATING REVENUES | | | | |
| Charges for services: | | | | |
| Water | \$ 2,390,712 | \$ - | \$ 2,390,712 | \$ - |
| Sewer | 5,144,705 | - | 5,144,705 | - |
| Sanitation | - | 1,981,491 | 1,981,491 | - |
| Other services | 342,212 | - | 342,212 | 269,306 |
| Total operating revenues | <u>7,877,629</u> | <u>1,981,491</u> | <u>9,859,120</u> | <u>269,306</u> |
| OPERATING EXPENSES | | | | |
| Personnel services | 1,420,451 | 125,540 | 1,545,991 | - |
| Employee benefits | 649,244 | 108,330 | 757,574 | - |
| Contractual services | 1,786,295 | 1,209,840 | 2,996,135 | - |
| Supplies | 198,867 | 2,404 | 201,271 | - |
| Utilities | 502,038 | - | 502,038 | - |
| Depreciation | 1,724,136 | 91,683 | 1,815,819 | - |
| Administrative expense | 1,076,759 | 342,131 | 1,418,890 | 25,421 |
| Premiums | - | - | - | 41,756 |
| Total operating expenses | <u>7,357,790</u> | <u>1,879,928</u> | <u>9,237,718</u> | <u>67,177</u> |
| Operating income (loss) | <u>519,839</u> | <u>101,563</u> | <u>621,402</u> | <u>202,129</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment income | 79,806 | 32,280 | 112,086 | 16,006 |
| Interest expense | (329,486) | (1,276) | (330,762) | - |
| Gain (loss) on capital asset disposition | 9,528 | - | 9,528 | - |
| Grant proceeds | 140,349 | 3,840 | 144,189 | - |
| Disaster recovery costs | - | (93,510) | (93,510) | - |
| Total nonoperating revenues (expenses) | <u>(99,803)</u> | <u>(58,666)</u> | <u>(158,469)</u> | <u>16,006</u> |
| Income (loss) before contributions and transfers | <u>420,036</u> | <u>42,897</u> | <u>462,933</u> | <u>218,135</u> |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Change in net position | <u>420,036</u> | <u>42,897</u> | <u>462,933</u> | <u>218,135</u> |
| Total net position - beginning | <u>40,915,329</u> | <u>1,954,425</u> | | <u>885,694</u> |
| Total net position - ending | <u>\$ 41,335,365</u> | <u>\$ 1,997,322</u> | | <u>\$ 1,103,829</u> |
| Adjustment for the net effect of the current year activity between the internal service fund and the enterprise funds | | | 32,367 | |
| Changes in net position of business-type activities (page 37) | | | <u>\$ 495,300</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, 2019

| | Business-type Activities | | | Governmental Activities | |
|---|---------------------------------|------------------------|-------------------------------|--------------------------------|----------|
| | Water and Sewer Funds | Sanitation Fund | Total Enterprise Funds | Internal Service Funds | |
| | | | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Cash receipts from customers | \$ 7,960,937 | \$ 2,248,851 | \$ 10,209,788 | \$ 278,385 | |
| Payments to suppliers | (2,579,642) | (1,191,502) | (3,771,144) | (96,066) | |
| Payments to employees | (2,156,555) | (192,118) | (2,348,673) | - | |
| Payments for interfund services used | (1,076,759) | (342,131) | (1,418,890) | - | |
| Net cash provided (used) by operating activities | <u>2,147,981</u> | <u>523,100</u> | <u>2,671,081</u> | <u>182,319</u> | |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Harvey cleanup payments | - | (93,510) | (93,510) | - | |
| Operating grant proceeds | - | 3,840 | 3,840 | - | |
| Net cash provided (used) by noncapital financing activities | <u>-</u> | <u>(89,670)</u> | <u>(89,670)</u> | <u>-</u> | |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Purchase of capital assets | (916,082) | - | (916,082) | - | |
| Proceeds from sale of capital assets | 9,528 | - | 9,528 | - | |
| Principal paid on capital debt | (675,000) | - | (675,000) | - | |
| Principal paid on capital leases | (58,708) | (5,747) | (64,455) | - | |
| Interest paid on capital debt | (347,368) | (1,276) | (348,644) | - | |
| Net cash provided (used) by capital and related financing activities | <u>(1,987,630)</u> | <u>(7,023)</u> | <u>(1,994,653)</u> | <u>-</u> | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest and dividends received | 79,806 | 32,280 | 112,086 | 16,006 | |
| Net cash provided (used) by investing activities | <u>79,806</u> | <u>32,280</u> | <u>112,086</u> | <u>16,006</u> | |
| Net increase (decrease) in cash and cash equivalents | 240,157 | 458,687 | 698,844 | 198,325 | |
| Cash and cash equivalents - beginning of year | 5,185,601 | 1,523,865 | 6,709,466 | 895,814 | |
| Cash and cash equivalents - end of year | <u>\$ 5,425,758</u> | <u>\$ 1,982,552</u> | <u>\$ 7,408,310</u> | <u>\$ 1,094,139</u> | |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Operating Income | \$ 519,839 | \$ 101,562 | \$ 621,401 | \$ 202,129 | |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Depreciation | 1,724,136 | 91,683 | 1,815,819 | - | |
| Changes in operating assets and liabilities: | | | | | |
| (Increase) decrease in accounts receivable | 83,308 | 267,360 | 350,668 | 9,080 | |
| (Increase) decrease in cash with fiscal agent | - | - | - | (2,000) | |
| (Increase) decrease in inventory | (4,564) | - | (4,564) | - | |
| (Increase) decrease in prepaids | (856) | (1,680) | (2,536) | - | |
| Increase (decrease) in accounts payable | (83,398) | 23,733 | (59,665) | (26,889) | |
| (Increase) decrease in liability for employee benefits | 1,611 | 4,231 | 5,842 | - | |
| Increase (decrease) in deferred outflows- exp vs assumptions | (905,440) | (62,677) | (968,117) | - | |
| Increase (decrease) in deferred outflows- contributions | 30,350 | (4,004) | 26,346 | - | |
| Increase (decrease) in deferred inflows - earnings | 9,383 | 415 | 9,798 | - | |
| Increase (decrease) in net pension liability | 789,657 | 98,088 | 887,745 | - | |
| Increase (decrease) in OPEB liability | (16,045) | 4,388 | (11,657) | - | |
| Total Adjustments | <u>1,628,142</u> | <u>421,537</u> | <u>2,049,679</u> | <u>(19,809)</u> | |
| Net cash provided (used) by operating activities | <u>\$ 2,147,981</u> | <u>\$ 523,099</u> | <u>\$ 2,671,080</u> | <u>\$ 182,320</u> | |
| Schedule of non-cash capital and related financing activities: | | | | | |
| Capital leases issued for capital assets | \$ (53,656) | \$ (190,433) | \$ (244,089) | \$ - | |
| Principal lease reduction by lessor | \$ (6,629) | \$ - | \$ - | \$ - | |

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 Fiduciary Net Position
September 30, 2019

| | <u>Agency Fund</u> |
|---------------------------|--------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 14,766 |
| Due from other funds | 777 |
| Total assets | <u>\$ 15,543</u> |
| LIABILITIES | |
| Accounts payable | \$ 8,640 |
| Other liabilities | 6,903 |
| Total liabilities | <u>\$ 15,543</u> |
| NET POSITION | |

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, 2019

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Orange, Texas (City) is chartered as a Home Rule City under the laws of the State of Texas. The current charter, adopted January 12, 1960 and amended by special election August 9, 1986, January 20, 1996, May 7, 2005 and May 8, 2010, provides for a Council-Manager form of government. The City Council is composed of an elected mayor and a six-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is a legally separate entity from the government.

Discretely presented component unit. The Economic Development Corporation is responsible for the administration of the City's 4B Sales Tax receipts and related expenditures. The Economic Development Corporation is covered under the provisions of the State of Texas, Development Corporation Act of 1979. Under the Act members of the board serve at the pleasure of the governing body and must conduct meetings within the City's boundaries. The Act also establishes that prior to pursuing a project the Economic Development Corporation Board is required to obtain City Council approval of the project. These provisions meet the criteria for inclusion established by GASB 14. Complete financial statements for the individual component unit may be obtained from the City's Finance Department.

B. Government-wide and fund financial statements

The government-wide financial statements (*i.e., the statement of net position and the statement of activities*) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2019

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
September 30, 2019

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.

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.

The **special revenue funds** are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

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.

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2019

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund, of the Sanitation enterprise fund and the government's internal service funds are charges to customers for sales and services. The Water and Sewer enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position

1. 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 is reported at cost which approximates fair value.

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2019

The City has applied Governmental Accounting Standards Board (“GASB”) Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

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

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2019

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 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

CITY OF ORANGE, TEXAS
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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.

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

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for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (*expense/expenditures*) until then. The government had two items that qualified for reporting in this category. (1) The deferred charge on refunding reported in the government-wide statement of net position and the proprietary funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. (2) The deferred outflow of pension liability is reported in the government-wide statement of net position and the proprietary funds statement of net position. A deferred outflow of pension liability can result from contributions subsequent to the measurement date or differences between projected or actual assumptions, economic experience or investment earnings. Contributions subsequent to the measurement date are deferred and reported in the next account period. Other deferred pension liability outflows are deferred and recognized as expenses over future periods as determined by the actuarial report of the pension.

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

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.

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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12. Long-Term Obligations

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

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

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

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.

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54 on “*Fund Balance Reporting and Governmental Fund Type Definitions*”. The City of Orange implemented Statement No. 54 during fiscal year 2011.

The components of funds balance under GASB 54 are:

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

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

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

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

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

Assigned to - portion of fund balance that has limitation because of the intended use. The segregation of funds within a specific governmental fund established the intended use of the funds by the City Council. The segregation of these funds is 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

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unrestricted resources. In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components 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's policy is to maintain a minimum 20% fund balance of the 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 general fund balance is \$4,289,498 at September 30, 2019. The unassigned fund balance for the general fund at September 30, 2019 was \$11,291,929.

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

| | |
|-----------------|-------------------------|
| Nonspendable | Inventory |
| Restricted for: | Cultural and recreation |
| | Debt service |
| | Hurricane recovery |
| | Public safety |
| | Public works |
| | Tourism and promotion |
| Assigned to: | Capital outlay |
| | Economic development |
| Unassigned | |

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 \$32,754,995 are as follows:

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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| | |
|---|---------------------|
| Capital assets | \$64,387,360 |
| Less: Accumulated depreciation | <u>(31,632,365)</u> |
| Net adjustment to increase fund balances - total governmental funds to arrive at net position - governmental funds. | <u>\$32,754,995</u> |

Another element of that reconciliation explains that “Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.” The details of the \$1,846,865 are as follows:

| | |
|---|--------------------|
| Accrued property tax revenue | \$1,315,806 |
| Grants receivable | 501,663 |
| Municipal court receivable | <u>29,396</u> |
| Net adjustment to increase fund balances - total governmental funds to arrive at net position - governmental funds. | <u>\$1,846,865</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 (\$31,237,919) difference are as follows:

| | |
|---|-----------------------|
| Bonds payable | (\$12,074,833) |
| Deferred outflows on refundings | 77,269 |
| Accrued interest payable | (61,276) |
| Other post-employment benefits | (787,375) |
| Compensated absences | (2,779,492) |
| Net pension liabilities and deferrals | (15,261,209) |
| Lease obligations payable | <u>(351,003)</u> |
| Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental funds | <u>(\$31,237,919)</u> |

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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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 \$1,004,123 are as follows:

| | |
|---|---------------------------|
| Net position of the internal service funds | \$1,103,829 |
| 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>(68,448)</u> |
| Net adjustment to increase fund balances - total governmental funds to arrive at net position - governmental funds. | <u><u>\$1,004,123</u></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 \$3,122,862 difference are as follows:

| | |
|--------------------------------|--------------------|
| Capital outlay | \$5,302,365 |
| Assets disposed of during year | (14,812) |
| Depreciation expense | <u>(2,164,691)</u> |

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 Notes to the Financial Statements
 September 30, 2019

| | |
|---|--------------------|
| Net adjustment to decrease net changes in fund balances - total governmental fund to arrive at changes in net position of governmental activities | <u>\$3,122,862</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 (\$541,230) difference are as follows:

| | |
|--|------------------|
| Grant revenue | \$471,125 |
| Property tax revenue | 66,764 |
| Municipal court revenue | <u>3,341</u> |
| Net adjustment to increase net changes in fund balances - total governmental fund to arrive at changes in net position of governmental activities. | <u>\$541,230</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 (\$7,316,286) difference are as follows:

| | |
|--------------------------------|---------------|
| Debt issued | (\$8,221,668) |
| Amortization of debt premiums | 21,830 |
| Bonds paid | 875,000 |
| Deferred outflow on refundings | (38,934) |
| Change in interest payable | (43,220) |

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| | |
|---|----------------------|
| Capital leases issued | (24,077) |
| Capital lease obligations paid | <u>114,783</u> |
| Net adjustment to increase net changes in fund balances - total government funds to arrive at changes in net position of governmental funds | <u>(\$7,316,286)</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 (\$2,119,690) difference are as follows:

| | |
|---|----------------------|
| Compensated absences | (\$202,215) |
| Other post-employment benefits | (34,099) |
| Net pension expense | <u>(1,883,376)</u> |
| Net adjustment to decrease net changes in fund balances - total government funds to arrive at changes in net position of governmental funds | <u>(\$2,119,690)</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 \$185,768 difference are as follows:

| | |
|--|------------------|
| Workers’ compensation internal service fund | <u>\$185,768</u> |
| Net adjustment to decrease net changes in fund balances- total government funds to arrive at changes in net position of governmental funds | <u>\$185,768</u> |

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

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Notes to the Financial Statements
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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 2019 annual budgets were adopted for all funds except the Home Program, the Economic Development Fund, the Texas Department of Transportation (TXDOT) Grant Fund, the Bureau of Justice Grant Fund, Homeland Security Grant Program 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 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 | \$208,068 | Increased costs in the Street and Drainage department for the completion of the Sunset Drive road repaving project, which is a carryforward from the prior year. |
| | Water and Sewer Fund | \$244,016 | Increased revenues for an increase in septic station fees and interest earnings. Increased costs for unforeseen repairs to water and sewer lines, lift stations, machinery and equipment. Increased costs for replacement of submersible pump and water well motor. |
| | Water and Sewer CIP Fund | \$17,900 | Increased cost for a regional lift station study for future water and sewer utility infrastructure needs. |
| | Special Revenue Funds | \$12,148 | Increased cost for Fire Department Donation Fund to purchase equipment. |
| <u>Amendment #2</u> | General Fund | \$215,427 | Increased revenues and costs in various line items during the fiscal year primarily for insurance proceeds and FEMA receipts relating to Tropical Storm Harvey damages. Increased costs for improvements to new City Hall and Police department boiler equipment. |

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2019

| | | |
|--|-----------|--|
| Debt Service Fund | \$86,320 | Increased costs for interest payment due on the 2019 Tax and Revenue Certificate of Obligation Bond issue. |
| Capital Improvement Fund | (\$3,704) | Increased revenues for proceeds from bond issue and costs for project expenditures for the 2019 Tax and Revenue Certificate of Obligation Bond issue. |
| Water and Sewer Fund | \$138,541 | Increase revenue for an increase in septic station fees. Increased costs for unforeseen repairs to water and sewer lines, machinery, equipment and for completion of the SCADA system. |
| Water and Sewer Bond Construction Fund | \$116,336 | Increase costs to expend the remaining 2016 bond construction funds. |
| Water & Sewer CIP Fund | \$8,000 | Increased cost for a regional lift station study for future water and sewer utility infrastructure needs. |
| Special Revenue Funds | \$100,793 | Increased revenue and costs for various projects for the Orange Development Fund, CDBG Fund, State OPD Fund, Law Enforcement Seizure Fund, Municipal Court Technology Fund, Bureau of Justice Grant Fund, Texas Forest Service Grant Fund and the Fire Department Donation Fund. |

Annual appropriations lapse at the close of the fiscal year. Any outstanding obligation are then re-encumbered against funds of the succeeding year. Accordingly, there was not a reservation for encumbrances at September 30, 2019.

B. Excess of Expenditures Over Appropriations

For the year ended September 30, 2019, expenditures exceeded appropriations at the legal level of control as follows:

| | | |
|-------------------------|--|-----------|
| General Fund | | |
| Fire Department | | \$28,305 |
| Capital Projects Fund | | |
| Non-Budgeted Expenses | | \$217,926 |
| Orange Development Fund | | |

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2019

| | |
|----------------------------------|----------|
| Tourism & Cultural Affairs | \$58,633 |
| Home Consortium Administration | \$5,300 |
| Home Consortium Administration | \$5,300 |
| Parks Donation Fund | \$2,500 |
| Park and Recreation Donation | \$2,500 |
| Bureau of Justice Grant Fund | \$2,218 |
| Bureau Justice Bullet Proof Vest | \$2,218 |

The fire department was over budget slightly in the personnel category. The capital projects fund's non budgeted expense over budget situation was caused by the bond issuance costs from the certificates of obligation issued in 2019. The tourism and cultural affairs department was over budget in the special services account due to new community events that were funded from the reserves. The home consortium administration department was over budget due to an additional unexpected payment was received and therefore it was remitted to HUD. The parks and recreation donation department was over budget due to a last-minute prepayment deposit for the talent for an upcoming event. The donation funds were received in fiscal year 2020. The bureau justice bullet proof vest department was over budget due to the purchase of bullet proof vests from the reserves.

C. Excess of Appropriations over Expenditures

For the year ended September 30, 2019, appropriations exceeded expenditures as follows:

| | |
|--|-----------|
| General Fund | |
| General government | \$360,893 |
| Culture – recreation | \$50,292 |
| Public safety | \$73,509 |
| Public works | \$298,215 |
| Non departmental | \$350,520 |
| Debt Service Fund | |
| Interest | \$221 |
| Special Revenue Funds | |
| Public safety | \$189,614 |
| Public works | \$177,273 |
| Tourism | \$81,762 |
| Capital outlay | \$386,945 |
| Water and Sewer Fund | \$522,635 |
| Water and Sewer Bond Construction Fund | \$428,863 |
| Sanitation Fund | \$16,712 |

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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For the year ended September 30, 2019 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, 2019 the City of Orange had one fund with a deficit fund balance. The special revenue Texas Department of Public Safety Emergency Management Grant Fund had a (\$28,004) deficit fund balance due to the timing of the activity in the fund.

IV. Detailed Notes on All Funds

A. Deposits and Investments

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

Interest rate risk. In accordance with its investment policy, the government manages its exposure to declines in interest rate by limiting the maximum maturities on investments by type as listed below:

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

Credit risk. The City's investment policy limits the type of allowable investments to (1) collateralized bank certificates of deposit as per the City's depository contract, (2) direct obligations of the Federal government, (3) direct obligations of Federal agencies and instrumentalities, (4) investments in certificates of deposit at Federally insured banks or savings and loan associations, (5) collateralized savings accounts at the City's depository banks, or (6) Texpool. The City's policy is more restrictive than present State Law. As of September 30, 2019, the City's investments consisted solely of bank certificates of deposit.

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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, 2019. 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 investments 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 | \$29,724,075 |
| Fair value of investments – bank certificate of deposit | <u>245.000</u> |
| Total | <u><u>\$29,969,075</u></u> |
| Cash and cash equivalents | \$21,368,143 |

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| | |
|--|----------------------------|
| Investments – bank certificates of deposit | 245,000 |
| Cash and cash equivalents - temporarily restricted | 8,341,166 |
| Cash and cash equivalents - fiduciary fund | <u>14,766</u> |
| Total | <u><u>\$29,969,075</u></u> |

As of September 30, 2019, the primary government had the following investments:

| Investment Type | Value | Weighted Average Maturity (Years) |
|-------------------------------------|-----------------------|--|
| Certificates of deposit | 245,000 | .87 |
| Total value | <u><u>245,000</u></u> | |
| Portfolio weighted average maturity | | .87 |

At September 30, 2019, the component unit had the following investments:

| Investment Type | Value | Weighted Average Maturity (Years) |
|-------------------------------------|-----------------------|--|
| Certificates of deposit | 245,000 | .87 |
| Total value | <u><u>245,000</u></u> | |
| Portfolio weighted average maturity | | .87 |

B. Receivables

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

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements
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| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> | <u>Orange Economic Development Corporation</u> |
|--------------------------------------|------------------------------------|-------------------------------------|--------------------|--|
| Receivables: | | | | |
| Taxes | \$1,378,674 | \$0 | \$1,378,674 | \$283,834 |
| Municipal court | 851,188 | 0 | 851,188 | 0 |
| Accounts | 1,757,465 | 1,279,848 | 3,037,313 | 3,853 |
| Due from others | <u>38,121</u> | <u>0</u> | <u>38,121</u> | <u>0</u> |
| Subtotal | 4,025,448 | 1,279,848 | 5,305,296 | 287,687 |
| Less: allowance for uncollectible | <u>(894,828)</u> | <u>(18,462)</u> | <u>(913,290)</u> | <u>0</u> |
| Net total receivables | <u>\$3,130,620</u> | <u>\$1,261,386</u> | <u>\$4,392,006</u> | <u>\$287,687</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 | \$53,003 |
| Municipal court – General | 821,792 |
| Ad valorem taxes - Debt Service | 9,865 |
| Hotel occupancy taxes – Special Revenue | 10,168 |
| Water and Sewer | 15,921 |
| Sanitation fees | <u>2,541</u> |
| Total uncollectibles of the current fiscal year | <u>\$913,290</u> |

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements
 September 30, 2019

C. Capital Assets

Capital asset activity for the year ended September 30, 2019 was as follows:

Primary Government

| | <u>Balance at</u> <u>9/30/18</u> | <u>Increases</u> | <u>(Decreases) /</u> <u>Reclasses</u> | <u>Balance at</u> <u>9/30/19</u> |
|---|-------------------------------------|------------------|--|-------------------------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$1,915,563 | \$0 | \$0 | \$1,915,563 |
| Construction in progress | <u>356,931</u> | <u>1,246,347</u> | <u>(356,931)</u> | <u>1,246,347</u> |
| Total capital assets, not being depreciated | <u>2,272,494</u> | <u>1,246,347</u> | <u>(356,931)</u> | <u>3,161,910</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 27,037,152 | 156,615 | 0 | 27,193,767 |
| Office furniture, fixtures and books | 4,164,605 | 158,526 | 0 | 4,323,131 |
| Machinery, equipment, vehicles and improvements | 16,550,367 | 3,545,193 | (267,398) | 19,828,162 |
| Infrastructure | 8,749,249 | 528,538 | 0 | 9,277,787 |
| Leased equipment | <u>578,523</u> | <u>24,077</u> | <u>0</u> | <u>602,600</u> |
| Total assets being depreciated | <u>57,079,896</u> | <u>4,412,949</u> | <u>(267,398)</u> | <u>61,225,447</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (8,822,559) | (880,644) | 0 | (9,703,203) |
| Office furniture, fixtures and books | (3,598,271) | (85,347) | 0 | (3,683,618) |
| Machinery, equipment, vehicles and improvements | (11,243,351) | (811,410) | 252,585 | (11,802,176) |
| Infrastructure | (5,924,381) | (268,376) | 0 | (6,192,757) |

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements
 September 30, 2019

Primary Government

| | <u>Balance at 9/30/18</u> | <u>Increases</u> | <u>(Decreases) / Reclasses</u> | <u>Balance at 9/30/19</u> |
|--|-------------------------------|--------------------|------------------------------------|-------------------------------|
| Leased equipment | (131,693) | (118,915) | 0 | (250,608) |
| Total accumulated depreciation | (29,720,255) | (2,164,692) | 252,585 | (31,632,362) |
| Total capital assets, being depreciated, net | 27,359,641 | 2,248,257 | (14,813) | 29,593,085 |
| Governmental activities capital assets, net | <u>\$29,632,135</u> | <u>\$3,494,604</u> | <u>(\$371,744)</u> | <u>\$32,754,995</u> |

Business-type Activities:

Capital assets, not being depreciated:

| | | | | |
|---|-------------------|----------------|--------------------|----------------|
| Land | \$733,122 | \$52,000 | \$0 | \$785,122 |
| Construction in progress | 9,857,658 | 147,145 | (9,854,348) | 150,455 |
| Total capital assets, not being depreciated | <u>10,590,780</u> | <u>199,145</u> | <u>(9,854,348)</u> | <u>935,577</u> |

Capital assets, being depreciated:

| | | | | |
|---|-------------------|-------------------|-----------------|-------------------|
| Buildings | 683,297 | 576,000 | 0 | 1,259,297 |
| Improvements - other than buildings | 68,791,000 | 9,842,168 | 0 | 78,633,168 |
| Machinery & equipment | 2,720,737 | 147,872 | 0 | 2,868,609 |
| Leased equipment | 285,368 | 244,089 | (6,629) | 522,828 |
| Vehicles | 1,198,074 | 5,246 | (51,653) | 1,151,667 |
| Total capital assets, being depreciated | <u>73,678,476</u> | <u>10,815,375</u> | <u>(58,282)</u> | <u>84,435,569</u> |

Less: accumulated depreciation for:

| | | | | |
|-----------------------------------|--------------|-------------|---|--------------|
| Buildings | (166,795) | (25,186) | 0 | (191,981) |
| Improvements other than buildings | (31,637,244) | (1,398,974) | 0 | (33,036,218) |

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements
 September 30, 2019

Primary Government

| | <u>Balance at 9/30/18</u> | <u>Increases</u> | <u>(Decreases) / Reclasses</u> | <u>Balance at 9/30/19</u> |
|--|-------------------------------|--------------------|------------------------------------|-------------------------------|
| Machinery & equipment | (1,729,319) | (197,859) | 0 | (1,927,178) |
| Leased equipment | (46,378) | (87,034) | 0 | (133,412) |
| Vehicles | <u>(1,000,259)</u> | <u>(106,766)</u> | <u>51,653</u> | <u>(1,055,372)</u> |
| Total accumulated depreciation | <u>(34,579,995)</u> | <u>(1,815,819)</u> | <u>51,653</u> | <u>(36,344,161)</u> |
| Total capital assets, being depreciated, net | <u>39,098,481</u> | <u>8,999,556</u> | <u>(6,629)</u> | <u>48,091,408</u> |
| Business-type activities capital assets, net | <u>\$49,689,261</u> | <u>\$9,198,701</u> | <u>(\$9,860,977)</u> | <u>\$49,026,985</u> |

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

Government activities:

| | |
|--|--------------------|
| General government | \$141,700 |
| Cultural and recreation | 291,785 |
| Public safety | 1,011,004 |
| Public works | <u>720,203</u> |
| Total depreciation expense - governmental activities | <u>\$2,164,692</u> |

Business-type activities:

| | |
|---|--------------------|
| Water and Sewer | \$1,749,527 |
| Sanitation | <u>66,292</u> |
| Total depreciation expense - business-type activities | <u>\$1,815,819</u> |

Construction commitments

Construction in progress capital assets consists of the following as of September 30, 2019:

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2019

Governmental Activities

| | |
|-----------------------------------|--------------------|
| Cove water tower rehabilitation | \$1,634 |
| Generator for City Hall | 17,685 |
| 2019 Fire Truck pre-payment | 589,962 |
| Riverfront pavilion | 44,200 |
| Repairs to Owens Road and Culvert | 138,047 |
| Street improvements | <u>454,819</u> |
| Total Governmental Activities | <u>\$1,246,347</u> |

Business-Type Activities

| | |
|---|------------------|
| 15 Street Utility Relocation | \$3,310 |
| East clarifier rehabilitation at JSWWTP | 26,591 |
| Tulane Road – southside force main | 18,600 |
| Sikes Road sewer repairs | 63,000 |
| Cover water tank | 23,864 |
| West side water | <u>15,090</u> |
| Total Business Type Activities | <u>\$150,455</u> |

D. Interfund Receivables, Payables and Transfers

The City had five 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 one 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, 2019 is as follows:

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2019

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--|---|----------------------|
| Governmental Funds: | | |
| General Fund | Community Development Block Grant (CDBG) | \$7,066 |
| General Fund | Bureau of Justice Grant | 1,827 |
| General Fund | Special Revenue - Texas Forrest Service TIFMAS Grant | 2,580 |
| General Fund | Special Revenue - Texas Department of Public Safety Emergency Management Grant | 26,827 |
| General Fund | Special Revenue - Texas General Land Office GLO | <u>240,354</u> |
| Total Governmental Funds | | <u>278,654</u> |
| Proprietary Funds: | | |
| General Fund | Water and Sewer Fund | <u>28,152</u> |
| Total between governmental and proprietary funds | | <u>28,152</u> |
| Total interfund receivables, payables and transfers | | <u>\$306,806</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

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements
 September 30, 2019

lease accounting per Statement No. 87 of the Governmental Accounting Standards Board. The lease terms and interest rates vary per lease contract. These leases are all secured by the underlying assets being leased. In the event of a potential default by the City, the lessor could take back possession of the assets.

Leased asset – vehicles:

| <u>Asset Description</u> | <u>Asset Number</u> | <u>Lease Term</u> | <u>Value</u> | <u>Accumulated Depreciation</u> | <u>Net Asset Value</u> | <u>Residual Value per Lease Agreement</u> |
|---------------------------------|----------------------------|--------------------------|---------------------|--|-------------------------------|--|
| | | <u>(months)</u> | | | | |
| 2017 Ferrara Fire Truck | 2017-0002 | 60 | \$422,706 | \$197,263 | 225,443 | \$0 |
| 2018 Ford F150 XLT | 2018-0047 | 60 | 29,735 | 9,416 | 20,319 | 7,967 |
| 2018 Ford Explorer | 2018-0048 | 60 | 24,125 | 7,640 | 16,486 | 6,771 |
| 2018 Ford F250 XL | 2018-0049 | 60 | 28,562 | 9,045 | 19,518 | 7,955 |
| 2018 Ford F150 XLT | 2018-0050 | 60 | 23,791 | 7,930 | 15,860 | 6,517 |
| 2018 Ford F250 XL | 2018-0051 | 60 | 25,813 | 8,174 | 17,639 | 6,996 |
| 2018 Ford F150 XLT | 2018-0052 | 60 | 23,791 | 7,930 | 15,860 | 6,517 |
| 2019 Ford F150 XL | 2019-0063 | 60 | <u>24,077</u> | <u>3,210</u> | <u>20,867</u> | <u>6,625</u> |
| | | | <u>\$602,600</u> | <u>\$250,608</u> | <u>\$351,992</u> | <u>\$49,348</u> |

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2019 were as follows:

Lease obligations – 60 month term

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|-------------------------|------------------------|---------------------|
| 2019-2020 | 120,240 | 11,272 | 131,512 |
| 2020-2021 | 124,462 | 7,050 | 131,512 |
| 2021-2022 | 83,627 | 2,884 | 86,511 |
| 2022-2023 | 20,630 | 526 | 21,156 |
| 2023-2024 | <u>2,045</u> | <u>28</u> | <u>2,073</u> |
| | <u>\$351,004</u> | <u>\$21,760</u> | <u>\$372,764</u> |

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements
 September 30, 2019

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. In fiscal year 2019, the City of Orange entered into a lease agreement, as lessee, for financing the acquisition of a grapple truck for the sanitation department. These leases are all secured by the underlying assets being leased. In the event of a potential default by the City, the lessor could take back possession of the assets.

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> |
|--------------------------|---------------------|----------------------------|--------------|---------------------------------|------------------------|---|
| 2017 Ford F150 XL | 2017-0057 | 60 | \$22,364 | \$5,964 | \$16,400 | \$6,390 |
| 2017 Ford F150 XL | 2017-0059 | 60 | 22,364 | 11,928 | 10,436 | 6,390 |
| 2017 Ford F150 XL | 2017-0060 | 60 | 22,365 | 11,928 | 10,437 | 6,390 |
| 2017 Ford Explorer | 2017-0061 | 48 | 22,501 | 15,001 | 7,500 | 7,675 |
| 2018 Ford F250 | 2018-0053 | 60 | 27,445 | 7,319 | 20,126 | 7,601 |
| 2018 Ford F250 | 2018-0055 | 60 | 27,397 | 8,219 | 19,178 | 7,362 |
| 2018 Ford F450 | 2018-0057 | 60 | 55,404 | 14,774 | 40,630 | 16,041 |
| 2018 Ford F350 | 2018-0058 | 60 | 32,400 | 10,236 | 22,164 | 10,916 |
| 2018 Ford F150 XL | 2018-0060 | 60 | 24,275 | 8,090 | 16,185 | 5,886 |
| 2018 Ford F150 XL | 2018-0061 | 60 | 22,224 | 7,408 | 14,816 | 6,079 |
| 2019 Ford F350 XL | 2019-0065 | 60 | 29,579 | 3,944 | 25,635 | 8,116 |

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2019

| | | | | | | |
|----------------------------|-----------|----|-------------------------|-------------------------|-------------------------|------------------------|
| 2019 Ford F150 XL | 2019-0064 | 60 | 24,077 | 3,210 | 20,867 | 6,625 |
| 2020 Peterbilt grapple trk | 2019-0066 | 60 | <u>190,433</u> | <u>25,391</u> | <u>165,042</u> | <u>0</u> |
| | | | <u><u>\$522,828</u></u> | <u><u>\$133,412</u></u> | <u><u>\$389,416</u></u> | <u><u>\$95,471</u></u> |

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2019 were as follows:

Lease obligations – 48 month term

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|-------------------------|------------------------|-----------------------|
| 2019-2020 | 5,932 | 281 | 6,213 |
| 2020-2021 | <u>2,432</u> | <u>29</u> | <u>2,461</u> |
| | <u><u>\$8,364</u></u> | <u><u>\$310</u></u> | <u><u>\$8,674</u></u> |

Lease obligations – 60 month term

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|-------------------------|------------------------|-------------------------|
| 2019-2020 | 94,588 | 18,027 | 112,615 |
| 2020-2021 | 99,519 | 13,096 | 112,615 |
| 2021-2022 | 95,657 | 8,012 | 103,669 |
| 2022-2023 | 75,650 | 3,440 | 79,090 |
| 2023-2024 | <u>39,367</u> | <u>714</u> | <u>40,081</u> |
| | <u><u>\$404,781</u></u> | <u><u>\$43,289</u></u> | <u><u>\$448,070</u></u> |

F. Compensated Absences

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,

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements
 September 30, 2019

depending on employment.

The following summarizes the changes in the compensated absences balances of the primary government during the year. In general, the City uses the general and water and sewer funds to liquidate compensated absences.

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---|------------------------------|------------------|--------------------|---------------------------|--------------------------------|
| <u>Governmental activities:</u> | | | | | |
| Compensated absences | <u>\$2,577,277</u> | <u>\$314,854</u> | <u>(\$112,639)</u> | <u>\$2,779,492</u> | <u>\$1,249,717</u> |
| Total governmental activities | <u>\$2,577,277</u> | <u>\$314,854</u> | <u>(\$112,639)</u> | <u>\$2,779,492</u> | <u>\$1,249,717</u> |
| <u>Business-type activities:</u> | | | | | |
| Compensated absences | <u>\$102,191</u> | <u>\$9,271</u> | <u>(\$3,429)</u> | <u>\$108,033</u> | <u>\$52,275</u> |
| Total business-type activities | <u>\$102,191</u> | <u>\$9,271</u> | <u>(\$3,429)</u> | <u>\$108,033</u> | <u>\$52,275</u> |

G. 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 \$28,995,000.

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:

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements
 September 30, 2019

| <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 | \$3,875,000 |
| General Obligation Refunding Bonds Series 2015 | 0.6% - 1.6% | 1,980,000 | 0 |
| Tax and Revenue Certificates of Obligation, Series 2019 | 3.0% - 5.0% | 7,785,000 | 7,785,000 |
| Business-type Activities: | | | |
| General Obligation Refunding Series 2014 | 2.0% - 3.0% | 3,900,000 | 2,790,000 |
| Tax and Revenue Certificates of Obligation, Series 2015 | 2.0% - 4.0% | 4,845,000 | 4,060,000 |
| Tax and Revenue Certificates of Obligation, Series 2016 | 2.0% - 3.0% | <u>5,045,000</u> | <u>4,425,000</u> |
| | | <u>\$28,995,000</u> | <u>\$22,935,000</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

| <u>Year Ending September 30, 2019</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------------|---------------------------|-------------------------|---------------------------|
| 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 |
| 2023-2024 | <u>430,000</u> | <u>47,898</u> | <u>477,898</u> |
| 2024-2028 | <u>1,830,000</u> | <u>89,717</u> | <u>1,919,717</u> |
| | <u>\$3,875,000</u> | <u>\$431,602</u> | <u>\$4,306,602</u> |

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements
 September 30, 2019

Tax and Revenue Certificates of Obligation Bonds Series 2019

| Year Ending September 30, 2019 | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------------|---------------------------|---------------------------|----------------------------|
| 2019-2020 | \$255,000 | \$276,125 | \$531,125 |
| 2020-2021 | 270,000 | 263,000 | 533,000 |
| 2021-2022 | 280,000 | 249,250 | 529,250 |
| 2022-2023 | 295,000 | 234,875 | 529,875 |
| 2023-2024 | 310,000 | 219,750 | 529,750 |
| 2024-2029 | 1,790,000 | 862,225 | 2,652,225 |
| 2029-2034 | 2,120,000 | 532,500 | 2,652,500 |
| 2034-2039 | <u>2,465,000</u> | <u>189,125</u> | <u>2,654,125</u> |
| | <u>\$7,785,000</u> | <u>\$2,826,850</u> | <u>\$10,611,850</u> |

Business-type Activities -

General Obligation Advance Refunding Series 2014

| Year Ending September 30, 2019 | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------------|---------------------------|-------------------------|---------------------------|
| 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 |
| 2023-2024 | 310,000 | 49,200 | 359,200 |
| 2024-2028 | <u>1,330,000</u> | <u>101,550</u> | <u>1,431,550</u> |
| | <u>\$2,790,000</u> | <u>\$432,250</u> | <u>\$3,222,250</u> |

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements
 September 30, 2019

Tax and Revenue Certificates of Obligation Series 2015

| Year Ending September 30, 2019 | Principal | Interest | Total |
|---------------------------------------|---------------------------|---------------------------|---------------------------|
| 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 |
| 2023-2024 | 225,000 | 108,688 | 333,688 |
| 2024-2029 | 1,220,000 | 440,125 | 1,660,125 |
| 2029-2034 | 1,440,000 | 212,937 | 1,652,937 |
| 2034-2035 | <u>325,000</u> | <u>6,500</u> | <u>331,500</u> |
| | <u>\$4,060,000</u> | <u>\$1,252,600</u> | <u>\$5,312,600</u> |

Tax and Revenue Certificates of Obligation Series 2016

| Year Ending September 30, 2019 | Principal | Interest | Total |
|---------------------------------------|---------------------------|---------------------------|---------------------------|
| 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 |
| 2023-2024 | 235,000 | 86,838 | 321,838 |
| 2024-2029 | 1,270,000 | 340,563 | 1,610,563 |
| 2029-2034 | 1,425,000 | 180,125 | 1,605,125 |
| 2034-2036 | <u>625,000</u> | <u>17,253</u> | <u>642,253</u> |
| | <u>\$4,425,000</u> | <u>\$1,034,906</u> | <u>\$5,459,906</u> |

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements
 September 30, 2019

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 | Governmental Activities | | | Business-type Activities | | |
|---------------------------|--------------------------------|---------------------------|----------------------------|---------------------------------|---------------------------|----------------------------|
| September 30, 2019 | Principal | Interest | Total | Principal | Interest | Total |
| 2019-2020 | 640,000 | 364,637 | 1,004,637 | 690,000 | 318,613 | 1,008,613 |
| 2020-2021 | 670,000 | 341,700 | 1,011,700 | 710,000 | 304,713 | 1,014,713 |
| 2021-2022 | 690,000 | 317,825 | 1,007,825 | 725,000 | 286,463 | 1,011,463 |
| 2022-2023 | 715,000 | 293,075 | 1,008,075 | 745,000 | 266,188 | 1,011,188 |
| 2023-2024 | 740,000 | 267,648 | 1,007,648 | 770,000 | 244,726 | 1,014,726 |
| 2024-2029 | 3,620,000 | 951,942 | 4,571,942 | 3,820,000 | 882,238 | 4,702,238 |
| 2029-2034 | 2,120,000 | 532,500 | 2,652,500 | 2,865,000 | 393,062 | 3,258,062 |
| 2034-2039 | <u>2,465,000</u> | <u>189,125</u> | <u>2,654,125</u> | <u>950,000</u> | <u>23,753</u> | <u>973,753</u> |
| | <u>\$11,660,000</u> | <u>\$3,258,452</u> | <u>\$14,918,452</u> | <u>\$11,275,000</u> | <u>\$2,719,756</u> | <u>\$13,994,756</u> |

Long-term liability activity for the year ended September 30, 2019 was as follows:

| | Beginning Balance | | | Ending Balance | Due Within One Year |
|--|------------------------------|-------------|-------------|---------------------------|--------------------------------|
| <u>Governmental activities:</u> | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds and certificates of obligation | \$4,750,000 | \$7,785,000 | (\$875,000) | \$11,660,000 | \$640,000 |

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2019

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---|------------------------------|----------------------------|-----------------------------|----------------------------|--------------------------------|
| Certificates of obligation bond premium | <u>0</u> | <u>436,666</u> | <u>(21,833)</u> | <u>414,833</u> | <u>21,833</u> |
| Total bonds payable | 4,750,000 | 8,221,666 | (896,833) | 12,074,833 | 661,833 |
| Net pension liabilities | 10,888,454 | 11,953,271 | 0 | 22,841,725 | 0 |
| Other post-employment benefits | 753,278 | 34,097 | 0 | 787,375 | 0 |
| Lease obligation payable | <u>441,710</u> | <u>24,077</u> | <u>(114,783)</u> | <u>351,004</u> | <u>120,240</u> |
| | <u>\$16,833,442</u> | <u>\$20,233,111</u> | <u>(\$1,011,616)</u> | <u>\$36,054,937</u> | <u>\$782,073</u> |

Business-type activities:

Bonds payable:

| | | | | | |
|---|----------------------------|---------------------------|---------------------------|----------------------------|-------------------------|
| General obligation bonds and certificates of obligation | \$11,950,000 | \$0 | (\$675,000) | \$11,275,000 | \$690,000 |
| Certificate of obligation bond premium | <u>306,511</u> | <u>0</u> | <u>(17,610)</u> | <u>288,901</u> | <u>17,611</u> |
| Total bonds payable | 12,256,511 | 0 | (692,610) | 11,563,901 | 707,610 |
| Other post-employment benefits | 171,557 | 0 | (11,657) | 159,900 | 0 |
| Lease obligation payable | 240,140 | 244,089 | (71,084) | 413,145 | 100,520 |
| Net pension liability | <u>748,017</u> | <u>887,744</u> | <u>0</u> | <u>1,635,761</u> | <u>0</u> |
| | <u>\$13,416,225</u> | <u>\$1,131,833</u> | <u>(\$775,351)</u> | <u>\$13,772,707</u> | <u>\$808,130</u> |

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:

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2019

| <u>Governmental activities:</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> |
|---|---------------------------------|-------------------------|--------------------------|------------------------------|
| Deferred outflows of resources: | | | | |
| Refunding of bond issues | \$116,203 | \$0 | (\$38,934) | \$77,269 |
| Contributions subsequent to measurement date | 1,118,745 | 0 | (7,434) | 1,111,311 |
| Change in actuarial assumptions for pensions | 0 | 5,035,209 | 0 | 5,035,209 |
| Difference in projected and actual investment | | | | |
| Earnings on pension plans | 0 | <u>3,540,468</u> | 0 | <u>3,540,468</u> |
| Total of deferred outflows of resources | <u>\$1,234,948</u> | <u>\$8,575,677</u> | (\$46,368) | <u>\$9,764,257</u> |
| Deferred inflows of resources: | | | | |
| Difference in expected and actual economic experience for pension plans | (\$1,984,814) | (\$121,658) | \$0 | (\$2,106,472) |
| Difference in projected and actual investment earnings on pension plans | (1,503,130) | 0 | 1,503,130 | 0 |
| Change in actuarial assumptions for pensions | <u>(120,178)</u> | <u>0</u> | <u>120,178</u> | <u>0</u> |
| Total of deferred inflows of resources | <u>(\$3,608,122)</u> | <u>(\$121,658)</u> | <u>\$1,623,308</u> | <u>(\$2,106,472)</u> |
| Net deferred inflows and outflows of resources | <u>(\$2,373,174)</u> | <u>\$8,454,019</u> | <u>\$1,576,940</u> | <u>\$7,657,785</u> |
| <u>Business-type activities:</u> | | | | |
| Deferred outflows of resources: | | | | |
| Refunding of bond issues | \$19,127 | \$0 | (\$1,929) | \$17,198 |
| Contributions subsequent to measurement date | 198,788 | 0 | (26,346) | 172,442 |
| Change in actuarial assumptions for pensions | 13,075 | 0 | (9,799) | 3,276 |
| Difference in projected and actual investment | | | | |
| Earnings for pension plans | 0 | <u>581,068</u> | 0 | <u>581,068</u> |

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2019

| | | | | |
|---|------------------|------------------|-------------------|------------------|
| Total of deferred outflows of resources | <u>\$230,990</u> | <u>\$581,068</u> | <u>(\$38,074)</u> | <u>\$773,984</u> |
|---|------------------|------------------|-------------------|------------------|

Deferred inflows of resources:

| | | | | |
|--|--------------------|------------------|------------------|--------------------|
| Difference in expected and actual economic experience for pension plans | (\$289,523) | \$0 | \$76,942 | (\$212,581) |
| Difference in projected and actual investment earnings for pension plans | <u>(310,108)</u> | <u>0</u> | <u>310,108</u> | <u>0</u> |
| Total deferred inflows of resources | <u>(\$599,631)</u> | <u>\$0</u> | <u>387,050</u> | <u>(\$212,581)</u> |
| Net deferred inflows and outflows of resources | <u>(\$368,641)</u> | <u>\$581,068</u> | <u>\$348,976</u> | <u>\$561,403</u> |

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

H. Utility Revenue Pledged

Series 2015 Tax and Revenue Certificates of Obligation -

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

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

In fiscal year 2019 the interest payment on this issue was \$131,600 and \$1,000, of this amount would have come from pledged revenue. The \$1,000 is 0.0127% of the Water and Sewer annual operating revenue of \$7,877,629. At September 30, 2019 the Water and Sewer Enterprise Fund had future pledged revenues in the amount \$16,000.

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.

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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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 2019 the interest payment on this issue was \$114,263 and \$1,000 of this amount would have come from pledged revenue. The \$1,000 is 0.0127% of the Water and Sewer annual operating revenue of \$7,877,629. At September 30, 2019 the Water and Sewer Enterprise Fund has future pledged revenues in the amount \$17,000.

Series 2019 Tax and Revenue Certificates of Obligation –

In 2019 the City issued \$7,785,000 in Series 2019 Tax and Revenue Certificates of Obligation. The certificates were issued 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 (vi) cost of issuance of the Certificates. The final maturity date of the certificates is 2039.

The Certificates shall be payable from the ad valorem tax levied, within the limits prescribed by law, on taxable property located within the City and from a pledge of Surplus Revenues (as defined by City Ordinance) of the City’s sanitation system (the “System”) remaining after payment of all operation and maintenance expenses of the System and all debt service reserve or other requirements in connection with any City revenue bonds or other obligations now or hereafter outstanding, which are payable from all or any part of the Surplus Revenue of the System.

In fiscal year 2019 the interest payment on this issue was \$86,319.

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2019

I. Restricted Net Position

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

Governmental activities:

| | |
|-------------------------------------|--------------------|
| Debt service payments | \$252,015 |
| Cultural and recreation | 145,456 |
| Public safety | 592,048 |
| Public works | 34,258 |
| Tourism and promotion | 1,531,035 |
| Municipal court technology/security | <u>167,684</u> |
| Total governmental activities | <u>\$2,622,496</u> |

Business-type activities:

| | |
|--------------------------------|------------------|
| Debt service payments | <u>141,855</u> |
| Total business-type activities | <u>\$141,855</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.

CITY OF ORANGE, TEXAS
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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.

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, 2019, the Workers' Compensation Fund has a designated balance for insurance claim liability of \$322,150 and an undesignated balance of \$781,679. 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 \$1,103,829. The designation for catastrophic claims is not a legal requirement but is an estimation used to project the future needs of the fund and to aid the City in the setting of rates in future periods.

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

| Beginning of Fiscal Year <u>Liability</u> | Current Year Claims and Changes in <u>Estimates</u> | Claims Payments and Liability <u>Expensed</u> | Balance at Fiscal Year <u>End</u> |
|--|--|--|--|
| 2014-2015 | \$369,785 | \$179,067 (\$142,078) | \$406,774 |

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2019

| | | | | |
|-----------|-----------|-------------|-------------|-----------|
| 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 |
| 2018-2019 | \$341,130 | (\$2,606) | (\$16,374) | \$322,150 |

2018-2019 **2017-2018** **2016-2017** **2015-2016** **2014-2015**

Claim Liability Expensed

| | | | | | |
|---|----------------|-----------------|------------------|-----------------|-----------------|
| Unpaid claim liability beginning of year | \$22,747 | \$86,649 | \$39,153 | \$82,620 | \$38,432 |
| Claims incurred in current year | 34,231 | 70,718 | 112,794 | 90,695 | 173,889 |
| Increase (decrease) in provision for insured events of prior year | (32,443) | 7,265 | 204,267 | (76,172) | (28,370) |
| Claim payments attributable to current year claims | (27,231) | (47,971) | (26,145) | (51,542) | (91,269) |
| Claim payments attributable to prior year claims | <u>9,696</u> | <u>(93,914)</u> | <u>(243,420)</u> | <u>(6,448)</u> | <u>(10,062)</u> |
| Total unpaid claim liability expensed at end of year | <u>\$7,000</u> | <u>\$22,747</u> | <u>\$86,649</u> | <u>\$39,153</u> | <u>\$82,620</u> |

Designated for Catastrophic Claim

| | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|
| Designated for future catastrophic claims - beginning of year | \$341,130 | \$444,741 | \$359,415 | \$406,774 | \$369,785 |
| Increase (decrease) in reserve | <u>(18,980)</u> | <u>(103,611)</u> | <u>85,326</u> | <u>(47,359)</u> | <u>36,989</u> |
| Total designated for future catastrophic claims - end of year | <u>\$322,150</u> | <u>\$341,130</u> | <u>\$444,741</u> | <u>\$359,415</u> | <u>\$406,774</u> |

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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B. Subsequent Events

Due to Federal, State and Local mandates for a State of Emergency in relation to the COVID-19 pandemic, there is a potential for emergency related costs to the City. At the time of this report, the City has not incurred any significant costs related to the COVID-19 pandemic or mandates. However, it is foreseeable that costs, including overtime for personnel, may be incurred, which were not budgeted. Subsequent events were evaluated through the issuance date, March 29, 2020.

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.

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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Retiree Medical Insurance

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

Employees Covered by Benefit Terms

At the September 30, 2019 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, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

| | |
|----------------|---------------|
| Inflation rate | 3.0% per year |
|----------------|---------------|

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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| | |
|--|---|
| Overall payroll growth | 3.5% |
| Discount rate | 4.06% |
| Retirees' share of benefit-related costs | Retirees pay the full contribution rate for coverage |
| 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 | 1% |
|----------------|-----------------|----------------|
| Decrease | Rate Assumption | Increase |
| <u>(3.06%)</u> | <u>4.06%</u> | <u>(5.06%)</u> |
| \$1,031,629 | \$947,275 | \$871,322 |

Changes in the Total OPEB Liability

| | <u>Total OPEB Liability</u> |
|-----------------------|------------------------------------|
| Balance at 09/30/2018 | \$924,835 |
| Changes for the year: | |
| Service cost | 34,121 |
| Interest | 36,569 |
| Benefit payments | <u>(48,250)</u> |
| Net changes | 22,440 |
| Balance at 09/30/2019 | <u>\$947,275</u> |

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2019, the City recognized OPEB expense of \$70,690.

At September 30, 2019, 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 887 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:

CITY OF ORANGE, TEXAS
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| | <u>Plan Year 2019</u> | <u>Plan Year 2018</u> |
|---|------------------------------|------------------------------|
| Employee Deposit Rate | 7% | 7% |
| Matching Ratio (City to Employee) | 2 to 1 | 2 to 1 |
| Years Required for Vesting | 10 | 10 |
| Service Retirement Eligibility (expressed as age/years of service) | 60/10, 0/20 | 60/10, 0/20 |
| Updated Service Credit | 100% repeating, transfers | 100% repeating, transfers |
| Annuity Increase (to retirees) | 70% of CPI repeating | 70% of CPI repeating |

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may 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, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 134 |
| Inactive employees entitled to but not yet receiving benefits | 64 |
| Active employees | <u>148</u> |
| Total | <u>346</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.

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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 16.80% and 15.80% in calendar years 2018 and 2019 respectively. The City's contributions to TMRS for the year ended September 30, 2019 were \$1,425,431 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, 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, 2018, 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, 2018 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

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

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

| <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 | <u>5.0%</u> | 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.

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Notes to the Financial Statements
September 30, 2019

Changes in Net Pension Liability

| | Increase (Decrease) | | |
|---|----------------------------|---------------------|--------------------|
| | Total | Fiduciary | Plan |
| | Pension | Net | Net Pension |
| | Liability | Position | (A) - (B) |
| | (A) | (B) | |
| Balance at 12/31/2017 | \$70,658,593 | \$66,626,159 | \$4,032,434 |
| Changes for the current year: | | | |
| Service cost | 1,558,928 | -- | 1,558,928 |
| Interest | 4,717,745 | -- | 4,717,745 |
| Changes in benefit terms | -- | -- | -- |
| Difference between expected and actual experience | (564,152) | -- | (564,152) |
| Changes in assumptions | -- | -- | -- |
| Benefit payments, including refunds of employee contributions | (3,091,068) | (3,091,068) | -- |
| Contributions - employer | -- | 1,475,488 | (1,475,488) |
| Contributions - employee | -- | 614,788 | (614,788) |
| Net investment income | -- | (1,995,265) | 1,995,265 |
| Administrative Fees | -- | (38,572) | 38,572 |
| Other changes | -- | <u>(2,015)</u> | <u>2,015</u> |
| Net changes | <u>2,621,453</u> | <u>(3,036,644)</u> | <u>5,658,097</u> |
| Balance at 12/31/2018 | <u>\$73,280,046</u> | <u>\$63,589,515</u> | <u>\$9,690,531</u> |

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements
 September 30, 2019

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

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

| | 1% Decrease <u>(5.75%)</u> | Current Discount Rate <u>(6.75%)</u> | 1% Increase <u>(7.75%)</u> |
|------------------------------|----------------------------------|--|----------------------------------|
| City's net pension liability | \$19,395,116 | \$9,690,531 | \$1,669,034 |

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, 2019, the City recognized pension expense of \$1,769,170.

At September 30, 2019, 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 | -- | \$1,259,369 |
| Change in actuarial assumptions | 19,408 | -- |
| Difference between projected and actual investment earnings | 3,442,346 | -- |
| Contributions subsequent to the measurement date | <u>1,021,577</u> | -- |
| Total | <u>\$4,483,331</u> | <u>\$1,259,369</u> |

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2019

The \$1,021,577 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31: | Net Deferred Outflows (Inflows) of Resources |
|--------------------------------|---|
| 2019 | \$664,660 |
| 2020 | 38,384 |
| 2021 | 241,410 |
| 2022 | 1,257,930 |
| 2023 | -- |
| Thereafter | -- |
| Total | <u>\$2,202,384</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.

CITY OF ORANGE, TEXAS
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Benefits Provided

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

Plan provisions for the City were as follows:

| | <u>Plan Year 2019</u> | <u>Plan Year 2018</u> |
|---|-------------------------------|-------------------------------|
| Employee Deposit Rate | 12.50% | 12.25% |
| Employer Deposit Rate | 14.50% | 14.25% |
| 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 is set so as to produce an approximately level total benefit when Social Security is taken into account.

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2019

At the December 31, 2018 measurement date, the following employees were covered by the benefit terms:

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 40 |
| Inactive employees entitled to but not yet receiving benefits | 1 |
| Active employees | <u>37</u> |
| Total | 78 |

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). This contribution rate was increased October 1, 2018 to the current rate of 14.50%.

Effective October 1, 2016, members began contributing to the fund at a rate of 12% of each member's total pay. This contribution rate was increased October 1, 2018 to the current rate of 12.50%. 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, 2018, 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 | 2.5% per year |
| Cost of Living | None |
| Salary Increases | Service based |
| 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

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2019

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.

The mortality table used for the valuation was changed from 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 to the PubS-2010 (amount-weighted) tables. Disability rates and termination rates were not changed from prior year.

The individual entry age normal actuarial cost method was used for both the 2018 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% |
| Domestic fixed income | 35.0% | 2.70% |
| Equities - | | |
| Domestic large-cap growth | 12.0% | 7.10% |
| Domestic large-cap value | 12.0% | 7.10% |
| Domestic smid-cap | 9.0% | 7.95% |
| International equity | 22.0% | 6.70% |
| Emerging markets | <u>10.0%</u> | 9.30% |
| Total | 100.0% | |

Discount Rate

The discount rate used to measure the Total Pension Liability was 5.11%. 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

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2019

Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payment to determine the Total Pension Liability.

Changes in Net Pension Liability

| | Increase (Decrease) | | |
|---|----------------------------|---------------------|---------------------|
| | Total | Plan | Net Pension |
| | Pension | Fiduciary | Liability |
| | Liability | Net Position | (A) - (B) |
| | (A) | (B) | |
| Balance at 12/31/2017 | \$16,625,932 | \$9,021,895 | \$7,604,037 |
| Changes for the current year: | | | |
| Service cost | 300,705 | -- | 300,705 |
| Interest | 1,267,117 | -- | 1,267,117 |
| Changes in benefit terms | 2,645 | -- | 2,645 |
| Difference between expected and actual economic experience | (534,208) | -- | (534,208) |
| Changes in assumptions | 6,239,981 | -- | 6,239,981 |
| Benefit payments, including refunds of employee contributions | (1,153,483) | (1,153,483) | -- |
| Contributions - employer | -- | 342,963 | (342,963) |
| Contributions - employee | -- | 295,031 | (295,031) |
| Net investment income | -- | (519,608) | 519,608 |
| Administrative Fees | -- | (25,065) | 25,065 |
| Other changes | -- | -- | -- |
| Net changes | <u>6,122,757</u> | <u>(1,060,162)</u> | <u>7,182,919</u> |
| Balance at 12/31/2018 | <u>\$22,748,689</u> | <u>\$7,961,733</u> | <u>\$14,786,956</u> |

CITY OF ORANGE, TEXAS
 Notes to the Financial Statements
 September 30, 2019

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 5.11%, 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 (4.11%) or 1 percentage point higher (6.11%) than the current rate:

| | 1% Decrease <u>(4.11%)</u> | Current Discount Rate <u>(5.11%)</u> | 1% Increase <u>(6.11%)</u> |
|------------------------------|----------------------------------|--|----------------------------------|
| City's net pension liability | \$17,839,600 | \$14,786,956 | \$12,297,531 |

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, 2018 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, 2019, the City recognized pension expense of 1,854,649. At September 30, 2019, 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 | -- | \$1,059,684 |
| Change in actuarial assumptions | 5,019,077 | -- |
| Difference between projected and actual investment earnings | 679,190 | -- |
| Contributions subsequent to the measurement date | <u>262,176</u> | -- |
| Total | <u>\$5,960,443</u> | <u>\$1,059,684</u> |

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
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The \$262,176 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:

| Year Ended December 31: | Net Deferred Outflow (Inflow) of Resources |
|--------------------------------|---|
| 2020 | 1,133,482 |
| 2021 | 958,160 |
| 2022 | 913,657 |
| 2023 | 1,094,799 |
| 2024 | 855,227 |
| Thereafter | <u>(316,742)</u> |
| Total | <u>\$4,638,583</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 (PRB) 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

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2019

Orange Firemen's Relief and Retirement Board. Based on recommendations from the new actuarial firm, the board approved changes to some of the actuarial assumptions. The assumptions changed include changes to the valuation method for assets, a decrease in the inflation rate, a decrease in the rate of deferred retirement option plan (DROP) election, and a decrease in the discount rate. As predicted by the actuary, the amortization period increased to 69.3 years as of December 31, 2016. The Pension Review Board notified the Board that the Plan was out of compliance. A second, revised FSRP was submitted on February 12, 2018 with the provisions of a .25 percent member contribution increase and a .25 percent City contribution increase for fiscal years 2017 and 2018, a more aggressive management of the investments, and a possible benefit change. Thus, the amortization period of the Orange Firemen's Relief and Retirement Fund is expected to be below 40 years in less than the ten years called for by Section 802.2015. As of April 18, 2018, the City received notice from the Texas State Pension Review Board that the plan is currently in compliance.

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. To date, the pension board and the plan have made strides towards improving the plan's position. The pension board issued a request for proposal for investment services. The board chose a new investment advisor and a new investment structure. The plan now contracts with a financial advisor, a custodian for the funds and the fund managers. This structure allows for transparency, more control, and lower costs. With the implantation of the new investment structure and advisor, the board expects to increase the earnings and asset values of the plan. In addition, the contribution rates were increased to provide more funding for the plan.

City contributions to the fund are controlled by a contract between the International Association of Firefighters, Local 1432 and the City of Orange. The 2019 negotiations were delayed and ultimately a mediator was utilized. The City agreed to a 1.30% increase, effective January 2020. The firefighter members voted for a member contribution increase of .30%, effective January 2020. Negotiations will begin for fiscal year 2020 in April.

The Plan was notified by the PRB of the Plan's noncompliance based on the latest actuarial report indicating an infinite amortization period. The Plan is preparing another revised FSRP to update the PRB on all the strides that the pension board and the Plan have made towards lowering the amortization period. The FSRP will be submitted to the PRB by the deadline in April 2020.

A full valuation of the plan by the actuary will be prepared for the period ending December 31, 2019. Once the plan receives the new valuation report and the new calculated amortization period,

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2019

the plan will submit another revised FSRP to the PRB.

Employee Retirement Systems and Pension Plans – September 30, 2019

| | Texas Municipal Retirement System (TMRS) Defined Benefit <u>Pension Plan</u> | Orange Firemen's Relief and Retirement <u>Fund</u> | Total |
|--|---|---|---------------------|
| Plan fiduciary net position | \$63,589,515 | \$7,961,766 | \$71,551,248 |
| Net pension liability | \$9,690,531 | \$14,786,956 | \$24,477,487 |
| Deferred outflows of resources: | | | |
| Contributions subsequent to measurement date | \$1,021,577 | \$262,176 | \$1,283,753 |
| Change in actuarial assumptions | 19,408 | 5,019,077 | 5,038,485 |
| Difference in projected and actual investment earnings | <u>3,442,346</u> | <u>679,190</u> | 4,121,536 |
| Total deferred outflows of resources | <u>\$4,483,331</u> | <u>\$5,960,443</u> | <u>\$10,443,774</u> |
| Deferred inflows of resources: | | | |
| Difference in expected and actual economic experience | <u>\$1,259,369</u> | <u>\$1,059,684</u> | <u>\$2,319,053</u> |
| Total deferred inflows of resources | <u>\$1,259,369</u> | <u>\$1,059,684</u> | <u>\$2,319,053</u> |
| Pension expense | \$1,769,170 | \$1,854,649 | \$3,623,819 |

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 2019 was \$341,925. Property taxes equal to \$1,832,920 were rebated in 2019. Sales Tax is rebated on a quarterly basis, and the total rebated for 2019 was \$305,690.

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:

| | 09/31/2018 | 09/31/2019 |
|---|---------------------|-------------------|
| Total OPEB liability | | |
| Service Cost | 1 \$ 32,790 | \$ 34,121 |
| Interest | 37,025 | 36,569 |
| Changes in benefit terms | - | - |
| Differences between expected and actual experience | - | - |
| Changes in assumptions | - | - |
| Benefit payments, including refund of participant contributions | (48,250) | (48,250) |
| Net changes in total OPEB liability | 21,565 | 22,440 |
| Total OPEB liability - beginning | 903,270 | 924,835 |
| Total OPEB liability - ending (a) | 2 \$ 924,835 | \$ 947,275 |
| Covered payroll | 10,315,629 | 10,315,629 |
| City's total OPEB liability as a percentage of covered payroll | 8.97% | 9.18% |

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> | <u>12/31/2018</u> |
|--|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| A. Total Pension Liability | | | | | | |
| 1. Service Cost | \$0 | \$1,390,815 | \$1,473,198 | \$1,525,181 | \$1,576,087 | \$1,558,928 |
| 2. Interest (on the Total Pension Liability) | 0 | 4,331,921 | 4,436,802 | 4,435,496 | 4,583,484 | 4,717,745 |
| 3. Changes of benefit terms | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. Difference between expected and actual experience | 0 | (1,354,539) | (854,615) | (639,862) | (1,035,886) | (564,152) |
| 5. Change of assumptions | 0 | 0 | 223,703 | 0 | 0 | 0 |
| 6. Benefit payments, including refunds of employee contributions | 0 | (3,015,050) | (2,807,118) | (3,146,697) | (3,161,024) | (3,091,068) |
| 7. Net Change in Total Pension Liability | 0 | 1,353,147 | 2,471,970 | 2,174,118 | 1,962,661 | 2,621,453 |
| 8. Total Pension Liability - Beginning | 0 | 62,696,697 | 64,049,844 | 66,521,814 | 68,695,932 | 70,658,593 |
| 9. Total Pension Liability - Ending | \$0 | \$64,049,844 | \$66,521,814 | \$68,695,932 | \$70,658,593 | \$73,280,046 |
| B. Plan Fiduciary Net Position | | | | | | |
| 1. Contributions - employer | \$0 | \$1,657,797 | \$1,587,598 | \$1,527,744 | \$1,530,851 | \$1,475,488 |
| 2. Contributions - employee | 0 | 585,795 | 576,111 | 598,445 | 620,857 | 614,788 |
| 3. Net investment income | 0 | 3,143,530 | 84,535 | 3,830,094 | 8,237,619 | (1,995,265) |
| 4. Benefit payments, including refunds of employee contributions | 0 | (3,015,050) | (2,807,118) | (3,146,697) | (3,161,024) | (3,091,068) |
| 5. Administrative expense | 0 | (32,822) | (51,492) | (43,260) | (42,696) | (38,572) |
| 6. Other | 0 | (2,699) | (2,544) | (2,331) | (2,164) | (2,015) |
| 7. Net Change in Plan Fiduciary Net Position | 0 | 2,336,551 | (612,910) | 2,763,995 | 7,183,443 | (3,036,644) |
| 8. Plan Fiduciary Net Position - Beginning | 0 | 54,955,080 | 57,291,631 | 56,678,721 | 59,442,716 | 66,626,159 |
| 9. Plan Fiduciary Net Position - Ending | \$0 | \$57,291,631 | \$56,678,721 | \$59,442,716 | \$66,626,159 | \$63,589,515 |
| C. Net Pension Liability (A.9. - B.9.) | \$0 | \$6,758,213 | \$9,843,093 | \$9,253,216 | \$4,032,434 | \$9,690,531 |
| 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% | 86.78% |
| E. Covered Employee Payroll | \$0 | \$8,368,497 | \$8,230,155 | \$8,549,219 | \$8,869,371 | \$8,782,691 |
| F. Net Pension Liability as a percentage of Covered Employee Payroll (C / E) | -- | 80.76% | 119.60% | 108.23% | 45.46% | 110.34% |

Notes to Schedule:
N/A

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

Required Supplementary Information

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

| | FY 2007 - FY 2014 (1) | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 |
|--|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Actuarially Determined Contribution | \$0 | \$1,586,949 | \$1,552,490 | \$1,542,873 | \$1,475,144 | \$1,425,431 |
| Contributions in relation to the actuarially determined contribution | 0 | 1,586,949 | 1,552,490 | 1,542,873 | 1,475,144 | 1,425,431 |
| Contribution deficiency (excess) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Covered employee payroll | \$0 | \$8,166,972 | \$8,506,325 | \$8,856,832 | \$8,716,606 | \$8,869,572 |
| Contributions as a percentage of covered employee payroll | -- | 19.43% | 18.25% | 17.42% | 16.92% | 16.07% |

Notes to Schedule of Contributions

Valuation Date: December 31, 2018
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 | 27 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> | <u>12/31/2018</u> |
|--|----------------------|---------------------|---------------------|----------------------|----------------------|---------------------|
| A. Total Pension Liability | | | | | | |
| 1. Service Cost | \$0 | \$256,176 | \$266,423 | \$275,111 | \$421,632 | \$300,705 |
| 2. Interest (on the Total Pension Liability) | 0 | 1,240,296 | 1,235,592 | 1,256,298 | 1,154,891 | 1,267,117 |
| 3. Changes of benefit terms | 0 | 0 | 0 | 10,200 | 2,088 | 2,645 |
| 4. Difference between expected and actual experience | 0 | (455,247) | 0 | (513,493) | 0 | (534,208) |
| 5. Change of assumptions | 0 | 587,758 | 173,418 | 2,748,186 | (3,193,483) | 6,239,981 |
| 6. Benefit payments, including refunds of employee contributions | 0 | (1,084,609) | (1,337,192) | (1,115,774) | (1,103,254) | (1,153,483) |
| 7. Net Change in Total Pension Liability | 0 | 544,374 | 338,241 | 2,660,528 | <b">(2,718,126)</b"> | 6,122,757 |
| 8. Total Pension Liability - Beginning | 0 | 15,800,915 | 16,345,289 | 16,683,530 | 19,344,058 | 16,625,932 |
| 9. Total Pension Liability - Ending | \$0 | \$16,345,289 | \$16,683,530 | \$19,344,058 | \$16,625,932 | \$22,748,689 |
| B. Plan Fiduciary Net Position | | | | | | |
| 1. Contributions - employer | \$0 | \$319,060 | \$307,304 | \$318,457 | \$333,259 | \$342,963 |
| 2. Contributions - employee | 0 | 250,694 | 244,464 | 264,331 | 285,780 | 295,031 |
| 3. Net investment income | 0 | 746,106 | (186,511) | 393,147 | 1,380,383 | (519,608) |
| 4. Benefit payments, including refunds of employee contributions | 0 | (494,593) | (1,337,192) | (1,115,774) | (1,103,254) | (1,153,483) |
| 5. Administrative expense | 0 | (1,084,609) | (24,201) | (18,666) | (28,947) | (25,065) |
| 6. Other | 0 | (22,162) | 0 | 0 | 0 | 0 |
| 7. Net Change in Plan Fiduciary Net Position | 0 | (285,504) | (996,136) | (158,505) | 867,221 | (1,060,162) |
| 8. Plan Fiduciary Net Position - Beginning | 9,594,819 | 9,309,315 | 8,313,179 | 8,154,674 | 8,154,674 | 9,021,895 |
| 9. Plan Fiduciary Net Position - Ending | \$0 | \$9,309,315 | \$8,313,179 | <b">\$8,154,674</b"> | \$9,021,895 | \$7,961,733 |
| C. Net Pension Liability (A.9. - B.9.) | \$0 | \$7,035,974 | \$8,370,351 | \$11,189,384 | \$7,604,037 | \$14,786,956 |
| 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% | 35.00% |
| E. Covered Employee Payroll | \$0 | \$2,279,000 | \$2,195,029 | \$2,274,689 | \$2,373,912 | \$2,396,549 |
| F. Net Pension Liability as a percentage of Covered Employee Payroll (C / E) | -- | 308.73% | 381.33% | 491.91% | 320.32% | 617.01% |

Notes to Schedule:
N/A

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

Required Supplementary Information

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

| | FY 2007 - FY 2014 (1) | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 |
|--|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Actuarially Determined Contribution | \$0 | \$308,591 | \$313,275 | \$327,516 | \$341,117 | \$359,238 |
| Contributions in relation to the actuarially determined contribution | 0 | 308,591 | 313,275 | 327,516 | 341,117 | 359,238 |
| Contribution deficiency (excess) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Covered employee payroll | \$0 | \$2,204,221 | \$2,237,677 | \$2,339,397 | \$2,399,228 | \$2,479,044 |
| Contributions as a percentage of covered employee payroll | -- | 14.00% | 14.00% | 14.00% | 14.22% | 14.49% |

Notes to Schedule of Contributions

| | |
|------------------------|--|
| Valuation Date: | December 31, 2018 |
| Notes | Actuarially determined contribution rates for 2017-2018 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 | 2.5% - 10.0% |
| 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 PubS-2010 Mortality (amount -weighted) tables. |
| Discount Rate | 5.11% |

Other Information:

| | |
|-------|--|
| Notes | There have been no benefit changes since the December 31, 2014 valuation date. The discount rate was reduced from 7.75% to 5.11% due to failure of the single discount rate test in the December 31, 2018 actuarial valuation. |
|-------|--|

(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 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 2019 Tax and Revenue Certificates of Obligation 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 and transfer of funds. This fund accounts for major capital acquisition and construction of governmental funds.

Required Supplementary Information

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, 2019

| | Budgeted Amounts | | Variance with | |
|--------------------------------|-------------------------|-------------------|----------------------|---------------------|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Taxes | \$ 10,092,043 | \$ 10,092,043 | \$ 10,325,108 | \$ 233,065 |
| Payment in lieu of taxes | 7,853,010 | 7,853,010 | 8,699,042 | 846,032 |
| Franchises | 275,000 | 275,000 | 334,324 | 59,324 |
| Licenses and permits | 255,100 | 255,100 | 289,724 | 34,624 |
| Intergovernmental | 45,000 | 45,000 | 55,706 | 10,706 |
| Charges for services | 3,139,707 | 3,139,707 | 3,264,271 | 124,564 |
| Investment income | 15,000 | 15,000 | 211,880 | 196,880 |
| Grant income | - | 677,760 | 47,497 | (630,263) |
| Miscellaneous | 145,000 | 145,000 | 174,883 | 29,883 |
| Total revenues | 21,819,860 | 22,497,620 | 23,402,435 | 904,815 |
| EXPENDITURES | | | | |
| <u>City Council</u> | | | | |
| Personnel services | 10,542 | 10,542 | 10,622 | (80) |
| Supplies | 3,250 | 4,620 | 3,685 | 935 |
| Other services and charges | 255,500 | 367,334 | 70,470 | 296,864 |
| Total - city council | 269,292 | 382,496 | 84,777 | 297,719 |
| <u>City Manager</u> | | | | |
| Personnel services | 251,019 | 265,325 | 259,762 | 5,563 |
| Supplies | 3,050 | 2,550 | 1,968 | 582 |
| Other services and charges | 49,005 | 28,755 | 21,161 | 7,594 |
| Total - city manager | 303,074 | 296,630 | 282,891 | 13,739 |
| <u>City Secretary</u> | | | | |
| Personnel services | 171,478 | 171,478 | 167,488 | 3,990 |
| Supplies | 16,700 | 21,479 | 20,310 | 1,169 |
| Other services and charges | 17,650 | 14,871 | 11,355 | 3,517 |
| Total - city secretary | 205,828 | 207,828 | 199,153 | 8,675 |
| <u>Municipal Court</u> | | | | |
| Personnel services | 137,475 | 137,475 | 130,742 | 6,733 |
| Supplies | 9,000 | 9,000 | 4,278 | 4,722 |
| Other services and charges | 110,264 | 110,264 | 103,922 | 6,342 |
| Total - municipal court | 256,739 | 256,739 | 238,942 | 17,797 |
| <u>Human Resources</u> | | | | |
| Personnel services | 87,268 | 87,268 | 91,252 | (3,984) |
| Supplies | 22,400 | 52,820 | 45,598 | 7,222 |
| Other services and charges | 33,300 | 32,880 | 29,502 | 3,378 |
| Total - human resources | 142,968 | 172,968 | 166,352 | 6,616 |

(continued)

Required Supplementary Information

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, 2019

| | Budgeted Amounts | | Variance with | |
|-------------------------------|-------------------------|--------------|----------------------|---------------------|
| | Original | Final | Actual | Final Budget |
| Finance | | | | |
| Personnel services | 452,769 | 452,769 | 452,031 | 738 |
| Supplies | 70,000 | 62,200 | 53,022 | 9,178 |
| Other services and charges | 58,350 | 66,150 | 62,718 | 3,432 |
| Total - finance | 581,119 | 581,119 | 567,771 | 13,348 |
| Tax | | | | |
| Other services and charges | 110,694 | 110,694 | 110,691 | 3 |
| Total - tax | 110,694 | 110,694 | 110,691 | 3 |
| MIS | | | | |
| Personnel services | 30,274 | 30,274 | 30,441 | (167) |
| Supplies | 7,000 | 7,000 | 5,354 | 1,646 |
| Other services and charges | 10,000 | 10,000 | 8,483 | 1,517 |
| Total - MIS | 47,274 | 47,274 | 44,278 | 2,996 |
| Non Budgeted | | | | |
| Non budgeted expenses | - | - | 38,840 | (38,840) |
| Total - non budgeted | - | - | 38,840 | (38,840) |
| Total - general government | 1,916,988 | 2,055,748 | 1,733,695 | 322,053 |
| Library | | | | |
| Personnel services | 406,904 | 406,904 | 398,259 | 8,645 |
| Supplies | 11,400 | 11,400 | 10,362 | 1,038 |
| Other services and charges | 29,900 | 29,400 | 27,438 | 1,962 |
| Total - library | 448,204 | 447,704 | 436,060 | 11,644 |
| Natatorium | | | | |
| Supplies | 8,250 | 8,250 | - | 8,250 |
| Other services and charges | 11,170 | 11,170 | 6,049 | 5,121 |
| Total - natatorium | 19,420 | 19,420 | 6,049 | 13,371 |
| Recreation | | | | |
| Supplies | 3,400 | 3,400 | 2,852 | 548 |
| Total - recreation | 3,400 | 3,400 | 2,852 | 548 |
| Park Maintenance | | | | |
| Personnel services | 680,311 | 680,311 | 677,370 | 2,941 |
| Supplies | 17,050 | 23,581 | 14,374 | 9,207 |
| Other services and charges | 40,100 | 36,722 | 24,141 | 12,581 |
| Total - park maintenance | 737,461 | 740,614 | 715,885 | 24,729 |
| Total cultural and recreation | 1,208,485 | 1,211,138 | 1,160,846 | 50,292 |
| Police | | | | |
| Personnel services | 6,019,118 | 6,009,118 | 6,005,653 | 3,465 |
| Supplies | 130,740 | 127,740 | 109,295 | 18,445 |
| Other services and charges | 216,500 | 209,500 | 156,534 | 52,966 |
| Total - police | 6,366,358 | 6,346,358 | 6,271,482 | 74,876 |
| Emergency Management | | | | |
| Supplies | 12,800 | 12,800 | 11,455 | 1,345 |
| Other services and charges | 5,450 | 5,450 | 3,957 | 1,493 |
| Total - emergency management | 18,250 | 18,250 | 15,411 | 2,839 |

(continued)

Required Supplementary Information

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, 2019

| | Budgeted Amounts | | Variance with | |
|-------------------------------------|-------------------------|--------------|----------------------|---------------------|
| | Original | Final | Actual | Final Budget |
| <u>Fire</u> | | | | |
| Personnel services | 3,764,973 | 3,744,973 | 3,777,415 | (32,442) |
| Supplies | 100,500 | 100,500 | 108,778 | (8,278) |
| Other services and charges | 97,500 | 95,500 | 83,085 | 12,415 |
| Total - fire | 3,962,973 | 3,940,973 | 3,969,278 | (28,305) |
| <u>Animal Control</u> | | | | |
| Personnel services | 157,174 | 157,174 | 143,162 | 14,012 |
| Supplies | 15,300 | 15,300 | 7,667 | 7,633 |
| Other services and charges | 6,300 | 6,300 | 3,846 | 2,454 |
| Total - animal control | 178,774 | 178,774 | 154,675 | 24,099 |
| Total - public safety | 10,526,355 | 10,484,355 | 10,410,846 | 73,509 |
| <u>Planning</u> | | | | |
| Personnel services | 132,389 | 117,851 | 6,145 | 111,706 |
| Supplies | 4,475 | 7,438 | 5,284 | 2,154 |
| Other services and charges | 8,350 | 19,925 | 15,169 | 4,756 |
| Total - planning | 145,214 | 145,214 | 26,597 | 118,617 |
| <u>Code Enforcement</u> | | | | |
| Personnel services | 324,190 | 324,190 | 326,261 | (2,071) |
| Supplies | 4,592 | 5,332 | 3,980 | 1,352 |
| Other services and charges | 37,100 | 36,360 | 29,946 | 6,414 |
| Total - code enforcement | 365,882 | 365,882 | 360,187 | 5,695 |
| <u>Building Services</u> | | | | |
| Personnel services | 343,476 | 343,476 | 336,575 | 6,901 |
| Supplies | 16,200 | 13,336 | 9,826 | 3,510 |
| Other services and charges | 159,300 | 167,714 | 154,221 | 13,493 |
| Total - building services | 518,976 | 524,526 | 500,622 | 23,904 |
| <u>Street & Drainage</u> | | | | |
| Personnel services | 1,053,928 | 1,053,928 | 1,013,015 | 40,913 |
| Supplies | 17,100 | 24,542 | 19,033 | 5,509 |
| Other services and charges | 262,050 | 263,556 | 212,129 | 51,427 |
| Total - street & drainage | 1,333,078 | 1,342,026 | 1,244,176 | 97,850 |
| <u>Public Works Administration</u> | | | | |
| Personnel services | 207,986 | 207,986 | 208,491 | (505) |
| Supplies | 4,600 | 4,600 | 3,860 | 740 |
| Other services and charges | 7,650 | 6,650 | 2,526 | 4,124 |
| Total - public works administration | 220,236 | 219,236 | 214,877 | 4,359 |
| <u>Fleet Maintenance</u> | | | | |
| Personnel services | 315,525 | 315,525 | 307,977 | 7,548 |
| Supplies | 15,500 | 29,927 | 27,107 | 2,820 |
| Other services and charges | 553,900 | 593,900 | 569,121 | 24,779 |
| Total - fleet maintenance | 884,925 | 939,352 | 904,205 | 35,147 |

(continued)

Required Supplementary Information

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, 2019

| | Budgeted Amounts | | | Variance with Final Budget |
|---|-------------------------|---------------------|----------------------|---------------------------------------|
| | Original | Final | Actual | |
| Engineering | | | | |
| Personnel services | 92,479 | 92,479 | 86,169 | 6,310 |
| Supplies | 6,500 | 7,500 | 4,539 | 2,961 |
| Other services and charges | 5,200 | 5,200 | 2,428 | 2,772 |
| Total - engineering | 104,179 | 105,179 | 93,136 | 12,043 |
| Total - public works | 3,572,490 | 3,641,415 | 3,343,800 | 297,615 |
| Non-Departmental | | | | |
| Other services and charges | 4,118,541 | 4,054,235 | 3,703,715 | 350,520 |
| Total - non-departmental | 4,118,541 | 4,054,235 | 3,703,715 | 350,520 |
| Capital Outlay | | | | |
| Capital outlay | 477,033 | 1,502,907 | 1,577,042 | (74,135) |
| Total - capital outlay | 477,033 | 1,502,907 | 1,577,042 | (74,135) |
| Total expenditures | 21,819,892 | 22,949,798 | 21,929,945 | 1,019,853 |
| Excess (deficiency) of revenues over expenditures | (32) | (452,178) | 1,472,490 | (1,924,668) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Gain (loss) on capital asset disposition | - | 13,128 | 51,349 | (38,221) |
| Insurance proceeds | - | 15,523 | 10,096 | 5,427 |
| Net present value of minimum lease payments | - | - | 24,077 | (24,077) |
| Total other financing sources (uses) | - | 28,651 | 85,522 | (56,871) |
| Net change in fund balances | (32) | (423,527) | 1,558,012 | (1,981,539) |
| Fund balance - beginning | 10,021,634 | 10,021,634 | 10,021,634 | - |
| Fund balance - ending | <u>\$ 10,021,602</u> | <u>\$ 9,598,107</u> | <u>\$ 11,579,646</u> | <u>\$ (1,981,539)</u> |

Totals may not foot due to rounding differences.

Other Supplementary Information

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, 2019

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|-------------------------|------------------|------------------|---------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 1,024,436 | \$ 1,024,436 | \$ 1,005,932 | \$ (18,504) |
| Investment income | 210 | 210 | 2,784 | 2,574 |
| Total revenues | <u>1,024,646</u> | <u>1,024,646</u> | <u>1,008,716</u> | <u>(15,930)</u> |
| EXPENDITURES | | | | |
| Principal retirement | 875,000 | 875,000 | 875,000 | - |
| Interest and fiscal charges | 106,795 | 193,115 | 192,894 | 221 |
| Total expenditures | <u>981,795</u> | <u>1,068,115</u> | <u>1,067,894</u> | <u>221</u> |
| Excess (deficiency) of revenues over expenditures | 42,851 | (43,469) | (59,179) | 15,710 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | 42,851 | (43,469) | (59,179) | 15,710 |
| Fund balance - beginning | <u>104,722</u> | <u>104,722</u> | <u>104,722</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 147,573</u> | <u>\$ 61,253</u> | <u>\$ 45,543</u> | <u>\$ 15,710</u> |

Totals may not foot due to rounding differences.

Other Supplementary Information

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, 2019

| | Budgeted Amounts | | Variance with Final Budget | |
|---|-------------------------|-------------------|---------------------------------------|---------------------|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Investment income | \$ 150 | \$ 150 | \$ 6,197 | \$ 6,047 |
| Total revenues | <u>150</u> | <u>150</u> | <u>6,197</u> | <u>6,047</u> |
| EXPENDITURES | | | | |
| <u>Capital outlay</u> | | | | |
| Capital outlay | - | 8,000,000 | 1,106,666 | 6,893,334 |
| Total - capital outlay | - | 8,000,000 | 1,106,666 | 6,893,334 |
| <u>Non - Budgeted</u> | | | | |
| Non - budgeted | - | - | 217,926 | (217,926) |
| Total - non - budgeted | - | - | 217,926 | (217,926) |
| Total expenditures | - | 8,000,000 | 1,324,592 | 6,675,408 |
| Excess (deficiency) of revenues over expenditures | 150 | (7,999,850) | (1,318,395) | (6,681,455) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Premium from debt issue | - | - | 436,666 | 436,666 |
| Proceeds from debt issue | - | 8,003,704 | 7,785,000 | (218,704) |
| Total other financing sources (uses) | - | 8,003,704 | 8,221,666 | 217,962 |
| Net change in fund balance | 150 | 3,854 | 6,903,271 | 6,899,417 |
| Fund balance - beginning | 161,352 | 161,352 | 161,352 | - |
| Fund balance - ending | <u>\$ 161,502</u> | <u>\$ 165,206</u> | <u>\$ 7,064,623</u> | <u>\$ 6,899,417</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.

Bureau of Justice Grant Fund – This fund is used to account for received from the Bureau of Justice for various public safety expenditures.

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.

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.

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

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.

Other Supplementary Information

**City of Orange, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2019**

| Special Revenue | | | | | | |
|---|---|---|---|---|--|--|
| | Animal Shelter Donation Fund | Bureau of Justice Grant Fund | Community Development Block Grant Fund | Confined Space Rescue Fund | Economic Development Fund | |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 30,243 | \$ - | \$ - | \$ 112,628 | \$ 2,345 | |
| Accounts receivable (net of allowance for uncollectibles) | 38 | 1,827 | 43,524 | 6,135 | 3 | |
| Prepays | - | - | 1,123 | - | - | |
| Total assets | <u>30,281</u> | <u>1,827</u> | <u>44,647</u> | <u>118,763</u> | <u>2,348</u> | |
| LIABILITIES | | | | | | |
| Accounts payable | - | - | 12,507 | 640 | - | |
| Due to other funds | - | 1,827 | 7,067 | - | - | |
| Total liabilities | <u>-</u> | <u>1,827</u> | <u>19,574</u> | <u>640</u> | <u>-</u> | |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Deferred inflows - FEMA | - | - | - | - | - | |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | |
| FUND BALANCES (DEFICITS) | | | | | | |
| Nonspendable | | | | | | |
| Prepays | - | - | 1,123 | - | - | |
| Restricted | | | | | | |
| Cultural and recreation | - | - | - | - | - | |
| Public safety | 30,281 | - | - | 118,123 | - | |
| Public works | - | - | 23,950 | - | - | |
| Tourism and promotion | - | - | - | - | - | |
| Assigned | | | | | | |
| Economic development | - | - | - | - | 2,348 | |
| Unassigned | | | | | | |
| Unassigned | - | - | - | - | - | |
| Total fund balances (deficits) | <u>30,281</u> | <u>-</u> | <u>25,073</u> | <u>118,123</u> | <u>2,348</u> | |
| Total liabilities and fund balances (deficits) | <u>\$ 30,281</u> | <u>\$ 1,827</u> | <u>\$ 44,647</u> | <u>\$ 118,763</u> | <u>\$ 2,348</u> | |

(continued)

Total may not foot due to rounding differences.

Other Supplementary Information

**City of Orange, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2019**

| Special Revenue | | | | | | |
|---|--|------------------------------|---|--------------------------------------|--|---|
| | Fire Department Donation Fund | 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 | \$ 27,787 | \$ 9,903 | \$ 364,014 | \$ 66,784 | \$ 68,098 | \$ 10,184 |
| Accounts receivable (net of allowance for uncollectibles) | 35 | - | 460 | 1,326 | 86 | 13 |
| Prepays | - | - | - | - | - | - |
| Total assets | 27,822 | 9,903 | 364,474 | 68,110 | 68,184 | 10,197 |
| LIABILITIES | | | | | | |
| Accounts payable | - | - | 500 | 497 | 500 | - |
| Due to other funds | - | - | - | - | - | - |
| Total liabilities | - | - | 500 | 497 | 500 | - |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Deferred inflows - FEMA | - | - | - | - | - | - |
| Total deferred inflows of resources | - | - | - | - | - | - |
| FUND BALANCES (DEFICITS) | | | | | | |
| Nonspendable | | | | | | |
| Prepays | - | - | - | - | - | - |
| Restricted | | | | | | |
| Cultural and recreation | - | - | - | 67,614 | - | - |
| Public safety | 27,822 | - | 363,974 | - | 67,684 | 10,197 |
| Public works | - | 9,903 | - | - | - | - |
| Tourism and promotion | - | - | - | - | - | - |
| Assigned | | | | | | |
| Economic development | - | - | - | - | - | - |
| Unassigned | | | | | | |
| Unassigned | - | - | - | - | - | - |
| Total fund balances (deficits) | 27,822 | 9,903 | 363,974 | 67,614 | 67,684 | 10,197 |
| Total liabilities and fund balances (deficits) | \$ 27,822 | \$ 9,903 | \$ 364,474 | \$ 68,111 | \$ 68,184 | \$ 10,197 |

(continued)

Total may not foot due to rounding differences.

Other Supplementary Information

**City of Orange, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2019**

| Special Revenue | | | | | | | |
|---|--|------------------------------------|-------------------------------------|---|---|---|---|
| | Orange Development Fund | Parks Donation Fund | Police Donation Fund | State Homeland Security Grant Fund | Texas Dept. of Transportation (TxDot) Grant Fund | Texas Dept. of Forest Services (TIFMAS) Grant Fund | |
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 1,512,517 | \$ 76,845 | \$ 30,789 | \$ 10,823 | \$ 229 | \$ - | - |
| Accounts receivable (net of allowance for uncollectibles) | 59,300 | 97 | 39 | - | - | - | - |
| Prepays | 2,695 | 900 | - | - | - | - | - |
| Total assets | <u>1,574,512</u> | <u>77,842</u> | <u>30,828</u> | <u>10,823</u> | <u>229</u> | | |
| LIABILITIES | | | | | | | |
| Accounts payable | 40,783 | - | - | - | - | (2,580) | |
| Due to other funds | - | - | - | - | - | 2,580 | |
| Total liabilities | <u>40,783</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | | |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Deferred inflows - FEMA | - | - | - | - | - | - | |
| Total deferred inflows of resources | - | - | - | - | - | - | |
| FUND BALANCES (DEFICITS) | | | | | | | |
| Nonspendable | | | | | | | |
| Prepays | 2,694 | - | - | - | - | - | - |
| Restricted | | | | | | | |
| Cultural and recreation | - | 77,842 | - | - | - | - | - |
| Public safety | - | - | 30,828 | 10,823 | - | - | - |
| Public works | - | - | - | - | 229 | - | - |
| Tourism and promotion | 1,531,035 | - | - | - | - | - | - |
| Assigned | | | | | | | |
| Economic development | - | - | - | - | - | - | - |
| Unassigned | | | | | | | |
| Unassigned | - | - | - | - | - | - | - |
| Total fund balances (deficits) | <u>1,533,729</u> | <u>77,842</u> | <u>30,828</u> | <u>10,823</u> | <u>229</u> | | |
| Total liabilities and fund balances (deficits) | <u>\$ 1,574,512</u> | <u>\$ 77,842</u> | <u>\$ 30,828</u> | <u>\$ 10,823</u> | <u>\$ 229</u> | <u>\$ -</u> | |

(continued)

Total may not foot due to rounding differences.

Other Supplementary Information

**City of Orange, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2019**

| 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 | \$ - | \$ - | \$ 2,323,189 |
| Accounts receivable (net of allowance for uncollectibles) | 28,003 | 467,418 | 608,304 |
| Prepays | - | - | 4,718 |
| Total assets | <u>28,003</u> | <u>467,418</u> | <u>2,936,211</u> |
| LIABILITIES | | | |
| Accounts payable | 1,177 | 226,889 | 280,913 |
| Due to other funds | 26,827 | 240,353 | 278,654 |
| Total liabilities | <u>28,004</u> | <u>467,242</u> | <u>559,567</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows - FEMA | <u>28,003</u> | <u>-</u> | <u>28,003</u> |
| Total deferred inflows of resources | <u>28,003</u> | <u>-</u> | <u>28,003</u> |
| FUND BALANCES (DEFICITS) | | | |
| Nonspendable | | | |
| Prepays | - | - | 3,817 |
| Restricted | | | |
| Cultural and recreation | - | - | 145,456 |
| Public safety | - | - | 659,732 |
| Public works | - | 175 | 34,257 |
| Tourism and promotion | - | - | 1,531,035 |
| Assigned | | | |
| Economic development | - | - | 2,348 |
| Unassigned | | | |
| Unassigned | <u>(28,004)</u> | <u>-</u> | <u>(28,004)</u> |
| Total fund balances (deficits) | <u>(28,004)</u> | <u>175</u> | <u>2,348,641</u> |
| Total liabilities and fund balances (deficits) | <u>\$ 28,003</u> | <u>\$ 467,417</u> | <u>\$ 2,936,211</u> |

Total may not foot due to rounding differences.

Other Supplementary Information

City of Orange, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2019

| | Special Revenue | | | | |
|---|---|---|---|---|--|
| | Animal Shelter Donation Fund | Bureau of Justice Grant Fund | Community Development Block Grant Fund | Confined Space Rescue Fund | Economic Development Fund |
| REVENUES | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Donations | 102 | - | - | 22,000 | - |
| Grant income | - | 4,092 | 326,437 | - | - |
| Investment income | 527 | - | - | 1,672 | 39 |
| Program income | - | - | 2,872 | - | - |
| Forfeitures | - | - | - | - | - |
| Total revenues | <u>629</u> | <u>4,092</u> | <u>329,309</u> | <u>23,672</u> | <u>39</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General Government | - | - | - | - | - |
| Culture - Recreation | - | - | - | - | - |
| Public Safety | 3,380 | 4,092 | - | 5,368 | - |
| Public Works | - | - | 245,766 | - | - |
| Capital outlay: | | | | | |
| Capital outlay - Books | - | - | - | - | - |
| Capital outlay - machinery and equipment | - | - | - | - | - |
| Capital outlay - other | - | - | 99,828 | - | - |
| Capital outlay - storm sewer construction | - | - | - | - | - |
| Capital outlay - vehicles | - | - | - | - | - |
| Total expenditures | <u>3,380</u> | <u>4,092</u> | <u>345,594</u> | <u>5,368</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | (2,751) | - | (16,285) | 18,304 | 39 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (2,751) | - | (16,285) | 18,304 | 39 |
| Fund balances - beginning | 33,032 | - | 41,358 | 99,819 | 2,309 |
| Fund balances - ending | <u>\$ 30,281</u> | <u>\$ -</u> | <u>\$ 25,073</u> | <u>\$ 118,123</u> | <u>\$ 2,348</u> |

(Continued)

Totals may not foot due to rounding differences.

Other Supplementary Information

City of Orange, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2019

| | Special Revenue | | | | |
|---|--|------------------------------|---|---|--------------------------------------|
| | Fire Department Donation Fund | Home Program Fund | HUD Home Consortium Fund | Law Enforcement Seizure Fund | Library Donation Fund |
| REVENUES | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Donations | 16,798 | - | - | - | 4,675 |
| Grant income | - | - | - | - | 1,242 |
| Investment income | 522 | - | - | 6,200 | 1,118 |
| Program income | - | - | 10,600 | - | - |
| Forfeitures | - | - | - | 33,200 | - |
| Total revenues | <u>17,320</u> | <u>-</u> | <u>10,600</u> | <u>39,400</u> | <u>7,035</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General Government | - | - | - | - | - |
| Culture - Recreation | - | - | - | - | 5,871 |
| Public Safety | 15,968 | - | - | 15,097 | - |
| Public Works | - | - | 10,600 | - | - |
| Capital outlay: | | | | | |
| Capital outlay - Books | - | - | - | - | 1,743 |
| Capital outlay - machinery and equipment | - | - | - | - | - |
| Capital outlay - other | - | - | - | 10,400 | - |
| Capital outlay - storm sewer construction | - | - | - | - | - |
| Capital outlay - vehicles | - | - | - | - | - |
| Total expenditures | <u>15,968</u> | <u>-</u> | <u>10,600</u> | <u>25,497</u> | <u>7,614</u> |
| Excess (deficiency) of revenues over expenditures | 1,352 | - | - | 13,903 | (579) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 1,352 | - | - | 13,903 | (579) |
| Fund balances - beginning | 26,469 | 9,903 | - | 350,071 | 68,192 |
| Fund balances - ending | <u>\$ 27,821</u> | <u>\$ 9,903</u> | <u>\$ -</u> | <u>\$ 363,974</u> | <u>\$ 67,613</u> |

(Continued)

Totals may not foot due to rounding differences.

Other Supplementary Information

City of Orange, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2019

| | Special Revenue | | | | |
|---|--|---|--|------------------------------------|-------------------------------------|
| | Municipal Court Technology Fund | Nelda C & HJ Lutcher Stark Foundation Grant Fund | Orange Development Fund | Parks Donation Fund | Police Donation Fund |
| | \$ | \$ | \$ | \$ | \$ |
| REVENUES | | | | | |
| Taxes | - | - | 569,864 | - | - |
| Donations | - | - | 3,735 | 70,000 | - |
| Grant income | - | - | - | - | - |
| Investment income | 1,172 | 169 | 25,636 | 348 | 511 |
| Program income | 9,852 | - | - | - | - |
| Forfeitures | - | - | - | - | - |
| Total revenues | <u>11,024</u> | <u>169</u> | <u>599,235</u> | <u>70,348</u> | <u>511</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General Government | - | - | 10,168 | - | - |
| Culture - Recreation | - | - | 491,211 | 2,500 | - |
| Public Safety | 6,180 | - | - | - | - |
| Public Works | - | - | - | - | - |
| Capital outlay: | | | | | |
| Capital outlay - Books | - | - | - | - | - |
| Capital outlay - machinery and equipment | - | - | - | - | - |
| Capital outlay - other | 10,400 | - | 47,145 | - | - |
| Capital outlay - storm sewer construction | - | - | - | - | - |
| Capital outlay - vehicles | - | - | - | - | - |
| Total expenditures | <u>16,580</u> | <u>-</u> | <u>548,524</u> | <u>2,500</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | (5,556) | 169 | 50,711 | 67,848 | 511 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (5,556) | 169 | 50,711 | 67,848 | 511 |
| Fund balances - beginning | 73,240 | 10,028 | 1,483,018 | 9,994 | 30,317 |
| Fund balances - ending | <u>\$ 67,684</u> | <u>\$ 10,197</u> | <u>\$ 1,533,729</u> | <u>\$ 77,842</u> | <u>\$ 30,828</u> |

(Continued)

Totals may not foot due to rounding differences.

Other Supplementary Information

City of Orange, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2019

| | Special Revenue | | | | |
|---|--------------------------------------|---|--|---|---|
| | State Homeland Security Grant | Texas Dept. of Transportation (TxDOT) Grant Fund | Texas Dept. of Forest Service (TIFMAS) Grant Fund | Texas Dept. of Public Safety Emerg. Mgmt. Grant Fund | Texas General Land Office (GLO) Grant Fund |
| | | | | | |
| REVENUES | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Donations | - | - | - | - | - |
| Grant income | - | - | 2,967 | - | 2,556,390 |
| Investment income | - | - | - | - | - |
| Program income | 10,823 | - | - | - | - |
| Forfeitures | - | - | - | - | - |
| Total revenues | 10,823 | | 2,967 | | 2,556,390 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General Government | - | - | - | - | - |
| Culture - Recreation | - | - | - | - | - |
| Public Safety | - | - | 2,967 | 28,003 | 486 |
| Public Works | - | - | - | - | 354 |
| Capital outlay: | | | | | |
| Capital outlay - Books | - | - | - | - | - |
| Capital outlay - machinery and equipment | - | - | - | - | - |
| Capital outlay - other | - | - | - | - | - |
| Capital outlay - storm sewer construction | - | - | - | - | 2,539,848 |
| Capital outlay - vehicles | - | - | - | - | - |
| Total expenditures | - | | 2,967 | 28,003 | 2,540,688 |
| Excess (deficiency) of revenues over expenditures | 10,823 | - | - | (28,003) | 15,702 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Total other financing sources (uses) | - | - | - | - | - |
| Net change in fund balances | 10,823 | - | - | (28,003) | 15,702 |
| Fund balances - beginning | - | 229 | - | (1) | (15,527) |
| Fund balances - ending | \$ 10,823 | \$ 229 | \$ - | \$ (28,004) | \$ 175 |

(Continued)

Totals may not foot due to rounding differences.

Other Supplementary Information

City of Orange, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2019

Special Revenue

| | Total Nonmajor Special Revenue Funds |
|---|---|
| REVENUES | |
| Taxes | \$ 569,864 |
| Donations | 117,310 |
| Grant income | 2,891,128 |
| Investment income | 37,914 |
| Program income | 34,147 |
| Forfeitures | 33,200 |
| Total revenues | <u>3,683,563</u> |
| EXPENDITURES | |
| Current: | |
| General Government | 10,168 |
| Culture - Recreation | 499,582 |
| Public Safety | 81,541 |
| Public Works | 256,720 |
| Capital outlay: | |
| Capital outlay - Books | 1,743 |
| Capital outlay - machinery and equipment | - |
| Capital outlay - other | 167,773 |
| Capital outlay - storm sewer construction | 2,539,848 |
| Capital outlay - vehicles | - |
| Total expenditures | <u>3,557,375</u> |
| Excess (deficiency) of revenues over expenditures | 126,188 |
| OTHER FINANCING SOURCES (USES) | |
| Total other financing sources (uses) | <u>-</u> |
| Net change in fund balances | 126,188 |
| Fund balances - beginning | 2,222,451 |
| Fund balances - ending | <u>\$ 2,348,639</u> |

Totals may not foot due to rounding differences.

Other Supplementary Information

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, 2019

| | Budgeted Amounts | | | Variance with Final Budget |
|---|-------------------------|------------------|------------------|---------------------------------------|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Donations | \$ - | \$ - | \$ 102 | \$ 102 |
| Investment income | 50 | 50 | 527 | 477 |
| Total revenues | <u>50</u> | <u>50</u> | <u>629</u> | <u>579</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | 10,000 | 10,000 | 3,380 | 6,620 |
| Total expenditures | <u>10,000</u> | <u>10,000</u> | <u>3,380</u> | <u>6,620</u> |
| Excess (deficiency) of revenues over expenditures | (9,950) | (9,950) | (2,751) | 7,199 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balances | (9,950) | (9,950) | (2,751) | 7,199 |
| Fund balances - beginning | 33,032 | 33,032 | 33,032 | - |
| Fund balances - ending | <u>\$ 23,082</u> | <u>\$ 23,082</u> | <u>\$ 30,281</u> | <u>\$ 7,199</u> |

Totals may not foot due to rounding differences.

Other Supplementary Information

City of Orange, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Bureau of Justice Grant Fund
For the Year Ended September 30, 2019

| | Budgeted Amounts | | | Variance with Final Budget |
|---|-------------------------|------------------------|------------------------|---------------------------------------|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Grant income | \$ - | \$ 1,874 | \$ 4,092 | \$ 2,218 |
| Total revenues | <u> </u> - | <u> </u> 1,874 | <u> </u> 4,092 | <u> </u> 2,218 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | <u> </u> - | <u> </u> 1,874 | <u> </u> 4,092 | <u> </u> (2,218) |
| Total expenditures | <u> </u> - | <u> </u> 1,874 | <u> </u> 4,092 | <u> </u> (2,218) |
| Excess (deficiency) of revenues over expenditures | <u> </u> - | <u> </u> - | <u> </u> - | <u> </u> - |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing sources (uses) | <u> </u> - | <u> </u> - | <u> </u> - | <u> </u> - |
| Net change in fund balances | <u> </u> - | <u> </u> - | <u> </u> - | <u> </u> - |
| 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.

Other Supplementary Information

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, 2019

| | Budgeted Amounts | | | Variance with Final Budget |
|---|-------------------------|------------------|------------------|---------------------------------------|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Grant income | \$ 620,300 | \$ 620,300 | \$ 326,437 | \$ (293,863) |
| Program income | 500 | 500 | 2,872 | 2,372 |
| Total revenues | <u>620,800</u> | <u>620,800</u> | <u>329,309</u> | <u>(291,491)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public works | 328,264 | 359,229 | 245,766 | 113,463 |
| Capital outlay: | | | | |
| Capital outlay - other | 285,096 | 285,096 | 99,828 | 185,268 |
| Total expenditures | <u>613,360</u> | <u>644,325</u> | <u>345,594</u> | <u>298,731</u> |
| Excess (deficiency) of revenues over expenditures | 7,440 | (23,525) | (16,285) | 7,240 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 7,440 | (23,525) | (16,285) | 7,240 |
| Fund balances - beginning | <u>41,358</u> | <u>41,358</u> | <u>41,358</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 48,798</u> | <u>\$ 17,833</u> | <u>\$ 25,073</u> | <u>\$ 7,240</u> |

Totals may not foot due to rounding differences.

Other Supplementary Information

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, 2019

| | Budgeted Amounts | | | Variance with Final Budget |
|---|-------------------------|------------------|-------------------|---------------------------------------|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Donations | \$ 20,000 | \$ 20,000 | \$ 22,000 | \$ 2,000 |
| Investment income | 100 | 100 | 1,672 | 1,572 |
| Total revenues | <u>20,100</u> | <u>20,100</u> | <u>23,672</u> | <u>3,572</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | 45,000 | 45,000 | 5,368 | 39,632 |
| Total expenditures | <u>45,000</u> | <u>45,000</u> | <u>5,368</u> | <u>39,632</u> |
| Excess (deficiency) of revenues over expenditures | (24,900) | (24,900) | 18,305 | 43,205 |
| 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) | 18,305 | 43,205 |
| Fund balances - beginning | <u>99,818</u> | <u>99,818</u> | <u>99,818</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 74,918</u> | <u>\$ 74,918</u> | <u>\$ 118,123</u> | <u>\$ 43,205</u> |

Totals may not foot due to rounding differences.

Other Supplementary Information

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, 2019

| | Budgeted Amounts | | | Variance with Final Budget |
|---|-------------------------|-----------------|-----------------|---------------------------------------|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Investment income | \$ - | \$ - | \$ 39 | \$ 39 |
| Total revenues | <u>-</u> | <u>-</u> | <u>39</u> | <u>39</u> |
| EXPENDITURES | | | | |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | - | - | 39 | 39 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | - | - | 39 | 39 |
| Fund balances - beginning | 2,309 | 2,309 | 2,309 | - |
| Fund balances - ending | <u>\$ 2,309</u> | <u>\$ 2,309</u> | <u>\$ 2,348</u> | <u>\$ 39</u> |

Totals may not foot due to rounding differences.

Other Supplementary Information

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, 2019

| | Budgeted Amounts | | | Variance with Final Budget |
|---|-------------------------|------------------|------------------|---------------------------------------|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Donations | \$ 2,500 | \$ 15,649 | \$ 16,798 | \$ 1,149 |
| Investment income | 30 | 30 | 522 | 492 |
| Total revenues | <u>2,530</u> | <u>15,679</u> | <u>17,321</u> | <u>1,642</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | 14,000 | 26,148 | 15,968 | 10,180 |
| Total expenditures | <u>14,000</u> | <u>26,148</u> | <u>15,968</u> | <u>10,180</u> |
| Excess (deficiency) of revenues over expenditures | (11,470) | (10,469) | 1,353 | 11,822 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (11,470) | (10,469) | 1,353 | 11,822 |
| Fund balances - beginning | <u>26,469</u> | <u>26,469</u> | <u>26,469</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 14,999</u> | <u>\$ 16,000</u> | <u>\$ 27,822</u> | <u>\$ 11,822</u> |

Totals may not foot due to rounding differences.

Other Supplementary Information

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, 2019

| | 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 | \$ 9,903 | \$ 9,903 | \$ 9,903 | \$ - |

Totals may not foot due to rounding differences.

Other Supplementary Information

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, 2019

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

Totals may not foot due to rounding differences.

Other Supplementary Information

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, 2019

| | Budgeted Amounts | | | Variance with Final Budget |
|---|-------------------------|-------------------|-------------------|---------------------------------------|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Investment income | \$ 460 | \$ 1,195 | \$ 6,200 | \$ 5,005 |
| Forfeitures | - | 35,000 | 33,200 | (1,800) |
| Total revenues | <u>460</u> | <u>36,195</u> | <u>39,400</u> | <u>3,205</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | 112,000 | 119,500 | 15,097 | 104,403 |
| Capital outlay: | | | | |
| Capital outlay - buildings | 10,000 | 10,000 | - | 10,000 |
| Capital outlay - other | - | 30,606 | 10,400 | 20,206 |
| Total expenditures | <u>122,000</u> | <u>160,106</u> | <u>25,497</u> | <u>134,609</u> |
| Excess (deficiency) of revenues over expenditures | (121,540) | (123,911) | 13,903 | 137,814 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balances | (121,540) | (123,911) | 13,903 | 137,814 |
| Fund balances - beginning | <u>350,071</u> | <u>350,071</u> | <u>350,071</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 228,531</u> | <u>\$ 226,160</u> | <u>\$ 363,974</u> | <u>\$ 137,814</u> |

Totals may not foot due to rounding differences.

Other Supplementary Information

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, 2019

| | Budgeted Amounts | | | Variance with Final Budget |
|---|-------------------------|------------------|------------------|---------------------------------------|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Donations | \$ 5,000 | \$ 5,000 | \$ 4,675 | \$ (325) |
| Grant income | - | - | 1,242 | 1,242 |
| Investment income | 110 | 110 | 1,118 | 1,008 |
| Program income | 1,000 | 1,000 | - | (1,000) |
| Total revenues | <u>6,110</u> | <u>6,110</u> | <u>7,035</u> | <u>925</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture - recreation | 7,800 | 7,800 | 5,871 | 1,929 |
| Capital outlay: | | | | |
| Capital outlay - books | 5,000 | 5,000 | 1,743 | 3,257 |
| Total expenditures | <u>12,800</u> | <u>12,800</u> | <u>7,614</u> | <u>5,186</u> |
| Excess (deficiency) of revenues over expenditures | (6,690) | (6,690) | (578) | 6,112 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (6,690) | (6,690) | (578) | 6,112 |
| Fund balances - beginning | <u>68,192</u> | <u>68,192</u> | <u>68,192</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 61,502</u> | <u>\$ 61,502</u> | <u>\$ 67,614</u> | <u>\$ 6,112</u> |

Totals may not foot due to rounding differences.

Other Supplementary Information

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, 2019

| | Budgeted Amounts | | | Variance with Final Budget |
|---|-------------------------|------------------|------------------|---------------------------------------|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Investment income | \$ 100 | \$ 100 | \$ 1,172 | \$ 1,072 |
| Program income | 9,000 | 9,000 | 9,852 | 852 |
| Total revenues | <u>9,100</u> | <u>9,100</u> | <u>11,024</u> | <u>1,924</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | 18,000 | 18,000 | 6,180 | 11,820 |
| Capital outlay: | | | | |
| Capital outlay - other | - | 30,606 | 10,400 | 20,206 |
| Total expenditures | <u>18,000</u> | <u>48,606</u> | <u>16,580</u> | <u>32,026</u> |
| Excess (deficiency) of revenues over expenditures | (8,900) | (39,506) | (5,556) | 33,950 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balances | (8,900) | (39,506) | (5,556) | 33,950 |
| Fund balances - beginning | <u>73,240</u> | <u>73,240</u> | <u>73,240</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 64,340</u> | <u>\$ 33,734</u> | <u>\$ 67,684</u> | <u>\$ 33,950</u> |

Totals may not foot due to rounding differences.

Other Supplementary Information

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, 2019

| | Budgeted Amounts | | | Variance with Final Budget |
|---|-------------------------|-----------------|------------------|---------------------------------------|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Grant income | \$ - | \$ - | \$ - | \$ - |
| Investment income | <u>12</u> | <u>12</u> | <u>169</u> | <u>157</u> |
| Total revenues | <u>12</u> | <u>12</u> | <u>169</u> | <u>157</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | 1,881 | 1,881 | - | 1,881 |
| Total expenditures | <u>1,881</u> | <u>1,881</u> | <u>-</u> | <u>1,881</u> |
| Excess (deficiency) of revenues over expenditures | (1,869) | (1,869) | 169 | 2,038 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (1,869) | (1,869) | 169 | 2,038 |
| Fund balances - beginning | <u>10,028</u> | <u>10,028</u> | <u>10,028</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 8,159</u> | <u>\$ 8,159</u> | <u>\$ 10,197</u> | <u>\$ 2,038</u> |

Totals may not foot due to rounding differences.

Other Supplementary Information

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, 2019

| | Budgeted Amounts | | | Variance with Final Budget |
|---|-------------------------|---------------------|---------------------|---------------------------------------|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Taxes | \$ 650,000 | \$ 650,000 | \$ 569,864 | \$ (80,136) |
| Donations | 3,500 | 3,500 | 3,735 | 235 |
| Investment income | 1,800 | 1,800 | 25,636 | 23,836 |
| Total revenues | <u>655,300</u> | <u>655,300</u> | <u>599,235</u> | <u>(56,065)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | - | 10,168 | (10,168) |
| Culture - recreation | 583,448 | 583,448 | 491,211 | 92,237 |
| Capital outlay: | | | | |
| Capital outlay - other | - | 50,000 | 47,145 | 2,855 |
| Total expenditures | <u>583,448</u> | <u>633,448</u> | <u>548,524</u> | <u>84,924</u> |
| Excess (deficiency) of revenues over expenditures | 71,852 | 21,852 | 50,710 | 28,858 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 71,852 | 21,852 | 50,710 | 28,858 |
| Fund balances - beginning | <u>1,483,018</u> | <u>1,483,018</u> | <u>1,483,018</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 1,554,870</u> | <u>\$ 1,504,870</u> | <u>\$ 1,533,728</u> | <u>\$ 28,858</u> |

Totals may not foot due to rounding differences.

Other Supplementary Information

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, 2019

| | Budgeted Amounts | | | Variance with Final Budget |
|---|-------------------------|------------------|------------------|---------------------------------------|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Donations | \$ - | \$ - | \$ 70,000 | \$ 70,000 |
| Investment income | <u>15</u> | <u>15</u> | <u>348</u> | <u>333</u> |
| Total revenues | <u>15</u> | <u>15</u> | <u>70,348</u> | <u>70,333</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture - recreation | - | - | 2,500 | 2,500 |
| Total expenditures | - | - | 2,500 | 2,500 |
| Excess (deficiency) of revenues over expenditures | 15 | 15 | 67,848 | 72,833 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balances | 15 | 15 | 67,848 | 72,833 |
| Fund balances - beginning | <u>9,994</u> | <u>9,994</u> | <u>9,994</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 10,009</u> | <u>\$ 10,009</u> | <u>\$ 77,842</u> | <u>\$ 72,833</u> |

Totals may not foot due to rounding differences.

Other Supplementary Information

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, 2019

| | Budgeted Amounts | | | Variance with Final Budget |
|---|-------------------------|------------------|------------------|---------------------------------------|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Investment income | \$ 40 | \$ 40 | \$ 511 | \$ 471 |
| Total revenues | <u>40</u> | <u>40</u> | <u>511</u> | <u>471</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) | 511 | 5,471 |
| 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) | 511 | 5,471 |
| Fund balances - beginning | <u>30,317</u> | <u>30,317</u> | <u>30,317</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 25,357</u> | <u>\$ 25,357</u> | <u>\$ 30,828</u> | <u>\$ 5,471</u> |

Totals may not foot due to rounding differences.

Other Supplementary Information

City of Orange, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
State Homeland Security Grant
For the Year Ended September 30, 2019

| | Budgeted Amounts | | | Variance with Final Budget |
|---|-------------------------|--------------|------------------|---------------------------------------|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Program income | \$ - | \$ - | \$ 10,823 | \$ 10,823 |
| Total revenues | <u>-</u> | <u>-</u> | <u>10,823</u> | <u>10,823</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | - | - | 10,823 | 10,823 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | - | - | 10,823 | 10,823 |
| Fund balances - beginning | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 10,823</u> | <u>\$ 10,823</u> |

Totals may not foot due to rounding differences.

Other Supplementary Information

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, 2019

| | 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 | \$ 229 | \$ 229 | \$ 229 | \$ - |

Totals may not foot due to rounding differences.

Other Supplementary Information

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, 2019

| | Budgeted Amounts | | | Variance with Final Budget |
|---|-------------------------|--------------|---------------|---------------------------------------|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Grant income | \$ 2,500 | \$ 3,000 | \$ 2,967 | \$ (33) |
| Total revenues | <u>2,500</u> | <u>3,000</u> | <u>2,967</u> | <u>(33)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | 2,500 | 3,000 | 2,967 | 33 |
| Total expenditures | <u>2,500</u> | <u>3,000</u> | <u>2,967</u> | <u>33</u> |
| Excess (deficiency) of revenues over expenditures | - | - | - | - |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balances | - | - | - | - |
| Fund balances - beginning | - | - | - | - |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Totals may not foot due to rounding differences.

Other Supplementary Information

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, 2019

| | Budgeted Amounts | | | Variance with Final Budget |
|---|-------------------------|---------------|--------------------|---------------------------------------|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Grant income | \$ 30,318 | \$ 30,318 | \$ - | \$ (30,318) |
| Total revenues | <u>30,318</u> | <u>30,318</u> | <u>-</u> | <u>(30,318)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | 30,266 | 30,266 | 28,003 | 2,263 |
| Total expenditures | <u>30,266</u> | <u>30,266</u> | <u>28,003</u> | <u>2,263</u> |
| Excess (deficiency) of revenues over expenditures | 52 | 52 | (28,003) | (28,055) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 52 | 52 | (28,003) | (28,055) |
| Fund balances - beginning | (1) | (1) | (1) | - |
| Fund balances - ending | <u>\$ 51</u> | <u>\$ 51</u> | <u>\$ (28,004)</u> | <u>\$ (28,055)</u> |

Totals may not foot due to rounding differences.

Other Supplementary Information

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, 2019

| | Budgeted Amounts | | | Variance with Final Budget |
|---|-------------------------|--------------------|------------------|---------------------------------------|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Grant income | \$ 2,764,882 | \$ 2,764,882 | \$ 2,556,390 | \$ (208,492) |
| Total revenues | <u>2,764,882</u> | <u>2,764,882</u> | <u>2,556,390</u> | <u>(208,492)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public works | 69,950 | 69,950 | 840 | 69,110 |
| Capital outlay: | | | | |
| Capital outlay - storm sewer construction | 2,695,001 | 2,695,001 | 2,539,848 | 155,153 |
| Total expenditures | <u>2,764,951</u> | <u>2,764,951</u> | <u>2,540,688</u> | <u>224,263</u> |
| Excess (deficiency) of revenues over expenditures | (69) | (69) | 15,702 | 15,771 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (69) | (69) | 15,702 | 15,771 |
| Fund balances - beginning | <u>(15,527)</u> | <u>(15,527)</u> | <u>(15,527)</u> | <u>-</u> |
| Fund balances - ending | <u>\$ (15,596)</u> | <u>\$ (15,596)</u> | <u>\$ 175</u> | <u>\$ 15,771</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.

Other Supplementary Information

City of Orange, Texas
Combining Statement of Net Position
Nonmajor Internal Service Fund
September 30, 2019

| | Workers' Compensation Insurance Fund |
|---|---|
| ASSETS | |
| Cash and cash equivalents | \$ 1,094,140 |
| Cash with fiscal agent | 17,000 |
| Receivables (net of allowance for uncollectibles) | 1,368 |
| Total assets | <u>1,112,508</u> |
| LIABILITIES | |
| Accounts payable | 8,679 |
| Total liabilities | <u>8,679</u> |
| NET POSITION | |
| Unrestricted | 1,103,829 |
| Total net position | <u>\$ 1,103,829</u> |

Totals may not foot due to rounding differences.

Other Supplementary Information

City of Orange, Texas
Statement of Revenues, Expenditures, and Changes in Net Position
Internal Service Fund
For the Year Ended September 30, 2019

| | Workers' Compensation Insurance Fund |
|---|---|
| OPERATING REVENUES | |
| Other services | \$ 269,306 |
| Total operating revenues | <u>269,306</u> |
| OPERATING EXPENSES | |
| Administrative expense | 25,421 |
| Premiums | 41,756 |
| Total operating expenses | <u>67,177</u> |
| Operating income (loss) | <u>202,129</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Investment income | 16,006 |
| Total nonoperating revenues (expenses) | <u>16,006</u> |
| Change in net position | 218,135 |
| Total net position - beginning | <u>885,694</u> |
| Total net position - ending | <u>\$ 1,103,829</u> |

Totals may not foot due to rounding differences.

Other Supplementary Information

City of Orange, Texas
Statement of Cash Flows
Internal Service Fund
For the Year Ended September 30, 2019

| | Workers' Compensation Insurance Fund |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash receipts from customers | \$ 278,385 |
| Payments to suppliers | (96,065) |
| Net cash provided (used) by operating activities | <u>182,320</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest and dividends received | 16,006 |
| Net cash provided (used) by investing activities | <u>16,006</u> |
| Net increase (decrease) in cash and cash equivalents | 198,326 |
| Balances - beginning of year | <u>895,814</u> |
| Balances - end of the year | <u>\$ 1,094,140</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | |
| Operating Income | \$ 202,129 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Changes in assets and liabilities: | |
| (Increase) decrease in accounts receivable | 9,080 |
| (Increase) decrease in cash with fiscal agent | (2,000) |
| Increase (decrease) in accounts payable | <u>(26,889)</u> |
| Total adjustments | <u>(19,809)</u> |
| Net cash provided (used) by operating activities | <u>\$ 182,320</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.

Other Supplementary Information

City of Orange, Texas
Statement of Fiduciary Net Position
Agency Funds
September 30, 2019

| | Municipal Court Escrow Fund | Employee Flex Plan Fund | Orange Employee Benefit Trust Fund | Total Agency Funds |
|---------------------------|--|------------------------------------|---|-------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 4,375 | \$ 10,267 | \$ 125 | \$ 14,767 |
| Due from other funds | - | - | 777 | 777 |
| Total assets | <u>4,375</u> | <u>10,267</u> | <u>902</u> | <u>15,544</u> |
| LIABILITIES | | | | |
| Accounts payable | - | - | 8,640 | 8,640 |
| Other liabilities | 4,375 | 10,267 | (7,738) | 6,904 |
| Total liabilities | <u>4,375</u> | <u>10,267</u> | <u>902</u> | <u>15,544</u> |

Totals may not foot due to rounding differences.

City of Orange, Texas
Combining Statement of Changes in Fiduciary Assets and Liabilities
For the Year Ended September 30, 2019

| | Municipal Court Escrow Agency Fund 10/1/2018 | Additions | Deletions | Municipal Court Escrow Agency Fund 9/30/2019 |
|--|---|---------------------|---------------------|---|
| Cash and cash equivalents | \$ 6,502 | \$ 13,506 | \$ 15,633 | \$ 4,375 |
| Total assets | <u>6,502</u> | <u>13,506</u> | <u>15,633</u> | <u>4,375</u> |
| Other Liabilities - held in trust for municipal court bonds | 6,502 | - | 2,127 | 4,375 |
| Total liabilities | <u>6,502</u> | <u>\$ -</u> | <u>\$ 2,127</u> | <u>\$ 4,375</u> |
| | | | | |
| | Employee Flex Plan Agency Fund 10/1/2018 | Additions | Deletions | Employee Flex Plan Agency Fund 9/30/2019 |
| Cash and cash equivalents | \$ 8,939 | \$ 13,630 | \$ 12,302 | \$ 10,267 |
| Total assets | <u>8,939</u> | <u>13,630</u> | <u>12,302</u> | <u>10,267</u> |
| Other Liabilities - held in trust for flexible spending accounts | 8,939 | 13,630 | 12,302 | 10,267 |
| Total liabilities | <u>8,939</u> | <u>\$ 13,630</u> | <u>\$ 12,302</u> | <u>\$ 10,267</u> |
| | | | | |
| | Orange Employee Benefit Trust Fund 10/1/2018 | Additions | Deletions | Orange Employee Benefit Trust Fund 9/30/2019 |
| Cash and cash equivalents | \$ 296,046 | \$ 3,171,879 | \$ 3,467,800 | \$ 125 |
| Receivable (net of allowance for uncollectibles) | 23 | - | 23 | - |
| Due to other funds | 777 | - | - | 777 |
| Total assets | <u>296,846</u> | <u>3,171,879</u> | <u>3,467,823</u> | <u>902</u> |
| Accounts payable | 13,135 | 3,692,760 | 3,697,255 | 8,640 |
| Other Liabilities - held in trust for employee insurance costs | 283,711 | 3,158,226 | 3,449,674 | (7,737) |
| Total liabilities | <u>\$ 296,846</u> | <u>\$ 6,850,986</u> | <u>\$ 7,146,929</u> | <u>\$ 903</u> |
| | | | | |
| | Total Fiduciary Funds 10/1/2018 | Additions | Deletions | Total Fiduciary Funds 9/30/2019 |
| Cash and cash equivalents | \$ 311,487 | \$ 3,199,015 | \$ 3,495,735 | \$ 14,767 |
| Receivable (net of allowance for uncollectibles) | 23 | - | 23 | - |
| Due from other funds | 777 | - | - | 777 |
| Total assets | <u>312,287</u> | <u>3,199,015</u> | <u>3,495,758</u> | <u>15,544</u> |
| Accounts payable | 13,135 | 3,692,760 | 3,697,255 | 8,640 |
| Other liabilities - held in trust for municipal court bonds | 6,502 | - | 2,127 | 4,375 |
| Other liabilities - held in trust for flexible spending accounts | 8,939 | 13,630 | 12,302 | 10,267 |
| Other liabilities - held in trust for employee insurance costs | 283,711 | 3,158,226 | 3,449,674 | (7,737) |
| Total liabilities | <u>\$ 312,287</u> | <u>\$ 6,864,616</u> | <u>\$ 7,161,358</u> | <u>\$ 15,545</u> |

Totals may not foot due to rounding differences.



STATISTICAL SECTION

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

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|--|--------------------|
| Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. | 162 |
| Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax. | 168 |
| 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. | 172 |
| 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. | 177 |
| 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. | 179 |

Table 1

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

| | 2010 (a) | 2011 | 2012 | 2013 (b) | 2014 (c) | 2015 (c) | 2016 | 2017 | 2018 (d) | 2019 |
|---|-----------------|--------------|--------------|-----------------|-----------------|-----------------|--------------|--------------|-----------------|--------------|
| Government activities | | | | | | | | | | |
| Net investment in capital assets | \$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 | \$27,309,838 |
| Restricted | 71,058 | 65,900 | 14,862 | 155,728 | 76,887 | 91,495 | 90,042 | 81,826 | 2,529,941 | 2,622,496 |
| Unrestricted | 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) | (4,525,815) |
| Total government activities net position | 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 | 25,406,519 |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | 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 | 37,114,603 |
| Restricted | 1,443,873 | 1,428,684 | 1,434,849 | 1,488,660 | 1,457,546 | 777,587 | 66,923 | 135,868 | 138,102 | 141,855 |
| Unrestricted | 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 | 6,175,934 |
| Total business-type activities net position | 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 | 43,432,392 |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | 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 | 64,424,441 |
| Restricted | 1,514,931 | 1,494,584 | 1,449,711 | 1,644,388 | 1,534,433 | 869,082 | 156,965 | 217,694 | 2,668,043 | 2,764,351 |
| Unrestricted | 9,269,986 | 8,882,764 | 8,623,322 | 9,616,870 | (2,960,639) | 349,784 | 757,706 | (950,410) | 521,793 | 1,650,119 |
| Total primary government net position | \$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 | \$68,838,911 |

- (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 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)

| | <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> | <u>2019</u> |
|------------------------------------|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Expenses | | | | | | | | | | |
| Governmental Activities | | | | | | | | | | |
| General government | \$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 | \$3,505,832 |
| Cultural and recreation | 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 | 1,871,636 |
| Public safety | 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 | 13,848,928 |
| Public works | 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 | 4,137,174 |
| Interest on long-term debt | 493,648 | 460,991 | 426,512 | 299,216 | 281,198 | 199,043 | 190,032 | 179,684 | 178,291 | 485,903 |
| Total governmental activities | 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 | 23,849,473 |
| Business-type activities | | | | | | | | | | |
| Sanitation | 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 | 1,967,255 |
| Water and Sewer | 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 | 7,662,368 |
| Total business-type activities | 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 | 9,629,623 |
| Total primary government | 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 | 33,479,096 |
| Program Revenues | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| General government | 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 | 1,374,621 |
| Cultural and recreation | 27,011 | 36,020 | 22,777 | 23,817 | 22,961 | 50,620 | 59,249 | 61,636 | 47,749 | 45,884 |
| Public safety | 270,964 | 199,371 | 319,280 | 341,031 | 183,055 | 406,569 | 349,818 | 296,656 | 284,804 | 272,759 |
| Public works | 98,552 | 102,228 | 54,690 | 49,164 | 125,919 | 114,950 | 79,100 | 70,292 | 71,078 | 65,833 |
| Operating grants and contributions | | | | | | | | | | |
| General government | 83,547 | 88,459 | 112,093 | 106,590 | 137,756 | 97,436 | 116,460 | 236,439 | 177,140 | 179,384 |
| Cultural and recreation | 16,752 | 18,763 | 3,019 | 6,160 | 46,708 | 15,290 | 1,443 | 3,605 | 1,966 | 71,242 |
| Public safety | 395,027 | 247,351 | 262,965 | 254,898 | 84,408 | 80,673 | 147,791 | 428,674 | 64,417 | 99,888 |
| Public works | 1,412,616 | 1,007,070 | 1,032,602 | 353,633 | 268,082 | 248,688 | 572,738 | 284,487 | 587,615 | 3,184,659 |
| Capital grants and contributions | | | | | | | | | | |
| General government | 0 | 0 | 34,959 | 473 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cultural and recreation | 8,185 | 126,979 | 3,187 | 1,704 | 1,637 | 1,074 | 59,817 | 134,922 | 62,431 | 102,868 |
| Public safety | 663,321 | 2,316,708 | 6,155,476 | 138,848 | 32,386 | 330,162 | 10,000 | 0 | 5,000 | 0 |
| Public works | 222,996 | 1,289,006 | 611,356 | 1,775,080 | 4,190,783 | 1,034,726 | 100,000 | 0 | 0 | 0 |
| revenues | 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 | 5,397,138 |

(Continued)

Table 2 (Continued)

| | <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> | <u>2019</u> |
|---|----------------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Business-type activities | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Sanitation | 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 | 1,981,491 |
| Water and Sewer | 6,899,147 | 7,144,155 | 6,248,903 | 7,713,632 | 7,317,749 | 7,752,710 | 7,847,869 | 7,777,959 | 8,199,174 | 7,877,629 |
| Operating grants and contributions | | | | | | | | | | |
| Sanitation | 150,089 | 0 | 0 | 0 | 0 | 0 | 0 | 53,428 | 3,535,986 | 3,840 |
| Water and Sewer | 21,920 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 28,813 | 140,349 |
| Capital grants and contributions | | | | | | | | | | |
| Sanitation | 39,505 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Water and Sewer | 339,014 | 84,246 | 72,611 | 772,900 | 821,987 | 37,715 | 256,155 | 134,708 | 573,284 | 0 |
| Total business-type activities program revenues | 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 | 10,003,309 |
| Total primary government program revenues | 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 | 15,400,447 |
| Net (expense)/revenue | | | | | | | | | | |
| Governmental activities | (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) | (18,452,335) |
| Business-type activities | 623,075 | 229,990 | 900,653 | 1,425,913 | 1,297,343 | 8,866,433 | 9,361,919 | 878,878 | 2,169,048 | 373,686 |
| Total primary government net expense | (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) | (18,078,649) |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental Activities | | | | | | | | | | |
| Property taxes | 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 | 7,954,550 |
| Sales taxes | 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 | 3,406,770 |
| Other taxes | 497,900 | 474,895 | 553,828 | 603,799 | 622,747 | 694,827 | 688,170 | 696,977 | 807,577 | 606,348 |
| Franchise taxes | 329,673 | 342,136 | 306,524 | 282,092 | 298,172 | 307,093 | 281,390 | 287,290 | 291,156 | 334,324 |
| Payment in-lieu of taxes | 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 | 8,699,042 |
| Licenses and permits | (a) | (a) | (a) | (a) | (a) | (a) | (a) | (a) | (a) | (a) |
| Unrestricted investment earnings | 26,853 | 20,396 | 22,267 | 20,490 | 13,885 | 21,843 | 23,835 | 17,427 | 28,541 | 274,781 |
| Gain (loss) on sale of assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (80) | 70,431 | 48,609 |
| Transfers | (682,404) | (611,194) | (26,186) | 0 | 0 | 0 | 0 | 0 | (27,155) | 0 |
| Insurance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 457,367 | 10,096 |
| Miscellaneous | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 102,181 | 120,000 | 60,000 |
| Total governmental activities | 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 | 21,394,520 |
| Business-type activities | | | | | | | | | | |
| Unrestricted investment earnings | 6,602 | 7,686 | 18,516 | 9,141 | 10,015 | 7,866 | 10,972 | 13,288 | 12,337 | 112,086 |
| Gain (loss) on sale of assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8,016 | 29,005 | 9,528 |
| Transfers | 682,404 | 611,194 | 26,186 | 0 | 0 | 0 | 0 | 0 | 27,155 | 0 |
| Miscellaneous | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 82,002 | 95,864 | 0 |
| Total business-type activities | 689,006 | 618,880 | 44,702 | 9,141 | 10,015 | 7,866 | 10,972 | 103,306 | 164,361 | 121,614 |
| Total primary government | 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 | 21,516,134 |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | (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 | 2,942,185 |
| Business-type activities | 1,312,081 | 848,870 | 945,355 | 1,435,054 | 1,307,358 | 8,874,299 | 9,372,891 | 982,184 | 2,333,409 | 495,300 |
| Total primary government | \$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 | \$3,437,485 |

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

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

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

Table 3

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

| <u>Fiscal</u> | <u>Property</u> | <u>Sales</u> | <u>Other</u> | <u>Franchise</u> | |
|----------------------|------------------------|---------------------|---------------------|-------------------------|---------------------|
| <u>Year</u> | <u>Tax</u> | <u>Tax</u> | <u>Tax</u> | <u>Tax</u> | <u>Total</u> |
| 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 |
| 2019 | \$7,954,550 | \$3,406,770 | \$606,348 | \$334,324 | \$12,301,992 |

Table 4

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

| | <u>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> | <u>2019</u> |
|---|-----------------|--------------------|--------------------|--------------------|----------------------|--------------------|--------------------|--------------------|---------------------|---------------------|
| General fund | | | | | | | | | | |
| Nonspendable: | | | | | | | | | | |
| Inventory | \$0 | \$66,951 | \$124,361 | \$101,349 | \$103,939 | \$89,271 | \$85,495 | \$80,387 | \$85,568 | \$86,150 |
| Prepads | 0 | 0 | 120,742 | 131,434 | 140,293 (b) | 147,243 | 156,840 | 201,177 | 221,037 | 201,567 |
| Assigned to: | | | | | | | | | | |
| Capital outlay | 0 | 369,593 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Hurricane recovery | 0 | 249,752 | 0 | 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 | 11,291,929 |
| Total general fund | \$0 | \$5,026,937 | \$4,294,380 | \$5,210,053 | \$5,775,635 | \$7,192,928 | \$8,272,029 | \$7,947,798 | \$10,021,635 | \$11,579,646 |
| Debt service | | | | | | | | | | |
| Restricted for: | | | | | | | | | | |
| Debt service | \$0 | \$114,024 | \$76,094 | \$155,728 | \$114,126 | \$115,384 | \$114,104 | \$103,568 | 104,722 | 45,543 |
| Total debt service | \$0 | \$114,024 | \$76,094 | \$155,728 | \$114,126 | \$115,384 | \$114,104 | \$103,568 | 104,722 | 45,543 |
| Capital projects | | | | | | | | | | |
| Assigned to: | | | | | | | | | | |
| Capital projects | \$0 | \$98,789 | \$93,908 | \$62,599 | \$32,130 | \$620,017 | \$163,239 | \$161,021 | \$161,352 | \$7,064,624 |
| Total capital projects | \$0 | \$98,789 | \$93,908 | \$62,599 | \$32,130 | \$620,017 | \$163,239 | \$161,021 | \$161,352 | \$7,064,624 |
| Other governmental funds | | | | | | | | | | |
| Special revenue funds | | | | | | | | | | |
| Nonspendable: | | | | | | | | | | |
| Prepads | \$0 | \$0 | \$0 | \$4,014 | \$609 (b) | \$8,087 | \$3,131 | \$3,920 | 5,706 | 3,817 |
| Restricted for: | | | | | | | | | | |
| Cultural and recreation | 0 | 114,391 | 115,275 | 115,583 | 104,655 (b) | 114,953 | 103,272 | 100,222 | 78,186 | 145,456 |
| Hurricane recovery | 0 | 246,134 | 0 | 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 | 659,730 |
| Public works | 0 | 53,137 | 46,509 | 53,120 | 69,615 (b) | 64,796 | 61,386 | 51,146 | 35,566 | 34,258 |
| 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 | 1,531,035 |
| Assigned to: | | | | | | | | | | |
| Economic development | 0 | 2,268 | 2,280 | 2,285 | 2,292 | 2,297 | 2,301 | 2,304 | 2,309 | 2,348 |
| Unassigned | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -28,004 |
| Total all other governmental funds | \$0 | \$2,128,298 | \$2,068,027 | \$2,054,411 | \$2,087,155 | \$2,274,604 | \$2,400,706 | \$2,032,011 | \$2,222,450 | \$2,348,640 |

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

(b) Prior to fiscal year 2014 prepads 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)

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Revenues | | | | | | | | | | |
| Taxes | \$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 | \$11,900,904 |
| Payments in lieu of taxes | 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 | 8,699,042 |
| Franchises | 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 | 334,324 |
| Licenses and permits | 417,235 | 387,541 | 375,209 | 321,067 | 372,001 | 416,556 | 356,816 | 262,785 | 273,925 | 289,724 |
| Intergovernmental | 1,448,148 | 833,590 | 1,226,800 | 498,561 | 340,410 | 98,843 | 239,484 | 522,907 | 54,517 | 55,706 |
| Charges for services | 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 | 3,264,271 |
| Donations | 61,207 | 45,375 | 67,498 | 31,042 | 33,043 | 30,581 | 34,092 | 39,601 | 41,755 | 117,310 |
| Grant income | 822,476 | 3,387,878 | 6,776,309 | 2,086,515 | 4,289,863 | 1,328,923 | 713,323 | 631,866 | 665,777 | 2,938,625 |
| Investment income | 26,855 | 20,396 | 22,267 | 20,490 | 13,885 | 21,843 | 23,835 | 16,486 | 26,865 | 258,775 |
| Program income | 50,087 | 79,576 | 23,449 | 17,766 | 27,783 | 31,833 | 14,448 | 28,462 | 16,802 | 34,147 |
| Forfeitures | 275,257 | 57,701 | 56,774 | 67,229 | 32,386 | 6,750 | 12,768 | 0 | 13,093 | 33,200 |
| Miscellaneous | 21,571 | 53,350 | 77,191 | 206,859 | 112,644 | 505,056 | 217,847 | 210,130 | 247,022 | 174,883 |
| Total revenues | 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 | 28,100,911 |
| Expenditures | | | | | | | | | | |
| General government | 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 | 1,705,023 |
| Cultural and recreation | 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 | 1,660,428 |
| Public safety | 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 | 10,492,387 |
| Public works | 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 | 3,600,520 |
| Non departmental Hurricane | 54,093 | 173,125 | 312,925 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non departmental | 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 | 3,703,715 |
| Debt Service | | | | | | | | | | |
| Principal | 830,000 | 865,000 | 895,000 | 670,000 | 755,000 | 800,000 | 845,000 | 840,000 | 952,899 | 989,783 |
| Interest and fiscal charges | 458,003 | 425,565 | 391,278 | 289,028 | 253,638 | 190,326 | 146,030 | 137,083 | 135,938 | 425,583 |
| Capital Outlay | 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 | 5,302,365 |
| Total expenditures | 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 | 27,879,804 |
| Excess of revenues over (under) expenditures | (838,524) | (1,248,646) | (925,970) | 999,909 | 251,270 | 2,186,187 | 670,699 | (1,273,793) | 1,445,194 | 221,107 |
| Other financing sources (uses) | | | | | | | | | | |
| Transfers in | 0 | 0 | 0 | 0 | 0 | 257,500 | 0 | 0 | 0 | 0 |
| Transfers out | (379,846) | 0 | 0 | 0 | 0 | (257,500) | 0 | 0 | 0 | 0 |
| Insurance proceeds | 76,214 | 690,216 | 29,868 | 0 | 0 | 0 | 0 | 0 | 560,749 | 10,096 |
| Sales of fixed asset | 1,750 | 0 | 60,463 | 473 | 274,985 | 5,610 | 76,447 | 42,784 | 27,915 | 51,349 |
| Refunding bonds issued | 0 | 0 | 0 | 5,440,000 | 0 | 1,980,000 | 0 | 0 | 0 | 0 |
| Discount on refunding bonds | 0 | 0 | 0 | (31,855) | 0 | 0 | 0 | 0 | 0 | 0 |
| Premium on debt issue | 0 | 0 | 0 | 204,641 | 0 | 0 | 0 | 0 | 0 | 436,666 |
| Payment to refunded bond escrow account | 0 | 0 | 0 | (5,662,786) | 0 | (1,977,910) | 0 | 0 | 0 | 0 |
| Grant proceeds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 76,086 | 0 |
| Net present value of minimum lease payments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 382,762 | 155,817 | 24,077 |
| Proceeds from debt issue | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7,785,000 |
| Total other financing sources and uses | (301,882) | 690,216 | 90,331 | (49,527) | 274,985 | 7,700 | 76,447 | 425,546 | 820,567 | 8,307,188 |
| Net changes in fund balances | (1,140,406) | (558,430) | (835,639) | 950,382 | 526,255 | 2,193,887 | 747,146 | (848,247) | 2,265,761 | 8,528,295 |
| Debt service as a percentage of noncapital expenditures | 6.78% | 6.64% | 6.86% | 5.43% | 5.55% | 5.37% | 5.14% | 4.51% | 5.10% | 6.27% |
| Capital outlay figure from the Notes | 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 | 5,302,365 |

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 | | | | |
| 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% |
| 2019 | 2018 | \$802,198,213 | 80.96% | \$188,666,568 | 19.04% | \$990,864,781 | \$0.80510 | \$990,864,781 | 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 | | | | | |
| 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 | |
| 2019 | \$0.70098 | \$0.10412 | \$0.80510 | \$1.17000 | \$1.56000 | \$1.28000 | \$1.42500 | \$0.54200 | \$0.13160 | \$0.00741 | \$2.65611 | \$3.04611 | \$2.76611 | \$2.91111 | |

(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, 2019**

| Name | FY 2019 (a) | | FY 2010 (b) | |
|---------------------------------|-----------------------|--|-----------------------|--|
| | Assessed Value | Percent of Total Assessed Value | Assessed Value | Percent of Total Assessed Value |
| Inland-Orange | \$205,608,390 | 1 14.4904% | | |
| Conrad Orange Shipyard | \$30,579,790 | 2 2.1551% | | |
| Entergy Texas, Inc. | \$16,295,630 | 3 1.1484% | \$10,482,710 | 2 1.4860% |
| Westport Orange Shipyard, LLC | \$15,552,250 | 4 1.0961% | | |
| Orange Navy, LP | \$5,697,850 | 5 0.4016% | | |
| Honeywell (Allied) | \$5,624,620 | 6 0.3964% | | |
| Orange Medical Office Bldg. | \$5,617,661 | 7 0.3959% | | |
| Cloeren Company | \$5,194,620 | 8 0.3661% | \$7,113,910 | 5 1.0084% |
| Cypresswood Crossing II, LP | \$5,073,860 | 9 0.3576% | | |
| Summer Hill Management, LLC | \$5,000,000 | 10 0.3524% | | |
| Webco Industries, Inc. | | | \$13,365,810 | 1 1.8947% |
| Signal International Texas, LP | | | \$10,141,310 | 3 1.4376% |
| Orange Shipbuilding, Inc. | | | \$9,911,221 | 4 1.4050% |
| Exxonmobil Chemical Co. | | | \$6,877,030 | 6 0.9749% |
| Southwestern Bell Telephone Co. | | | \$6,295,597 | 7 0.8924% |
| Dal Sasso International | | | \$5,354,625 | 8 0.7591% |
| Home Depot USA, Inc. | | | \$5,335,442 | 9 0.7563% |
| TX Majestic, Ltd. | | | \$5,305,767 | 10 0.7521% |
| | \$300,244,671 | 21.1600% | \$80,183,422 | 11.3665% |

(a) Tax roll for Fiscal Year 2019, tax year 2018.

(b) Tax roll for Fiscal Year 2010, tax year 2009.

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 |
| 2010 | \$5,545,694 | \$5,365,446 | 96.75% | \$142,627 | \$5,508,073 | 99.32% |
| 2011 | \$5,868,751 | \$5,657,735 | 96.40% | \$153,701 | \$5,811,437 | 99.02% |
| 2012 | \$5,893,004 | \$5,622,255 | 95.41% | \$200,597 | \$5,822,852 | 98.81% |
| 2013 | \$5,835,500 | \$5,544,045 | 95.01% | \$218,284 | \$5,762,329 | 98.75% |
| 2014 | \$5,885,077 | \$5,669,884 | 96.34% | \$134,052 | \$5,803,936 | 98.62% |
| 2015 | \$5,934,836 | \$5,739,169 | 96.70% | \$111,587 | \$5,850,756 | 98.58% |
| 2016 | \$6,090,100 | \$5,828,534 | 95.71% | \$155,967 | \$5,984,501 | 98.27% |
| 2017 | \$7,366,532 | \$7,059,506 | 95.83% | \$184,019 | \$7,243,525 | 98.33% |
| 2018 | \$7,697,667 | \$7,489,506 | 97.30% | \$57,084 | \$7,546,590 | 98.04% |
| 2019 | \$7,948,618 | \$7,586,657 | 95.45% | \$0 | \$7,586,657 | 95.45% |

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

Table 10

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

| Fiscal Year | Government Activities | | | Business-Type Activities | | | | Total Primary Government | Percentage of Personal Income (1) | Per Capita (1) |
|-------------|----------------------------------|----------------------------|----------------|--------------------------|----------------------------|---------------|----------------|--------------------------|-----------------------------------|----------------|
| | General Obligation Bonds & Notes | Certificates of Obligation | Capital Leases | General Obligation Bonds | Certificates of Obligation | Revenue Bonds | Capital Leases | | | |
| 2010 | \$10,885,000 | \$0 | \$0 | \$8,095,000 | \$0 | \$4,745,000 | \$129,765 | \$19,109,765 | n/a | \$1,027.68 |
| 2011 | \$10,020,000 | \$0 | \$0 | \$6,790,000 | \$0 | \$4,560,000 | \$80,449 | \$16,890,449 | n/a | \$908.33 |
| 2012 | \$9,125,000 | \$0 | \$0 | \$5,500,000 | \$0 | \$4,370,000 | \$29,981 | \$14,654,981 | n/a | \$788.11 |
| 2013 | \$8,740,000 | \$0 | \$0 | \$4,180,000 | \$0 | \$4,170,000 | \$0 | \$12,920,000 | n/a | \$694.81 |
| 2014 | \$7,985,000 | \$0 | \$0 | \$6,700,000 | \$0 | \$215,000 | \$0 | \$14,685,000 | n/a | \$789.73 |
| 2015 | \$7,290,000 | \$0 | \$0 | \$5,275,000 | \$5,022,884 | \$0 | \$0 | \$17,587,884 | n/a | \$945.84 |
| 2016 | \$6,445,000 | \$0 | \$0 | \$3,590,000 | \$4,813,915 | \$0 | \$0 | \$14,848,915 | n/a | \$798.54 |
| 2017 | \$5,605,000 | \$0 | \$382,761 | \$3,330,000 | \$9,596,511 | \$0 | \$99,410 | \$19,013,682 | n/a | \$1,022.52 |
| 2018 | \$4,750,000 | \$0 | \$441,710 | \$3,060,000 | \$9,196,511 | \$0 | \$240,140 | \$17,688,361 | n/a | \$951.24 |
| 2019 | \$3,875,000 | \$8,199,833 | \$351,004 | \$2,790,000 | \$8,773,901 | \$0 | \$413,145 | \$24,402,883 | n/a | \$1,312.34 |

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

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

Table 11
City of Orange, Texas
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

| Fiscal Year | General Obligation Debt | | Less: Amounts Available for Debt Service | | | Estimated Actual Taxable Value of Property (a) | Percentage of Estimated Actual Per Capita (b) |
|--------------------|--------------------------------|---------------------------------|---|---------------------|-----------------------|---|--|
| | Governmental Activities | Business-Type Activities | Total | Property (a) | Per Capita (b) | | |
| 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 | |
| 2019 | \$11,660,000 | \$11,275,000 | \$393,870 | \$22,541,130 | 2.27% | \$1,212.21 | |

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 | \$12,011,004 (a) | 100.00% | \$12,011,004 |
| Bridge City ISD | \$13,785,960 (b) | 2.52% (c) | \$347,406 |
| Little Cypress Mauriceville ISD | \$74,725,000 (b) | 45.10% (c) | \$33,700,975 |
| Orange County | \$4,625,000 (b) | 18.19% (c) | \$841,288 |
| Orangefield ISD | \$10,740,000 (b) | 5.59% (c) | \$600,366 |
| West Orange Cove CISD | \$62,481,560 (b) | 28.99% (c) | \$18,113,404 |
| Subtotal Overlapping Debt | <u>\$166,357,520</u> | | <u>\$53,603,439</u> |
| Total Direct and Overlapping Debt | <u>\$178,368,524</u> | | <u>\$65,614,443</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 2019.

Table 13

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

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Debt Limit | \$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 | \$141,925,868 |
| Total net debt applicable to limit | \$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 | \$11,660,000 |
| Legal debt margin | \$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 | \$130,265,868 |
| Total net debt applicable to the limit as a percentage of debt limit | 12.82% | 10.96% | 9.67% | 9.14% | 7.71% | 6.94% | 6.17% | 4.41% | 3.45% | 8.95% |

**Legal Debt Margin Calculation
For Fiscal Year 2019**

| | |
|--|---------------------|
| Total assessed value (a) | \$1,419,258,675 |
| Debt limit 10% of assessed value (b) | \$141,925,868 |
| Amount of debt applicable to debt margin: | |
| Total bonded debt | \$22,935,000 |
| Less: | |
| Assets available in governmental debt service fund balance | \$0 |
| Self supported bonds and certificates (c) | \$11,275,000 |
| Total amount of debt applicable to | <u>\$11,660,000</u> |
| Legal debt limit | \$130,265,868 |

(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 \$2,790,000; the 2015 Tax and Revenue Certificates of Obligation of \$4,060,000; and the 2016 Tax and Revenue Certificates of Obligation of \$4,425,000.
 (d) This includes the 2013 General Obligation Refunding Bonds of \$3,875,000; and the 2019 Certificates of Obligation Bonds of \$7,785,000.

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 | Coverage | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | |
| | Charges and Other (a) | Operating Expenses (b) | Net Available Revenue | | | | | | | | | | | | | | |
| 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 | | |
| 2019 | 7,957,435 | 5,633,654 | 2,323,781 | -- | -- | -- | -- | -- | -- | 270,000 | 85,870 | 200,000 | 131,348 | 205,000 | 113,994 | | |

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) |
|--------------------|-----------------------|----------------------------|---|-----------------------|---|------------------------------|------------------------------|
| 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% |
| 2019 | 18,595 | n/a | \$23,155 (a) | 37.4 | 88.70% | n/a | 5.3% |

Data Sources

- (a) Bureau of the Census, year 2010 uses Census for Orange County.
- (b) US Department of Commerce, Bureau of Economic Analysis
- (c) US Department of Labor, Bureau of Labor Statistics by State and Metropolitan Area.

Table 16

**City of Orange, Texas
Principal Employers
Current Year and Nine Years Ago**

| <u>Employer</u> | 2019 (a) | | | 2010 (c) | | | |
|--------------------------------------|------------------|-------------|--|--------------------------------------|--------------|--|---------------|
| | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total County Employment (b)</u> | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment (d)</u> | |
| 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% | Little Cypress-Mauriceville ISD | 565 | 3 | 1.46% |
| Orange County | 500 | 4 | 1.32% | Temple Inland | 500 | 4 | 1.29% |
| West Orange Cove Consolidated ISD | 450 | 5 | 1.18% | Orange County | 430 | 5 | 1.11% |
| International Paper | 412 | 6 | 1.08% | West Orange Cove Consolidated ISD | 405 | 6 | 1.04% |
| Kellog - Brown & Root | 420 | 7 | 1.11% | Invista | 400 | 7 | 1.03% |
| Lanxess, Inc. | 390 | 8 | 1.03% | Lanxess, Inc. | 348 | 8 | 0.90% |
| Lamar State College - Orange | 274 | 9 | 0.72% | Chevron Phillips Chemical Co. | 300 | 9 | 0.77% |
| 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% | Memorial Hermann Baptist Orange | 276 | 12 | 0.71% |
| Memorial Hermann Baptist Orange | 194 | 13 | 0.51% | Lamar State College - Orange | 250 | 13 | 0.64% |
| City of Orange | 193 | 14 | 0.51% | Orangefied ISD | 249 | 14 | 0.64% |
| Signal International | 180 | 15 | 0.47% | City of Orange | 192 | 15 | 0.50% |
| Chevron Phillips Chemical Co. | 180 | 16 | 0.47% | Signal International | 180 | 16 | 0.46% |
| 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>6,653</u> | | <u>17.15%</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>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> | <u>2019</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 | 5 |
| Animal Control | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Library | 6 | 6 | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Police | 55 | 56 | 55 | 57 | 57.75 | 57.75 | 58 | 58 | 58 | 58 |
| Fire | 38 | 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 | 9 | 9 | 9 | 9 | 9 | 9 |
| Orange Development | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 |
| Community Development | 2 | 2 | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |
| Police Special Revenue | 0 | 1 | 1 | 1 | 0.25 | 0.25 | 0.7 | 1 | 1 | 1 |
| Fire Special Revenue | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sewer Operations | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 11 |
| Water Operations | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Wastewater Treatment Plant | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 0 |
| Water Productions | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 3 |
| 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 | 2 | 2 | 3 |
| Street Sweeping | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Total | <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> | <u>190.0</u> |

Source: City Annual Budget

Table 18
City of Orange, Texas
Operating Indicators by Function
Last Ten Fiscal Years

| <u>Function</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> | <u>2019</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Police | | | | | | | | | | |
| Physical arrests | 1,764 | 1,521 | 1,583 | 1,577 | 1,239 | 1,252 | 1,252 | 1,088 | 1,223 | 1,238 |
| Parking violations | 30 | 32 | 83 | 14 | 12 | 14 | 10 | 11 | 25 | 23 |
| Traffic violations | 2,019 | 2,068 | 2,724 | 2,320 | 2,083 | 2,539 | 2,736 | 2,273 | 2,605 | 2,319 |
| Fire | | | | | | | | | | |
| Number of calls answered | 2,725 | 2,803 | 2,822 | 2,819 | 3,168 | 3,196 | 3,487 | 3,603 | 3,485 | 3,511 |
| Inspections | 581 | 64 | 249 | 323 | 305 | 474 | 817 | 923 | 812 | 904 |
| Street & Drainage | | | | | | | | | | |
| Street resurfacing (miles) | 0.0 | 1.2 | 2.0 | 8.0 | 1.5 | 2.1 | 2.0 | 0.0 | 1 | 5.5 |
| Potholes repaired | 5,060 | 5,550 | 6,000 | 5,800 | 6,000 | 11,900 | 10,085 | 14,000 | 24,849 | 26,980 |
| Culture and recreation | | | | | | | | | | |
| Recreation center (use fees) | 390 | 360 | 685 | 385 | 250 | 40 | 20 | 30 | 0 | 0 |
| Natatorium patrons (use fees) | 7,651 | 4,291 | 7,158 | 8,779 | 8,833 | 0 | 10,639 | 5,404 | 0 | 0 |
| Library patrons (use fees) | 18,970 | 17,674 | 14,934 | 14,653 | 13,878 | 14,480 | 13,590 | 13,746 | 12,749 | 10,834 |
| Water | | | | | | | | | | |
| New connections | 585 | 38 | 14 | 18 | 30 | 34 | 21 | 30 | 38 | 28 |
| Water main breaks | 970 | 863 | 743 | 530 | 766 | 632 | 462 | 420 | 482 | 408 |
| Average daily consumption (thousands of gallons) | 1,646 | 1,719 | 1,625 | 1,614 | 1,500 | 1,493 | 1,524 | 1,509 | 1,542 | 1,447 |
| Wastewater | | | | | | | | | | |
| Average daily sewage treatment (thousands of gallons) | 2,770 | 1,940 | 2,308 | 2,427 | 2,423 | 2,522 | 3,422 | 3,694 | 3,266 | 4,130 |

Source: Various city departments

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

| <u>Function</u> | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 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 | 57 | 57 | 57 | 57 | 57.75 | 57.75 | 58 | 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 | 3 |
| 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 | (a) | 284 | 284 | 284 | 284 | 284 |
| Parks | 20 | 20 | 20 | 19 | 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 | 4 | 4 | 4 | 4 |
| Recreation centers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Basketball Courts | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 2 | 2 | 2 |
| Splash Pad | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 |
| Water | | | | | | | | | | |
| Water mains (miles) | 156 | 156 | 156 | 156 | 156 | 156 | 163 | 170 | 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 | 6,999 | 7,041 | 7,046 | 6,934 | 6,991 | 6,991 | 7,216 | 6,835 | 6,867 | 6,932 |
| Wastewater | | | | | | | | | | |
| Sanitary sewers (miles) | 149 | 149 | 149 | 149 | 149 | 149 | 155 | 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 | 6,763 | 6,808 | 6,789 | 6,690 | 6,750 | 6,750 | 7,000 | 6,611 | 6,621 | 6,707 |

(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>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> | <u>2019</u> |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Water Consumption | | | | | | | | | | |
| October | 48,724 | 50,873 | 56,313 | 57,752 | 51,796 | 44,039 | 46,302 | 49,499 | 48,396 | 46,723 |
| November | 42,087 | 45,481 | 50,243 | 49,813 | 48,167 | 43,736 | 42,331 | 48,172 | 42,124 | 44,466 |
| December | 49,571 | 45,275 | 46,626 | 47,117 | 50,242 | 41,742 | 45,073 | 43,060 | 40,177 | 41,972 |
| January | 44,805 | 44,798 | 45,120 | 47,380 | 50,752 | 43,629 | 46,564 | 44,081 | 46,726 | 45,014 |
| February | 43,222 | 45,690 | 41,875 | 39,852 | 48,802 | 38,829 | 42,243 | 39,698 | 45,188 | 39,857 |
| March | 42,894 | 41,356 | 39,046 | 41,891 | 41,573 | 38,754 | 43,968 | 41,346 | 39,860 | 38,418 |
| April | 46,106 | 50,695 | 46,233 | 46,081 | 38,077 | 43,414 | 47,228 | 44,091 | 41,464 | 44,451 |
| May | 58,221 | 51,130 | 50,367 | 45,561 | 40,841 | 42,131 | 42,457 | 46,010 | 48,338 | 44,144 |
| June | 61,731 | 68,903 | 56,486 | 53,492 | 44,663 | 47,219 | 48,275 | 49,920 | 56,263 | 44,713 |
| July | 55,648 | 59,881 | 55,313 | 55,236 | 40,176 | 49,333 | 47,671 | 47,976 | 51,660 | 48,433 |
| August | 53,234 | 58,388 | 53,936 | 52,150 | 43,828 | 61,251 | 56,231 | 48,432 | 54,970 | 45,057 |
| September | 54,534 | 64,823 | 51,489 | 52,920 | 48,716 | 50,802 | 47,900 | 48,431 | 47,619 | 44,971 |
| Total | 600,777 | 627,293 | 593,047 | 589,245 | 547,633 | 544,879 | 556,243 | 550,716 | 562,785 | 528,219 |
| Water Rates | | | | | | | | | | |
| Minimum 3/4" | 9.21 | 9.58 | 10.06 | 10.56 | 10.56 | 10.92 | 10.92 | 10.92 | 10.92 | 10.92 |
| Minimum 1" | 11.24 | 11.69 | 12.27 | 12.88 | 12.88 | 13.32 | 13.32 | 13.32 | 13.32 | 13.32 |
| Minimum 1 1/2" | 16.25 | 16.90 | 17.70 | 18.64 | 18.64 | 19.28 | 19.28 | 19.28 | 19.28 | 19.28 |
| Minimum 2" | 22.29 | 23.18 | 24.34 | 25.56 | 25.56 | 26.43 | 26.43 | 26.43 | 26.43 | 26.43 |
| Minimum 3" | 36.32 | 37.77 | 39.66 | 41.64 | 41.64 | 43.06 | 43.06 | 43.06 | 43.06 | 43.06 |
| Minimum 4" | 56.40 | 58.66 | 61.59 | 64.67 | 64.67 | 66.87 | 66.87 | 66.87 | 66.87 | 66.87 |
| Minimum 6" | 106.60 | 110.86 | 116.40 | 122.22 | 122.22 | 126.38 | 126.38 | 126.38 | 126.38 | 126.38 |
| Minimum 8" | 166.84 | 173.51 | 182.19 | 191.30 | 191.30 | 197.81 | 197.81 | 197.81 | 197.81 | 197.81 |
| Minimum 10" | 237.09 | 246.57 | 258.90 | 271.85 | 271.85 | 281.10 | 281.10 | 281.10 | 281.10 | 281.10 |
| Minimum 12" | 317.43 | 330.13 | 346.64 | 363.97 | 363.97 | 376.35 | 376.35 | 376.35 | 376.35 | 376.35 |
| Over 1,000 gallon minimum | 2.19 | 2.28 | 2.39 | 2.51 | 2.51 | 2.60 | 2.60 | 2.60 | 2.60 | 2.60 |
| Sewer Rates | | | | | | | | | | |
| Minimum | 11.57 | 12.03 | 12.63 | 13.26 | 13.26 | 13.71 | 13.71 | 13.71 | 13.71 | 13.71 |
| Over 1,000 gallon minimum | 7.56 | 7.86 | 8.25 | 8.66 | 8.66 | 8.96 | 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, 2019

CITY OF ORANGE, TEXAS
OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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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, 2019, 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 .

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*.

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" on the first line and "Watson & Co." on the second line.

BrooksWatson & Co., PLLC
14950 Heathrow Forest Pkwy | Ste 530
Houston, TX 77032
March 29, 2020

City of Orange, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2019

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, 2019

I. SUMMARY OF PRIOR YEAR AUDIT FINDINGS:

None.