

City of Orange, Texas



Comprehensive Annual Financial Report For the Fiscal Year Ended September 30, 2020



***COMPREHENSIVE
ANNUAL FINANCIAL REPORT***

of the

City of Orange, Texas

**For the Year Ended
September 30, 2020**

Prepared by

Cheryl Zeto
Director of
Finance



City of Orange, Texas

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September 30, 2020

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INTRODUCTORY SECTION





March 31, 2021

Honorable Mayor Larry Spears Jr. and Members of the Orange City Council

The Comprehensive Annual Financial Report of the City of Orange (the City) for the fiscal year ended September 30, 2020 is submitted herewith in accordance with Article III, Section 3.14 of the City's Charter. 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. Consequently, management assumes full responsibility for the completeness and reliability for all the information presented in this report. To provide a reasonable basis for making these representations, management of the City 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's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City'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'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 is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2020, 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's financial statements for the fiscal year ended September 30, 2020, are fairly presented in conformity with GAAP. An unmodified opinion is the most

favorable opinion for an audit. It means that the auditor found no material misstatements and that the financial statements do comply with generally accepted accounting principles. 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 is 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 191 through 192.

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'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, which is 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 currently occupies a land area of 21.4 square miles and serves a population of 18,595. The City 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 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 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 is financially accountable for the legally separate Orange Economic Development Corporation which is reported separately within the City'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 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's financial planning and control. All departments of the City 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 pages 96 and 97. For governmental funds other than the General Fund and major governmental funds, the comparison is presented in the governmental fund subsection of this report, which starts on page 120.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Orange operates.

Local economy

On August 27, 2020 Hurricane Laura made landfall along the Gulf Coast impacting the City of Orange. Even though the City did not sustain a direct hit, the City and a large number of citizens did incur damages. Many City buildings and infrastructure sustained damages. City staff worked diligently on the repairs to the City structures. The City has filed insurance claims and is continuing to work through the reimbursement process. The City has also submitted applications for State and Federal funding for any costs not covered by insurance. City staff will continue work through the grant process to order to be reimbursed for all eligible costs.

Looking forward to the future, the City has applied for grants to provide mitigation measures to reduce the number 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. The City is assisting citizens in the application process and will administer the grants.

The COVID-19 pandemic has affected some City processes, procedures, and staffing levels, but it has not adversely impacted the City's revenue as a whole. The City has made concessions

for various fees and fines, but sales tax revenue has remained strong.

Sales tax collections have increased by 10.4% over the prior year. With the number of new retail businesses in Orange, the City expects to see further increases in sales tax revenue.

Long-term financial planning.

Industrial District Contracts (IDCs) accounted for approximately 40% of the operating revenue for the City's general fund in fiscal year 2020. There are currently sixteen industrial contracts in place and one chapter 380 agreement. The City expects the revenue from these contracts and agreements to remain constant. Most of the contracts have seven years remaining to their contract terms. Nevertheless, factors such as the economy or state legislation could affect future contracts.

Many factors, including hurricanes, pandemics, and new state legislation, affect property values. City staff and the City Council review property values annually during the budget process and the setting of the property tax rates. The adopted property tax rate for fiscal year 2020 was \$0.80690/\$100. Despite a pandemic and a hurricane, the City was able to lower the property tax rate for fiscal year 2021 to \$0.80590/\$100.

The Orange Economic Development Corporation (EDC) continues to pursue development opportunities for the City. The goals of the EDC are to assist the development of retail growth, promote housing development and help businesses with the retention of jobs. Through hard work and due diligence, the EDC has attracted many new businesses to Orange, such as Chick-fil-A and Starbucks. The EDC has continued to support and help local entrepreneurs with valuable information, resources, and financial incentives.

Relevant Financial Policies

With the location of the City along the Gulf Coast, the possibility of hurricane activity is always an annual concern. The City 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 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 when hurricane repairs were needed immediately.

Major Initiatives

The Texas Department of Transportation's Interstate Highway 10 (IH-10) widening and rebuilding project is still ongoing. The IH-10 project will create opportunities for commercial development along the interstate. As a result of this project in conjunction with the EDC's efforts, two national restaurants built new locations on 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.

The City has many major projects in various stages of completion at this time to enhance the community for the citizens. Some of these projects include a new modern, safe playground at Lions Den Park, a new multi-purpose pavilion located by the City boat ramp, a new modern

Lions Den Park, a new multi-purpose pavilion located by the City boat ramp, a new modern recreation center will replace the old natatorium soon, drainage has been improved in some areas and many city streets have been improved.

The City has also been awarded many new grants for projects such as a new radio tower for public safety, extension of the Coopers Gully concrete lining for improved drainage in that area of the City, rehabilitation of water towers and acquisition grants to assist citizens who have been repeatedly affected by flooding.

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 for the fiscal year ended September 30, 2019. This was the 28th consecutive year (1992-2019) that the City has received this prestigious award. To be awarded a Certificate of Achievement, a municipality must publish an easily readable and efficiently organized comprehensive annual financial report. The City's 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 financial report will continue to meet the Certificate of Achievement Program's requirements and it will be submitted to the GFOA for determination of eligibility for another certificate.

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

Respectfully submitted,

A blue ink signature of Michael Kunst, consisting of a stylized 'M' and 'K' followed by a horizontal line.

Michael Kunst
City Manager

A blue ink signature of Cheryl Zeto, written in a cursive style.

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

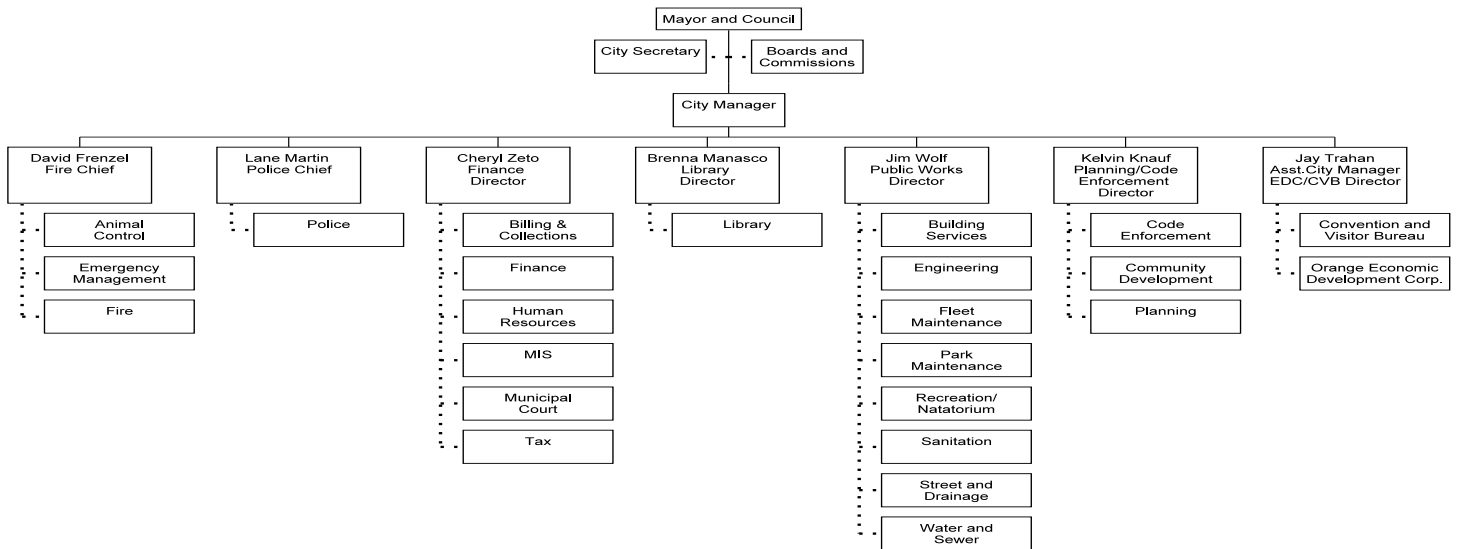
September 30, 2019

Christopher P. Morill

Executive Director/CEO

City of Orange, Texas

Organizational Chart



City of Orange, Texas
Elected and Appointed Officials
September 30, 2020

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



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, 2020, 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note V.G. to the financial statements, the City restated its beginning net position/fund balance within governmental activities, a nonmajor governmental fund, and the economic development corporation to correct accounting errors in the prior year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions to pension plan, schedule of changes in other postemployment benefits liability and related ratios, and budgetary comparison information 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 31, 2021 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." in a cursive, stylized font.

Brooks Watson & Co., PLLC
Certified Public Accountants
Houston, Texas
March 31, 2021



*MANAGEMENT'S DISCUSSION
AND ANALYSIS*



City of Orange, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2020

As management of the City of Orange, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020. 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 i-v of this report.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows (net position) at September 30, 2020 by \$70,954,205. Of this amount, \$4,119,948 (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 \$2,115,468. The majority of the City's net position are invested in capital assets and restricted for specific purposes.
- The City's governmental funds reported combined ending fund balances of \$20,671,516 at September 30, 2020, a decrease of \$366,764 from the prior fiscal year; this includes an increase of \$3,019,312 in the general fund, an increase of \$53,848 in the debt service fund, a decrease of \$2,740,992 in the capital projects fund, a decrease of \$769,988 in the Texas Division of Emergency Management Grants fund, and an increase of \$71,056 in the nonmajor governmental funds.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$14,350,469 or 71% of total general fund expenditures.
- The City's total debt showed a net decrease of \$1,366,263. The total governmental bonds payable at the close of the fiscal year was \$11,020,000. Self-supporting debt of the proprietary fund was \$10,585,000.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

City of Orange, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2020

The *statement of net position* presents information on all of the City's assets and liabilities. The difference between the two is 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. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

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 for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City 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 include general government, public safety, public works, and culture and recreation. The business-type activities of the City include water and sewer and sanitation operations.

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

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, 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 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 assessing a government's near-term financing 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

City of Orange, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (*Continued*)

September 30, 2020

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 financing 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 funds* and *governmental activities*.

The City maintains twenty-five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, capital projects fund, and TX Division of Emergency Grants Fund, which are considered to be major funds. The City's other special revenue funds are considered nonmajor for reporting purposes.

The City adopts an annual appropriated budget for its general fund, debt service fund, capital projects fund, and most of the special revenue funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the budget.

Proprietary Funds

The City maintains two 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 two enterprise funds to account for its water and sewer and sanitation operations. All activities associated with providing such services are accounted for in these funds, including personnel, administration, operation, repairs/maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for workers' compensation insurance.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund and sanitation fund, as they are considered major funds of the City.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements 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.

City of Orange, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2020

The City maintains three fiduciary funds. The *Agency funds* reports resources held by the City in a custodial capacity for individuals, private organizations and other governments.

Component Unit

The City maintains the accounting and financial statements for four component units. The Orange Economic Development Corporation is reported as a discrete component unit on the government-wide financial statements.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison for the general fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Orange, assets and deferred outflows exceed liabilities and deferred inflows by \$70,954,205 as of September 30, 2020 in the primary government.

The largest portion of the City's net position, \$63,770,101, reflects its investments in capital assets (e.g., land, buildings, infrastructure, vehicles, machinery and equipment, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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 assets themselves cannot be used to liquidate these liabilities.

City of Orange, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2020

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2020			2019		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 26,011,539	\$ 8,303,828	\$ 34,315,367	\$ 26,343,135	\$ 8,960,591	\$ 35,303,726
Long-term assets	35,040,477	48,122,887	83,163,364	32,754,995	49,026,985	81,781,980
Total Assets	61,052,016	56,426,715	117,478,731	59,098,130	57,987,576	117,085,706
Total Deferred Outflows	1,462,706	221,742	1,684,448	9,764,257	773,984	10,538,241
Current liabilities	4,211,728	2,037,534	6,249,262	4,546,933	2,096,249	6,643,182
Long-term liabilities	25,249,021	11,259,469	36,508,490	36,802,638	13,020,337	49,822,975
Total Liabilities	29,460,749	13,297,003	42,757,752	41,349,571	15,116,586	56,466,157
Total Deferred Inflows	4,931,092	520,130	5,451,222	2,106,472	212,581	2,319,053
Net Position:						
Net investment in capital assets	26,859,226	36,910,875	63,770,101	27,309,838	37,114,603	64,424,441
Restricted	2,918,536	145,620	3,064,156	2,594,489	141,855	2,736,344
Unrestricted	(1,654,881)	5,774,829	4,119,948	(4,497,983)	6,175,935	1,677,952
Total Net Position	\$ 28,122,881	\$ 42,831,324	\$ 70,954,205	\$ 25,406,344	\$ 43,432,393	\$ 68,838,737

Deferred outflows decreased by \$8,853,793 and deferred inflows increased by \$3,132,169 primarily due to investment gains on pension assets during the year. Long term liabilities decreased \$14,537,666 primarily due to decreases in the net pension liabilities in the current year.

City of Orange, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2020

Statement of Activities:

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

	For the Year Ended September 30, 2020			For the Year Ended September 30, 2019		
			Total			Total
	Governmental	Business-Type	Primary	Governmental	Business-Type	Primary
	Activities	Activities	Government	Activities	Activities	Government
Revenues						
Program revenues:						
Charges for services	\$ 781,022	\$ 9,516,590	\$ 10,297,612	\$ 922,145	\$ 9,859,120	\$ 10,781,265
Operating grants	1,131,840	-	1,131,840	3,537,708	144,189	3,681,897
Capital grants	808,258	-	808,258	102,868	-	102,868
General revenues:						
Property taxes	8,667,211	-	8,667,211	7,954,550	-	7,954,550
Payment-in-lieu of taxes	9,355,820	-	9,355,820	8,699,042	-	8,699,042
Sales taxes	3,776,174	-	3,776,174	3,406,770	-	3,406,770
Hotel occupancy taxes	748,711	-	748,711	606,348	-	606,348
Franchise and local taxes	1,104,445	-	1,104,445	1,197,331	-	1,197,331
Investment income	136,580	37,098	173,678	274,781	112,086	386,867
Other revenues	7,783	-	7,783	118,531	9,528	128,059
Gain on sale - cap. assets	159,529	11,568	171,097	-	-	-
Total Revenues	26,677,373	9,565,256	36,242,629	26,820,074	10,124,923	36,944,997
Expenses						
General government	3,560,714	-	3,560,714	3,295,479	-	3,295,479
Public safety	13,677,136	-	13,677,136	14,087,871	-	14,087,871
Public works	4,537,509	-	4,537,509	4,137,174	-	4,137,174
Culture and recreation	1,819,438	-	1,819,438	1,871,636	-	1,871,636
Interest and fiscal chgs.	366,039	321,897	687,936	485,903	330,762	816,665
Water & Sewer	-	7,680,519	7,680,519	-	7,332,881	7,332,881
Sanitation	-	2,163,909	2,163,909	-	1,965,979	1,965,979
Total Expenses	23,960,836	10,166,325	34,127,161	23,878,063	9,629,622	33,507,685
Change in Net Position	2,716,537	(601,069)	2,115,468	2,942,011	495,301	3,437,312
Beginning Net Position	25,406,344	43,432,393	68,838,737	22,464,333	42,937,092	65,401,425
Ending Net Position	\$ 28,122,881	\$ 42,831,324	\$ 70,954,205	\$ 25,406,344	\$ 43,432,393	\$ 68,838,737

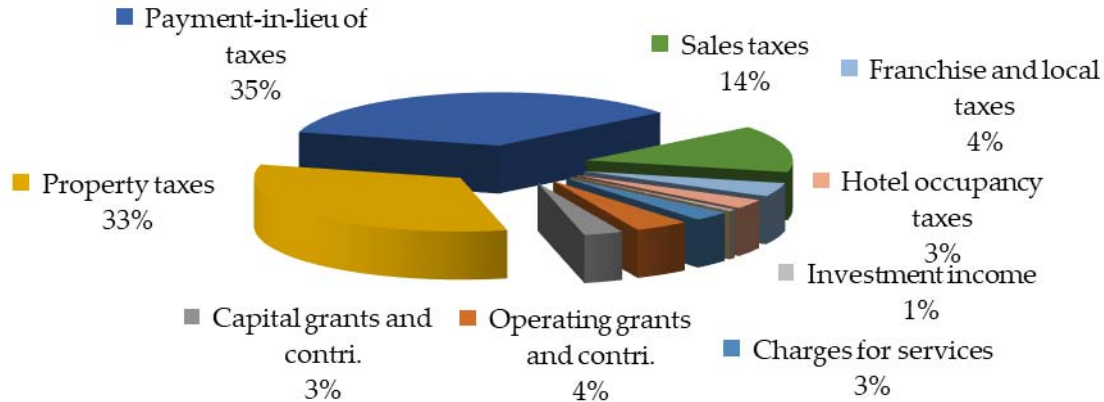
City of Orange, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2020

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

Governmental Activities - Revenues

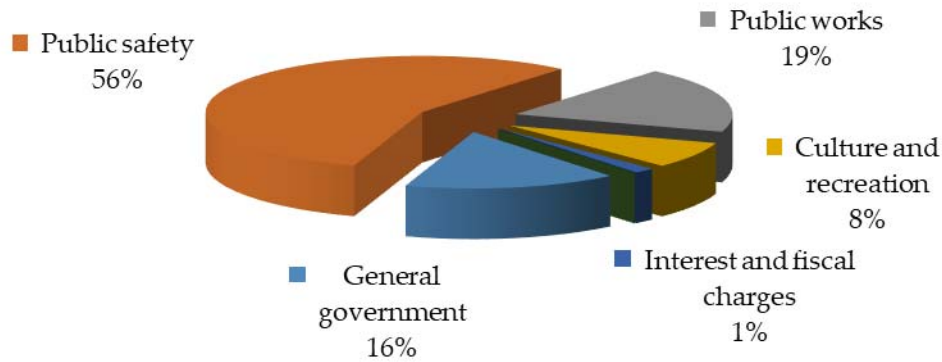


For the year ended September 30, 2020, revenues from governmental activities totaled \$26,677,373. Property taxes, payment-in-lieu of taxes, and sales taxes are the City's largest general revenue sources. Overall revenue decreased \$142,701 or 1% compared to the prior year. Grants and contributions decreased by \$1,700,478 or 47% primarily due to nonrecurring grants. Property tax revenue and payment-in-lieu of taxes increased \$712,661 or 9% and \$656,778 or 8%, respectively, due to an increase in the City's tax rate and appraised property values. Sales taxes increased by \$369,404 or 11% due to COVID-19 fueling the increase of local purchases. Hotel occupancy taxes increased by \$142,363 or 23% primarily as a result of previously delinquent balances being collected in the current year. In addition, a payment plan with a delinquent payer was agreed to and the related receivable balance was recognized in the current year. Charges for services decreased by \$141,123 or 15%, primarily from a decrease in court revenues and property rental income due to COVID-19. Investment income decreased by \$138,201 or 50% due primarily to the realization of lower interest rates. Other revenues decreased by \$110,748 or 93% primarily as a result of nonrecurring sales in the prior year.

City of Orange, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2020

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses

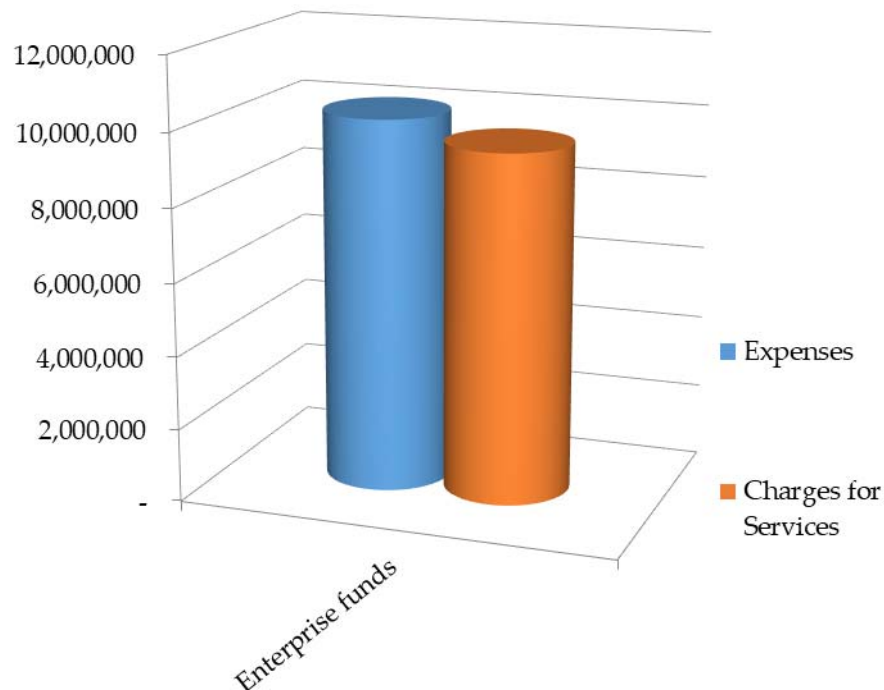


For the year ended September 30, 2020, expenses for governmental activities totaled \$23,960,836. This represents a slight increase of \$82,773 or less than 1% from the prior year. The City's largest functional expense is public safety of \$13,677,136, a decrease of \$410,735 or 3% from prior year. The decrease was primarily due to a decrease in pension expense in the current year. General government expenses increased by \$265,235 or 8% due primarily to increases in special services, maintenance expenses, electricity costs, and greater economic development program reimbursements in the current year. Public works increased by \$400,335 or 10% primarily due to nonrecurring street maintenance and special services expenses in the current year. Culture and recreation decreased by \$52,198 or 3% due primarily to nonrecurring special services and advertising expenses in the prior year. Interest and fiscal charges decreased by \$119,864 or 25% primarily due to nonrecurring debt issuance costs recognized in the prior year. All other expenses remained relatively consistent with the previous year.

City of Orange, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2020

Business-type activities are shown comparing operating costs to revenues generated by related services.

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2020, charges for services by business-type activities totaled \$9,516,590. This is a decrease of \$342,530 or 3% from the previous year. The decrease was primarily due to reduced water and sewer consumption by the local citizens.

Total expenses increased \$536,703 or 6%, to a total of \$10,166,325, due primarily to greater personnel costs, machinery maintenance, sewer and chemical supplies, and rental related expenses in the current year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

City of Orange, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2020

At September 30, 2020, the City's governmental funds reported combined fund balances of \$20,671,516, a decrease of \$366,764 in comparison with the prior year. Approximately 65% of this amount, \$13,345,915, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable*, *assigned*, or *restricted* to indicate that it is 1) not in spendable form, \$265,329, 2) assigned for particular purpose, \$653,744, or 3) restricted for particular purposes, \$6,423,366.

As of the end of the year the general fund reflected a total fund balance of \$14,598,960. Of this, \$248,491 is considered nonspendable and \$14,350,469 is unassigned. The general fund balance increased by \$3,019,312 compared to the budgeted increase of \$265,569. The fund's increase was primarily due to expenses being less than budgeted.

As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The total fund balance of general fund is 73% of total general fund expenditures. The unassigned (the amount available for spending) fund balance of the general fund of \$14,350,469 is 71% of total general fund expenditures.

The debt service fund had an ending fund balance of \$99,392 at September 30, 2020, an increase of \$53,848. The increase was a result of property tax revenues exceeding current year debt service expenditures.

The capital projects fund had an ending fund balance of \$4,323,631, a decrease of \$2,740,992. The decrease is primarily due to current year capital outlay expenditures exceeding investment income. During the year, the City expended \$3,316,053 on various projects, utilizing funds designated for capital projects.

The Texas Division of Emergency Management Grants fund had an ending fund deficit of \$769,988, a decrease of \$769,988, as fiscal year 2020 was the initial year for this fund. The decrease is a result of EMS related expenses exceeding grant income received in the current year.

Nonmajor governmental funds had a total ending fund balance of \$2,419,521, an increase of \$71,056. The increase was due to surpluses by the majority of funds during the year.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position in the water and sewer and sanitation fund totaled \$40,709,499 and \$1,989,865, respectively. Unrestricted net position of the enterprise funds at the close of the fiscal year amounted to \$5,642,869. Total net position decreased \$633,323. The funds had a total net investment in capital assets of \$36,910,875.

City of Orange, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2020

The following are additional comments regarding operations of the enterprise funds:

- Total operational expenses excluding depreciation and amortization were \$8,035,551.
- Total cash and cash equivalents in the enterprise funds was \$6,690,848 at fiscal yearend.

An internal service fund was established for the purpose of tracking and allocating expenses for employee workers' compensation insurance. Revenue consists of budgeted contributions from the general and water and sewer funds. Expenses consist of premiums, administrative charges, and claims paid for workers' compensation insurance. The fund had an ending fund balance of \$1,316,993 to be retained for future risk.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were several amendments approved during the fiscal year. Total original budgeted expenditures increased by \$129,327 compared to the final budget. The increase was due to additional capital spending anticipated. Total original budgeted revenues increased by \$344,571 when preparing the final budget. There was a positive variance of \$455,453 for budgeted general fund revenues. The positive variance was primarily due to sales taxes exceeding estimates. Sales of capital assets totaling \$50,325 were not originally budgeted for but were included in the final budget.

The following are additional comments regarding appropriations:

- There was a total positive variance of \$1,427,694 in budgeted expenditure appropriations. The variance was primarily due to a decrease in public works activities compared to estimates used for the budget.
- \$1,883,147 is the budget surplus of revenues over expenditures before other financing sources (uses).
- There was a total budget surplus after other financing sources (uses) of \$2,753,742.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$35,003,610 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$48,122,887 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, equipment, park improvements, and infrastructure.

City of Orange, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2020

Major capital asset events during the current year include the following:

- Phase I and Phase II street improvements totaling \$2,058,670.
- Investment in the Riverside Pavilion for \$669,761.
- Improvements to the recreation center for \$152,475.
- Coopers Gully bridge approach and roadway improvements totaling \$205,973.
- Purchase of Tyler content manager software for \$35,500.
- TXDOT I-10 utility line relocation expenses for \$52,897.
- Purchase of furniture and equipment for dispatchers totaling \$73,033.
- Purchase of 11 Ford trucks through capital lease financing totaling \$261,800.
- Drainage improvements totaling \$207,079.
- Purchase of new generator for city hall for \$183,702.
- Street rehabilitation improvements for \$204,494.
- Purchase of new public safety vehicles totaling \$303,900.
- Purchase of large submersible pump for lift stations totaling \$221,998.
- New meter reading software upgrade for \$33,840.
- Improvements to sewer collection lines totaling \$406,134.

More detailed information about the City'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 had total bonded debt obligations of \$21,605,000. Of this amount, \$10,585,000 is self-supporting through revenues collected from the rates of the City's utility fund. All of the City's debt is backed by a full-faith credit pledge of property taxes with a limited pledge of revenues of the enterprise/utility system. The City monitors its debt obligations and callable bonds for refinancing opportunities with market conditions. More detailed information about the City's long-term liabilities is presented in note IV. D and E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Orange and improving services provided to their citizens. The City budgeted for growth in the upcoming year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the City of Orange, Finance Department, P.O. Box 520, Orange, TX 77631. A copy of the Comprehensive Annual Financial Report is available on the City's website at orangetexas.net.

FINANCIAL STATEMENTS

City of Orange, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 17,710,886	\$ 5,947,406	\$ 23,658,292
Restricted cash	3,834,895	743,442	4,578,337
Investments	249,951	-	249,951
Receivables, net	4,082,438	1,297,049	5,379,487
Due from primary government	-	-	-
Inventory	47,325	151,570	198,895
Prepays	218,004	32,401	250,405
Internal balances	(131,960)	131,960	-
Total Current Assets	26,011,539	8,303,828	34,315,367
Noncurrent assets:			
Grant receivable	36,867	-	36,867
Capital assets:			
Non-depreciable	6,254,709	917,296	7,172,005
Net depreciable capital assets	28,748,901	47,205,591	75,954,492
Noncurrent Assets	35,040,477	48,122,887	83,163,364
Total Assets	61,052,016	56,426,715	117,478,731
<u>Deferred Outflows of Resources</u>			
Pension contributions	1,239,736	176,665	1,416,401
Pension changes in assumptions	100,237	19,164	119,401
OPEB changes in assumptions	54,736	10,644	65,380
Deferred charge on refunding	67,997	15,269	83,266
Total Deferred Outflows of Resources	\$ 1,462,706	\$ 221,742	\$ 1,684,448

Component Unit
Orange
EDC

\$	3,092,433
	460,595
	249,951
	-
	346,981
	-
	133,494
	-
	4,283,454

	-
	1,212,071
	5,560,727
	6,772,798
	11,056,252

	-
	-
	-
	-
\$	-

City of Orange, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 1,447,209	\$ 519,048	\$ 1,966,257
Due to agency fund	-	777	777
Due to component unit	346,981	-	346,981
Accrued interest payable	57,628	50,372	108,000
Customer deposits	-	547,450	547,450
Compensated absences, current	1,525,301	91,767	1,617,068
Long term debt due within one year	834,609	828,120	1,662,729
Total Current Liabilities	4,211,728	2,037,534	6,249,262
Noncurrent liabilities:			
Compensated absences, noncurrent	1,500,623	48,965	1,549,588
Long-term debt due in more than one year	10,974,702	10,399,189	21,373,891
OPEB liability	817,640	158,997	976,637
Net pension liabilities	11,956,056	652,318	12,608,374
Noncurrent Liabilities	25,249,021	11,259,469	36,508,490
Total Liabilities	29,460,749	13,297,003	42,757,752
<u>Deferred Inflows of Resources</u>			
Pension investment returns	2,390,362	356,813	2,747,175
Pension differences in experience	1,681,612	154,865	1,836,477
Pension changes in assumptions	815,655	-	815,655
OPEB differences in experience	43,463	8,452	51,915
Total Deferred Inflows of Resources	4,931,092	520,130	5,451,222
<u>Net Position</u>			
Net investment in capital assets	26,859,226	36,910,875	63,770,101
Restricted for:			
Debt service	238,566	145,620	384,186
Culture and recreation	100,813	-	100,813
Public safety	606,041	-	606,041
Public works	9,903	-	9,903
Tourism and promotion	1,963,213	-	1,963,213
Economic development	-	-	-
Unrestricted	(1,654,881)	5,774,829	4,119,948
Total Net Position	\$ 28,122,881	\$ 42,831,324	\$ 70,954,205

See Notes to Financial Statements.

Component Unit
Orange
EDC

\$	32,254
	-
	-
	26,339
	-
	16,502
	360,000
	<u>435,095</u>
	1,834
	4,735,000
	-
	-
	<u>4,736,834</u>
	<u>5,171,929</u>
	-
	-
	-
	-
	<u>-</u>
	<u>-</u>

	1,677,798
	434,256
	-
	-
	-
	-
	3,772,269
	-
\$	<u>5,884,323</u>

City of Orange, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 3,560,714	\$ 465,320	\$ 78,717	\$ 102,730
Public safety	13,677,136	146,996	1,038,851	73,033
Public works	4,537,509	125,348	13,529	608,820
Culture and recreation	1,819,438	43,358	743	23,675
Interest and fiscal charges	366,039	-	-	-
Total Governmental Activities	<u>23,960,836</u>	<u>781,022</u>	<u>1,131,840</u>	<u>808,258</u>
Business-Type Activities				
Water and sewer	8,002,416	7,362,556	-	-
Sanitation	2,163,909	2,154,034	-	-
Total Business-Type Activities	<u>10,166,325</u>	<u>9,516,590</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 34,127,161</u>	<u>\$ 10,297,612</u>	<u>\$ 1,131,840</u>	<u>\$ 808,258</u>
Component Unit				
Orange Economic Development Corporation	\$ 1,075,651	\$ -	\$ 15,811	\$ -
Total Component Unit	<u>\$ 1,075,651</u>	<u>\$ -</u>	<u>\$ 15,811</u>	<u>\$ -</u>

General Revenues:

Taxes

Property taxes

Payment-in-lieu of taxes

Sales taxes

Other taxes

Franchise and local taxes

Investment income

Other revenues

Gain on sale of capital assets

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Orange EDC
\$ (2,913,947)	\$ -	\$ (2,913,947)	\$ -
(12,418,256)	-	(12,418,256)	-
(3,789,812)	-	(3,789,812)	-
(1,751,662)	-	(1,751,662)	-
(366,039)	-	(366,039)	-
<u>(21,239,716)</u>	<u>-</u>	<u>(21,239,716)</u>	<u>-</u>
-	(639,860)	(639,860)	-
-	(9,875)	(9,875)	-
<u>-</u>	<u>(649,735)</u>	<u>(649,735)</u>	<u>-</u>
<u>(21,239,716)</u>	<u>(649,735)</u>	<u>(21,889,451)</u>	<u>-</u>
			(1,059,840)
			<u>(1,059,840)</u>
8,667,211	-	8,667,211	-
9,355,820	-	9,355,820	-
3,776,174	-	3,776,174	1,888,087
748,711	-	748,711	-
1,104,445	-	1,104,445	-
136,580	37,098	173,678	20,906
7,783	-	7,783	-
159,529	11,568	171,097	-
<u>23,956,253</u>	<u>48,666</u>	<u>24,004,919</u>	<u>1,908,993</u>
2,716,537	(601,069)	2,115,468	849,153
25,406,344	99,706	25,506,050	5,035,170
<u>\$ 28,122,881</u>	<u>\$ (501,363)</u>	<u>\$ 27,621,518</u>	<u>\$ 5,884,323</u>
	<u>(43,332,687)</u>	<u>(43,332,687)</u>	

City of Orange, Texas

BALANCE SHEET (Page 1 of 2)

GOVERNMENTAL FUNDS

September 30, 2020

	General	Debt Service	Capital Projects	TX Division of Emergency Mgmt Grants
<u>Assets</u>				
Cash and cash equivalents	\$ 13,261,587	\$ -	\$ 651,384	\$ -
Investments	249,951	-	-	-
Restricted cash	-	97,406	3,737,489	-
Taxes receivable, net	1,081,441	196,802	-	769,988
Accounts receivable, net	1,394,794	-	-	-
Grant receivable	36,867	-	-	-
Due from other funds	954,274	-	-	-
Due from others	22,641	1,986	-	-
Inventories, at cost	47,325	-	-	-
Prepays	201,166	-	-	-
Total Assets	\$ 17,250,046	\$ 296,194	\$ 4,388,873	\$ 769,988
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 1,149,001	\$ -	\$ 65,242	\$ 48,292
Partial payment of taxes	1,565	-	-	-
Liability for municipal court	17,145	-	-	-
Due to component unit	346,981	-	-	-
Due to other funds	-	-	-	721,696
Total Liabilities	1,514,692	-	65,242	769,988
<u>Deferred Inflows of Resources</u>				
Unavailable revenue -				
Property taxes	1,081,441	196,802	-	-
Fines receivable, net	18,086	-	-	-
Grants	36,867	-	-	769,988
Hotel taxes	-	-	-	-
Total Deferred Inflows	1,136,394	196,802	-	769,988

Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,472,864	\$ 16,385,835
-	249,951
-	3,834,895
600,900	2,649,131
-	1,394,794
-	36,867
-	954,274
-	24,627
-	47,325
16,838	218,004
<u>\$ 3,090,602</u>	<u>\$ 25,795,703</u>

\$ 144,020	\$ 1,406,555
-	1,565
-	17,145
-	346,981
232,578	954,274
<u>376,598</u>	<u>2,726,520</u>

-	1,278,243
-	18,086
266,240	1,073,095
28,243	28,243
<u>294,483</u>	<u>2,397,667</u>

City of Orange, Texas

BALANCE SHEET (Page 2 of 2)

GOVERNMENTAL FUNDS

September 30, 2020

	General	Debt Service	Capital Projects	TX Division of Emergency Mgmt Grants
<u>Fund Balances</u>				
Nonspendable for:				
Inventory	\$ 47,325	\$ -	\$ -	\$ -
Prepays	201,166	-	-	-
Restricted for:				
Debt service	-	99,392	-	-
Capital improvements	-	-	3,672,247	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Tourism and promotion	-	-	-	-
Assigned for:				
Capital improvements	-	-	651,384	-
Economic development	-	-	-	-
Unassigned	14,350,469	-	-	(769,988)
Total Fund Balances	<u>14,598,960</u>	<u>99,392</u>	<u>4,323,631</u>	<u>(769,988)</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 17,250,046</u>	<u>\$ 296,194</u>	<u>\$ 4,388,873</u>	<u>\$ 769,988</u>

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 47,325
-	201,166
-	99,392
-	3,672,247
100,813	100,813
606,041	606,041
9,903	9,903
1,934,970	1,934,970
-	651,384
2,360	2,360
(234,566)	13,345,915
<u>2,419,521</u>	<u>20,671,516</u>
<u>\$ 3,090,602</u>	<u>\$ 25,795,703</u>



City of Orange, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

September 30, 2020

Fund Balances - Fund Balances - Total Governmental Funds \$ 20,671,516

Adjustments for Adjustments for the Statement of Net Position:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - non-depreciable	6,254,709
Capital assets - net depreciable	28,748,901

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.

Property tax receivable	1,278,243
Fines receivable	18,086
Grant receivables	1,073,095
Hotel tax receivable	28,243

Deferred outflows (inflows) of resources represent a consumption (acquisition) of net position that applies to a future period(s) and is not recognized as an outflow (inflows) of resources (expense/expenditure)/(revenue) until then.

Deferred charge on refunding	67,997
Pension contributions	1,239,736
Pension changes in assumptions	100,237
Pension changes in assumptions	(815,655)
Pension investment returns	(2,390,362)
Pension differences in experience	(1,681,612)
OPEB assumption changes	54,736
OPEB difference in experience	(43,463)

Internal service funds are used by management to charge the cost of insurance to individual departments and funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 1,185,033

Some liabilities, including bonds payable, premiums, other long-term liabilities and deferred charges, are not reported as liabilities in the governmental funds.

Accrued interest	(57,628)
Bond premium	(393,000)
Compensated absences	(3,025,924)
Non-current liabilities due in one year	(834,609)
Non-current liabilities due in more than one year	(10,581,702)
Net pension liability - TMRS	(3,411,971)
Net pension liability - Firemen's Relief and Retirement Fund	(8,544,085)
OPEB liability - Healthcare	(817,640)

Net Position of Governmental Activities \$ 28,122,881

See Notes to Financial Statements.

City of Orange, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS (Page 1 of 2)

For the Year Ended September 30, 2020

	General	Debt Service	Capital Projects	TX Division of Emergency Mgmt Grants
<u>Revenues</u>				
Property tax	\$ 7,646,161	\$ 1,058,613	\$ -	\$ -
Payment-in-lieu of taxes	9,355,820	-	-	-
Sales tax	3,776,174	-	-	-
Franchise and local taxes	1,104,445	-	-	-
Other taxes	26,878	-	-	-
Hotel occupancy taxes	-	-	-	-
Charges for services	539,870	-	-	-
License, permits and fees	121,141	-	-	-
Intergovernmental	83,192	-	-	-
Investment income	75,611	595	42,617	-
Grants and donations	498,153	-	-	207,317
Other revenue	7,783	-	-	-
Total Revenues	23,235,228	1,059,208	42,617	207,317
<u>Expenditures</u>				
Current:				
General government	992,009	-	-	-
Public safety	10,625,456	-	-	977,305
Culture - recreation	1,000,321	-	-	-
Public works	3,011,955	-	-	-
Nondepartmental	3,376,351	-	-	-
Debt Service:				
Principal	148,766	640,000	-	-
Interest and fiscal charges	16,888	365,360	-	-
Capital outlay	928,199	-	3,316,053	-
Total Expenditures	20,099,945	1,005,360	3,316,053	977,305

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 8,704,774
-	9,355,820
-	3,776,174
-	1,104,445
-	26,878
693,590	693,590
44,804	584,674
-	121,141
-	83,192
12,118	130,941
580,003	1,285,473
-	7,783
<u>1,330,515</u>	<u>25,874,885</u>

-	992,009
75,498	11,678,259
389,505	1,389,826
453,607	3,465,562
-	3,376,351
-	788,766
-	382,248
340,849	4,585,101
<u>1,259,459</u>	<u>26,658,122</u>

City of Orange, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS (Page 2 of 2)

For the Year Ended September 30, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>TX Division of Emergency Mgmt Grants</u>
Excess (Deficiency) of Revenues	\$ 3,135,283	\$ 53,848	\$ (3,273,436)	\$ (769,988)
<u>Other Financing Sources (Uses)</u>				
Insurance recoveries	143,720	-	-	-
Capital lease issuance	194,074	-	-	-
Sale of capital assets	78,679	-	-	-
Transfer (out)	(532,444)	-	-	-
Transfer in	-	-	532,444	-
Total Other Financing Sources (Uses)	<u>(115,971)</u>	<u>-</u>	<u>532,444</u>	<u>-</u>
Net Change in Fund Balances	3,019,312	53,848	(2,740,992)	(769,988)
Beginning fund balances	11,579,648	45,544	7,064,623	-
Ending Fund Balances	<u><u>\$ 14,598,960</u></u>	<u><u>\$ 99,392</u></u>	<u><u>\$ 4,323,631</u></u>	<u><u>\$ (769,988)</u></u>

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
<hr/>	<hr/>
\$ 71,056	\$ (783,237)
-	143,720
-	194,074
-	78,679
-	(532,444)
-	532,444
<hr/>	<hr/>
-	416,473
<hr/>	<hr/>
71,056	(366,764)
2,348,465	21,038,280
<hr/>	<hr/>
\$ 2,419,521	\$ 20,671,516
<hr/> <hr/>	<hr/> <hr/>



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, 2020

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

Net changes in fund balances - total governmental funds	\$ (366,764)
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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.

Capital outlay	4,595,924
Depreciation expense	(2,284,439)
Adjustment for disposal of capital assets	(62,870)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	550,802
--	---------

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.

Compensated absences	(246,432)
Accrued interest	3,648
Pension expense - TMRS	310,985
Pension expense - Firemen's Relief and Retirement Fund	(553,488)
OPEB expense	(18,992)

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) 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 premiums, discounts, and similar items when they are 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.

Issuance of capital lease	(194,074)
Amortization of debt premium	21,833
Amortization of deferred charge on refunding	(9,272)
Principal payments on long-term debt	788,766

Internal service funds are used by management to charge the cost of health insurance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	180,910
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Change in Net Position of Governmental Activities	\$ 2,716,537
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See Notes to Financial Statements.

City of Orange, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
PROPRIETARY FUNDS
September 30, 2020

	Business-Type Activities			Governmental
	Water & Sewer	Sanitation	Total	Internal Service Fund
<u>Assets</u>				
<u>Current Assets</u>				
Cash and cash equivalents	\$ 3,880,457	\$ 2,066,949	\$ 5,947,406	\$ 1,325,051
Restricted cash	743,442	-	743,442	-
Receivables, net	1,033,103	263,946	1,297,049	-
Due from others	-	-	-	13,886
Prepays	29,062	3,339	32,401	-
Inventory	151,570	-	151,570	-
Total Current Assets	5,837,634	2,334,234	8,171,868	1,338,937
<u>Noncurrent Assets</u>				
Capital assets:				
Non-depreciable	917,296	-	917,296	-
Net depreciable capital assets	47,056,240	149,351	47,205,591	-
Total Noncurrent Assets	47,973,536	149,351	48,122,887	-
Total Assets	53,811,170	2,483,585	56,294,755	1,338,937
<u>Deferred Outflows of Resources</u>				
Pension contributions	162,025	14,640	176,665	-
Pension changes in assumptions	17,576	1,588	19,164	-
OPEB assumption changes	9,761	883	10,644	-
Deferred charge on refunding	15,269	-	15,269	-
Total Deferred Outflows	\$ 204,631	\$ 17,111	\$ 221,742	\$ -

City of Orange, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
PROPRIETARY FUNDS
September 30, 2020

	Business-Type Activities			Governmental Activities
	Water & Sewer	Sanitation	Total	Internal Service Fund
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accounts payable and accrued liabilities	\$ 289,519	\$ 229,529	\$ 519,048	\$ 21,944
Accrued interest	50,372	-	50,372	-
Customer deposits	547,450	-	547,450	-
Due to agency fund	-	777	777	-
Compensated absences, current	82,785	8,982	91,767	-
Debt obligations, current	791,355	36,765	828,120	-
Total Current Liabilities	1,761,481	276,053	2,037,534	21,944
<u>Noncurrent Liabilities</u>				
Compensated absences, noncurrent	37,143	11,822	48,965	-
Debt obligations, noncurrent	10,286,575	112,614	10,399,189	-
OPEB liability	145,812	13,185	158,997	-
Net pension liability	598,263	54,055	652,318	-
Total Noncurrent Liabilities	11,067,793	191,676	11,259,469	-
Total Liabilities	12,829,274	467,729	13,297,003	21,944
<u>Deferred Inflows of Resources</u>				
Pension differences in experience	142,032	12,833	154,865	-
Pension investment returns	327,245	29,568	356,813	-
OPEB differences in experience	7,751	701	8,452	-
Total Deferred Inflows	477,028	43,102	520,130	-
<u>Net Position</u>				
Net investment in capital assets	36,910,903	(28)	36,910,875	-
Restricted for debt service	145,620	-	145,620	-
Unrestricted	3,652,976	1,989,893	5,642,869	1,316,993
Total Net Position	\$ 40,709,499	\$ 1,989,865	42,699,364	\$ 1,316,993
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service fund and the proprietary funds			131,960	
Net position of business-type activities			\$ 42,831,324	

See Notes to Financial Statements.



City of Orange, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For the Year Ended September 30, 2020

	Business-Type Activities			Governmental Activities
	Water & Sewer	Sanitation	Total	Internal Service Fund
<u>Operating Revenues</u>				
Water revenue	\$ 2,381,039	\$ -	2,381,039	\$ -
Sewer revenue	4,703,242	-	4,703,242	-
Sanitation revenue	-	2,154,034	2,154,034	-
Service charges	124,251	-	124,251	-
Workers' compensation services	-	-	-	299,681
Interfund billing and collection charges	154,024	-	154,024	-
Total Operating Revenues	7,362,556	2,154,034	9,516,590	299,681
<u>Operating Expenses</u>				
Personnel services	1,527,704	159,385	1,687,089	-
Employee benefits	642,836	83,080	725,916	-
Contractual services	1,831,341	1,491,472	3,322,813	-
Utilities	521,438	-	521,438	-
Administrative	1,149,081	347,943	1,497,024	53,008
Supplies	280,333	938	281,271	-
Premiums paid	-	-	-	39,148
Depreciation	1,758,254	82,877	1,841,131	-
Total Operating Expenses	7,710,987	2,165,695	9,876,682	92,156
Operating Income (Loss)	(348,431)	(11,661)	(360,092)	207,525
<u>Nonoperating Revenues (Expenses)</u>				
Investment income	26,065	11,033	37,098	5,639
Interest expense	(315,068)	(6,829)	(321,897)	-
Gain on sale of capital assets	11,568	-	11,568	-
Total Nonoperating Revenues (Expenses)	(277,435)	4,204	(273,231)	5,639
Change in Net Position	(625,866)	(7,457)	(633,323)	213,164
Beginning net position	41,335,365	1,997,322		1,103,829
Ending Net Position	\$ 40,709,499	\$ 1,989,865		\$ 1,316,993

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

32,254

Change in Net Position

\$ (601,069)

See Notes to Financial Statements.

City of Orange, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 1 of 2)
For the Year Ended September 30, 2020

	Business-Type Activities		
	Water & Sewer	Sanitation	Total
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 7,373,310	\$ 2,131,961	\$ 9,505,271
Receipts from interfund services used	-	-	-
Payments to suppliers	(3,988,550)	(1,767,067)	(5,755,617)
Payments to employees	(2,257,396)	(249,394)	(2,506,790)
Net Cash Provided (Used) by Operating Activities	1,127,364	115,500	1,242,864
<u>Cash Flows from Capital and Related Financing Activities</u>			
Capital purchases	(869,307)	-	(869,307)
Proceeds from sale of capital assets	11,568	-	11,568
Principal paid on debt	(764,547)	(35,307)	(799,854)
Interest paid on debt	(333,001)	(6,829)	(339,830)
Net Cash (Used for) Capital and Related Financing Activities	(1,955,287)	(42,136)	(1,997,423)
<u>Cash Flows from Investing Activities</u>			
Interest on investments	26,065	11,033	37,098
Net Cash Provided (Used) by Investing Activities	26,065	11,033	37,098
Net (Decrease) Increase in Cash and Cash Equivalents	(801,858)	84,397	(717,461)
Beginning cash and cash equivalents	5,425,757	1,982,552	7,408,309
Ending Cash and Cash Equivalents	\$ 4,623,899	\$ 2,066,949	\$ 6,690,848

See Notes to Financial Statements.

**Governmental
Activities**

**Internal
Service
Fund**

\$ -

301,049

(92,777)

-

208,272

-

-

-

-

-

5,639

5,639

213,911

1,111,140

\$ 1,325,051

City of Orange, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 2 of 2)
For the Year Ended September 30, 2020

	<u>Activities</u>		
	<u>Water & Sewer</u>	<u>Sanitation</u>	<u>Total</u>
<u>Reconciliation of Operating Income (Loss)</u>			
<u>to Net Cash Provided (Used) by Operating Activities</u>			
Operating (loss)	\$ (348,431)	\$ (11,661)	\$ (360,092)
Adjustments to reconcile operating income to net cash provided:			
Depreciation	1,758,254	82,877	1,841,131
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	(13,590)	(22,073)	(35,663)
Inventory	3,601	-	3,601
Prepays	2,997	621	3,618
Due from other funds	-	-	-
Increase (Decrease) in:			
Accounts payable and accrued liabilities	(212,955)	71,888	(141,067)
Compensated absences	27,583	5,117	32,700
Customer deposits	24,344	-	24,344
Due to other funds	-	777	777
Deferred inflows - OPEB liability	7,751	701	8,452
Deferred outflows - pension liability	(18,665)	(1,446)	(20,111)
Deferred outflows - OPEB liability	(9,761)	(883)	(10,644)
Deferred inflows - pension liability	806,766	73,399	880,165
OPEB liability	(637)	(266)	(903)
Net pension liability	(899,893)	(83,551)	(983,444)
Net Cash Provided (Used) by Operating Activities	\$ 1,127,364	\$ 115,500	\$ 1,242,864

**Schedule of Noncash Capital and Related
Financing Activities:**

Capital lease financing	\$ 67,726	\$ -	\$ 67,726
	<u>\$ 67,726</u>	<u>\$ -</u>	<u>\$ 67,726</u>

See Notes to Financial Statements.

Governmental
Activities
<hr/>
Internal
Service
Fund
<hr/>

\$	207,525
----	---------

-

1,368

-

-

(13,886)

13,265

-

-

-

-

-

-

-

-

-

<hr/>
\$ 208,272
<hr/>

\$	-
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\$	-
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City of Orange, Texas
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2020

	Municipal Court Bond Escrow	Employee Flex Plan	Employee Benefit Trust Fund	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 7,239	\$ 13,320	\$ 12,169	\$ 32,728
Due from other funds	-	-	777	777
Total Assets	\$ 7,239	\$ 13,320	\$ 12,946	\$ 33,505
<u>Liabilities</u>				
Accounts payable				
accrued liabilities	\$ -	\$ -	\$ 9,025	\$ 9,025
Other liabilities	7,239	13,320	3,921	24,480
Total Liabilities	\$ 7,239	\$ 13,320	\$ 12,946	\$ 33,505

City of Orange, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide 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. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. Reporting Entity

The City of Orange, Texas (the "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 City provides a full range of municipal services including public safety, public works, culture and recreation, and general administrative services. In addition, the City provides water and sewer service, and sanitation service as an enterprise function of the City.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Orange Economic Development Corporation (the "OEDC") is legally separate and presented as a discretely presented component unit. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Unit

Orange Economic Development Corporation

The Orange Economic Development Corporation is responsible for the administration of the City's 4B Sales Tax receipts and related expenditures. The Economic Development Corporation is covered under the provisions of the State of Texas, Development Corporation Act of 1979. Under the Act members of the board serve at the pleasure of the governing body and must conduct meetings within the City's boundaries. The Act also establishes that prior to pursuing a project the Economic Development Corporation Board is required to obtain City Council approval of the project. These provisions meet the criteria for inclusion established by GASB 61. Complete financial statements for the individual component unit may be obtained from the City's Finance Department.

C. Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

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 in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and component units. Separate statements for each fund category; governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

The government reports the following major governmental funds:

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, hotel occupancy taxes, grants and donations, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, police department, fire department, municipal court, public works, parks and recreation, library, animal control, and code enforcement.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of governmental funds. The primary source of revenue for debt service is local property taxes.

Capital Projects Fund

The capital projects fund accounts for the acquisition and construction of the government's major capital facilities, other than those financed by proprietary funds.

Texas Division of Emergency Management Grants Fund

This special revenue fund is used to account for grants and expenditures from the Texas Division of Emergency Management ("TDEM").

The government reports the following major enterprise funds:

Water & Sewer Fund

This fund is used to account for the provision of 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, billing, and collection. All costs are financed through charges to utility customers.

Sanitation Fund

This fund is used to account for the revenue and expenses associated with providing solid waste services to the citizens of the City.

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Additionally, the City reports for the following fund types:

Special Revenue Funds

The City accounts for resources restricted to, or designated for, specific purposes in a special revenue fund.

Internal Service Funds

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

Fiduciary Funds

The fiduciary 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.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of

City of Orange, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2020

accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

The 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 judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary Information

1. Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, capital projects, special revenue, water &

City of Orange, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2020

sewer, and sanitation funds. In the current year, annual budgets were adopted for all funds, with the exception of the Orange Economic Development 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.

Appropriations in all budgeted funds lapse at the end of the fiscal year.

G. Assets, Liabilities, and Fund Equity or Net Position

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

1. Concentrations of Credit Risk

The component unit, Orange EDC maintains its cash balances at two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC). As of year-end, collateral pledged for the funds held with the financial institutions was below the required amount for collateralization by \$563,430.

2. Fair Value Measurement

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 Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (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" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." 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 are offset by a nonspendable fund balance account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts. Delinquent accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 2.94% of outstanding property taxes as of September 30, 2020.

4. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). Inventories of supplies to be used internally are valued at cost using the first-in/first-out method. Inventories to be resold are valued at the lower of cost or market, and removed using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, 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 government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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 on the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Estimated Useful Life
Roads/Bridges	50 years
Utility system	50 years
Buildings and improvements	50 years
Water meters	33 years
Equipment, furniture, and fixtures	10 years
Transportation and leased equipment	5 years

6. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows / inflows 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/expenditure) until then. The government only has three items that qualify for reporting in this category. One example is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future

City of Orange, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2020

period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, fines, grants, and hotel taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources can also occur at the government wide level due to differences between investment gains and losses realized on pension investments compared to assumption used within the pension actuarial valuation model.

7. Net Position Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) 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.

8. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). 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.

9. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance

City of Orange, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The City's policy is to maintain a minimum 30% 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 required within the unassigned general fund balance is \$6,458,000 at September 30, 2020 based on 30% of annual budgeted expenditures. The unassigned fund balance for the general fund at September 30, 2020 was \$14,350,469.

10. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and lease obligations.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the straight-line method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are

City of Orange, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2020

recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

11. 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.

12. Pensions

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

13. 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

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

(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.

H. Revenues and Expenditures/Expenses

1. 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.

2. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

3. 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.

4. 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.

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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 recover the cost of connecting new customers to the system. Operating expenses for enterprise fund includes 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.

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 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 long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-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 governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) 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. 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 the \$550,802 difference are as follows:

Property tax revenue adjustment	\$ (37,563)
Municipal court revenue adjustment	(11,310)
Grants revenue adjustment	571,432
Hotel revenue adjustment	28,243
	<u>\$ 550,802</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, capital projects, special revenue, water &

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

sewer, and sanitation funds. In fiscal year 2020 annual budgets were adopted for all funds except the CDBG Home Program and the Orange Economic Development 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.

A. Excess of Expenditures Over Appropriations

For the current year ended, actual expenditures exceeded appropriations at the legal level of control as follows:

General Fund:

Public safety:

Fire department	\$	32,781
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Culture - recreation:

Library		79,834
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Non-departmental:		7,749
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Capital outlay:		153,015
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TX Division of Emergency Mgmt Grants:

EMS	\$	287,305
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Bureau of Justice Fund:

Public safety	\$	629
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Texas GLO Grant Fund:

Public works	\$	57,676
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B. Deficit Fund Balance

As of September 30, 2020, the City of Orange had six funds with a deficit fund balance. The special revenue CDBG, CDBG Recovery, Emergency Management Grant, TXDOT, TX Water Development Board Grant, and TX Division of Emergency Management Grants funds had a deficit fund balance of \$935, \$33,721, \$26,900, \$52,668, \$120,342, and \$769,988, respectively, due to expenditures exceeding revenues on a continued basis. The deficits are due to the timing of the grant activities and the timing of the receipt of the grant funds. The deficits will be relieved when the grant funds are received.

City of Orange, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2020

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As stated in I.G.1., the City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. As of September 30, 2020, the City's only investments were certificates of deposits with maturities greater than three months.

The City had the following investments at year end:

Investment Type	Carrying Value	Weighted Average Maturity (Years)
Certificates of deposits	\$ 249,951	0.87
Total	\$ 249,951	
Portfolio weighted average maturity		0.87

The Orange EDC had the following investments at year end:

Investment Type	Carrying Value	Weighted Average Maturity (Years)
Certificates of deposits	\$ 249,951	0.87
Total	\$ 249,951	
Portfolio weighted average maturity		0.87

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, 2020, the City's investments consisted solely of bank certificates of deposit.

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City'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. As of September 30, 2020, the market values of pledged securities and FDIC insurance exceeded bank balances of the primary government. However, the Orange EDC maintained uncollateralized funds totaling \$563,430 as of September 30, 2020.

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

B. Receivables

The following tables comprise the receivable balances of the primary government at year end:

	General	Debt Service	TX Division of Emergency Mgmt Grants	Nonmajor Governmental Funds	Internal Service Fund	Total
Property taxes	\$ 1,114,198	\$ 202,763	\$ -	\$ -	\$ -	\$ 1,316,961
Fines	827,616	-	-	-	-	827,616
Sales taxes	1,040,943	-	-	-	-	1,040,943
Franchise taxes	159,383	-	-	-	-	159,383
Special revenue	-	-	769,988	600,900	-	1,370,888
Other	235,891	1,986	-	-	13,886	251,763
Allowance	(842,288)	(5,961)	-	-	-	(848,249)
	<u>\$ 2,535,743</u>	<u>\$ 198,788</u>	<u>\$ 769,988</u>	<u>\$ 600,900</u>	<u>\$ 13,886</u>	<u>\$ 4,119,305</u>

	Water & Sewer	Sanitation	Total
Accounts	\$ 1,066,757	\$ 272,922	\$ 1,339,679
Allowance	(33,654)	(8,976)	(42,630)
	<u>\$ 1,033,103</u>	<u>\$ 263,946</u>	<u>\$ 1,297,049</u>

The following comprise receivables balances of the City's discretely presented component unit at year end:

	Orange EDC	Total
Sales tax (owed from primary government)	\$ 346,981	\$ 346,981
	<u>\$ 346,981</u>	<u>\$ 346,981</u>

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

C. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 1,915,563	\$ 45,065	\$ -	\$ 1,960,628
Construction in progress	1,246,347	3,203,466	(155,732)	4,294,081
Total capital assets not being depreciated	<u>3,161,910</u>	<u>3,248,531</u>	<u>(155,732)</u>	<u>6,254,709</u>
Capital assets, being depreciated:				
Buildings	27,193,767	77,342	-	27,271,109
Furniture and fixtures	4,323,131	153,770	-	4,476,901
Machinery, equipment, and vehicles	19,828,162	717,713	56,052	20,601,927
Infrastructure	9,277,787	204,494	-	9,482,281
Leased equipment	602,600	194,074	-	796,674
Total capital assets being depreciated	<u>61,225,447</u>	<u>1,347,393</u>	<u>56,052</u>	<u>62,628,892</u>
Less accumulated depreciation:				
Buildings	(9,703,203)	(889,502)	-	(10,592,705)
Furniture and fixtures	(3,624,580)	(75,158)	-	(3,699,738)
Machinery, equipment, and vehicles	(11,802,176)	(888,502)	36,810	(12,653,868)
Infrastructure	(6,251,795)	(284,256)	-	(6,536,051)
Leased equipment	(250,608)	(147,021)	-	(397,629)
Total accumulated depreciation	<u>(31,632,362)</u>	<u>(2,284,439)</u>	<u>36,810</u>	<u>(33,879,991)</u>
Net capital assets being depreciated	29,593,085	(937,046)	92,862	28,748,901
Total Capital Assets	<u><u>\$ 32,754,995</u></u>	<u><u>\$ 2,311,485</u></u>	<u><u>\$ (62,870)</u></u>	<u><u>\$ 35,003,610</u></u>

Depreciation was charged to governmental functions as follows:

General government	\$ 160,095
Public safety	1,014,426
Public works	830,558
Culture and recreation	279,360
Total Governmental Activities Depreciation Expense	<u><u>\$ 2,284,439</u></u>

The net book value of leased capital assets was \$399,045 as of September 30, 2020.

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

A summary of changes in business-type activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 785,122	\$ -	\$ -	\$ 785,122
Construction in progress	150,455	89,910	(108,191)	132,174
Total capital assets not being depreciated	<u>935,577</u>	<u>89,910</u>	<u>(108,191)</u>	<u>917,296</u>
Capital assets, being depreciated:				
Buildings	1,259,297	-	81,600	1,340,897
Improvements other than buildings	78,633,168	419,962	26,591	79,079,721
Machinery and equipment	2,848,378	359,436	-	3,207,814
Leased equipment	543,059	67,725	-	610,784
Vehicles	1,151,667	-	(16,452)	1,135,215
Total capital assets being depreciated	<u>84,435,569</u>	<u>847,123</u>	<u>91,739</u>	<u>85,374,431</u>
Less accumulated depreciation:				
Buildings	(191,981)	(25,186)	-	(217,167)
Improvements other than buildings	(33,020,449)	(1,430,747)	-	(34,451,196)
Machinery and equipment	(1,942,947)	(209,358)	-	(2,152,305)
Leased equipment	(133,412)	(111,999)	-	(245,411)
Vehicles	(1,055,372)	(63,841)	16,452	(1,102,761)
Total accumulated depreciation	<u>(36,344,161)</u>	<u>(1,841,131)</u>	<u>16,452</u>	<u>(38,168,840)</u>
Net capital assets being depreciated	<u>48,091,408</u>	<u>(994,008)</u>	<u>108,191</u>	<u>47,205,591</u>
Total Capital Assets	<u><u>\$ 49,026,985</u></u>	<u><u>\$ (904,098)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 48,122,887</u></u>

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 1,758,254
Street and sanitation	82,877
Total Business-Type Activities Depreciation Expense	<u><u>\$ 1,841,131</u></u>

The net book value of leased capital assets was \$365,373 as of September 30, 2020.

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

A summary of changes in component unit activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 871,059	\$ -	\$ -	\$ 871,059
Construction in progress	341,012	-	-	341,012
Total capital assets not being depreciated	<u>1,212,071</u>	<u>-</u>	<u>-</u>	<u>1,212,071</u>
Capital assets, being depreciated:				
Buildings	1,181,943	-	-	1,181,943
Infrastructure	6,565,582	-	-	6,565,582
Total capital assets being depreciated	<u>7,747,525</u>	<u>-</u>	<u>-</u>	<u>7,747,525</u>
Less accumulated depreciation:				
Buildings	(339,466)	(59,097)	-	(398,563)
Infrastructure	(1,542,398)	(245,837)	-	(1,788,235)
Total accumulated depreciation	<u>(1,881,864)</u>	<u>(304,934)</u>	<u>-</u>	<u>(2,186,798)</u>
Net capital assets being depreciated	<u>5,865,661</u>	<u>(304,934)</u>	<u>-</u>	<u>5,560,727</u>
Total Capital Assets	<u><u>\$ 7,077,732</u></u>	<u><u>\$ (304,934)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,772,798</u></u>

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

D. Compensated Absences

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 2,779,492	\$ 248,976	\$ (2,544)	\$ 3,025,924	\$ 1,525,301
Total Governmental Activities	<u>\$ 2,779,492</u>	<u>\$ 248,976</u>	<u>\$ (2,544)</u>	<u>\$ 3,025,924</u>	<u>\$ 1,525,301</u>
Other Long-term Liabilities Due in More than One Year				<u>\$ 1,500,623</u>	
Business-Type Activities:					
Compensated Absences	\$ 108,032	\$ 32,700	\$ -	\$ 140,732	\$ 91,767
Total Business-Type Activities	<u>\$ 108,032</u>	<u>\$ 32,700</u>	<u>\$ -</u>	<u>\$ 140,732</u>	<u>\$ 91,767</u>
Other Long-term Liabilities Due in More than One Year				<u>\$ 48,965</u>	
Component Unit Activities - Orange EDC:					
Compensated Absences	\$ 14,872	\$ 3,464	\$ -	\$ 18,336	\$ 16,502
Total Component Unit Activities	<u>\$ 14,872</u>	<u>\$ 3,464</u>	<u>\$ -</u>	<u>\$ 18,336</u>	<u>\$ 16,502</u>
Other Long-term Liabilities Due in More than One Year				<u>\$ 1,834</u>	

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

E. Long-term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. In general, the City uses the debt service fund to liquidate governmental long-term liabilities.

	Beginning			Ending	Amounts
	Balance	Additions	Reductions	Balance	Due within
					One Year
Governmental Activities:					
Bonds, notes and other payables:					
General Obligation Bonds	\$ 3,875,000	\$ -	\$ (385,000)	\$ 3,490,000	\$ 400,000
Certificates of Obligation	7,785,000	-	(255,000)	7,530,000	270,000
Capital leases	351,003	194,074	(148,766)	396,311	164,609
Premiums	414,833	-	(21,833)	393,000	-
Total Governmental					
Activities	<u>\$ 12,425,836</u>	<u>\$ 194,074</u>	<u>\$ (810,599)</u>	<u>\$ 11,809,311</u>	<u>\$ 834,609</u>

Long-term liabilities due in more than one year \$ 10,974,702

Business-Type Activities:

Bonds, notes and other payables:					
General Obligation Bonds	\$ 2,790,000	\$ -	\$ (275,000)	\$ 2,515,000	\$ 285,000
Certificates of Obligation	8,485,000	-	(415,000)	8,070,000	425,000
Premium	288,902	-	(17,610)	271,292	-
Capital leases	413,145	67,726	(109,854)	371,017	118,120
Total Business-Type					
Activities	<u>\$ 11,977,047</u>	<u>\$ 67,726</u>	<u>\$ (817,464)</u>	<u>\$ 11,227,309</u>	<u>\$ 828,120</u>

Long-term liabilities due in more than one year \$ 10,399,189

Component Unit Activities:

Bonds payable:					
Sales Tax Refunding Bonds	\$ 5,450,000	\$ -	\$ (355,000)	\$ 5,095,000	\$ 360,000
Total Component Unit					
Activities	<u>\$ 5,450,000</u>	<u>\$ -</u>	<u>\$ (355,000)</u>	<u>\$ 5,095,000</u>	<u>\$ 360,000</u>

Long-term liabilities due in more than one year \$ 4,735,000

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The City intends to retire all of its general long-term liabilities, plus accrued interest, from property taxes and other current revenues from the debt service fund as has been done in prior years. The proprietary fund type long-term debt will be repaid, plus accrued interest, from operating revenues of the water and sewer fund. Capital leases are secured by the underlying asset. In the event of default, the lender may demand immediate payment or take possession of the asset.

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Long-term debt at year end was comprised of the following debt issues:

Description	Maturity Date	Interest Rates	Original Balance	Current Balance
Governmental Activities:				
2013 General Obligation Refunding Bonds	2 / 2028	0.5%-2.5%	\$ 5,440,000	\$ 3,490,000
Total General Obligation Bonds			<u>5,440,000</u>	<u>3,490,000</u>
2019 Combination Tax & Revenue Certificates	2 / 2039	3.00-5.00%	7,785,000	7,530,000
Total Certificates of Obligation			<u>7,785,000</u>	<u>7,530,000</u>
Bancorpsouth Finance - 2017 Ferrara Truck	3 / 2022	2.49%	422,706	132,376
Enterprise Leasing	3 / 2023	4.35%-5.92%	568,042	263,935
Total Capital Leases			<u>990,748</u>	<u>396,311</u>
Total Governmental Activities			<u><u>\$ 14,215,748</u></u>	<u><u>\$ 11,416,311</u></u>
Business-type Activities:				
2014 General Obligation Refunding Bonds	8 / 2028	2.00-3.00%	\$ 3,900,000	\$ 2,515,000
Total General Obligation Bonds			<u>3,900,000</u>	<u>2,515,000</u>
2015 Combination Tax & Revenue Certificates	2 / 2035	2.00-4.00%	4,845,000	3,855,000
2016 Combination Tax & Revenue Certificates	2 / 2036	2.00-3.00%	5,045,000	4,215,000
Total Certificates of Obligation			<u>9,890,000</u>	<u>8,070,000</u>
Bancorpsouth Finance - 2019 Grapple Truck	7 / 2024	4.05%	190,433	149,378
Enterprise Leasing	3 / 2024	4.35%-6.04%	471,815	221,639
Total Capital Leases			<u>662,248</u>	<u>371,017</u>
Total Business-Type Activities			<u><u>\$ 14,452,248</u></u>	<u><u>\$ 10,956,017</u></u>
Total Long-Term Debt				
General Obligation Refunding Bonds			\$ 9,340,000	\$ 6,005,000
Certificates of Obligation			17,675,000	15,600,000
Capital Leases			1,652,996	767,328
Total Primary Government			<u><u>\$ 28,667,996</u></u>	<u><u>\$ 22,372,328</u></u>
Component Unit Activities:				
2012 Sales Tax Refunding Bonds	8 / 2032	2.125%-4.0%	\$ 5,520,000	\$ 4,450,000
2016 Sales Tax Refunding Bonds	8 / 2023	1.11%-2.01%	1,640,000	645,000
Total General Obligation Bonds			<u>7,160,000</u>	<u>5,095,000</u>

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

The annual requirements to amortize governmental activities debt issues outstanding at year ending were as follows:

Governmental Activities				
Year ending September 30,	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2021	\$ 400,000	\$ 78,700	\$ 270,000	\$ 263,000
2022	410,000	68,575	280,000	249,250
2023	420,000	58,200	295,000	234,875
2024	430,000	47,898	310,000	219,750
2025	440,000	38,115	325,000	203,875
2026	450,000	28,210	345,000	187,125
2027	465,000	17,455	360,000	171,300
2028	475,000	5,938	375,000	156,600
2029	-	-	385,000	143,325
2030	-	-	400,000	131,550
2031	-	-	410,000	119,400
2032	-	-	425,000	106,875
2033	-	-	435,000	93,975
2034	-	-	450,000	80,700
2035	-	-	465,000	66,875
2036	-	-	480,000	52,800
2037	-	-	490,000	38,250
2038	-	-	505,000	23,325
2039	-	-	525,000	7,875
Total	\$ 3,490,000	\$ 343,090	\$ 7,530,000	\$ 2,550,725

Capital Lease Obligations

The annual requirements to amortize the primary government's capital lease obligations outstanding at year end were as follows:

Year ending September 30,	Governmental Activities		Business-Type Activities	
	Capital Leases		Capital Leases	
	Principal	Interest	Principal	Interest
2021	\$ 164,609	\$ 14,032	\$ 118,120	\$ 15,418
2022	132,177	7,579	112,568	9,564
2023	71,579	2,821	93,336	4,216
2024	27,946	250	46,993	884
Total	\$ 396,311	\$ 24,682	\$ 371,017	\$ 30,082

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

The annual requirements to amortize business-type activities debt issues outstanding at year ending were as follows:

Business-Type Activities				
Year ending September 30,	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2021	\$ 285,000	\$ 75,450	\$ 425,000	\$ 229,263
2022	290,000	66,900	435,000	219,563
2023	300,000	58,200	445,000	207,988
2024	310,000	49,200	460,000	195,525
2025	315,000	39,900	470,000	182,138
2026	325,000	30,450	485,000	169,063
2027	340,000	20,700	500,000	156,494
2028	350,000	10,500	510,000	143,275
2029	-	-	525,000	129,719
2030	-	-	535,000	114,825
2031	-	-	555,000	97,813
2032	-	-	575,000	79,450
2033	-	-	590,000	60,463
2034	-	-	610,000	40,513
2035	-	-	635,000	19,425
2036	-	-	315,000	4,331
Total	\$ 2,515,000	\$ 351,300	\$ 8,070,000	\$ 2,049,844

The annual requirements to amortize the discretely presented component unit's debt outstanding at year ending were as follows:

Orange EDC		
Year ending September 30,	Sales Tax Refunding Bonds	
	Principal	Interest
2021	\$ 360,000	\$ 161,543
2022	365,000	154,869
2023	375,000	147,560
2024	390,000	139,650
2025	400,000	127,950
Thereafter	3,205,000	506,400
Total	\$ 5,095,000	\$ 1,237,972

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Total future debt payments for the primary government in the future were as follows at yearend:

Year ending September 30,	Governmental Activities		Business-Type Activities		Total Payments
	Principal	Interest	Principal	Interest	
2021	\$ 834,609	\$ 341,700	\$ 828,120	\$ 320,131	\$ 2,324,560
2022	822,177	317,825	837,568	296,027	2,273,597
2023	786,579	293,075	838,336	270,404	2,188,394
2024	767,946	267,648	816,993	245,609	2,098,196
2025	765,000	241,990	785,000	222,038	2,014,028
Thereafter	7,440,000	1,431,578	6,850,000	1,077,019	16,798,597
Total	\$ 11,416,311	\$ 2,893,816	\$ 10,956,017	\$ 2,431,228	\$ 27,697,372

F. Deferred Charge on Refunding

Deferred charges resulting from the issuance of the 2013 general obligation refunding bonds and 2014 general obligation refunding bonds has been recorded as a deferred outflow of resources and is being amortized to interest expense over the term of the refunded debt. Current year balances for governmental activities and business-type activity totaled \$67,997 and \$15,269, respectively. Current year amortization expense for governmental activities and business-type activities totaled \$9,272 and \$1,929, respectively.

G. Interfund Transfers

Transfers between the primary government funds during the 2020 year were as follows:

Transfers Out	Transfers In	
	Capital Projects	Total
General	\$ 532,444	\$ 532,444
Total	\$ 532,444	\$ 532,444

Transfers from the general fund to the capital projects fund were made for construction projects.

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

The compositions of interfund balances as of year end were as follows:

Due to other funds (Payable fund):	Due from other funds (Receivable fund):		
	General	Employee Benefit Trust Fund	Total
Police Donation Fund	\$ 42,047	\$ -	\$ 42,047
Emergency Management Grant	25,608	-	25,608
TXDOT Fund	44,581	-	44,581
Texas Water Development Board Grant	120,342	-	120,342
TX Division of Emergency Mgmt Grants	721,696	-	721,696
Sanitation	-	777	777
	<u>\$ 954,274</u>	<u>\$ 777</u>	<u>\$ 955,051</u>

H. Restricted Net Position / Fund Balance

The City records restricted net position / fund balance to indicate that a portion is legally restricted for a specific future use.

The following is a list of restricted, committed, and assigned fund balance of the City:

	Governmental Funds	Governmental Net Position	Business Type Net Position
Restricted for:			
Debt service	\$ 99,392	\$ 238,566	\$ 145,620
Capital improvements	3,672,247	-	-
Culture and recreation	100,813	100,813	-
* Public safety	606,041	606,041	-
Public works	9,903	9,903	-
* Tourism and promotion	1,934,970	1,963,213	-
Total Restricted	<u>\$ 6,423,366</u>	<u>\$ 2,918,536</u>	<u>\$ 145,620</u>
Assigned for:			
Economic development	\$ 2,360	\$ -	\$ -
Capital improvements	651,384	-	-
	<u>\$ 653,744</u>	<u>\$ -</u>	<u>\$ -</u>

* Restricted by enabling legislation

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

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

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

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

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

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, *Continued*
September 30, 2020

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, 2020, the Workers' Compensation Fund has a designated balance for insurance claim liability of \$301,729 and an undesignated balance of \$1,015,264. 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 \$1,316,993. 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.

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments and Liability Expensed	Balance at Fiscal Year End
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
2019-2020	\$ 322,150	\$ 24,295	\$ (44,716)	\$ 301,729

<u>Claim Liability Expensed</u>	<u>2019-2020</u>	<u>2018-2019</u>	<u>2017-2018</u>	<u>2016-2017</u>	<u>2015-2016</u>
Unpaid claim liability at beginning of year	\$ 7,000	\$ 22,747	\$ 86,649	\$ 39,153	\$ 82,620
Claims incurred in current year	43,013	34,231	70,718	112,794	90,695
Increase (decrease) in provision for insured events of prior year	7,923	(32,443)	7,265	204,267	(76,172)
Claim payments attributable to current year claims	(25,489)	(27,231)	(47,971)	(26,145)	(51,542)
Claim payments attributable to prior year claims	(14,923)	9,696	(93,914)	(243,420)	(6,448)
Total unpaid claim liability expensed at end of year	<u>\$ 17,524</u>	<u>\$ 7,000</u>	<u>\$ 22,747</u>	<u>\$ 86,649</u>	<u>\$ 39,153</u>

<u>Designated for Catastrophic Claim</u>	<u>2019-2020</u>	<u>2018-2019</u>	<u>2017-2018</u>	<u>2016-2017</u>	<u>2015-2016</u>
Designated for future catastrophic claims - beginning of year	\$ 322,150	\$ 341,130	\$ 444,741	\$ 359,415	\$ 406,774
Increase (decrease) in reserve	(20,421)	(18,980)	(103,611)	85,326	(47,359)
Total designated for future catastrophic claims - end of year	<u>\$ 301,729</u>	<u>\$ 322,150</u>	<u>\$ 341,130</u>	<u>\$ 444,741</u>	<u>\$ 359,415</u>

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

C. Defined Benefit Pension Plans

1. Texas Municipal Retirement Systems

Plan Description

The City of Orange participates as one of 888 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) that can be obtained at www.tmr.com.

All eligible employees of the city are required to participate in TMRS.

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.

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 payments 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.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Plan provisions for the City were as follows:

	<u>Plan Year 2019</u>	<u>Plan Year 2018</u>
Employee deposit rate	7.0%	7.0%
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	70% of CPI

Employees covered by benefit terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	135
Inactive employees entitled to but not yet receiving benefits	57
Active employees	156
Total	348

Contributions

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

Employees for the City of Orange were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Orange were 15.16% and 15.80% in calendar years 2020 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were \$1,503,799, and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Actuarial assumptions:

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75%
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. 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. 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
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 periods of projected benefit payments to determine the Total Pension Liability.

Sensitivity of the Net Pension Liability (Asset) 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 (asset) 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	Current Single Rate	1% Increase
5.75%	Assumption 6.75%	7.75%
\$ 14,176,956	\$ 4,064,289	\$ (4,308,939)

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/18	\$ 73,280,046	\$ 63,589,515	\$ 9,690,531
Changes for the year:			
Service Cost	1,542,782	-	1,542,782
Interest	4,893,352	-	4,893,352
Difference between expected and actual experience	(395,129)	-	(395,129)
Changes of assumptions	158,294	-	158,294
Contributions – employer	-	1,424,660	(1,424,660)
Contributions – employee	-	631,179	(631,179)
Net investment income	-	9,826,919	(9,826,919)
Benefit payments, including refunds of emp. contributions	(3,114,677)	(3,114,677)	-
Administrative expense	-	(55,549)	55,549
Other changes	-	(1,668)	1,668
Net changes	3,084,622	8,710,864	(5,626,242)
Balance at 12/31/19	\$ 76,364,668	\$ 72,300,379	\$ 4,064,289

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, 2020, the City recognized pension expense of \$1,069,426.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Contributions subsequent to the measurement date	\$ 1,100,716	\$ -
Difference in experience	-	(964,889)
Changes in actuarial assumptions	119,401	-
Pension investment earnings	-	(2,223,133)
Total	\$ 1,220,117	\$ (3,188,022)

City of Orange, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2020

The City reported \$1,100,716 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. 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:	
2020	\$ (1,126,731)
2021	(923,705)
2022	92,815
2023	(1,111,000)
2024	-
Thereafter	-
Total	\$ (3,068,621)

2. Orange Firemen's Relief and Retirement Fund

Plan Description

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

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

Benefits Provided

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

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Plan provisions for the City were as follows:

	<u>Plan Year 2019</u>	<u>Plan Year 2020</u>
Employee deposit rate	12.50%	12.80%
Employer deposit rate	14.50%	15.80%
Years required for vesting	20	20
Service retirement eligibility (expressed as age / years of service)	50/20	50/20
DROP retirement eligibility	53/23	53/23
Annuity increase (to retirees)	Amendment required	Amendment required

Employees covered by benefit terms

At the December 31, 2019 valuation and 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	37
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 on January 28, 2020 to the current rate of 15.80%.

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 January 28, 2020 to the current rate of 12.80%. 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 January 1, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Actuarial Assumptions

The Total Pension Liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.0% per year
Overall payroll growth	2.5% per year
Investment Rate of Return	7.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members, retirees, disabled members, contingent survivors, and deceased members are based on the PubS-2010 mortality tables. The mortality assumptions for all participants are sex distinct with mortality improvement projected 5 years beyond the valuation date using scale MP-2018 and a base year of 2010.

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 expenses 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.

Best estimates of geometric real rates of return for each major asset class included in the Pension Plan's target asset allocation as of December 31, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
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	10.0%	9.30%
Domestic Fixed Income	35.0%	2.70%
Total	100.0%	

Discount Rate:

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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 periods of projected benefit payments to determine the Total Pension Liability.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

1% Decrease 6.75%	Current Single Rate Assumption 7.75%	1% Increase 8.75%
\$ 10,397,725	\$ 8,544,085	\$ 6,994,436

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 9/30/2019	\$ 22,748,689	\$ 7,961,733	\$ 14,786,956
Changes for the year:			
Service Cost	529,546	-	529,546
Interest	1,158,392	-	1,158,392
Change in benefit terms	906	-	906
Difference between expected and actual experience	-	-	-
Changes of assumptions	(5,749,694)	-	(5,749,694)
Contributions – employer	-	365,943	(365,943)
Contributions – employee	-	315,469	(315,469)
Net investment income	-	1,548,036	(1,548,036)
Benefit payments, including refunds of emp. contributions	(1,222,239)	(1,222,239)	-
Administrative expense	-	(47,427)	47,427
Other changes	-	-	-
Net changes	(5,283,089)	959,782	(6,242,871)
Balance at 9/30/2020	\$ 17,465,600	\$ 8,921,515	\$ 8,544,085

City of Orange, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2020

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's Fiduciary Net Position is available from the City of Orange. That report may be obtained by contacting the finance director at the City of Orange.

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

For the year ended September 30, 2020, the City recognized pension expense of \$972,940.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Contributions subsequent to the measurement date	\$ 315,685	\$ -
Difference in experience	-	(871,588)
Changes in actuarial assumptions	-	(815,655)
Pension investment earnings	-	(524,042)
Total	\$ 315,685	\$ (2,211,285)

The City reported \$315,685 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2021	\$ (231,366)
2022	(275,869)
2023	(94,727)
2024	(334,299)
2025	(1,333,353)
Thereafter	58,329
Total	\$ (2,211,285)

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

City of Orange, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

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 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.

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,

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

effective January 2020. The firefighter members voted for a member contribution increase of .30%, effective January 2020.

In November 2020 the City submitted its revised FSRP to the PRB. This plan went over the strong market returns during 2020 that benefitted the plan's net position, and further increases to contribution rates effective October 1, 2020. The City and members agreed to increase their contribution rates to 18.80% and 13.80% of salaries, respectively. The City's actuary estimates that these developments result in an amortization period of approximately 35 years with all other factors remaining equal. The PRB approved the revised plan and indicated the plan as in compliance in December 2020. The City is required to submit their next actuarial valuation effective 1/1/21 to the PRB, as well as notify them if the amortization period exceeds 40 years in the future.

Pension Plans Summary Table:

	TMRS Defined Benefit Pension Plan	Orange Firemen's Relief and Retirement Fund	Total
Pension expense	\$ 1,069,426	\$ 972,940	\$ 2,042,366
Net pension liability	\$ 4,064,289	\$ 8,544,085	\$ 12,608,374
Deferred outflows	\$ 1,220,117	\$ 315,685	\$ 1,535,802
Deferred inflows	\$ (3,188,022)	\$ (2,211,285)	\$ (5,399,307)

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.

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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

Retiree Medical Insurance

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 December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	0
Active employees & family members	191
Total	199

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, 2020, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

City of Orange, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2020

Actuarial assumptions:

The Total OPEB Liability in the September 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.5%
Discount rate	2.25%
Retirees' share of benefit-related costs	Retirees pay the full contribution rate for coverage
Administrative expenses	All administrative expenses are paid through the Pension Trust 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-2019.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 2.25%. The discount rate was calculated as a (0.25%) real rate of return plus a 2.50% for inflation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Trends

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.25%, 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 (1.25%) or 1-percentage-point higher (3.25%) than the current rate:

1% Decrease (1.25%)	Current Single Rate Assumption 2.25%	1% Increase (3.25%)
\$ 1,059,137	\$ 976,637	\$ 901,352

The following presents the total OPEB liability of the City, calculated using the healthcare expense increase trend rate of 4.50%, as well as what the City's total OPEB liability would be if it were calculated using a rate that is 1-percentage-point lower (3.50%) or 1-percentage-point higher (5.50%) than the current rate:

1% Decrease (3.50%)	Current Single Rate Assumption 4.50%	1% Increase (5.50%)
\$ 877,699	\$ 976,637	\$ 1,095,030

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 9/30/2019	\$ 947,275
Changes for the year:	
Service Cost	34,121
Interest	38,644
Difference between expected and actual experience	(60,774)
Changes of assumptions	76,537
Benefit payments	(59,166)
Net changes	29,362
Balance at 9/30/2020	\$ 976,637

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of
Resources Related to OPEB**

For the year ended September 30, 2020, the City recognized OPEB expense of \$75,062.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference in experience	\$ -	\$ (51,915)
Changes in actuarial assumptions	65,380	-
Total	\$ 65,380	\$ (51,915)

The City reported \$0 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2021.

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended	
September 30:	
2021	\$ 2,297
2022	2,297
2023	2,297
2024	2,297
2025	2,297
Thereafter	1,980
Total	\$ 13,465

E. Construction commitments

The government has active construction projects as of September 30, 2020. The projects include street construction and improvements, recreation and pavilion, and other projects.

At year end the government's commitments with contractors are as follows:

Riverfront pavilion	\$ 311,319
Street improvements	195,544
Recreation center	37,500
Lions Den Park	489,344
Drainage improvement project	154,046
Total Governmental Activities	<u>\$ 1,187,753</u>

F. Tax Abatement Disclosures

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 2020 was \$353,892. Property taxes equal to \$1,832,920 were rebated in 2020. Sales Tax is rebated on a quarterly basis, and the total rebated for 2020 was \$310,713.

City of Orange, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

G. Restatement

The City restated beginning net position/fund balance within governmental activities and a nonmajor governmental fund due to an error concerning revenues and payables in the prior year. The restatement of beginning net position/fund balance is as follows:

	Governmental Activities	Nonmajor Governmental
Prior year ending net position/fund balance, as reported	\$ 25,435,108	\$ 2,348,639
Correction to revenues	(174)	(174)
Correction to payables	(28,590)	-
Restated beginning net position/fund balance	<u>\$ 25,406,344</u>	<u>\$ 2,358,465</u>

The City restated beginning net position within component unit activities due to an error concerning capital assets in the prior year. The restatement of beginning net position is as follows:

	Orange EDC
Prior year ending net position, as reported	\$ 5,003,942
Correction to capital assets	31,228
Restated beginning net position	<u>\$ 5,035,170</u>

H. Subsequent Events

On November 19, 2020, the City purchased a Gradall truck mounted excavator through capital lease financing from Bancorp South for \$376,612. The lease term is five terms and bears an interest rate of 2.29%. Five payments of \$80,575 will be due annually.

On December 21, 2020, the City purchased sewer cleaner equipment through capital lease financing from Republic First National Corporation for \$452,311. The lease term is five years, with a balloon payment due in the sixth year. Annual payments of \$71,870 are due through 2025. A balloon payment of \$214,558 will be due on December 1, 2026.

Effective October 1, 2020, the City's firemen's relief and retirement pension plan increased city contributions to 18.80% and member contributions to 13.80%, respectively.

There were no other material subsequent events through March 31, 2021, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Orange, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND (Page 1 of 2)

For the Year Ended September 30, 2020

	Original Budget	Final Budget	2020 Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property tax	\$ 7,515,471	\$ 7,515,471	\$ 7,646,161	\$ 130,690
Payment-in-lieu of taxes	9,609,472	9,609,472	9,355,820	(253,652)
Sales tax	3,250,000	3,250,000	3,776,174	526,174
Franchise and local taxes	1,055,000	1,055,000	1,104,445	49,445
Other taxes	30,000	30,000	26,878	(3,122)
Charges for services	664,511	664,511	539,870	(124,641)
License, permits and fees	85,750	85,750	121,141	35,391
Intergovernmental	45,000	49,875	83,192	33,317
Investment income	180,000	180,000	75,611	(104,389)
Grants and donations	-	331,913	498,153	166,240
Other revenue	-	7,783	7,783	-
Total Revenues	22,435,204	22,779,775	23,235,228	455,453
Expenditures				
Current:				
General government:				
City council	83,792	83,792	42,568	41,224
City manager	171,460	171,460	133,521	37,939
City secretary	130,425	130,425	97,769	32,656
Human resources	119,579	119,579	100,733	18,846
Finance	484,956	484,956	415,246	69,710
Tax	116,800	126,770	126,770	-
Mgmt. Info. Systems	116,986	116,986	75,402	41,584
Public safety:				
Municipal court	271,518	271,518	249,724	21,794
Police department	6,560,628	6,560,628	5,947,227	613,401
Fire department	4,213,429	4,218,429	4,251,210	(32,781) *
EMS	18,250	23,250	14,080	9,170
Animal & code enforcement	174,165	174,165	163,215	10,950
Culture - recreation:				
Library	451,471	452,271	532,105	(79,834) *
Recreation	4,200	4,200	1,706	2,494
Parks maintenance	489,340	492,940	466,510	26,430

City of Orange, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND (Page 2 of 2)

For the Year Ended September 30, 2020

<u>Expenditures</u>				Variance with Final Budget
Current:		Final	2020	Positive
Public works	Original Budget	Budget	Actual	(Negative)
Engineering	\$ 104,797	\$ 104,797	\$ 96,967	\$ 7,830
Planning	203,129	191,129	163,700	27,429
Code enforcement	702,341	697,165	388,580	308,585
Building services	365,216	365,216	349,813	15,403
Street & drainage	1,428,982	1,426,982	1,291,145	135,837
Public works administration	209,660	209,660	117,377	92,283
Fleet maintenance	766,238	766,238	604,373	161,865
Nondepartmental	3,401,166	3,368,602	3,376,351	(7,749) *
Debt service:				
Principal	170,334	174,409	148,766	25,643
Interest	16,888	16,888	16,888	-
Capital outlay	622,562	775,184	928,199	(153,015) *
Total Expenditures	21,398,312	21,527,639	20,099,945	1,427,694
Revenues Over (Under)				
Expenditures	1,036,892	1,252,136	3,135,283	1,883,147
Other Financing Sources (Uses)				
Insurance recoveries	-	-	143,720	143,720
Capital lease issuance	-	-	194,074	194,074
Transfers (out)	(1,036,892)	(1,036,892)	(532,444)	504,448
Sales of capital assets	-	50,325	78,679	28,354
Total Other Financing Sources				
(Uses)	(1,036,892)	(986,567)	(115,971)	870,596
Net Change in Fund Balance	\$ -	\$ 265,569	3,019,312	\$ 2,753,743
Beginning fund balance			11,579,648	
Ending Fund Balance			\$ 14,598,960	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

* 2. Expenditures exceeded appropriations at the legal level of control.



City of Orange, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
TEXAS DIVISION OF EMERGENCY MANAGEMENT GRANTS
For the Year Ended September 30, 2020

	Original & Final Budget	2020 Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Grants and donations	\$ 690,000	\$ 207,317	\$ (482,683)
Total Revenues	690,000	207,317	(482,683)
<u>Expenditures</u>			
Public safety	690,000	977,305	(287,305) *
Total Expenditures	690,000	977,305	(287,305)
Revenues Over (Under) Expenditures	-	(769,988)	(195,378)
Net Change in Fund Balance	\$ -	(769,988)	\$ (769,988)
Beginning fund balance		-	
Ending Fund Balance		\$ (769,988)	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- * 2. Expenditures exceeded appropriations at the legal level of control.

City of Orange, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM

Years Ended:

	12/31/2019	12/31/2018	12/31/2017
Total pension liability			
Service cost	\$ 1,542,782	\$ 1,558,928	\$ 1,576,087
Interest	4,893,352	4,717,745	4,583,484
Differences between expected and actual experience	(395,129)	(564,152)	(1,035,886)
Changes of assumptions	158,294	-	-
Benefit payments, including refunds of participant contributions	(3,114,677)	(3,091,068)	(3,161,024)
Net change in total pension liability	3,084,622	2,621,453	1,962,661
Total pension liability - beginning	\$ 73,280,046	\$ 70,658,593	\$ 68,695,932
Total pension liability - ending (a)	\$ 76,364,668	\$ 73,280,046	\$ 70,658,593
Plan fiduciary net position			
Contributions - employer	\$ 1,424,660	\$ 1,475,488	\$ 1,530,851
Contributions - members	631,179	614,788	620,857
Net investment income	9,826,919	(1,995,265)	8,237,619
Benefit payments, including refunds of participant contributions	(3,114,677)	(3,091,068)	(3,161,024)
Administrative expenses	(55,549)	(38,572)	(42,696)
Other	(1,668)	(2,015)	(2,164)
Net change in plan fiduciary net position	8,710,864	(3,036,644)	7,183,443
Plan fiduciary net position - beginning	63,589,515	66,626,159	59,442,716
Plan fiduciary net position - ending (b)	\$ 72,300,379	\$ 63,589,515	\$ 66,626,159
Fund's net pension liability - ending (a) - (b)	\$ 4,064,289	\$ 9,690,531	\$ 4,032,434
Plan fiduciary net position as a percentage of the total pension liability	94.68%	86.78%	94.29%
Covered payroll	\$ 9,016,846	\$ 8,782,691	\$ 8,869,371
Fund's net position as a percentage of covered payroll	45.07%	110.34%	45.46%

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.

<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>	¹
\$ 1,525,181	\$ 1,473,198	\$ 1,390,815	
4,435,496	4,436,802	4,331,921	
(639,862)	(854,615)	(1,354,539)	
-	223,703	-	
(3,146,697)	(2,807,118)	(3,015,050)	
<u>2,174,118</u>	<u>2,471,970</u>	<u>1,353,147</u>	
\$ 66,521,814	\$ 64,049,844	\$ 62,696,697	
\$ 68,695,932	\$ 66,521,814	\$ 64,049,844	
\$ 1,527,744	\$ 1,587,598	\$ 1,657,797	
598,445	576,111	585,795	
3,830,094	84,535	3,143,530	
(3,146,697)	(2,807,118)	(3,015,050)	
(43,260)	(51,492)	(32,822)	
(2,331)	(2,544)	(2,699)	
<u>2,763,995</u>	<u>(612,910)</u>	<u>2,336,551</u>	
56,678,721	57,291,631	54,955,080	
\$ 59,442,716	\$ 56,678,721	\$ 57,291,631	
\$ 9,253,216	\$ 9,843,093	\$ 6,758,213	
86.53%	85.20%	89.45%	
\$ 8,549,219	\$ 8,230,155	\$ 8,368,497	
108.23%	119.60%	80.76%	

City of Orange, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN TEXAS MUNICIPAL RETIREMENT SYSTEM

Years Ended:

	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>
Actuarially determined employer contributions	\$ 1,503,799	\$ 1,425,431	\$ 1,475,144	\$ 1,542,873
Contributions in relation to				
the actuarially determined contribution	\$ 1,503,799	\$ 1,425,431	\$ 1,475,144	\$ 1,542,873
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered payroll	\$ 9,811,817	\$ 8,869,572	\$ 8,716,606	\$ 8,856,832
Employer contributions as				
a percentage of covered payroll	15.33%	16.07%	16.92%	17.42%

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.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

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	26 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.50% 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 2019 valuation pursuant to an experience study of the period 2014 - 2018

Mortality

Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes

There were no benefit changes during the year.

<u>9/30/2016</u>	<u>9/30/2015</u> ¹
\$ 1,552,490	\$ 1,586,949
<u>\$ 1,552,490</u>	<u>\$ 1,586,949</u>
\$ -	\$ -
\$ 8,506,325	\$ 8,166,972
18.25%	19.43%

City of Orange, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS ORANGE FIREMEN'S RELIEF AND RETIREMENT FUND

Years Ended:

	9/30/2020	9/30/2019	9/30/2018
Total pension liability			
Service cost	\$ 529,546	\$ 300,705	\$ 421,632
Interest	1,158,392	1,267,117	1,154,891
Changes in benefit terms	906	2,645	2,088
Differences between expected and actual experience	-	(534,208)	-
Changes of assumptions	(5,749,694)	6,239,981	(3,193,483)
Benefit payments, including refunds of participant contributions	(1,222,239)	(1,153,483)	(1,103,254)
Net change in total pension liability	(5,283,089)	6,122,757	(2,718,126)
Total pension liability - beginning	\$ 22,748,689	\$ 16,625,932	\$ 19,344,058
Total pension liability - ending (a)	\$ 17,465,600	\$ 22,748,689	\$ 16,625,932
Plan fiduciary net position			
Contributions - employer	\$ 365,943	\$ 342,963	\$ 333,259
Contributions - members	315,469	295,031	285,780
Net investment income	1,548,036	(519,608)	1,380,383
Benefit payments, including refunds of participant contributions	(1,222,239)	(1,153,483)	(1,103,254)
Administrative expenses	(47,427)	(25,065)	(28,947)
Other	-	-	-
Net change in plan fiduciary net position	959,782	(1,060,162)	867,221
Plan fiduciary net position - beginning	7,961,733	9,021,895	8,154,674
Plan fiduciary net position - ending (b)	\$ 8,921,515	\$ 7,961,733	\$ 9,021,895
Fund's net pension liability - ending (a) - (b)	\$ 8,544,085	\$ 14,786,956	\$ 7,604,037
Plan fiduciary net position			
as a percentage of the total pension liability	51.08%	35.00%	54.26%
Covered payroll	\$ 2,523,746	\$ 2,396,549	\$ 2,373,912
Fund's net position			
as a percentage of covered payroll	338.55%	617.01%	320.32%

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.

<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u> ¹
\$ 275,111	\$ 266,423	\$ 256,176
1,256,298	1,235,592	1,240,296
10,200	-	-
(513,493)	-	(455,247)
2,748,186	173,418	587,758
(1,115,774)	(1,337,192)	(1,084,609)
<u>2,660,528</u>	<u>338,241</u>	<u>544,374</u>
\$ 16,683,530	\$ 16,345,289	\$ 15,800,915
\$ 19,344,058	\$ 16,683,530	\$ 16,345,289
<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>
\$ 318,457	\$ 307,304	\$ 319,060
264,331	244,464	250,694
393,147	(186,511)	746,106
(1,115,774)	(1,337,192)	(494,593)
(18,666)	(24,201)	(1,084,609)
-	-	(22,162)
<u>(158,505)</u>	<u>(996,136)</u>	<u>(285,504)</u>
8,313,179	9,309,315	9,594,819
\$ 8,154,674	\$ 8,313,179	\$ 9,309,315
\$ 11,189,384	\$ 8,370,351	\$ 7,035,974
<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>
42.16%	49.83%	56.95%
\$ 2,274,689	\$ 2,195,029	\$ 2,279,000
491.91%	381.33%	308.73%

City of Orange, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN ORANGE FIREMEN'S RELIEF AND RETIREMENT FUND

Years Ended:

	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>
Actuarially determined employer contributions	\$ 419,453	\$ 359,238	\$ 341,117	\$ 327,516
Contributions in relation to				
the actuarially determined contribution	\$ 419,453	\$ 359,238	\$ 341,117	\$ 327,516
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered payroll	\$ 2,729,163	\$ 2,479,044	\$ 2,399,228	\$ 2,339,397
Employer contributions as				
a percentage of covered payroll	15.37%	14.49%	14.22%	14.00%

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.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

1/1/2019

Notes

Actuarially determined contribution rates 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 Payroll, Open
Remaining Amortization Period	68.3 years
Asset Valuation Method	Fair Market Value
Inflation	2.00%
Salary Increases	Service based
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.

Other Information:

Notes

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

<u>9/30/2016</u>	<u>9/30/2015</u> ¹
\$ 313,275	\$ 308,591
<u>\$ 313,275</u>	<u>\$ 308,591</u>
\$ -	\$ -
\$ 2,237,677	\$ 2,204,221
14.00%	14.00%

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

Years Ended September 30,

	2020	2019	¹
Total OPEB liability			
Service cost	\$ 34,121	\$ 34,121	
Interest	38,644	36,569	
Changes in benefit terms	-	-	
Differences between expected and actual experience	(60,774)	-	
Changes of assumptions	76,537	-	
Benefit payments, including refunds of participant contributions	(59,166)	(48,250)	
Net change in total OPEB liability	29,362	22,440	
Total OPEB liability - beginning	\$ 947,275	\$ 924,835	
Total OPEB liability - ending	\$ 976,637	\$ 947,275	²
 Covered payroll	 \$ 10,815,402	 \$ 10,315,629	
Fund's net position as a percentage of covered payroll	9.03%	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.

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

ORANGE DEVELOPMENT FUND

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

ORANGE ECONOMIC DEVELOPMENT FUND

This fund is used to account for funds set aside for specified economic development

PARKS DEVELOPMENT FUND

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

LAW ENFORCEMENT SEIZURES

This fund is used to account for proceeds from law enforcement seizures. Expenditures are restricted to qualified law enforcement activities.

POLICE DONATION FUND

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

BUREAU OF JUSTICE GRANT

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

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.

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.

CDBG 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.

CDBG RECOVERY FUND

This fund is used to account for funds received from the Texas Department of Housing and Community Affairs for rehabilitation of properties adversely impacted from natural disasters.

NONMAJOR GOVERNMENTAL FUNDS (Continued)

TEXAS 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.

EMERGENCY MANAGEMENT GRANT FUND

This fund is used to account for funds received from the Texas Department of Public Safety for emergency management program activities.

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.

FIRE DEPARTMENT DONATION FUND

This fund is used to account for donations received for the use of the City's Fire Department.

ANIMAL SHELTER DONATION FUND

This fund is used to account for donations received for the use of the City's Animal Shelter.

STATE HOMELAND SECURITY GRANT PROGRAM

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

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.

LIBRARY DONATION FUND

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

TEXAS WATER DEVELOPMENT BOARD GRANT FUND

This fund is used to account for grants from the Texas Water Development Board.

STARK FOUNDATION GRANT FUND

This fund is used to account for funds received from the Stark Foundation for various local projects.

City of Orange, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2020

	Orange Development Fund	Economic Development Fund	Parks Donation Fund	Law Enforcement Seizures	Police Donation Fund
<u>Assets</u>					
Cash and cash equivalents	\$ 1,768,226	\$ 2,360	\$ 26,467	\$ 336,446	\$ -
Receivables	190,227	-	-	-	73,033
Prepays	14,801	-	900	-	-
Total Assets	\$ 1,973,254	\$ 2,360	\$ 27,367	\$ 336,446	\$ 73,033
<u>Liabilities</u>					
Accounts payable	\$ 10,041	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	42,047
Total Liabilities	10,041	-	-	-	42,047
<u>Deferred Inflows of Resources</u>					
Hotel taxes	28,243	-	-	-	-
Grant revenue	-	-	-	-	-
Total Deferred Inflows of Resources	28,243	-	-	-	-
<u>Fund Balances</u>					
Restricted:					
Culture and recreation	-	-	27,367	-	-
Public safety	-	-	-	336,446	30,986
Public works	-	-	-	-	-
Tourism and promotion	1,934,970	-	-	-	-
Assigned					
Economic development	-	2,360	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	1,934,970	2,360	27,367	336,446	30,986
Total Liabilities, Deferred Inflows and Fund Balances	\$ 1,973,254	\$ 2,360	\$ 27,367	\$ 336,446	\$ 73,033

Bureau of Justice Grant	Court Technology Fund	CDBG Fund	CDBG Home Program	CDBG Recovery Fund	Texas GLO Grant Fund	Emergency Management Grant Fund
\$ -	\$ 48,887	\$ 18,120	\$ 9,903	\$ -	\$ -	\$ -
-	-	45,360	-	33,721	57,678	26,899
-	-	1,137	-	-	-	-
<u>\$ -</u>	<u>\$ 48,887</u>	<u>\$ 64,617</u>	<u>\$ 9,903</u>	<u>\$ 33,721</u>	<u>\$ 57,678</u>	<u>\$ 26,899</u>
\$ -	\$ -	\$ 33,171	\$ -	\$ 33,721	\$ 57,678	\$ 1,292
-	-	-	-	-	-	25,608
-	-	33,171	-	33,721	57,678	26,900
-	-	-	-	-	-	-
-	-	32,381	-	33,721	-	26,899
-	-	32,381	-	33,721	-	26,899
-	-	-	-	-	-	-
-	48,887	-	-	-	-	-
-	-	-	9,903	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	(935)	-	(33,721)	-	(26,900)
-	48,887	(935)	9,903	(33,721)	-	(26,900)
<u>\$ -</u>	<u>\$ 48,887</u>	<u>\$ 64,617</u>	<u>\$ 9,903</u>	<u>\$ 33,721</u>	<u>\$ 57,678</u>	<u>\$ 26,899</u>

City of Orange, Texas
COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2020

	Confined Space Rescue Fund	Fire Depart. Donation Fund	Animal Shelter Donation Fund	State Homeland Security Grant Fund
<u>Assets</u>				
Cash and cash equivalents	\$ 122,468	\$ 29,718	\$ 28,304	\$ -
Receivables	-	-	-	-
Prepays	-	-	-	-
Total Assets	\$ 122,468	\$ 29,718	\$ 28,304	\$ -
<u>Liabilities</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Total Liabilities	-	-	-	-
<u>Deferred Inflows of Resources</u>				
Hotel taxes	-	-	-	-
Grant revenue	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
<u>Fund Balances</u>				
Restricted:				
Culture and recreation	-	-	-	-
Public safety	122,468	29,718	28,304	-
Public works	-	-	-	-
Tourism and promotion	-	-	-	-
Assigned				
Economic development	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	122,468	29,718	28,304	-
Total Liabilities, Deferred Inflows and Fund Balances	\$ 122,468	\$ 29,718	\$ 28,304	\$ -

TXDOT Fund	Library Donation Fund	TX Water Development Board Grant	Stark Foundation Grant Fund	Total Nonmajor Governmental
\$ -	\$ 72,733	\$ -	\$ 9,232	\$ 2,472,864
52,897	743	120,342	-	600,900
-	-	-	-	16,838
<u>\$ 52,897</u>	<u>\$ 73,476</u>	<u>\$ 120,342</u>	<u>\$ 9,232</u>	<u>\$ 3,090,602</u>
\$ 8,087	\$ 30	\$ -	\$ -	\$ 144,020
44,581	-	120,342	-	232,578
<u>52,668</u>	<u>30</u>	<u>120,342</u>	<u>-</u>	<u>376,598</u>
-	-	-	-	28,243
<u>52,897</u>	<u>-</u>	<u>120,342</u>	<u>-</u>	<u>266,240</u>
<u>52,897</u>	<u>-</u>	<u>120,342</u>	<u>-</u>	<u>294,483</u>
-	73,446	-	-	100,813
-	-	-	9,232	606,041
-	-	-	-	9,903
-	-	-	-	1,934,970
-	-	-	-	2,360
(52,668)	-	(120,342)	-	(234,566)
<u>(52,668)</u>	<u>73,446</u>	<u>(120,342)</u>	<u>9,232</u>	<u>2,419,521</u>
<u>\$ 52,897</u>	<u>\$ 73,476</u>	<u>\$ 120,342</u>	<u>\$ 9,232</u>	<u>\$ 3,090,602</u>

City of Orange, Texas

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2020

	Orange Development Fund	Economic Development Fund	Parks Donation Fund	Law Enforcement Seizures	Police Donation Fund
Revenues					
Hotel occupancy taxes	\$ 693,590	\$ -	\$ -	\$ -	\$ -
Grants & contributions	-	-	-	6,560	-
Charges for services	36,879	-	-	-	-
Investment income	8,174	12	325	1,844	158
Donations	400	-	-	-	73,033
Total Revenues	<u>739,043</u>	<u>12</u>	<u>325</u>	<u>8,404</u>	<u>73,191</u>
Expenditures					
General government	-	-	-	-	-
Culture and recreation	337,802	-	50,800	-	-
Public safety	-	-	-	16,870	-
Public works	-	-	-	-	-
Capital outlay	-	-	-	19,062	73,033
Total Expenditures	<u>337,802</u>	<u>-</u>	<u>50,800</u>	<u>35,932</u>	<u>73,033</u>
Revenues Over (Under) Expenditures	<u>401,241</u>	<u>12</u>	<u>(50,475)</u>	<u>(27,528)</u>	<u>158</u>
Net Change in Fund Balances	401,241	12	(50,475)	(27,528)	158
Beginning fund balances	1,533,729	2,348	77,842	363,974	30,828
Ending Fund Balances	<u>\$ 1,934,970</u>	<u>\$ 2,360</u>	<u>\$ 27,367</u>	<u>\$ 336,446</u>	<u>\$ 30,986</u>

Bureau of Justice Grant	Court Technology Fund	CDBG Fund	CDBG Home Program	CDBG Recovery Fund	Texas GLO Grant Fund	Emergency Management Grant Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,129	6,571	229,607	-	-	57,834	28,003
-	-	6,733	-	-	-	-
-	314	-	-	-	-	-
-	-	-	-	-	-	-
<u>3,129</u>	<u>6,885</u>	<u>236,340</u>	<u>-</u>	<u>-</u>	<u>57,834</u>	<u>28,003</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,129	6,620	-	-	-	-	26,899
-	-	241,710	-	33,721	57,834	-
-	19,062	20,638	-	-	-	-
<u>3,129</u>	<u>25,682</u>	<u>262,348</u>	<u>-</u>	<u>33,721</u>	<u>57,834</u>	<u>26,899</u>
-	(18,797)	(26,008)	-	(33,721)	-	1,104
-	(18,797)	(26,008)	-	(33,721)	-	1,104
-	67,684	25,073	9,903	-	-	(28,004)
<u>\$ -</u>	<u>\$ 48,887</u>	<u>\$ (935)</u>	<u>\$ 9,903</u>	<u>\$ (33,721)</u>	<u>\$ -</u>	<u>\$ (26,900)</u>

City of Orange, Texas

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2020

	Confined Space Rescue Fund	Fire Depart. Donation Fund	Animal Shelter Donation Fund	State Homeland Security Grant Fund
Revenues				
Hotel occupancy taxes	\$ -	\$ -	-	\$ -
Grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	592	147	154	-
Donations	8,000	4,850	663	-
Total Revenues	<u>8,592</u>	<u>4,997</u>	<u>817</u>	<u>-</u>
Expenditures				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	4,247	3,100	2,794	10,823
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>4,247</u>	<u>3,100</u>	<u>2,794</u>	<u>10,823</u>
Revenues Over (Under) Expenditures	<u>4,345</u>	<u>1,897</u>	<u>(1,977)</u>	<u>(10,823)</u>
Net Change in Fund Balances	4,345	1,897	(1,977)	(10,823)
Beginning fund balances	118,123	27,821	30,281	10,823
Ending Fund Balances	<u>\$ 122,468</u>	<u>\$ 29,718</u>	<u>\$ 28,304</u>	<u>\$ -</u>

TXDOT Fund	Library Donation Fund	TX Water Development Board Grant	Stark Foundation Grant Fund	Total Nonmajor Governmental
\$ -	\$ -	\$ -	\$ -	\$ 693,590
154,856	743	-	-	487,303
-	1,192	-	-	44,804
-	347	-	51	12,118
-	5,754	-	-	92,700
<u>154,856</u>	<u>8,036</u>	<u>-</u>	<u>51</u>	<u>1,330,515</u>
-	-	-	-	-
-	903	-	-	389,505
-	-	-	1,016	75,498
-	-	120,342	-	453,607
207,753	1,301	-	-	340,849
<u>207,753</u>	<u>2,204</u>	<u>120,342</u>	<u>1,016</u>	<u>1,259,459</u>
(52,897)	5,832	(120,342)	(965)	71,056
(52,897)	5,832	(120,342)	(965)	71,056
229	67,614	-	10,197	2,348,465
<u>\$ (52,668)</u>	<u>\$ 73,446</u>	<u>\$ (120,342)</u>	<u>\$ 9,232</u>	<u>\$ 2,419,521</u>

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, 2020

	Original & Final Budget	2020 Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Property tax	\$ 1,041,820	\$ 1,058,613	\$ 16,793
Investment income	1,600	595	(1,005)
Total Revenues	<u>1,043,420</u>	<u>1,059,208</u>	<u>15,788</u>
<u>Expenditures</u>			
Debt service:			
Principal	640,000	640,000	-
Interest	365,038	364,960	78
Fiscal charges	400	400	-
Total Expenditures	<u>1,005,438</u>	<u>1,005,360</u>	<u>78</u>
Revenues Over (Under) Expenditures	<u>37,982</u>	<u>53,848</u>	<u>15,710</u>
Net Change in Fund Balance	<u>\$ 37,982</u>	<u>53,848</u>	<u>\$ 15,866</u>
Beginning fund balance		45,544	
Ending Fund Balance		<u>\$ 99,392</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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, 2020

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Grants and donations	\$ 6,100	\$ -	\$ (6,100)
Investment income	-	42,617	42,617
Total Revenues	<u>6,100</u>	<u>42,617</u>	<u>36,517</u>
<u>Expenditures</u>			
Capital outlay	8,129,738	3,316,053	4,813,685
Total Expenditures	<u>8,129,738</u>	<u>3,316,053</u>	<u>4,813,685</u>
<u>Other Financing Sources (Uses)</u>			
Transfer in	1,036,892	532,444	(504,448)
Net Change in Fund Balance	<u>\$ (7,086,746)</u>	<u>(2,740,992)</u>	<u>\$ 4,345,754</u>
Beginning fund balance		7,064,623	
Ending Fund Balance		<u>\$ 4,323,631</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Orange, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL ORANGE DEVELOPMENT FUND For the Year Ended September 30, 2020

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Hotel occupancy taxes	\$ 550,000	\$ 693,590	\$ 143,590
Charges for services	59,246	36,879	(22,367)
Investment income	20,000	8,174	(11,826)
Donations	3,000	400	(2,600)
Total Revenues	632,246	739,043	106,797
<u>Expenditures</u>			
Culture and recreation	715,092	337,802	377,290
Total Expenditures	715,092	337,802	377,290
Net Change in Fund Balance	\$ (82,846)	401,241	\$ 484,087
Beginning fund balance		1,533,729	
Ending Fund Balance		\$ 1,934,970	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Orange, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL PARKS DONATION FUND

For the Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Investment income	\$ 100	\$ 100	\$ 325	\$ 225
Donations	-	70,000	-	(70,000)
Total Revenues	<u>100</u>	<u>70,100</u>	<u>325</u>	<u>(69,775)</u>
<u>Expenditures</u>				
Culture and recreation	-	137,500	50,800	86,700
Total Expenditures	<u>-</u>	<u>137,500</u>	<u>50,800</u>	<u>86,700</u>
Net Change in Fund Balance	<u>\$ 100</u>	<u>\$ (67,400)</u>	(50,475)	<u>\$ 16,925</u>
Beginning fund balance			77,842	
Ending Fund Balance			<u>\$ 27,367</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Orange, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL LAW ENFORCEMENT SEIZURES For the Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Grants & contributions	\$ -	\$ -	\$ 6,560	\$ 6,560
Investment income	4,450	4,450	1,844	(2,606)
Total Revenues	4,450	4,450	8,404	3,954
<u>Expenditures</u>				
Public safety	27,000	43,526	16,870	26,656
Capital outlay	100,000	120,574	19,062	101,512
Total Expenditures	127,000	164,100	35,932	128,168
Net Change in Fund Balance	\$ (122,550)	\$ (159,650)	(27,528)	\$ 132,122
Beginning fund balance			363,974	
Ending Fund Balance			\$ 336,446	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Orange, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL POLICE DONATION FUND

For the Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Investment income	\$ 400	\$ 400	\$ 158	\$ (242)
Donations	-	76,993	73,033	(3,960)
Total Revenues	<u>400</u>	<u>77,393</u>	<u>73,191</u>	<u>(4,202)</u>
<u>Expenditures</u>				
Capital outlay	<u>5,000</u>	<u>81,993</u>	<u>73,033</u>	<u>8,960</u>
Total Expenditures	<u>5,000</u>	<u>81,993</u>	<u>73,033</u>	<u>8,960</u>
Net Change in Fund Balance	<u>\$ (4,600)</u>	<u>\$ (4,600)</u>	158	<u>\$ 4,758</u>
Beginning fund balance			<u>30,828</u>	
Ending Fund Balance			<u>\$ 30,986</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Orange, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL BUREAU OF JUSTICE GRANT For the Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Grants & contributions	\$ -	\$ 2,500	\$ 3,129	\$ 629
Total Revenues	<u>-</u>	<u>2,500</u>	<u>3,129</u>	<u>629</u>
<u>Expenditures</u>				
Public safety	-	2,500	3,129	(629) *
Total Expenditures	<u>-</u>	<u>2,500</u>	<u>3,129</u>	<u>(629)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Beginning fund balance			-	
Ending Fund Balance			<u>\$ -</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

* 2. Expenditures exceeded appropriations at the legal level of control.

City of Orange, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL COURT TECHNOLOGY FUND

For the Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Grants & contributions	\$ 9,000	\$ 9,000	\$ 6,571	\$ (2,429)
Investment income	600	600	314	(286)
Total Revenues	<u>9,600</u>	<u>9,600</u>	<u>6,885</u>	<u>(2,715)</u>
<u>Expenditures</u>				
Public safety	15,000	15,000	6,620	8,380
Capital outlay	3,000	23,574	19,062	4,512
Total Expenditures	<u>18,000</u>	<u>38,574</u>	<u>25,682</u>	<u>12,892</u>
Net Change in Fund Balance	<u>\$ (8,400)</u>	<u>\$ (28,974)</u>	<u>(18,797)</u>	<u>\$ 10,177</u>
Beginning fund balance			67,684	
Ending Fund Balance			<u>\$ 48,887</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Orange, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL CDBG FUND

For the Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Grants & contributions	\$ 357,068	\$ 465,603	\$ 229,607	\$ (235,996)
Charges for services	1,000	1,000	6,733	5,733
Total Revenues	358,068	466,603	236,340	(230,263)
<u>Expenditures</u>				
Public works	242,517	291,820	241,710	50,110
Capital outlay	122,777	182,009	20,638	161,371
Total Expenditures	365,294	473,829	262,348	211,481
Net Change in Fund Balance	\$ (7,226)	\$ (7,226)	(26,008)	\$ (18,782)
Beginning fund balance			25,073	
Ending Fund Balance			\$ (935)	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Orange, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL CDBG RECOVERY FUND

For the Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Grants and contributions	\$ -	\$ 85,571	\$ -	\$ (85,571)
Total Revenues	-	85,571	-	(85,571)
<u>Expenditures</u>				
Public works	-	85,571	33,721	51,850
Total Expenditures	-	85,571	33,721	51,850
Net Change in Fund Balance	\$ -	\$ -	(33,721)	\$ (33,721)
Beginning fund balance			-	
Ending Fund Balance			\$ (33,721)	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Orange, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL TEXAS GLO GRANT FUND

For the Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Grants and contributions	\$ -	\$ -	\$ 57,834	\$ 57,834
Total Revenues	<u>-</u>	<u>-</u>	<u>57,834</u>	<u>57,834</u>
<u>Expenditures</u>				
Public works	-	158	57,834	(57,676) *
Total Expenditures	<u>-</u>	<u>158</u>	<u>57,834</u>	<u>(57,676)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (158)</u>	-	<u>\$ 158</u>
Beginning fund balance			-	
Ending Fund Balance			<u>\$ -</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

* 2. Expenditures exceeded appropriations at the legal level of control.

City of Orange, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL EMERGENCY MANAGEMENT GRANT FUND For the Year Ended September 30, 2020

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Grants and donations	\$ 30,000	\$ 28,003	\$ (1,997)
Total Revenues	<u>30,000</u>	<u>28,003</u>	<u>(1,997)</u>
<u>Expenditures</u>			
Public safety	29,519	26,899	2,620
Total Expenditures	<u>29,519</u>	<u>26,899</u>	<u>2,620</u>
Net Change in Fund Balance	<u>\$ 481</u>	1,104	<u>\$ 623</u>
Beginning fund balance		(28,004)	
Ending Fund Balance		<u>\$ (26,900)</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Orange, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL CONFINED SPACE RESCUE FUND For the Year Ended September 30, 2020

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Grants and donations	\$ 20,000	\$ 8,000	\$ (12,000)
Investment income	1,300	592	(708)
Total Revenues	21,300	8,592	(12,708)
<u>Expenditures</u>			
Public safety	45,000	4,247	40,753
Total Expenditures	45,000	4,247	40,753
Net Change in Fund Balance	\$ (23,700)	4,345	\$ 28,045
Beginning fund balance		118,123	
Ending Fund Balance		\$ 122,468	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Orange, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FIRE DEPARTMENT DONATION FUND For the Year Ended September 30, 2020

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Grants and donations	\$ 4,000	\$ 4,850	\$ 850
Investment income	350	147	(203)
Total Revenues	<u>4,350</u>	<u>4,997</u>	<u>647</u>
<u>Expenditures</u>			
Public safety	14,000	3,100	10,900
Total Expenditures	<u>14,000</u>	<u>3,100</u>	<u>10,900</u>
Net Change in Fund Balance	<u>\$ (9,650)</u>	1,897	<u>\$ 11,547</u>
Beginning fund balance		27,821	
Ending Fund Balance		<u>\$ 29,718</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Orange, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL ANIMAL SHELTER DONATION FUND For the Year Ended September 30, 2020

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Grants and donations	\$ -	\$ 663	\$ 663
Investment income	200	154	(46)
Total Revenues	<u>200</u>	<u>817</u>	<u>617</u>
<u>Expenditures</u>			
Public safety	10,000	2,794	7,206
Total Expenditures	<u>10,000</u>	<u>2,794</u>	<u>7,206</u>
Net Change in Fund Balance	<u>\$ (9,800)</u>	<u>(1,977)</u>	<u>\$ 7,823</u>
Beginning fund balance		30,281	
Ending Fund Balance		<u>\$ 28,304</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Orange, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL STATE HOMELAND SECURITY GRANT FUND For the Year Ended September 30, 2020

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Expenditures</u>			
Public safety	\$ 10,823	\$ 10,823	\$ -
Total Expenditures	10,823	10,823	-
 Net Change in Fund Balance	 \$ (10,823)	 (10,823)	 \$ -
Beginning fund balance		10,823	
Ending Fund Balance		\$ -	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Orange, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL TXDOT FUND

For the Year Ended September 30, 2020

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Grants	\$ 1,456,351	\$ 154,856	\$ (1,301,495)
Total Revenues	<u>1,456,351</u>	<u>154,856</u>	<u>(1,301,495)</u>
<u>Expenditures</u>			
Capital outlay	1,456,351	207,753	1,248,598
Total Expenditures	<u>1,456,351</u>	<u>207,753</u>	<u>1,248,598</u>
Net Change in Fund Balance	<u>\$ -</u>	(52,897)	<u>\$ (52,897)</u>
Beginning fund balance		229	
Ending Fund Balance		<u>\$ (52,668)</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Orange, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL LIBRARY DONATION FUND

For the Year Ended September 30, 2020

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Charges for services	\$ 1,000	\$ 1,192	\$ 192
Grants	-	743	743
Donations	4,000	5,754	1,754
Investment income	800	347	(453)
Total Revenues	5,800	8,036	2,236
<u>Expenditures</u>			
Culture and recreation	6,300	903	5,397
Capital outlay	7,000	1,301	5,699
Total Expenditures	13,300	2,204	11,096
Net Change in Fund Balance	\$ (7,500)	5,832	\$ 13,332
Beginning fund balance		67,614	
Ending Fund Balance		\$ 73,446	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Orange, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL TEXAS WATER DEVELOPMENT BOARD GRANT FUND For the Year Ended September 30, 2020

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Grants	\$ 244,696	\$ -	\$ (244,696)
Total Revenues	<u>244,696</u>	<u>-</u>	<u>(244,696)</u>
<u>Expenditures</u>			
Public works	244,696	120,342	124,354
Total Expenditures	<u>244,696</u>	<u>120,342</u>	<u>124,354</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>(120,342)</u>	<u>\$ (120,342)</u>
Beginning fund balance		-	
Ending Fund Balance		<u>\$ (120,342)</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Orange, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL STARK FOUNDATION GRANT FUND For the Year Ended September 30, 2020

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Investment income	\$ 100	\$ 51	\$ (49)
Total Revenues	<u>100</u>	<u>51</u>	<u>(49)</u>
<u>Expenditures</u>			
Public safety	1,881	1,016	865
Total Expenditures	<u>1,881</u>	<u>1,016</u>	<u>865</u>
Net Change in Fund Balance	<u>\$ (1,781)</u>	<u>(965)</u>	<u>\$ 816</u>
Beginning fund balance		10,197	
Ending Fund Balance		<u>\$ 9,232</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Orange, Texas
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT
September 30, 2020

	Orange EDC
<u>Assets</u>	
Cash and cash equivalents	\$ 3,092,433
Investments	249,951
Receivables, net	346,981
Prepays	133,494
Total Current Assets	3,822,859
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts payable and accrued liabilities	32,254
Total Liabilities	32,254
<u>Fund Balances</u>	
Nonspendable for:	
Prepays	133,494
Restricted for:	
Economic development	3,657,111
Total Fund Balance	3,790,605
Total Liabilities and Fund Balance	\$ 3,822,859

See Notes to Financial Statements.

City of Orange, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION DISCRETELY PRESENTED COMPONENT UNIT

September 30, 2020

Fund Balance	\$ 3,790,605
Adjustments for the Statement of Net Position:	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	1,212,071
Capital assets - net depreciable	5,560,727
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(26,339)
Compensated absences	(18,336)
Non-current liabilities due in one year	(360,000)
Non-current liabilities due in more than one year	(4,735,000)
Net Position of the Discretely Presented Component Unit	\$ 5,423,728

City of Orange, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES DISCRETELY PRESENTED COMPONENT UNIT

For the Year Ended September 30, 2020

	Orange EDC
<u>Revenues</u>	
Sales taxes	\$ 1,888,087
Investment income	20,906
Other revenues	15,811
Total Revenues	1,924,804
<u>Expenditures</u>	
Economic development	600,561
Debt service:	
Principal	355,000
Interest and fiscal charges	167,708
Total Expenditures	1,123,269
Excess of Revenues Over (Under) Expenditures	801,535
Net Change in Fund Balances	801,535
Beginning fund balances	3,449,665
Ending Fund Balances	\$ 4,251,200

See Notes to Financial Statements.

City of Orange, Texas
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE DISCRETELY PRESENTED
COMPONENT UNIT TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

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

Net changes in fund balances	\$	801,535
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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.

Depreciation expense		(304,934)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		(3,464)
Accrued interest		1,016

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) 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 premiums, discounts, and similar items when they are 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.

Principal payments on long-term debt		355,000
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	\$	849,153
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City of Orange, Texas
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS
MUNICIPAL COURT ESCROW FUND
For the Year Ended September 30, 2020

	Balance October 1, 2019	Additions	Deductions	Balance September 30, 2020
<u>Assets</u>				
Cash and cash equivalents	\$ 4,375	\$ 2,864	\$ -	\$ 7,239
Total Assets	<u>\$ 4,375</u>	<u>\$ 2,864</u>	<u>\$ -</u>	<u>\$ 7,239</u>
<u>Liabilities</u>				
Other liabilities	4,375	2,864	-	7,239
Total Liabilities	<u>\$ 4,375</u>	<u>\$ 2,864</u>	<u>\$ -</u>	<u>\$ 7,239</u>

City of Orange, Texas
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS
EMPLOYEE FLEX PLAN AGENCY FUND
For the Year Ended September 30, 2020

	Balance October 1, 2019	Additions	Deductions	Balance September 30, 2020
<u>Assets</u>				
Cash and cash equivalents	\$ 8,939	\$ 4,381	\$ -	\$ 13,320
Total Assets	\$ 8,939	\$ 4,381	\$ -	\$ 13,320
<u>Liabilities</u>				
Other liabilities	8,939	4,381	-	13,320
Total Liabilities	\$ 8,939	\$ 4,381	\$ -	\$ 13,320

City of Orange, Texas
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS
ORANGE EMPLOYEE BENEFIT TRUST FUND
For the Year Ended September 30, 2020

	Balance October 1, 2019	Additions	Deductions	Balance September 30, 2020
<u>Assets</u>				
Cash and cash equivalents	\$ 125	\$ 12,044	\$ -	\$ 12,169
Due from other funds	777	-	-	777
Total Assets	\$ 902	\$ 12,044	\$ -	\$ 12,946
<u>Liabilities</u>				
Accounts payable				
accrued liabilities	8,640	385	-	9,025
Other liabilities	(7,737)	11,658	-	3,921
Total Liabilities	\$ 903	\$ 12,043	\$ -	\$ 12,946



STATISTICAL SECTION

This part of the City'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 City's overall financial health.

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

Revenue Capacity	162
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These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.

Debt Capacity	168
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These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information	177
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information	180
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These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

City of Orange, Texas
NET POSITION BY COMPONENT
Last Ten Fiscal Years (Unaudited)
(accrual basis of accounting)
Table 1

	<u>2011</u>	<u>2012</u>	<u>2013 (b)</u>	<u>2014 (c)</u>
Government activities				
Net investment in capital assets	\$ 11,874,957	\$ 18,716,218	\$ 19,963,533	\$ 23,215,863
Restricted	65,900	14,862	155,728	76,887
Unrestricted	6,761,991	6,266,247	6,880,845	(3,493,205)
Total government activities net position	<u>\$ 18,702,848</u>	<u>\$ 24,997,327</u>	<u>\$ 27,000,106</u>	<u>\$ 19,799,545</u>
Business-type activities				
Net investment in capital assets	\$ 31,493,491	\$ 32,196,379	\$ 32,963,175	\$ 35,152,332
Restricted	1,428,684	1,434,849	1,488,660	1,457,546
Unrestricted	2,120,773	2,357,075	2,736,025	532,566
Total business-type activities net position	<u>\$ 35,042,948</u>	<u>\$ 35,988,303</u>	<u>\$ 37,187,860</u>	<u>\$ 37,142,444</u>
Primary government				
Net investment in capital assets	\$ 43,368,448	\$ 50,912,597	\$ 52,926,708	\$ 58,368,195
Restricted	1,494,584	1,449,711	1,644,388	1,534,433
Unrestricted	8,882,764	8,623,322	9,616,870	(2,960,639)
Total primary government net position	<u>\$ 53,745,796</u>	<u>\$ 60,985,630</u>	<u>\$ 64,187,966</u>	<u>\$ 56,941,989</u>

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

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

(c) In fiscal year 2015 there was a prior period adjustment related to the implementation of GASB Statement No. 68 for Accounting and Financial Report for Pensions. The beginning 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.

<u>2015 (c)</u>	<u>2016</u>	<u>2017</u>	<u>2018 (d)</u>	<u>2019</u>	<u>2020</u>
\$ 23,174,811	\$ 23,352,038	\$ 24,957,665	\$ 24,556,626	\$ 27,309,838	\$ 26,859,226
91,495	90,042	81,826	2,529,941	2,594,489	2,918,536
<u>(1,142,628)</u>	<u>(1,516,824)</u>	<u>(4,206,781)</u>	<u>(4,622,234)</u>	<u>(4,497,983)</u>	<u>(1,654,881)</u>
<u>\$ 22,123,678</u>	<u>\$ 21,925,256</u>	<u>\$ 20,832,710</u>	<u>\$ 22,464,333</u>	<u>\$ 25,406,344</u>	<u>\$ 28,122,881</u>
\$ 35,994,034	\$ 37,447,602	\$ 37,379,002	\$ 37,654,963	\$ 37,114,603	\$ 36,910,875
777,587	66,923	135,868	138,102	141,855	145,620
<u>1,492,412</u>	<u>2,274,530</u>	<u>3,256,371</u>	<u>5,144,027</u>	<u>6,175,935</u>	<u>5,774,829</u>
<u>\$ 38,264,033</u>	<u>\$ 39,789,055</u>	<u>\$ 40,771,241</u>	<u>\$ 42,937,092</u>	<u>\$ 43,432,393</u>	<u>\$ 42,831,324</u>
\$ 59,168,845	\$ 60,799,640	\$ 62,336,667	\$ 62,211,589	\$ 64,424,441	\$ 63,770,101
869,082	156,965	217,694	2,668,043	2,736,344	3,064,156
<u>349,784</u>	<u>757,706</u>	<u>(950,410)</u>	<u>521,793</u>	<u>1,677,952</u>	<u>4,119,948</u>
<u>\$ 60,387,711</u>	<u>\$ 61,714,311</u>	<u>\$ 61,603,951</u>	<u>\$ 65,401,425</u>	<u>\$ 68,838,737</u>	<u>\$ 70,954,205</u>

City of Orange, Texas

CHANGES IN NET POSITION

Last Ten Fiscal Years (Unaudited)

(accrual basis of accounting)

Table 2

	2011	2012	2013	2014
Expenses				
Governmental Activities				
General government	\$ 1,382,505	\$ 1,449,759	\$ 1,686,907	\$ 1,155,305
Cultural and recreation	1,597,544	1,506,522	1,721,378	1,636,053
Public safety	9,807,217	10,124,888	10,244,710	10,666,744
Public works	4,195,605	4,294,614	3,593,133	4,323,317
Interest on long-term debt	460,991	426,512	299,216	281,198
Total governmental activities	17,443,862	17,802,295	17,545,344	18,062,617
Business-type activities				
Sanitation	1,659,430	1,629,934	1,661,963	1,691,352
Water and Sewer	7,063,797	6,633,507	7,167,489	6,951,782
Total business-type activities	8,723,227	8,263,441	8,829,452	8,643,134
Total primary government	26,167,089	26,065,736	26,374,796	26,705,751
Program Revenues				
Governmental activities				
Charges for services				
General government	1,112,058	1,139,522	1,086,293	1,141,978
Cultural and recreation	36,020	22,777	23,817	22,961
Public safety	199,371	319,280	341,031	183,055
Public works	102,228	54,690	49,164	125,919
Operating grants and contributions				
General government	88,459	112,093	106,590	137,756
Cultural and recreation	18,763	3,019	6,160	46,708
Public safety	247,351	262,965	254,898	84,408
Public works	1,007,070	1,032,602	353,633	268,082
Capital grants and contributions				
General government	-	34,959	473	-
Cultural and recreation	126,979	3,187	1,704	1,637
Public safety	2,316,708	6,155,476	138,848	32,386
Public works	1,289,006	611,356	1,775,080	4,190,783
Total governmental activities program revenues	6,544,013	9,751,926	4,137,691	6,235,673

2015	2016	2017	2018	2019	2020
\$ 1,362,420	\$ 1,704,725	\$ 3,421,279	\$ 2,677,375	\$ 3,534,422	\$ 3,560,714
1,571,047	1,746,315	2,292,791	1,735,516	1,871,636	1,819,438
10,843,357	11,700,880	12,925,242	11,956,509	13,848,928	13,677,136
3,808,559	4,471,129	4,195,377	3,893,417	4,137,174	4,537,509
199,043	190,032	179,684	178,291	485,903	366,039
17,784,426	19,813,081	23,014,373	20,441,108	23,878,063	23,960,836
1,706,452	1,750,708	2,280,761	5,199,862	1,967,255	2,163,909
6,794,993	6,722,558	7,098,876	6,820,644	7,662,367	8,002,416
8,501,445	8,473,266	9,379,637	12,020,506	9,629,622	10,166,325
26,285,871	28,286,347	32,394,010	32,461,614	33,507,685	34,127,161
1,307,982	1,209,346	1,973,385	1,357,437	1,400,502	465,320
50,620	59,249	61,636	47,749	45,884	43,358
406,569	349,818	296,656	284,804	272,759	146,996
114,950	79,100	70,292	71,078	65,833	125,348
97,436	116,460	236,439	177,140	181,919	78,717
15,290	1,443	3,605	1,966	71,242	743
80,673	147,791	428,674	64,417	99,888	1,038,851
248,688	572,738	284,487	587,615	3,184,659	13,529
-	-	-	-	-	102,730
1,074	59,817	134,922	62,431	102,868	23,675
330,162	10,000	-	5,000	-	73,033
1,034,726	100,000	-	-	-	608,820
3,688,170	2,705,762	3,490,096	2,659,637	5,425,554	2,721,120

City of Orange, Texas
CHANGES IN NET POSITION (Continued)
Last Ten Fiscal Years (Unaudited)
(accrual basis of accounting)

	2011	2012	2013	2014
Business-type activities				
Charges for services				
Sanitation	\$ 1,724,816	\$ 1,625,639	\$ 1,768,833	\$ 1,800,741
Water and Sewer	7,144,155	6,248,903	7,713,632	7,317,749
Operating grants and contributions				
Sanitation	-	-	-	-
Water and Sewer	-	-	-	-
Capital grants and contributions				
Water and Sewer	84,246	72,611	772,900	821,987
Total business-type activities program revenues	16,097,372	14,196,056	17,968,997	17,258,226
Total primary government program revenues	22,641,385	23,947,982	22,106,688	23,493,899
Net (expense)/revenue				
Governmental activities	(10,899,849)	(8,050,369)	(13,407,653)	(11,826,944)
Business-type activities	229,990	900,653	1,425,913	1,297,343
Total primary government net expense	\$ (10,669,859)	\$ (7,149,716)	\$ (11,981,740)	\$ (10,529,601)
General Revenues and Other Changes in Net Position				
Governmental Activities				
Property taxes	\$ 5,874,034	\$ 6,096,780	\$ 5,868,244	\$ 6,044,783
Sales taxes	2,308,088	2,229,480	2,309,982	2,358,053
Other taxes	474,895	553,828	603,799	622,747
Franchise taxes	342,136	306,524	282,092	298,172
Payment in-lieu of taxes	4,871,157	5,162,155	6,457,311	6,201,387
Unrestricted investment earnings	20,396	22,267	20,490	13,885
Gain (loss) on sale of assets	-	-	-	-
Transfers	(611,194)	(26,186)	-	-
Insurance	-	-	-	-
Miscellaneous	-	-	-	-
Total governmental activities	13,279,512	14,344,848	15,541,918	15,539,027
Business-type activities				
Unrestricted investment earnings	7,686	18,516	9,141	10,015
Gain (loss) on sale of assets	-	-	-	-
Transfers	611,194	26,186	-	-
Miscellaneous	-	-	-	-
Total business-type activities	618,880	44,702	9,141	10,015
Total primary government	\$ 13,898,392	\$ 14,389,550	\$ 15,551,059	\$ 15,549,042
Change in Net Position				
Governmental activities	2,379,663	6,294,479	2,134,265	3,712,083
Business-type activities	848,870	945,355	1,435,054	1,307,358
Total primary government	\$ 3,228,533	\$ 7,239,834	\$ 3,569,319	\$ 5,019,441

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

2015	2016	2017	2018	2019	2020
\$ 1,824,743	\$ 1,883,292	\$ 2,292,420	\$ 1,852,297	\$ 1,981,491	\$ 2,154,034
7,752,710	7,847,869	7,777,959	8,199,174	7,877,629	7,362,556
-	-	53,428	3,535,986	3,840	-
-	-	-	28,813	140,349	-
37,715	256,155	134,708	573,284	-	-
17,367,878	17,835,185	10,258,515	14,189,554	10,003,309	9,516,590
21,056,048	20,540,947	13,748,611	16,849,191	15,428,863	12,237,710
(14,096,256)	(17,107,319)	(19,524,277)	(17,781,471)	(18,452,509)	(21,239,716)
8,866,433	9,361,919	878,878	2,169,048	373,687	(649,735)
\$ (5,229,823)	\$ (7,745,400)	\$ (18,645,399)	\$ (15,612,423)	\$ (18,078,822)	\$ (21,889,451)
\$ 5,869,937	\$ 6,144,835	\$ 7,485,595	\$ 7,853,374	\$ 7,954,550	\$ 8,667,211
2,592,886	2,720,011	2,958,567	3,618,034	3,406,770	3,776,174
694,827	688,170	696,977	807,577	606,348	748,711
307,093	281,390	287,290	291,156	334,324	1,104,445
6,933,803	7,050,656	6,883,769	6,882,340	8,699,042	9,355,820
21,843	23,835	17,427	28,541	274,781	136,580
-	-	(80)	70,431	48,609	159,529
-	-	-	(27,155)	-	-
-	-	-	457,367	10,096	-
-	-	102,181	120,000	60,000	7,783
16,420,389	16,908,897	18,431,726	20,101,665	21,394,520	23,956,253
7,866	10,972	13,288	12,337	112,086	37,098
-	-	8,016	29,005	9,528	11,568
-	-	-	27,155	-	-
-	-	82,002	95,864	-	-
7,866	10,972	103,306	164,361	121,614	48,666
\$ 16,428,255	\$ 16,919,869	\$ 18,535,032	\$ 20,266,026	\$ 21,516,134	\$ 24,004,919
2,324,133	(198,422)	(1,092,551)	2,320,194	2,942,011	2,716,537
8,874,299	9,372,891	982,184	2,333,409	495,301	(601,069)
\$ 11,198,432	\$ 9,174,469	\$ (110,367)	\$ 4,653,603	\$ 3,437,312	\$ 2,115,468



City of Orange, Texas

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

Last Ten Fiscal Years (Unaudited)

(accrual basis of accounting)

Table 3

<u>Fiscal</u> <u>Year</u>	<u>Property</u> <u>Tax</u>	<u>Sales</u> <u>Tax</u>	<u>Other</u> <u>Tax</u>	<u>Franchise</u> <u>Tax</u>	<u>Total</u>
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
2020	\$8,667,211	\$3,776,174	\$748,711	\$1,104,445	\$14,296,541

City of Orange, Texas

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years (Unaudited)

(modified accrual basis of accounting)

Table 4

	2011	2012	2013	2014
General Fund				
Nonspendable:				
Inventories	\$ 66,951	\$ 124,361	\$ 101,349	\$ 103,939
Prepays	-	120,742	131,434	140,293
Assigned for:				
Capital outlay	369,593	-	-	-
Hurricane recovery	249,752	-	-	-
Unassigned	4,340,641	4,049,277	4,977,270	5,531,403
Total general fund	\$ 5,026,937	\$ 4,294,380	\$ 5,210,053	\$ 5,775,635
All Other Governmental Funds				
Nonspendable	\$ -	\$ -	\$ 4,014	\$ 609
Assigned for:				
Economic development	2,268	2,280	2,285	2,292
Capital project funds	-	-	-	-
Restricted for:				
Debt service	114,024	76,094	155,728	114,126
Public safety	877,088	867,861	903,373	827,899
Public works	53,137	46,509	53,120	69,615
Tourism and promotion	825,280	1,036,102	976,036	1,082,085
Cultural and recreation	114,391	115,275	115,583	104,655
Capital projects	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	\$ 1,986,188	\$ 2,144,121	\$ 2,210,139	\$ 2,201,281

Source: City audited financial records

2015	2016	2017	2018	2019	2020
\$ 89,271	\$ 85,495	\$ 80,387	\$ 85,568	\$ 86,150	\$ 47,325
147,243	156,840	201,177	221,037	201,567	201,166
-	-	-	-	-	-
-	-	-	-	-	-
6,956,414	8,029,694	7,666,234	9,715,030	11,291,931	14,350,469
<u>\$ 7,192,928</u>	<u>\$ 8,272,029</u>	<u>\$ 7,947,798</u>	<u>\$ 10,021,635</u>	<u>\$ 11,579,648</u>	<u>\$ 14,598,960</u>
\$ 8,087	\$ 3,131	\$ 3,920	\$ 5,706	\$ 3,817	\$ -
2,297	2,301	2,304	2,309	2,348	2,360
-	163,239	161,021	161,352	-	651,384
115,384	114,104	103,568	104,722	45,543	99,392
787,368	758,132	709,523	622,973	659,730	606,041
64,796	61,386	51,146	35,566	34,258	9,903
1,297,103	1,472,484	1,164,896	1,477,710	1,531,035	1,934,970
114,953	103,272	100,222	78,186	145,456	100,813
-	-	-	-	7,064,624	3,672,247
-	-	-	-	(28,179)	(1,004,554)
<u>\$ 2,389,988</u>	<u>\$ 2,678,049</u>	<u>\$ 2,296,600</u>	<u>\$ 2,488,524</u>	<u>\$ 9,458,632</u>	<u>\$ 6,072,556</u>

City of Orange, Texas

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years (Unaudited)

(modified accrual basis on accounting)

Table 5

	2011	2012	2013	2014
Revenues				
Taxes	\$8,567,376	\$8,616,255	\$8,662,858	\$8,902,775
Payments in lieu of taxes	4,871,157	5,162,155	6,457,311	6,201,387
Franchise tax	1,289,831	1,243,862	1,190,589	1,199,098
Licenses and permits	387,541	375,209	321,067	372,001
Intergovernmental	833,590	1,226,800	498,561	340,410
Charges for services	1,950,949	1,864,230	1,946,848	2,173,072
Donations	45,375	67,498	31,042	33,043
Grant income	3,387,878	6,776,309	2,086,515	4,289,863
Investment income	20,396	22,267	20,490	13,885
Program income	79,576	23,449	17,766	27,783
Forfeitures	57,701	56,774	67,229	32,386
Miscellaneous	53,350	77,191	206,859	112,644
Total revenues	21,544,720	25,511,999	21,507,135	23,698,347
Expenditures				
General government	1,431,652	1,380,066	1,382,697	1,358,661
Cultural and recreation	1,480,747	1,352,473	1,615,702	1,543,962
Public safety	8,730,355	8,676,928	8,759,130	8,991,222
Public works	3,911,497	4,176,623	3,274,625	3,342,105
Non departmental Hurricane	173,125	312,925	-	-
Non departmental	1,796,074	1,780,323	1,804,513	1,921,167
Debt Service				
Principal	865,000	895,000	670,000	755,000
Interest and fiscal charges	425,565	391,278	289,028	253,638
Capital Outlay	3,979,351	7,472,353	2,711,531	5,281,322
Total expenditures	22,793,366	26,437,969	20,507,226	23,447,077
Excess of revenues over (under) expenditures	(1,248,646)	(925,970)	999,909	251,270
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Insurance proceeds	690,216	29,868	-	-
Sale of capital assets	-	60,463	473	274,985
Refunding bonds issued	-	-	5,440,000	-
Discount on refunding bonds	-	-	(31,855)	-
Premium on debt issue	-	-	204,641	-
Payment to refunded bond escrow account	-	-	(5,662,786)	-
Grant proceeds	-	-	-	-
Capital lease issuance	-	-	-	-
Debt issuance	-	-	-	-
Total other financing sources and uses	690,216	90,331	(49,527)	274,985
Net changes in fund balances	(558,430)	(835,639)	950,382	526,255
Debt service as a percentage of noncapital expenditures	6.64%	6.86%	5.43%	5.55%

2015	2016	2017	2018	2019	2020
\$9,337,233	\$9,517,837	\$11,028,449	\$12,332,972	\$11,900,904	\$13,201,416
6,933,803	7,050,656	6,883,769	6,882,340	8,699,042	9,355,820
1,205,744	1,186,241	287,290	291,156	334,324	1,104,445
416,556	356,816	262,785	273,925	289,724	121,141
98,843	239,484	522,907	54,517	55,706	83,192
2,238,147	2,157,279	3,648,552	3,263,651	3,264,271	584,674
30,581	34,092	39,601	41,755	117,310	-
1,328,923	713,323	631,866	665,777	2,938,625	1,285,473
21,843	23,835	16,486	26,865	258,775	130,941
31,833	14,448	28,462	16,802	34,147	-
6,750	12,768	-	13,093	33,200	-
505,056	217,847	210,130	247,022	174,708	7,783
22,155,312	21,524,626	23,560,297	24,109,875	28,100,736	25,874,885
1,413,910	1,429,906	1,528,445	1,555,917	1,705,023	992,009
1,459,846	1,583,184	2,104,903	1,661,719	1,660,428	1,389,826
9,413,635	9,556,865	9,880,982	10,158,254	10,492,387	11,678,259
3,272,269	3,693,035	3,540,026	3,464,663	3,600,520	3,465,562
-	-	-	-	-	-
1,889,829	2,040,987	3,654,994	3,421,372	3,703,715	3,376,351
800,000	845,000	840,000	952,899	989,783	788,766
190,326	146,030	137,083	135,938	425,583	382,248
1,529,310	1,558,920	3,147,657	1,313,919	5,302,365	4,585,101
19,969,125	20,853,927	24,834,090	22,664,681	27,879,804	26,658,122
2,186,187	670,699	(1,273,793)	1,445,194	220,932	(783,237)
257,500	-	-	-	-	-
(257,500)	-	-	-	-	-
-	-	-	560,749	10,096	143,720
5,610	76,447	42,784	27,915	51,349	78,679
1,980,000	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	436,666	-
(1,977,910)	-	-	-	-	-
-	-	-	76,086	-	-
-	-	382,762	155,817	24,077	194,074
-	-	-	-	7,785,000	-
7,700	76,447	425,546	820,567	8,307,188	416,473
2,193,887	747,146	(848,247)	2,265,761	8,528,120	(366,764)
5.37%	5.14%	4.51%	5.10%	5.30%	5.31%

City of Orange, Texas

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years (Unaudited)

Table 6

<u>Fiscal</u> <u>Year</u>	<u>Tax</u> <u>Year</u>	<u>Real Property</u>		<u>Personal Property</u>		<u>Total</u>	<u>Total</u>
		<u>Assessed</u> <u>Value</u>	<u>Percent</u>	<u>Assessed</u> <u>Value</u>	<u>Percent</u>	<u>Assessed</u> <u>Value (a) (b)</u>	<u>Direct</u> <u>Tax Rate</u>
2011	2010	\$620,990,969	78.37%	\$171,359,393	21.63%	\$792,350,362	\$0.74500
2012	2011	631,241,805	78.06%	177,369,499	21.94%	808,611,304	\$0.74500
2013	2012	618,576,246	76.25%	192,627,347	23.75%	811,203,593	\$0.70000
2014	2013	670,869,190	76.18%	209,713,720	23.82%	880,582,910	\$0.69000
2015	2014	675,778,484	75.36%	221,007,368	24.64%	896,785,852	\$0.68131
2016	2015	664,463,537	75.79%	212,285,034	24.21%	876,748,571	\$0.70000
2017	2016	826,796,905	78.98%	220,075,517	21.02%	1,046,872,422	\$0.70940
2018	2017	863,394,360	79.09%	228,286,425	20.91%	1,091,680,785	\$0.71774
2019	2018	802,198,213	80.96%	188,666,568	19.04%	990,864,781	\$0.80510
2020	2019	892,211,421	84.27%	166,539,624	15.73%	1,058,751,045	\$0.80690

(a) Certified Tax Roll - Orange County Appraisal District

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

Est. True Value	Percentage of Total Assessed Value to True Value
\$792,350,362	100.00%
808,611,304	100.00%
811,203,593	100.00%
880,582,910	100.00%
896,785,852	100.00%
876,748,571	100.00%
1,046,872,422	100.00%
1,091,680,785	100.00%
990,864,781	100.00%
1,058,751,045	100.00%

City of Orange, Texas

Property Tax Rates

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years (Unaudited)

Table 7

Fiscal Year	City of Orange			Bridge City	Little Cypress Mauriceville	Orangefield
	General Fund	Debt Service	Total Tax Rate	School District	School District	School District
2011	\$0.57930	\$0.16570	\$0.74500	\$1.19000	\$1.15721	\$1.17000
2012	\$0.58278	\$0.16222	\$0.74500	\$1.19000	\$1.15567	\$1.17000
2013	\$0.56708	\$0.13292	\$0.70000	\$1.19000	\$1.58350	\$1.17000
2014	\$0.57408	\$0.11592	\$0.69000	\$1.19000	\$1.16521	\$1.17000
2015	\$0.56813	\$0.11318	\$0.68131	\$1.19000	\$1.41000	\$1.17000
2016	\$0.58412	\$0.11588	\$0.70000	\$1.19000	\$1.43000	\$1.30000
2017	\$0.61535	\$0.09405	\$0.70940	\$1.18000	\$1.43000	\$1.29575
2018	\$0.62759	\$0.09015	\$0.71774	\$1.17000	\$1.43000	\$1.27997
2019	\$0.70098	\$0.10412	\$0.80510	\$1.17000	\$1.56000	\$1.28000
2020	\$0.70691	\$0.09999	\$0.80690	\$1.10000	\$1.36000	\$1.17835

- (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.

West Orange Cove School District	Orange County			Total (a)	Total (b)	Total (c)	Total (d)
	County + (Lateral Road)	Drainage District	Port and Navigation District				
\$1.35270	\$0.53559	\$0.09869	\$0.00832	\$2.57760	\$2.54481	\$2.55760	\$2.74030
\$1.28600	\$0.52990	\$0.10195	\$0.00821	\$2.57506	\$2.54073	\$2.55506	\$2.67106
\$1.45660	\$0.52990	\$0.10726	\$0.00811	\$2.53527	\$2.92877	\$2.51527	\$2.80187
\$1.42774	\$0.54400	\$0.10726	\$0.00790	\$2.53916	\$2.51437	\$2.51916	\$2.77690
\$1.42774	\$0.54400	\$0.10726	\$0.00779	\$2.53036	\$2.75036	\$2.51036	\$2.76810
\$1.42500	\$0.54400	\$0.10726	\$0.00765	\$2.54891	\$2.78891	\$2.65891	\$2.78391
\$1.42500	\$0.54400	\$0.11126	\$0.00756	\$2.55222	\$2.80222	\$2.66797	\$2.79722
\$1.42500	\$0.54200	\$0.11126	\$0.00730	\$2.54830	\$2.80830	\$2.65827	\$2.80330
\$1.42500	\$0.54200	\$0.13160	\$0.00741	\$2.65611	\$3.04611	\$2.76611	\$2.91111
\$1.32335	\$0.54200	\$0.13160	\$0.00686	\$2.58736	\$2.84736	\$2.66571	\$2.81071

City of Orange, Texas
PRINCIPAL PROPERTY TAX PAYERS
Current and Nine Years Ago (Unaudited)
Table 8

	FY 2020 (a)			FY 2011 (b)		
	Assessed Value		Percent of Total Assessed Value	Assessed Value		Percent of Total Assessed Value
<u>Name</u>						
Inland - Orange	\$ 226,287,730	1	15.0112%			
Conrad Orange Shipyard	17,621,650	2	1.1690%			
Entergy Texas, Inc.	17,172,920	3	1.1392%	\$ 11,453,680	3	1.4455%
Westport Orange Shipyard, LLC	15,008,570	4	0.9956%			
Honeywell (Allied)	7,447,230	5	0.4940%	6,569,240	6	
TRQ Oakwood Village, LP	7,052,804	6	0.4679%			
Orange Navy, LP	5,612,542	7	0.3723%			
Orange Medical Office Bldg.	5,509,559	8	0.3655%			
Cloeren Company	5,454,360	9	0.3618%	5,507,660	8	
Cypresswood Crossing II, LP	5,026,480	10	0.3334%			
Exxonmobil Chemical Co.			-	29,238,910	1	3.6901%
Signal International Texas, LP			-	17,797,310	2	2.2461%
Orange Shipbuilding, Inc.			-	11,160,444	4	1.4085%
Webco Industries, Inc.			-	9,676,550	5	1.2212%
Firestone			-	6,124,730	7	0.7730%
Dal Sasso International			-	5,241,981	9	0.6616%
Southwestern Bell Telephone Co.			-	5,038,739	10	0.6359%
	<u>\$312,193,845</u>		<u>20.7100%</u>	<u>\$107,809,244</u>		<u>13.6060%</u>

(a) Tax roll for Fiscal Year 2020, tax year 2019.

(b) Tax roll for Fiscal Year 2011, tax year 2010.

City of Orange, Texas
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years (Unaudited)
Table 9

Fiscal Year	Total Adj. Tax Levy For Fiscal		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Year (a)		Amount	Percentage of Levy		Amount	Percentage of Levy
2011	\$ 5,866,470	\$	5,657,735	96.44%	\$ 156,989	\$ 5,814,724	99.12%
2012	5,889,754		5,622,255	95.46%	206,822	5,829,077	98.97%
2013	5,833,274		5,544,045	95.04%	224,602	5,768,647	98.89%
2014	5,882,553		5,669,884	96.38%	140,311	5,810,195	98.77%
2015	5,932,473		5,739,169	96.74%	118,806	5,857,975	98.74%
2016	6,087,788		5,828,534	95.74%	167,671	5,996,205	98.50%
2017	7,365,195		7,059,506	95.85%	198,111	7,257,617	98.54%
2018	7,695,526		7,489,506	97.32%	75,611	7,565,117	98.31%
2019	7,945,107		7,586,657	95.49%	188,645	7,775,302	97.86%
2020	8,491,518		8,242,222	97.06%	-	8,242,222	97.06%

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

City of Orange, Texas
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years (Unaudited)
Table 10

Fiscal Year	Government Activities			
	General		Certificates of Obligation	Capital Leases
	Obligation	Bonds & Notes		
2011	\$	10,020,000	\$ -	\$ -
2012		9,125,000	-	-
2013		8,740,000	-	-
2014		7,985,000	-	-
2015		7,290,000	-	-
2016		6,445,000	-	-
2017		5,605,000	-	382,761
2018		4,750,000	-	441,710
2019		3,875,000	8,199,833	351,004
2020		3,490,000	7,923,000	396,311

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, within the statistical section, for personal income and population data.

**Business-Type
Activities**

General Obligation Bonds	Certificates of Obligation	Revenue Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
\$ 6,790,000	\$ -	\$ 4,560,000	\$ 80,449	\$ 16,890,449	n/a	\$ 908.33
5,500,000	-	4,370,000	29,981	14,654,981	n/a	788.11
4,180,000	-	4,170,000	-	12,920,000	n/a	694.81
6,700,000	-	215,000	-	14,685,000	n/a	789.73
5,275,000	5,022,884	-	-	17,587,884	n/a	945.84
3,590,000	4,813,915	-	-	14,848,915	n/a	798.54
3,330,000	9,596,511	-	99,410	19,013,682	n/a	1,022.52
3,060,000	9,196,511	-	240,140	17,688,361	n/a	951.24
2,790,000	8,773,901	-	413,145	24,402,883	n/a	1,312.34
2,515,000	8,341,292	-	371,017	23,036,620	n/a	1,238.86

City of Orange, Texas

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years (Unaudited)

Table 11

Fiscal Year	General Obligation Debt		Less: Amounts Available for Debt Service	Total	Percentage of Estimated Actual Taxable Value of	
	Governmental Activities	Business-Type Activities			Property (a)	Per Capita (b)
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	12,952,762	217,694	18,340,068	1.75%	986.29
2018	4,750,000	12,256,511	471,281	16,535,230	1.51%	889.23
2019	12,074,833	11,563,902	393,870	23,244,865	2.35%	1,250.06
2020	11,413,000	10,856,292	97,406	22,171,886	2.09%	1,192.36

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

(a) See Assessed Value & Estimated Actual Value of Taxable Property within the statistical section for Actual Taxable assessed value.

(b) See Demographic and Economic Statistics, within the statistical section, for Population information.

City of Orange, Texas

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of September 30, 2020 (Unaudited)

Table 12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
City of Orange	\$ 11,416,311 (a)	100.00%	\$ 11,416,311
Bridge City ISD	12,794,379 (b)	2.52% (c)	322,418
Little Cypress Mauriceville ISD	64,315,000 (b)	45.10% (c)	29,006,065
Orange County	4,350,000 (b)	18.19% (c)	791,265
Orangefield ISD	8,675,000 (b)	2.99% (c)	259,383
West Orange Cove CISD	69,802,895 (b)	28.99% (c)	20,235,859
Subtotal Overlapping Debt	<u>159,937,274</u>		<u>50,614,990</u>
Total Direct and Overlapping Debt	<u>\$171,353,585</u>		<u>\$ 62,031,301</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 2020.

City of Orange, Texas
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years (Unaudited)
Table 13

	2011	2012	2013	2014
Debt Limit	\$ 100,307,453	\$ 102,608,008	\$ 102,470,872	\$ 110,459,971
Total net debt applicable to limit	\$9,905,976	\$9,050,421	\$8,584,272	\$7,908,113
Legal debt margin	\$ 90,401,477	\$ 93,557,587	\$ 93,886,600	\$ 102,551,858
Total net debt applicable to the limit as a percentage of debt limit	10.96%	9.67%	9.14%	7.71%

Legal Debt Margin Calculation
For Fiscal Year 2020

Total assessed value (a)	\$1,507,588,397
Debt limit 10% of assessed value (b)	\$150,758,840
Amount of debt applicable to debt margin:	
Total bonded debt	\$21,605,000
Less:	
Assets available in governmental debt service fund balance	\$0
Self supported bonds and certificates (c)	\$10,585,000
Total amount of debt applicable to debt limit (d)	\$11,020,000
Legal debt limit	\$139,738,840

(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 \$2,515,000; the 2015 Tax and Revenue Certificates of Obligation of \$3,855,000; and the 2016 Tax and Revenue Certificates of Obligation of \$4,215,000.

(d) This includes the 2013 General Obligation Refunding Bonds of \$3,490,000; and the 2019 Certificates of Obligation Bonds of \$7,530,000.

2015	2016	2017	2018	2019	2020
\$ 112,325,508	\$ 110,824,452	\$ 132,754,956	\$ 142,305,557	\$ 141,925,868	\$ 150,758,840
\$7,290,000	\$6,445,000	\$5,605,000	\$4,750,000	\$11,660,000	\$11,020,000
\$ 105,035,508	\$ 104,379,452	\$ 127,149,956	\$ 137,555,557	\$ 130,265,868	\$ 139,738,840
6.94%	6.17%	4.41%	3.45%	8.95%	7.89%

City of Orange, Texas
PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years (Unaudited)
Table 14

Fiscal Year	Water and Sewer			2007 WS System Revenue Bonds			2001 GO Refunding Bonds (c)	
	Charges and	Operating	Net	Principal	Interest	Coverage	Principal	Interest
	Other (a)	Expenses (b)	Available Revenue					
2011	\$ 7,149,432	\$ 4,898,200	\$ 2,251,232	\$ 185,000	\$ 193,640	\$ 6	\$ 1,047,978	\$ 123,075
2012	7,338,732	4,889,715	2,449,017	190,000	186,207	6.51	--	--
2013	7,720,675	4,972,511	2,748,164	200,000	179,846	7.23	--	--
2014	7,325,005	5,273,728	2,051,277	205,000	93,207	6.88	--	--
2015	7,757,844	5,047,447	2,710,397	215,000	7,698	12.17	--	--
2016	7,856,260	5,096,554	2,759,706	--	--	--	--	--
2017	7,871,369	5,331,641	2,539,728	--	--	--	--	--
2018	8,211,418	4,983,293	3,228,125	--	--	--	--	--
2019	7,957,435	5,633,654	2,323,781	--	--	--	--	--
2020	7,388,621	5,952,732	1,435,889	--	--	--	--	--

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.

2010 Go Refunding Bonds (d),(e)		2014 GO Refunding Bonds (f),(g)		2015 Certificates of Obligation (h)		2016 Certificates of Obligation (i)	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ 130,000	\$ 147,645	--	--	--	--	--	--
1,290,000	160,318	--	--	--	--	--	--
1,320,000	135,125	--	--	--	--	--	--
1,355,000	96,714	25,000	38,510	--	--	--	--
1,395,000	57,952	30,000	119,287	--	19,389	--	--
1,430,000	14,455	255,000	84,484	200,000	116,969	--	--
--	--	260,000	96,502	190,000	10,893	205,000	103,015
--	--	270,000	91,270	195,000	135,314	205,000	118,409
--	--	270,000	85,870	200,000	131,348	205,000	113,994
--	--	275,000	80,950	205,000	127,550	210,000	110,113



City of Orange, Texas
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years (Unaudited)
Table 15

<u>Fiscal</u>		Personal	Per Capita		% Completing	Unemployment
<u>Year</u>	<u>Population (a)</u>	<u>Income (b)</u>	<u>Personal</u>	<u>Median</u>	<u>High School or</u>	<u>Rate (c)</u>
			<u>Income (a) (b)</u>	<u>Age (a)</u>	<u>Higher (a)</u>	
2011	18,595	n/a	\$23,155 (a)	39.1	85.80%	11.4%
2012	18,595	n/a	\$23,155 (a)	39.1	85.80%	9.8%
2013	18,595	n/a	\$23,155 (a)	39.1	85.80%	9.7%
2014	18,595	n/a	\$23,155 (a)	39.1	85.80%	7.4%
2015	18,595	n/a	\$23,155 (a)	39.1	85.80%	6.4%
2016	18,595	n/a	\$23,155 (a)	39.1	85.80%	7.2%
2017	18,595	n/a	\$23,155 (a)	39.1	85.80%	8.2%
2018	18,595	n/a	\$23,155 (a)	37.4	88.70%	5.9%
2019	18,595	n/a	\$23,155 (a)	37.4	88.70%	5.3%
2020	18,595	n/a	\$28,980 (a)	37.4	88.50%	12.3%

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.

City of Orange, Texas

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Table 16

<u>Employer</u>	2020 (a)		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment (b)</u>
El Dupont de Nemours & Co.	920	1	2.42%
Invista	732	2	1.93%
Little Cypress-Mauriceville ISD	584	3	1.54%
Orange County	500	4	1.32%
West Orange Cove Consolidated ISD	450	5	1.18%
International Paper	412	6	1.08%
Kellog - Brown & Root	420	7	1.11%
Lanxess, Inc.	390	8	1.03%
Lamar State College - Orange	274	9	0.72%
Cloeren Company, Inc.	250	10	0.66%
Orangefield ISD	249	11	0.66%
Firestone Polymers	200	12	0.53%
Memorial Hermann Baptist Orange	194	13	0.51%
City of Orange	193	14	0.51%
Signal International	180	15	0.47%
Chevron Phillips Chemical Co.	180	16	0.47%
Printpack, Inc.	141	17	0.37%
Texas Polymer Services, Inc.	130	18	0.34%
Orange Shipbuilding & Dry Dock, Inc.	120	19	0.32%
Beacon Maritime, Inc.	100	20	0.26%
	<u>6,619</u>		<u>17.4%</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 updated by City staff in FY2011.

2011 (c)			
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment (d)</u>
El Dupont de Nemours & Co.	900	1	2.37%
Little Cypress-Mauriceville ISD	584	2	1.54%
Orange County	500	3	1.32%
West Orange Cove Consolidated ISD	450	4	1.18%
Invista	375	5	0.99%
International Paper	345	6	0.91%
Lanxess, Inc.	330	7	0.87%
Firestone Polymers	300	8	0.79%
Kellog - Brown & Root	300	9	0.79%
Lamar State College - Orange	274	10	0.72%
Cloeren Company, Inc.	250	11	0.66%
Orangefield ISD	249	12	0.66%
Memorial Hermann Baptist Orange	210	13	0.55%
City of Orange	193	14	0.51%
Signal International	180	15	0.47%
Printpack, Inc.	162	16	0.43%
Chevron Phillips Chemical Co.	145	17	0.38%
Texas Polymer Services, Inc.	130	18	0.34%
Orange Shipbuilding & Dry Dock, Inc.	120	19	0.32%
Beacon Maritime, Inc.	100	20	0.26%
	<u>6,097</u>		<u>16.1%</u>

City of Orange, Texas

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years (Unaudited)

Table 17

<u>Employer</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
City Manager	1	1	1	1	1
City Secretary	2	2	2	2	2
Municipal Court	2	2	2	2	2
Personnel	1	1	1	1	1
Finance	4	4	4	4	4
MIS	0	0	0	0	0
Animal Control	2	2	2	2	2
Library	6	6	5	5	5
Police	56	55	57	57.75	57.75
Fire	38	38	38	38	38
Engineering	1	1	1	1	1
Planning	1	1	1	1	1
Inspections	3	3	3	3	3
Building Services	4	4	4	4	4
Street & Drainage	15	15	15	15	15
Public Works Administration	2	2	2	2	2
Fleet Maintenance	4	4	4	4	4
Park Maintenance	8	8	8	9	9
Orange Development	1	1	1	1	1
Community Development	2	2	2	2	2
Police Special Revenue	1	1	1	0.25	0.25
Fire Special Revenue	0	0	0	0	0
Sewer Operations	9	9	9	9	9
Water Operations	8	8	8	8	8
Wastewater Treatment Plant	8	8	8	8	8
Water Productions	4	4	4	4	4
Customer Service	5	5	5	5	5
Meter Readers	3	3	3	3	3
Sanitation	1	1	1	1	1
Street Sweeping	1	1	1	1	1
Total	<u>193</u>	<u>192</u>	<u>193</u>	<u>194</u>	<u>194</u>

Source: City Annual Budget

2016	2017	2018	2019	2020
1	1	1	1	1.00
2	2	2	2	2.00
2	2	2	2	2.00
1	1	1	1	1.00
4	4	4	5	6.00
0	0	0	0	1.50
2	2	2	2	2.00
5	5	5	5	5.00
58	58	58	58	58.00
38	38	38	38	39.00
1	1	1	1	1.00
1	1	1	1	1.00
3.3	3	3	3	5.00
4	4	4	4	5.00
15	15	15	15	15.50
2	2	2	2	3.00
4	4	4	4	4.00
9	9	9	9	9.00
1	2	2	2	2.50
1	1	1	1	1.00
0.7	1	1	1	1.00
0	0	0	0	0.00
9	9	9	11	11.00
8	8	8	8	8.00
8	8	8	0	0.00
4	4	4	3	3.00
5	5	5	5	6.00
3	3	3	3	3.00
1	2	2	3	3.00
1	1	1	1	1.50
194	195	195	190	201

City of Orange, Texas

OPERATING INDICATORS BY FUNCTIONS/PROGRAM

Last Ten Fiscal Years

Table 18

<u>Function</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Police					
Physical arrests	1,521	1,583	1,577	1,239	1,252
Parking violations	32	83	14	12	14
Traffic violations	2,068	2,724	2,320	2,083	2,539
Fire					
Number of calls answered	2,803	2,822	2,819	3,168	3,196
Inspections	64	249	323	305	474
Street & Drainage					
Street resurfacing (miles)	1.2	2.0	8.0	1.5	2.1
Potholes repaired	5,550	6,000	5,800	6,000	11,900
Culture and recreation					
Recreation center (use fees)	360	685	385	250	40
Natatorium patrons (use fees)	4,291	7,158	8,779	8,833	0
Library patrons (use fees)	17,674	14,934	14,653	13,878	14,480
Water					
New connections	38	14	18	30	34
Water main breaks	863	743	530	766	632
Average daily consumption (thousands of gallons)	1,719	1,625	1,614	1,500	1,493
Wastewater					
Average daily sewage treatment (thousands of gallons)	1,940	2,308	2,427	2,423	2,522

Source: Various city departments

2016	2017	2018	2019	2020
1,252	1,088	1,223	1,238	455
10	11	25	23	10
2,736	2,273	2,605	2,319	849
3,487	3,603	3,485	3,511	4,101
817	923	812	904	509
2.0	0.0	1	5.5	5
10,085	14,000	24,849	26,980	21,112
20	30	0	0	0
10,639	5,404	0	0	0
13,590	13,746	12,749	10,834	5,108
21	30	38	28	20
462	420	482	408	514
1,524	1,509	1,542	1,447	1,421
3,422	3,694	3,266	4,130	4,279

City of Orange, Texas

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Table 19

<u>Function</u>	2011	2012	2013	2014	2015	2016
Police						
Stations	1	1	1	1	1	1
Patrol units	28	28	28	28	28	28
Personnel & officers	57	57	57	57.75	57.75	58
Fire						
Fire stations	3	3	3	3	3	3
Fire trucks	6	6	6	6	6	6
Personnel & officers	38	38	38	38	38	38
Sanitation						
Collection Trucks	2	2	2	2	2	2
Street and Drainage						
Streets (miles)	162	162	162	162	162	162
Streetlights	1,562	1,562	1,562	1,562	1,562	1562
Traffic Signals	7	7	7	7	7	7
Cultural and Recreation						
Parks acreage	284	284	284 (a)	284	284	284
Parks	20	20	19	19	19	19
Library	1	1	1	1	1	1
Swimming Pools	1	1	1	1	1	1
Tennis courts	6	6	6	6	6	4
Recreation centers	0	0	0	0	0	0
Basketball Courts	0	0	0	0	0	2
Splash Pad	0	0	0	0	0	1
Water						
Water mains (miles)	156	156	156	156	156	163
Fire hydrants	726	726	726	726	726	726
Maximum daily capacity (thousand of gallons)	10,613	10,613	10,613	10,613	10,613	10,613
Service connections	7,041	7,046	6,934	6,991	6,991	7,216
Wastewater						
Sanitary sewers (miles)	149	149	149	149	149	155
Storm sewers (miles)	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
Treatment plants	1	1	1	1	1	1
Service connections	6,808	6,789	6,690	6,750	6,750	7,000

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

Source: Various city departments

2017	2018	2019	2020
1	1	1	1
28	28	28	28
58	58	58	58
3	3	3	3
6	6	6	6
38	38	38	39
2	2	3	3
162	162	162	162
1,562	1,562	1,562	1,562
7	7	7	7
284	284	284	284
19	19	19	19
1	1	1	1
1	1	1	1
4	4	4	4
0	0	0	0
2	2	2	2
1	1	1	1
170	170	170	170
726	726	726	726
10,613	10,613	10,613	10,613
6,835	6,867	6,932	6,913
155	155	155	155
72	72	72	72
7,000	7,000	7,000	7,000
1	1	1	1
6,611	6,621	6,707	66,884

City of Orange, Texas

OPERATIONAL STATISTICS FOR WATER AND SEWER ENTERPRISE FUND

Last Ten Fiscal Years (Unaudited)

Table 20

	2011	2012	2013	2014	2015
Water Consumption					
October	50,873	56,313	57,752	51,796	44,039
November	45,481	50,243	49,813	48,167	43,736
December	45,275	46,626	47,117	50,242	41,742
January	44,798	45,120	47,380	50,752	43,629
February	45,690	41,875	39,852	48,802	38,829
March	41,356	39,046	41,891	41,573	38,754
April	50,695	46,233	46,081	38,077	43,414
May	51,130	50,367	45,561	40,841	42,131
June	68,903	56,486	53,492	44,663	47,219
July	59,881	55,313	55,236	40,176	49,333
August	58,388	53,936	52,150	43,828	61,251
September	64,823	51,489	52,920	48,716	50,802
Total	627,293	593,047	589,245	547,633	544,879
Water Rates					
Minimum 3/4"	9.58	10.06	10.56	10.56	10.92
Minimum 1"	11.69	12.27	12.88	12.88	13.32
Minimum 1 1/2"	16.90	17.70	18.64	18.64	19.28
Minimum 2"	23.18	24.34	25.56	25.56	26.43
Minimum 3"	37.77	39.66	41.64	41.64	43.06
Minimum 4"	58.66	61.59	64.67	64.67	66.87
Minimum 6"	110.86	116.40	122.22	122.22	126.38
Minimum 8"	173.51	182.19	191.30	191.30	197.81
Minimum 10"	246.57	258.90	271.85	271.85	281.10
Minimum 12"	330.13	346.64	363.97	363.97	376.35
Over 1,000 gallon minimum	2.28	2.39	2.51	2.51	2.60
Sewer Rates					
Minimum	12.03	12.63	13.26	13.26	13.71
Over 1,000 gallon minimum	7.86	8.25	8.66	8.66	8.96

Source: Various city departments

2016	2017	2018	2019	2020
46,302	49,499	48,396	46,723	43,836
42,331	48,172	42,124	44,466	41,409
45,073	43,060	40,177	41,972	40,674
46,564	44,081	46,726	45,014	43,906
42,243	39,698	45,188	39,857	39,143
43,968	41,346	39,860	38,418	38,778
47,228	44,091	41,464	44,451	44,907
42,457	46,010	48,338	44,144	43,254
48,275	49,920	56,263	44,713	39,397
47,671	47,976	51,660	48,433	51,160
56,231	48,432	54,970	45,057	46,994
47,900	48,431	47,619	44,971	45,155
556,243	550,716	562,785	528,219	518,613

10.92	10.92	10.92	10.92	10.92
13.32	13.32	13.32	13.32	13.32
19.28	19.28	19.28	19.28	19.28
26.43	26.43	26.43	26.43	26.43
43.06	43.06	43.06	43.06	43.06
66.87	66.87	66.87	66.87	66.87
126.38	126.38	126.38	126.38	126.38
197.81	197.81	197.81	197.81	197.81
281.10	281.10	281.10	281.10	281.10
376.35	376.35	376.35	376.35	376.35
2.60	2.60	2.60	2.60	2.60

13.71	13.71	13.71	13.71	13.71
8.96	8.96	8.96	8.96	8.96



OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION





**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, 2020, 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." in a cursive, flowing script.

Brooks Watson & Co., PLLC
14950 Heathrow Forest Pkwy | Ste 530
Houston, TX 77032
March 31, 2021

City of Orange, Texas
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2020

I. SUMMARY OF PRIOR YEAR AUDIT FINDINGS:

None.

City of Orange, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2020

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.