

City of Orange, Texas

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2013

Shawn Oubre, City Manager

Prepared by:
City of Orange Finance Department
Gail English, Director of Finance
Sherry Jackson, Accounting Manager



City of Orange, Texas
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2013

Table of Contents

<u>Introductory Section</u>	<u>Page</u>
<i>Letter of Transmittal</i>	<i>3</i>
<i>GFOA Certificate of Achievement</i>	<i>9</i>
<i>City Organizational Chart</i>	<i>10</i>
<i>List of Elected and Appointed Officials</i>	<i>11</i>
 <u>Financial Section</u>	
 <i>Independent Auditor's Report</i>	<i>15</i>
<i>Management's Discussion and Analysis</i>	<i>17</i>
 <u>Basic Financial Statements:</u>	
 <i>Government-wide Financial Statements:</i>	
<i>Statement of Net Position</i>	<i>36</i>
<i>Statement of Activities</i>	<i>37</i>
 <i>Fund Financial Statements:</i>	
<i>Balance Sheet - Governmental Funds</i>	<i>38</i>
<i>Statement of Revenues, Expenditures, and Changes in</i>	
<i>Fund Balances - Governmental Funds</i>	<i>39</i>
<i>Reconciliation of the Statement of Revenues, Expenditures,</i>	
<i>and Changes in Fund Balances of Governmental Funds</i>	<i>40</i>
<i>Statement of Revenues, Expenditures, and Changes in</i>	
<i>Fund Balances - Budget and Actual - General Fund</i>	<i>41</i>
<i>Statement of Net Position - Proprietary Funds</i>	<i>42</i>
<i>Statement of Revenues, Expenses, and Changes in</i>	
<i>Net Position - Proprietary Funds</i>	<i>43</i>
<i>Statement of Cash Flows - Proprietary Funds</i>	<i>44</i>
<i>Statement of Fiduciary Net Position - Fiduciary Funds</i>	<i>45</i>
<i>Notes to the Financial Statements</i>	<i>46</i>
 <u>Required Supplementary Information:</u>	
 <i>Schedule of Funding Progress - Texas Municipal Retirement System</i>	<i>88</i>
<i>Schedule of Funding Progress - Orange Firemen's Relief and</i>	
<i>Retirement Fund</i>	<i>89</i>

City of Orange, Texas
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2013

<i>Schedule of Employer Contributions - Orange Firemen's Relief and Retirement Fund</i>	90
<i>Schedule of Funding Progress - City of Orange Retiree Health Care Plan</i>	91
<u>Combining and Individual Fund Statements and Schedules:</u>	
<i>Schedule of Expenditures - Division Level - Budget and Actual - General Fund</i>	93
<i>Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:</i>	
<i>Debt Service Fund</i>	97
<i>Capital Projects Fund</i>	98
<i>Combining Balance Sheet - Nonmajor Governmental Funds</i>	101
<i>Combining Statement of Revenues, Expenditures and Changes In Fund Balances - Nonmajor Governmental Funds</i>	105
<i>Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Nonmajor Governmental Funds:</i>	
<i>Animal Shelter Donation Fund</i>	109
<i>Community Development Block Grant Fund</i>	110
<i>Confined Space Rescue Fund</i>	111
<i>Department of Justice Grant Fund</i>	112
<i>Emergency Management Fund</i>	113
<i>Fire Department Donation Fund</i>	114
<i>Law Enforcement Seizure Fund</i>	115
<i>Library Donation Fund</i>	116
<i>Municipal Court Technology Fund</i>	117
<i>Nelda C and HJ Lutcher Stark Foundation Grant Fund</i>	118
<i>Orange Development Fund</i>	119
<i>Parks Donation Fund</i>	120
<i>Police Donation Fund</i>	121
<i>Texas Department of Transportation (TX DOT) Grant Fund</i>	122
<i>Texas Forest Service TIFMAS Grant Fund</i>	123
<i>Texas General Land Office (GLO) Grant Fund</i>	124
<i>Statement of Net Position - Internal Service Fund</i>	126
<i>Statement of Revenues, Expenses, and Changes in Fund Net Position - Internal Service Fund</i>	127

City of Orange, Texas
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2013

<i>Statement of Cash Flows - Internal Service Fund</i>	<i>128</i>
<i>Combining Statement of Fiduciary Net Position</i>	<i>130</i>
<i>Combining Statement of Changes in Fiduciary Assets & Liabilities</i>	<i>131</i>

Statistical Section

<i>Net Position by Component</i>	<i>135</i>
<i>Changes in Net Position</i>	<i>136</i>
<i>Governmental Activities Tax Revenues by Source</i>	<i>138</i>
<i>Fund Balances of Governmental Funds</i>	<i>139</i>
<i>Changes in Fund Balance of Governmental Funds</i>	<i>140</i>
<i>Assessed Value and Estimated Actual Value of Taxable Property</i>	<i>141</i>
<i>Property Tax Rates - Direct and Overlapping Governments</i>	<i>142</i>
<i>Principal Property Taxpayers</i>	<i>143</i>
<i>Property Tax Levies and Collections</i>	<i>144</i>
<i>Ratios of Outstanding Debt by Type</i>	<i>145</i>
<i>Ratios of General Bonded Debt Outstanding</i>	<i>146</i>
<i>Direct and Overlapping Governmental Activities Debt</i>	<i>147</i>
<i>Legal Debt Margin Information</i>	<i>148</i>
<i>Pledged Revenue Coverage</i>	<i>149</i>
<i>Demographic and Economic Statistics</i>	<i>150</i>
<i>Principal Employers</i>	<i>151</i>
<i>Full-Time Equivalent City Government Employees by Function</i>	<i>152</i>
<i>Operating Indicators by Function</i>	<i>153</i>
<i>Capital Asset Statistics by Function</i>	<i>154</i>
<i>Operational Statistics for Water and Sewer Enterprise Fund</i>	<i>155</i>

Federal Single Audit Reports

<i>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards</i>	<i>159</i>
<i>Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with Circular 133</i>	<i>161</i>

Schedules

<i>Schedule of Findings and Questioned Costs</i>	<i>163</i>
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City of Orange, Texas
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2013

<i>Schedule of Prior Audit Findings</i>	<i>164</i>
<i>Schedule of Expenditures of Federal Awards</i>	<i>165</i>
<i>Notes to Schedule of Expenditures of Federal Awards</i>	<i>166</i>

INTRODUCTORY SECTION







March 4, 2014

Honorable Mayor Jimmy Sims and Members of the Orange City Council

The Comprehensive Annual Financial Report (CAFR) of the City of Orange for the fiscal year ended September 30, 2013 is submitted herewith in accordance with Article III, Section 3.14 of the Charter of the City of Orange. This report is submitted by the City to provide financial information to the citizens of Orange, state and federal agencies, investors and other interested parties. We believe the information, as presented, is accurate in all material aspects, that it is presented in a manner designed to set forth fairly, in all material respects, the financial position and results of operations of the City as measured and reported by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain an adequate understanding of the City's financial position have been included.

This report consists of management's representations concerning the finances of the City of Orange. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Orange has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Orange's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Orange's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Orange's financial statements have been audited by Charles E. Reed and Associates , PC a firm of licensed certified public accountants and consultants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Orange for the fiscal year ended September 30, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Orange's financial statements for the fiscal year ended September 30, 2013, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Orange was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available on pages 157 through 166.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The City of Orange's MD&A can be found immediately following the report of the independent auditor.

PROFILE OF THE GOVERNMENT

The City of Orange is located in the southeastern corner of Texas in the area known as the "Golden Triangle". The City is in the eastern section of the Beaumont-Orange-Port Arthur "Golden Triangle", situated on the Intracoastal Waterway. The City is the County seat of Orange County which was created and organized in 1852. The City of Orange currently occupies a land area of 21.4 square miles and serves a population of 18,595. The City of Orange is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City of Orange is a home-rule municipal government operating under the "council-manager" form of government since 1914. Policy making and legislative authority are vested in a governing council consisting of the mayor and six other members. The number of council members was changed from four to six by special election on May 8, 2010. The governing council is responsible, among other things, for passing ordinances and resolutions, adopting the budget, appointing committees, and hiring the government's City Manager, City Secretary, City Attorney and City Judge.

The council is elected on a non-partisan basis. Two council members and the mayor are elected from the city at-large. Four council members are elected by the qualified voters residing in single-member districts. The City began a redistricting process in fiscal year 2011 and it was completed in December 2011. The mayor and council members are elected to serve three-year staggered terms. No member of the Council can hold office for more than five consecutive terms.

The City Manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments.

The City of Orange provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; water, sewer and sanitation services; and recreational activities and cultural events. The City of Orange is financially

accountable for the legally separate Orange Economic Development Corporation which is reported separately within the City of Orange's financial statements. Additional information on this legally separate entity can be found in the notes to the financial statements (See Note 1.A). The City of Orange is not financially accountable for any of the other area entities within its jurisdiction such as school districts or other non-profit or for profit corporations.

The annual budget serves as the foundation for the City of Orange's financial planning and control. All departments of the City of Orange are required to submit requests for appropriations to the City Manager during the annual budget process. The City Manager uses these requests as the basis for developing a proposed budget. The City Manager then presents this proposed budget to the City Council for review forty-five days prior to the beginning of each budget year. The Council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than the 27th day of the last month of the fiscal year (September 27th). The appropriated budget is prepared by fund and department (e.g. police), character (e.g. personnel cost), and object (e.g. salaries). Department heads may request the transfer of funds between object codes within their departments. These transfers are submitted to the City Council for final approval by the City Manager. The City Manager may at any time, with the approval of the City Council, transfer any unencumbered appropriation, between general classification of expenditures within any department or agency of the City.

Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on page 39 as part of the basic financial statements for the governmental funds. For governmental funds, other than the General Fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 89.

FACTORS AFFECTING FINANCIAL CONDITION

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

Local economy

The City of Orange has had to face several years of rebuilding following two major hurricanes and two minor hurricanes to hit the area.

On September 23, 2005 the City of Orange was hit by Hurricane Rita a category three hurricane. The damage to the area was extensive. On September 13, 2008 the City of Orange was once again hit by a major hurricane. Hurricane Ike was a category two storm, but had a devastating storm surge.

While most hurricane recovery cost occur in the years directly following the hurricane, the City continues to have hurricane recovery costs within the Special Revenue Governmental Funds. In

fiscal year 2013 the City was still working to complete several infrastructure projects associated with two (2) 2008 Supplemental Disaster Recovery Fund Grants passed through the Texas General Land Office (GLO). These grants are Supplemental Disaster Recovery Grant Round 2.1 and Round 2.2.

Sales taxes have varied widely over the last eight fiscal years. In the fiscal year following the major hurricanes, the City saw large spikes in the collections of sales tax due to repairs. These then declined to a more normal level over time. In fiscal year 2009 the City saw a 35.43% jump in sales tax. Since then the City saw the sales tax fall 18.64% in fiscal year 2010 and 6.54% in fiscal year 2011. In fiscal year 2013 the City saw an increase in sales tax collections of 3.61%. The City had not anticipated any growth in sales tax and budgeted sales tax revenue growth would be fairly flat. The increase in sales tax, over what was anticipated, did result in sales tax revenue being up by \$80,503 for the fiscal year.

Long-term financial planning.

Industrial District Contracts (IDCs) provided 37.5% of the revenue for the City's general fund in fiscal year 2013. The City presently has seventeen IDCs in place. In fiscal year 2012 four of the IDCs came up for renewal. During the renewal process the City was able to renegotiate seven IDC's for a new longer term of 15 years. These renewals included the four that were up for renewal and three others that wanted to take advantage of the new contracts that were being offered. The new contracts are set at 93% of the ad valorem tax rate. This increased the amount of IDC billing, in fiscal year 2013, by 25%.

In prior years the City's ad valorem tax rate had remained constant, at \$0.745/\$100, from fiscal year 2008 to fiscal year 2012. During budget preparations it was always a high priority of the Council to control the tax rate. When the new Industrial District Contracts were being negotiated it was part of the discussion that any additional funds would, in part, help offset the ad valorem tax rate. The City was able to lower the ad valorem tax rate to \$0.70/\$100 in fiscal year 2013. In upcoming fiscal year 2014 the ad valorem tax rate was lowered to \$0.69/\$100.

The remainder of the IDC's come up for renewal in 2014, and the City anticipates that any new IDC contracts will follow the same format. If property and industrial values remain fairly constant it is anticipated that the tax rate may be lowered in upcoming fiscal years.

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

Relevant Financial Policies

With the location of the City along the Gulf Coast, the possibility of hurricane activities is present yearly. The City of Orange Charter established that estimated expenditures shall not exceed estimated resources, which includes available reserves. Although the expenditure of reserve funds

is allowed by the charter, the Orange City Council has always taken a conservative approach to budgeting.

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

Major Initiatives

In fiscal year 2011 the City was awarded an additional grant from the Texas General Land Office (GLO), formerly Texas Department of Rural Affairs (TDRA) for the rehabilitation of the City's Coopers Gully Lift Station as well as the resurfacing and repair of various streets and bridges. The total Round 2.1 grant award is \$6,401,138. Initial planning and engineering were begun in fiscal year 2012. In fiscal year 2012 the City had \$405,998 in expenditures related to this grant. In fiscal year 2013 there were an additional \$1,824,296 in expenditures related to this grant. This grant will be ongoing in fiscal year 2014.

In fiscal year 2012 the City was awarded another additional grant from the Texas General Land Office (GLO) for drainage improvement in Cooper's Gully and security lighting at Central Fire Station. The total Round 2.2 grant award is \$3,532,892. Initial planning started on the grant in fiscal year 2012. In fiscal year 2013 the City had \$18,937 in expenditures related to this grant. This grant is ongoing in fiscal year 2014.

The City of Orange is located along the banks of the Sabine River and the proximity to water has always been viewed as a valuable development tool that needed to be used. The Downtown Master Plan, completed by the Orange Economic Development Corporation (EDC), acknowledged the importance of the river in developing the downtown area.

In 2010 the Orange EDC began a process to make use of the City's downtown area along the Sabine River. The major component of this development started with a project to stabilize the riverfront and allow the City and it's citizens to make use of the area with the development of a riverfront park. Alternate projects were also designed to fully utilize this area.

The Orange EDC hired Studio Red Architects and Jeffrey K. Carbo FASLA to design the project. In fiscal year 2012 the Orange EDC issued sales tax bonds and started construction on the Downtown Riverfront Project which included the stabilization of the river front, development of a boardwalk/park area, and the construction of a performance pavilion.

In May 2013 the Downtown Master Plan Riverfront Park Project and several alternate projects were completed. The grand opening was celebrated on May 17, 2013 with a weekend of activities making use of the new park and facilities. The Orange EDC is currently scheduling various other events throughout the next fiscal year.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Orange for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2012. This was the 21st consecutive year (1992-2012) that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

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

Respectfully submitted,



Shawn Oubre
City Manager



Gail English
Director of Finance



Government Finance Officers Association

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

Presented to

**City of Orange
Texas**

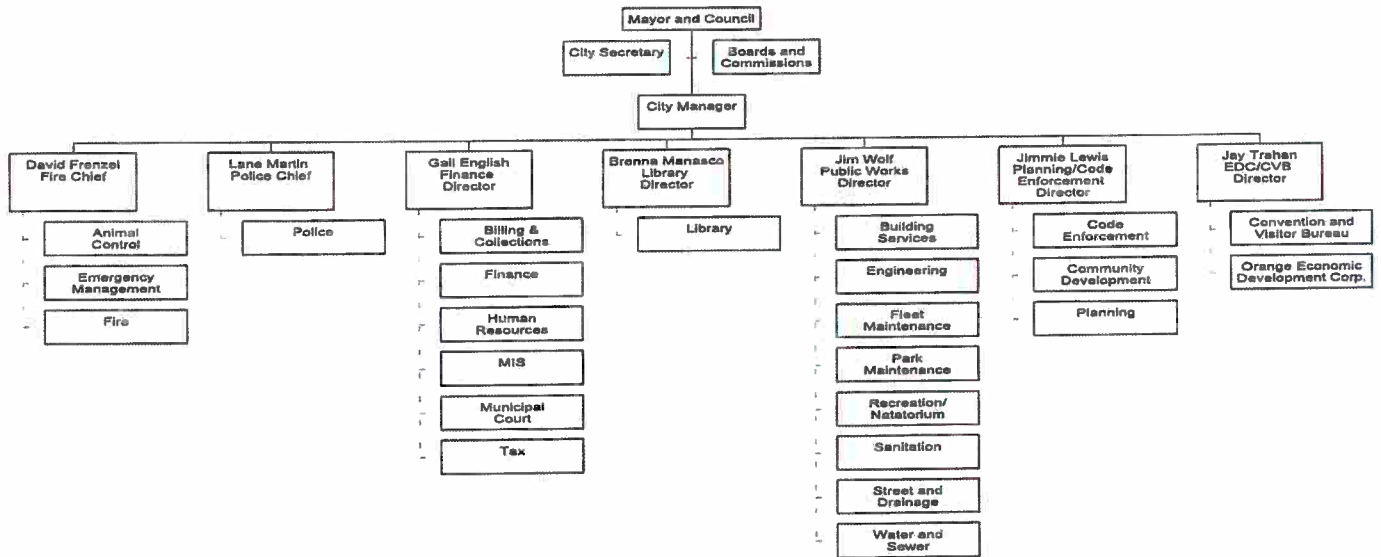
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

A handwritten signature in black ink, reading "Jeffrey R. Emswiler". The signature is written in a cursive, flowing style.

Executive Director/CEO

City of Orange, Texas *Organizational Chart*



City of Orange, Texas

City Council

Jimmy Simms, Mayor

Theresa Beauchamp, Mayor Pro-Tem, Council Member District 1

Tommy Ferguson - Council Member District 2

Essie Bellfield, Council Member District 3

Mary McKenna - Council Member District 4

Bill Mello - Council Member at Large Position 5

Charles Guillory - Council Member at Large Position 6

City Manager

Shawn Oubre

Directors

Gail English, Director of Finance

Lane Martin, Police Chief

David Frenzel, Fire Chief

James Wolf, Director of Public Works

Jimmie Lewis, Director of Planning and Community Development

Brenna Manasco, Library Director

Jay Trahan, EDC/CVB Director

City Secretary

Rhonda Haskins



FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Orange, Texas as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the discretely presented component unit, the City of Orange Economic Development Corporation were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Orange, Texas, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 17-32 and 84-87 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Orange, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2014, on our consideration of the City of Orange, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Orange, Texas' internal control over financial reporting and compliance.



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

March 3, 2014

Management's Discussion and Analysis

For the year ended September 30, 2013

As management of the City of Orange, we offer readers of the City of Orange's financial statements this narrative overview and analysis of the financial activities of the City of Orange for the fiscal year ended September 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on pages 3 to 8 of this report.

Financial Highlights

- *The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$64,187,966 (net position). Of this amount, \$9,616,870 (unrestricted net position), may be used to meet the government's ongoing obligations to citizens and creditors.*
- *The City's total net position increased by \$3,569,319, a 5.9% increase for the fiscal year. Governmental activities had an increase in total net position of \$2,134,265 which is a 8.5% increase over the prior fiscal year. The business type activities had an increase in total net position of \$1,435,054 which is a 4.0% increase from the prior fiscal year.*
- *The City's total net position also had a prior period adjustment of (\$366,983) from the implementation of GASB 65. This was for the balance of bond issue costs that were being amortized over the life of the bond issues.*
- *The largest component of change in net position was for changes in capital assets. The amount invested in capital assets (net of related debt) increased by \$2,014,111, which is a 4.0% increase. This change was due, in large part, to the Texas General Land Office Grants for street construction and storm sewer construction in the amounts of \$1,805,635.*
- *As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,482,791, an increase of \$950,382 in comparison with the prior year. Of the total amount, \$5,108,704 is available for spending at the government's discretion (unassigned fund balance). The largest fund balance change was in the general fund for an increase of \$915,673. The general fund expenditures were under budget by \$817,359.*
- *Within the general fund the largest budgetary savings were in personnel services and maintenance services line item categories.*
- *Unassigned fund balance for the General Fund was \$5,108,704 or 31.3% of total general fund expenditures at September 30, 2013.*
- *The City's total long-term bonded debt decreased by \$1,905,000. There were routine bond payments of \$670,000 in Governmental Activities. There were \$5,440,000 in new bonds issued to refund \$5,155,000 in older refunding bonds. There were routine bond payments of \$1,520,000 in the Business-Type Activities.*
- *The City had additional Hurricane Ike recovery costs during fiscal year 2013 that were paid through grants. On September 13, 2008 the City was hit by Hurricane Ike. Hurricane Ike was a category two storm at the time it came on shore but had a devastating storm surge which caused extensive flooding damage to many homes, businesses and City buildings and facilities. Hurricane Ike has been classified as the third most destructive hurricane to ever make landfall in the United States.*

- *In fiscal year 2011 the City was awarded Supplemental Disaster Recovery Funds (Round 2.1), from the Texas General Land Office (GLO), in the amount of \$6,401,138. This grant was awarded to fund the repair of the Cooper's Gully pump station as well as various street and bridge repairs. In fiscal year 2012 the City had \$405,998 in expenditures related to this grant. In fiscal year 2013 the City had \$1,824,296 in expenditures related to this grant.*
- *In fiscal year 2012 the City was once again awarded Supplemental Disaster Recovery Funds (Round 2.2) from the Texas General Land Office (GLO), in the amount of \$3,532,892. This grant was awarded to fund additional concrete lining of Cooper's Gully and security lighting at Central Fire Station. In fiscal year 2013 City had \$18,937 in expenditures related to the grant.*
- *The City also received other special revenue grants to fund various other projects.*
- *In fiscal year 2013 the City was awarded a Federal Highway Administration, Texas Department of Transportation Grant, in the amount of \$565,942, to reimburse the City for cost associated with the relocation of utilities along IH 10. In fiscal year 2013 the City had \$30,555 in expenditures.*
- *In fiscal year 2013 the City was awarded a Federal Highway Administration, Texas Department of Transportation Grant, in the amount of \$322,500, to pay highway-railroad crossing consolidation and closure costs in conjunction with a Rail Road Quiet Zone. In fiscal year 2013 the City had \$76,421 in expenditures*
- *The City also had ongoing expenditures related to recurring federal grants such as the Department of Housing and Urban Development Community Development Block Grant Entitlements \$394,721, Department of Justice Assistance Grants \$103,215, and Department of Homeland Security Emergency Management Performance \$29,891.*

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Orange's basic financial statements. The City of Orange's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future

fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the City of Orange that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Orange include general government, cultural and recreation, public safety, and public works. The business-type activities of the City of Orange include the Water and Sewer activities and Sanitation.

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

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

Fund Financial Statements

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

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

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

The City maintains twenty one (21) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and capital projects fund, all of which are considered to be major funds. Data from the other eighteen (18) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Orange adopts an annual appropriated budget for its general fund. A budgetary

comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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

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

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

The basic proprietary fund financial statements can be found on pages 42 to 44 of this report.

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

The basic fiduciary fund financial statement can be found on page 45 of this report.

***Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 46 to 87 of this report.*

***Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 88 to 91 of this report.*

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 93 to 131 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Orange, assets and deferred outflows exceeded liabilities and

deferred inflows by \$64,187,966 at the close of the most recent fiscal year.

By far, the largest portion of the City of Orange's net position (83 %) reflects its investment in capital assets (e.g., land, buildings, infrastructure, vehicles, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Orange uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Orange's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

<i>City of Orange's Net Position</i>						
	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
<i>Current and other assets</i>	\$11,357,911	\$10,285,708	\$5,213,245	\$5,005,017	\$16,571,156	\$15,290,725
<i>Capital assets</i>	<u>28,432,542</u>	<u>27,551,483</u>	<u>41,322,737</u>	<u>41,873,614</u>	<u>69,755,279</u>	<u>69,425,097</u>
<i>Total assets</i>	<u>39,790,453</u>	<u>37,837,191</u>	<u>46,535,982</u>	<u>46,878,631</u>	<u>86,326,435</u>	<u>84,715,822</u>
<i>Deferred outflow of resources (a)</i>	<u>267,991</u>	--	<u>0</u>	--	<u>267,991</u>	--
<i>Long-term liabilities outstanding</i>	11,427,711	11,570,671	8,469,739	10,023,831	19,897,450	21,594,502
<i>Other liabilities</i>	<u>1,630,627</u>	<u>1,269,193</u>	<u>868,821</u>	<u>866,497</u>	<u>2,499,448</u>	<u>2,135,690</u>
<i>Total liabilities</i>	<u>13,058,338</u>	<u>12,839,864</u>	<u>9,338,560</u>	<u>10,890,328</u>	<u>22,396,898</u>	<u>23,730,192</u>
<i>Deferred inflow of resources (a)</i>	<u>0</u>	--	<u>9,562</u>	--	<u>9,562</u>	--
<i>Net position:</i>						
<i>Net investment in capital assets</i>	19,963,533	18,716,218	32,963,175	32,196,379	52,926,708	50,912,597
<i>Restricted</i>	155,728	14,862	1,488,660	1,434,849	1,644,388	1,449,711
<i>Unrestricted</i>	<u>6,880,845</u>	<u>6,266,247</u>	<u>2,736,025</u>	<u>2,357,075</u>	<u>9,616,870</u>	<u>8,623,322</u>
<i>Total net position</i>	<u>\$27,000,106</u>	<u>\$24,997,327</u>	<u>\$37,187,860</u>	<u>\$35,988,303</u>	<u>\$64,187,966</u>	<u>\$60,985,630</u>

(a) The City implemented GASB 65, *Items Previously Reported As Assets and Liabilities*, in fiscal year 2013.

An additional portion of the City of Orange's net position, \$1,644,388 (2.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$9,616,870 may be used to meet the governments's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Orange is able to report positive balances in all three

categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

As reflected in the following table the City's net position increased by \$3,569,319 during the current fiscal year. Net position for the governmental activities increased \$2,134,265 and net position for the business-type activities increased \$1,435,054.

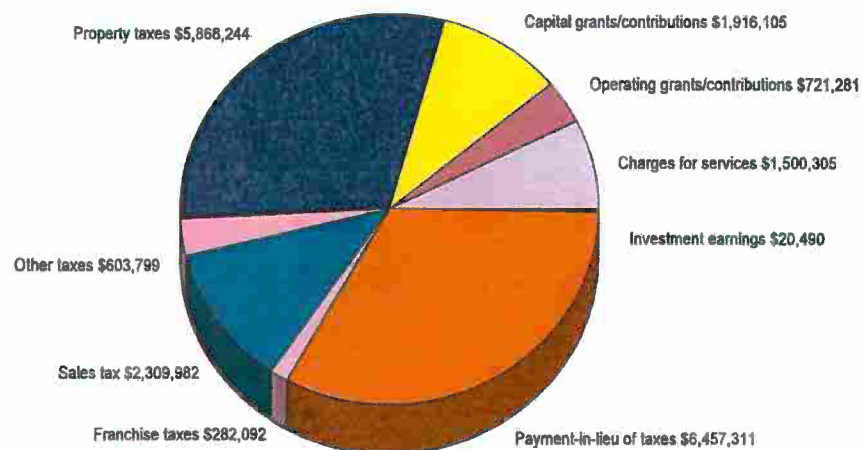
Capital asset changes were the largest component of the increase. The largest assets added were \$1,236,385 East Town street improvements, Pierce Aerial Fire Truck \$964,080 (\$907,880 was construction in progress last year), \$656,000 utility line extension on MLK Drive, \$569,250 for Cooper's Gully upgrades, \$193,097 street overlay/resurfacing, \$159,440 for seven (7) police vehicles and the Septic Sewer Dump Station \$185,400 (\$135,186 was construction in progress last year). Overall capital assets increased by \$2,014,111, net of related depreciation and debt.

City of Orange's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$1,500,305	\$1,536,269	\$9,482,465	\$9,091,483	\$10,982,770	\$10,627,752
Operating grants and contributions	721,281	1,410,679	0	0	721,281	1,410,679
Capital grants and contributions	1,916,105	6,804,978	772,900	72,611	2,689,005	6,877,589
General revenues:						
Property taxes	5,868,244	6,096,780	--	--	5,868,244	6,096,780
Sales tax	2,309,982	2,229,480	--	--	2,309,982	2,229,480
Other taxes	603,799	553,828	--	--	603,799	553,828
Franchise taxes	282,092	306,524	--	--	282,092	306,524
Payment-in-lieu of taxes	6,457,311	5,162,155	--	--	6,457,311	5,162,155
Unrestricted investment earnings	<u>20,490</u>	<u>22,267</u>	<u>9,141</u>	<u>18,516</u>	<u>29,631</u>	<u>40,783</u>
	<u>19,679,609</u>	<u>24,122,960</u>	<u>10,264,506</u>	<u>9,182,610</u>	<u>29,944,115</u>	<u>33,305,570</u>
Expenses:						
General government	1,686,907	1,449,759	--	--	1,686,907	1,449,759
Cultural and recreation	1,721,378	1,506,522	--	--	1,721,378	1,506,522
Public safety	10,244,710	10,124,888	--	--	10,244,710	10,124,888
Public works	3,593,133	4,294,614	--	--	3,593,133	4,294,614

<i>Interest on long term debt</i>	299,216	426,512	--	--	299,216	426,512
<i>Water</i>	--	--	2,800,457	2,416,132	2,800,457	2,416,132
<i>Sewer</i>	--	--	4,367,032	4,217,375	4,367,032	4,217,375
<i>Sanitation</i>	--	--	<u>1,661,963</u>	<u>1,629,934</u>	<u>1,661,963</u>	<u>1,629,934</u>
<i>Total expenses</i>	<u>17,545,344</u>	<u>17,802,295</u>	<u>8,829,452</u>	<u>8,263,441</u>	<u>26,374,796</u>	<u>26,065,736</u>
<i>Increase (decrease) before transfers</i>	2,134,265	6,320,665	1,435,054	919,169	3,569,319	7,239,834
<i>Transfers</i>	<u>0</u>	<u>(26,186)</u>	<u>0</u>	<u>26,186</u>	<u>0</u>	<u>0</u>
<i>Increase (decrease) in net position</i>	2,134,265	6,294,479	1,435,054	945,355	3,569,319	7,239,834
<i>Net position - beginning</i>	24,997,327	18,702,848	35,988,303	35,042,948	60,985,630	53,745,796
<i>Net position restatement - see note Section V (B)</i>	<u>(\$131,486)</u>	--	<u>(\$235,497)</u>	--	<u>(\$366,983)</u>	--
<i>Net position - ending</i>	<u>\$27,000,106</u>	<u>\$24,997,327</u>	<u>\$37,187,860</u>	<u>\$35,988,303</u>	<u>\$64,187,966</u>	<u>\$60,985,630</u>

Governmental Activities - Revenues by Source

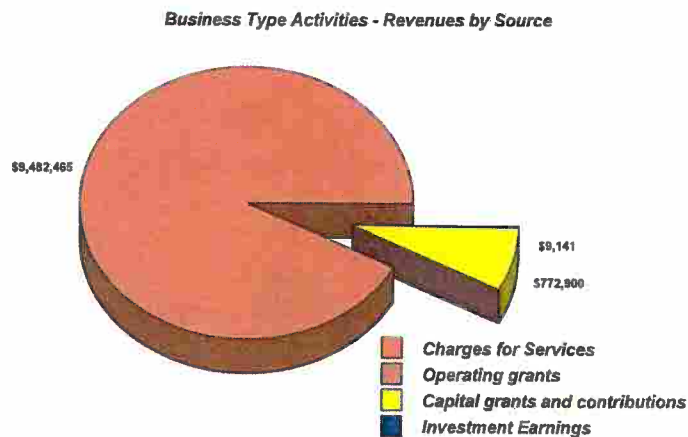
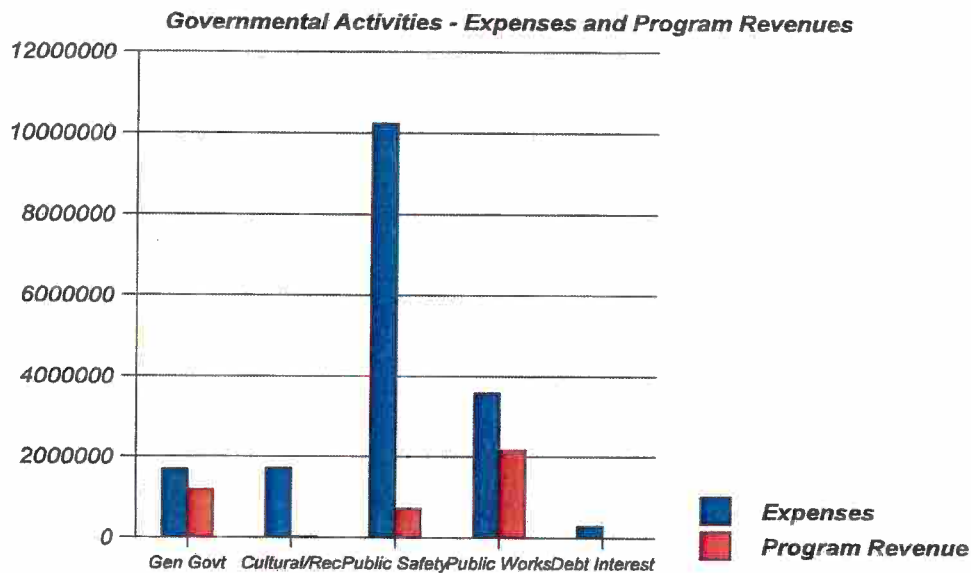


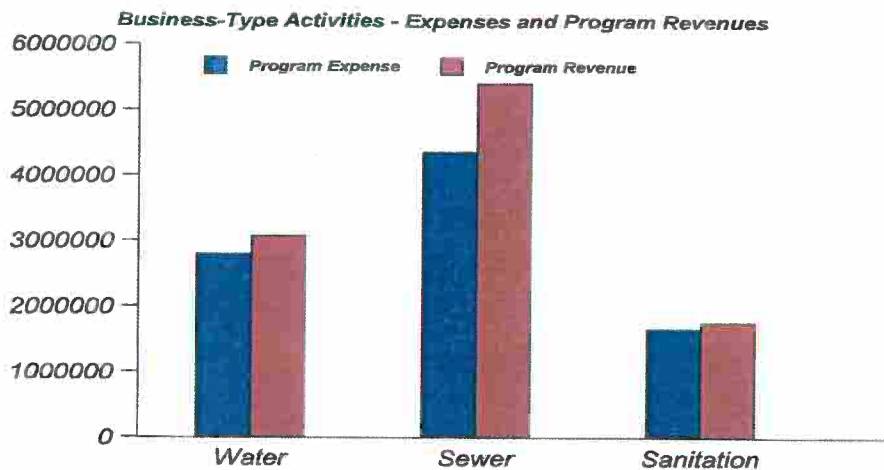
Governmental activities: Governmental activities increased the City of Orange's net position by \$2,134,265, which is 60% of the total change in City wide net position. Major elements of this change are as follows:

- The largest change, for governmental activities net position, was the increase in capital assets (net of related debt) of \$1,247,315. The governmental funds had grant related expenditures on the East Town Street Improvements, Cooper's Gully upgrades, and Railroad Quiet Zone

Project. The governmental funds also had overlay and resurfacing of various streets, and the purchase of ten (10) vehicles for various departments.

- Overall unrestricted net position increased by \$614,598. The major component were budget under runs in the General Fund. Various budget line-items, for personnel services and maintenance services, ended up under budget at the end of the fiscal year. This was the result of many factors but some of the largest are personnel changes during the year and utility, fuel and some maintenance costs being less than anticipated. Personnel costs were under budget \$257,121 and maintenance services were under budget \$408,293.
- There was a prior period restatement of (\$131,486) to net position resulting from the implementation of GASB 65. This adjustment was for bond issue costs that were amortized in prior periods and now are being expensed.





Business-type activities: Business-type activities increased the City of Orange's net position by \$1,435,054, thereby accounting for 40% of the total increase in the net position of the City of Orange.

- The business-type activities saw overall charges for services increase by \$390,982 in large part due to a 5% increase in water and sewer rates and a 1.9% increase in sanitation rates during fiscal year 2013.
- The business-types activities had capital grants and contributions in the amount of \$772,900. This amount was made up of \$656,000 contribution from Orange EDC for MLK Utility Extension, \$86,345 radio read meters for Knox & Decatur paid for by Community Development Block Grant funding, and \$30,555 IH10 Utility Relocation paid for by Texas Department of Transportation Grant.
- The business-type activities saw operating expenses increase by \$566,011, 7% for the fiscal year. This included a loss on capital asset disposition of \$534,800. This resulted from various pieces of equipment that were retired because they were no longer in use or inoperable.
- There was a prior period restatement of (\$235,497) to net position resulting from the implementation of GASB 65. This adjustment was for bond issue costs that were amortized in prior periods and now are being expenses.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Orange governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in

assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$7,482,791, an increase of \$950,382 in comparison with the prior year. The unassigned fund balance total was \$5,108,704 which is 68% of total fund balance. The unassigned fund balance is available for spending at the government's discretion.

<i>Nonspendable</i>	<i>Inventories</i>	<i>\$ 101,349</i>
<i>Restricted for:</i>	<i>Cultural and recreation</i>	<i>\$ 117,333</i>
	<i>Debt service</i>	<i>\$ 155,728</i>
	<i>Public safety</i>	<i>\$ 904,580</i>
	<i>Public works</i>	<i>\$ 54,177</i>
	<i>Tourism and promotion</i>	<i>\$ 976,036</i>
<i>Assigned to:</i>	<i>Capital outlay</i>	<i>\$ 62,599</i>
	<i>Economic development</i>	<i>\$ 2,285</i>
<i>Unassigned</i>		<i>\$5,108,704</i>

The General Fund is the chief operating fund of the City of Orange. At the end of fiscal year 2013 the General Fund had an unassigned fund balance of \$5,108,704, which is \$938,685 more than the prior fiscal year. The unassigned fund balance is 31% of the expenditures of the General Fund for fiscal year 2013.

The change in unassigned fund balance was composed of:

- The General Fund's overall revenue increased by \$1,518,596.*
- The City saw an increase of \$1,295,156 in industrial district payments. This increase was due to the IDC contracts renewals in fiscal year 2012.*
- The City saw an increase of \$157,739 in property tax collections.*
- General Fund expenditures decreased overall by \$219,492, which is a 2% decrease. While there were changes in various categories of expenditures the biggest change was for hurricane recovery costs. In fiscal year 2012 the General Fund had hurricane recovery expenditures of \$263,488. The City did not have any hurricane recovery cost, within the General Fund, for fiscal year 2013. The City did give a 2% COLA for fiscal year 2013.*

The Debt Service Fund had a fund balance of \$155,728 which is restricted for debt service payments. This is an increase of \$79,634 and represents the fluctuation in property tax collection for the fiscal year.

The Capital Projects Fund was established to account for funds that are to be used for general capital improvement projects of the City and has a fund balance of \$62,599 which is assigned to capital outlay. There was a reduction of \$31,309 to cover City portion of railroad quiet zone delinerator project.

The Other Governmental Funds are all Special Revenue Funds and as such are legally restricted or assigned to the established use of the fund. The Other Governmental Funds had fund balances totaling \$2,054,411. This is a reduction of \$13,616 from the prior year.

Proprietary funds. The City of Orange's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position of the Water and Sewer Fund was \$1,737,126. This is a \$308,328 increase from the prior fiscal year. The water and sewer utility rates were increase by 5% in fiscal year 2013. Water and sewer utility revenues increased by \$388,982. Operating expenses increased by \$40,197, 0.6%. The largest changes in expenses were an increase in administrative expenses of \$124,946 and an increase in personnel costs of \$76,397. The City gave a 2% COLA in fiscal year 2013. There was a decrease in utilities of \$93,834 due in part to fuel refund adjustment granted during the year from our electric utility provider.

The unrestricted net position of the Sanitation Fund was \$1,034,758. This is a \$131,736 increase from the prior fiscal year. The sanitation rates were increased 1.9% in fiscal year 2013. This was to offset the CIP adjustment allowed by our contracted sanitation vendor on an annual basis. The operating revenues increase \$2,064 for the fiscal year. Operating expenses increased by \$33,968.

In fiscal year 2012 there was a transfer in/out between the Sanitation Fund and the Water and Sewer Fund for \$250,000. The amount was transferred from the Sanitation Fund to the Water and Sewer Fund to pay for the construction of a Sewer Septic Receiving Station. The project was started in fiscal year 2012 and completed in fiscal year 2013. This station started operations in fiscal year 2013 on a fee basis.

General Fund Budgetary Highlights

There was one budget amendment that affected the General Fund for fiscal year 2013. The amendment totaled \$160,476 in additional appropriations.

<i>Amendment #1</i>	<i>(\$66,915)</i>	<i>To amend the budget for additional revenue received on standby time at local industries.</i>
	<i><u>227,391</u></i>	<i>To amend the budget for expenditures for increased costs in various line items. The largest of these increases were (1) additional payroll costs associated with excess accrual time per contract and payment of standby overtime costs \$125,400. (2) adjustment to radio maintenance for regional radio system \$55,990 and (3) necessary repairs to property on 8th street \$34,400.</i>
<i>Total</i>	<i><u>\$160,476</u></i>	

This amendment was funded in part by the receipt of additional revenue for \$66,915 and the use of unassigned fund balance in the amount of \$160,476.

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

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Personnel Services	\$11,988,361	\$12,121,552	\$11,864,431	(\$257,121)
Maintenance & Services	3,771,326	3,827,709	3,412,992	(408,293)

During the fiscal year the general fund had various changes in employee within positions. These changes result from employees retiring or leaving during the year. Sometimes the positions were vacant for a period of time while they were being filled and in most cases the new employees enter at a lower grade on the City pay scale. This resulted in variances in salaries and benefits during the fiscal year.

The maintenance and services category saw a large reduction in electricity costs for the year. Electricity costs ended up being under budget by (\$181,987). The large reason for change was the allocation of fuel adjustment credit given to customers during the fiscal year. This category also saw a savings of (\$42,555) in petroleum purchases for the year. This savings was a result of slightly lower gasoline/diesel prices for the fiscal year. Other smaller savings were spread out over various accounts within this category.

Capital Assets and Debt Administration

Capital Assets - The City of Orange's investments in capital assets for its governmental and business type activities, as of September 30, 2013, amounts to \$69,755,279 (net of accumulated depreciation). The investment in capital assets includes land, buildings, furniture, fixtures and books, improvements other than buildings, machinery and equipment, streets, transportation vehicles, and construction in progress.

Capital assets in the governmental activities increased by \$881,059, 3.2%, in this fiscal year. Capital assets in the business-type activities decreased by (\$550,877), (1.3%).

City of Orange Capital Assets (net of depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2013	2012	2013	2012	2013	2012
Land	\$1,585,658	\$1,585,658	\$725,560	\$725,560	\$2,311,218	\$2,311,218
Buildings	17,436,669	18,004,762	351,526	360,791	17,788,195	18,365,553
Furniture, fixtures and books	706,989	828,141	--	--	706,989	828,141
Improvements other than buildings	--	--	38,223,371	39,322,429	38,223,371	39,322,429
Machinery, equipment, vehicles and improvements	4,483,456	3,937,398	996,991	943,417	5,480,447	4,880,815
Vehicles	--	--	258,114	365,661	258,114	365,661
Streets	1,819,196	1,812,151	--	--	1,819,196	1,812,151

<i>Construction in progress</i>	<u>2,400,574</u>	<u>1,383,373</u>	<u>767,175</u>	<u>155,756</u>	<u>3,167,749</u>	<u>1,539,129</u>
<i>Total</i>	<u>\$28,432,542</u>	<u>\$27,551,483</u>	<u>\$41,322,737</u>	<u>\$41,873,614</u>	<u>\$69,755,279</u>	<u>\$69,425,097</u>

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

Governmental Activities

In fiscal year 2013 the governmental activities had an increase in capital assets, before depreciation, of \$1,119,778. The major components of change in fiscal year 2013 were:

Buildings -

- *Improvements to various City buildings \$90,426.*
- *Demolition of old log cabin visitor center (\$10,800).*

Machinery, equipment, vehicles and improvements -

- *Pierce Aerial Fire Truck in the amount of \$964,080. Most of the cost, \$907,880, was transferred from construction in progress for the amount that was paid last year while the truck was in the manufacturing process.*
- *Vehicle purchases for inspections (1) \$20,263, parks (1) \$21,512, police (7) \$159,440 and streets (1) \$21,207.*
- *Purchase of Kubota slope mower \$85,813.*
- *Receipt of Zodiac Pro Ridgit Boat by grant passed through Orange County \$52,700.*
- *Purchase of two Dixie Choppers for parks \$17,567.*
- *Deletion of obsolete radio equipment (\$530,511). The City's radio system was upgraded in fiscal year 2012.*
- *Older aerial fire truck was deleted and traded in (\$478,294).*
- *Deletions due to the trade-in or transfer of vehicles to other funds (\$330,705).*
- *Obsolete tools and equipment was removed in the amount of (\$57,349).*

Furniture, fixtures and books -

- *Purchase of playground equipment at Northway Park \$49,968.*
- *Library materials \$8,545.*
- *Obsolete computer equipment was deleted (\$172,883).*
- *Older river walk lighting was removed (\$78,940).*
- *Other obsolete/inoperable equipment removed (\$31,366).*

Infrastructure -

- *Street overlay and resurfacing for \$193,097.*

Construction in Progress -

- *East town street improvement project \$1,236,385.*
- *Cooper's Gully upgrades \$569,250.*

- *Railroad Quiet Zone project \$78,506.*
- *Improvements to Taggart House property at 8th street \$34,440.*
- *Meals on Wheels sidewalk \$6,500.*
- *Transfer out for aerial fire truck that was under production in prior fiscal year (\$907,880).*

Business Type Activities

In fiscal year 2013 business-type activities had an increase in capital assets, before depreciation, of \$703,202. The major capital expenditures included:

Improvements -

- *Septic Dump Station Completed \$185,400, \$135,186 transferred from construction in progress.*
- *Meters and settings \$206,007, of this \$86,345 was purchased through CDBG Grants funds.*
- *Sewer repairs Area II SSO \$95,194.*
- *Water main improvements \$43,750.*
- *Hand held meter reading computer equipment \$21,149.*
- *Jackson WWTP primary clarifier drive repair \$20,151.*
- *Water system components from prior purchased systems (\$430,000).*
- *Jackson WWTP components replaced (\$148,354).*
- *Various lift stations components replaced (\$30,750).*
- *Obsolete/inoperable computer and communication equipment (\$16,652).*

Machinery, equipment and improvements -

- *Pumps and other equipment repairs/replacements for Jackson WWTP \$113,027.*
- *VFD controllers for Meeks Plant pumps \$60,890.*
- *Equipment for Link Street \$22,040.*
- *Various pieces of obsolete/inoperable equipment removed (\$50,071).*

Construction in progress -

- *Utility line extension on MLK \$656,000.*
- *Jackson Street WWTP UV System Upgrade \$60,050.*
- *IH 10 Utility Relocation Project \$30,555.*
- *Sewer Receiving Station completed (\$135,186).*

Additional information on the City of Orange's capital assets can be found in note IV.C on pages 63 to 66 of this report.

Long-term debt. At the end of the current fiscal year, the City of Orange has total bonded debt outstanding of \$17,090,000. Of the outstanding debt \$12,920,000 is backed by the full faith and credit of the government and \$4,170,000 is backed by the revenue of the Water and Sewer system.

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

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
<i>Certificates of Obligation</i>	\$585,000	\$6,010,000	\$0	\$0	\$585,000	\$6,010,000
<i>General Obligation Bonds</i>	8,155,000	3,115,000	4,180,000	5,500,000	12,335,000	8,615,000
<i>Revenue Bonds</i>	0	0	4,170,000	4,370,000	4,170,000	4,370,000
<i>Total</i>	<u>\$8,740,000</u>	<u>\$9,125,000</u>	<u>\$8,350,000</u>	<u>\$9,870,000</u>	<u>\$17,090,000</u>	<u>\$18,995,000</u>

The City's total debt decreased by \$1,905,000, or 11.1%, during the current fiscal year. The certificates of obligation for governmental activities decreased by \$5,425,000 which represents \$270,000 in debt principal payments and \$5,155,000 in certificates that were refunded in fiscal year 2013. The general obligation bonds of the governmental activities increased by \$5,040,000 which represents a decrease of \$400,000 in debt principal payments and an increase of \$5,440,000 in new Series 2013 refunding bonds issued.

The general obligation bonds for business-type activities decreased by \$1,320,000 which represents the debt principal payment for the fiscal year on general obligation bonds which were paid out of water and sewer revenues in fiscal year 2013. The revenue bonds for business-type activities decreased by \$200,000 which represents the debt principal payment for the fiscal year.

Revenue Debt

On the Series 2007 Water and Sewer Revenue Bonds the City of Orange was assigned an "A3" rating from Moody's Investors Service and a "BBB+" rating from Standard & Poor's. In April 2008 Standard & Poor's raised its rates on the bonds from "BBB+" to "A" and Moody's Investors Service assigned an "A2" rating.

In April 2010 Moody's Investors Service downgraded the overall rating of the Orange TX Water and Sewer Enterprise from "A1" to "A2". This covers the Series 2007 Water and Sewer Revenue Bonds.

General Obligation Debt

On the Series 2008 Tax and Revenue Certificates of Obligation the City of Orange was assigned an "A2" rating from Moody's Investors Service and an "A+" rating from Standard and Poor's.

On the Series 2010 General Obligation Refunding Bonds the City of Orange was assigned an "Aa3" rating from Moody's Investors Services.

In February 2013 Moody's assigned an "Aa3" rating on the upcoming issue Series 2013 General Obligation Refunding Bonds that will refund the Tax and Revenue Certificates of Obligation, Series 2008. The new bond issue will close in April 2013. The Moody's "Aa3" rating affects \$14.9 in outstanding parity debt, inclusive of the current sale.

Additional information on the City's long-term debt can be found in note IV.F on pages 68 to 73 of this report.

Economic Factors and Next Year's Budget and Rates

Economic factors fiscal year 2013-

- *Sales tax collections increased 3.6%. The City had anticipated that the sales tax for the year would be on line with the previous years collections, but sales did rise slightly for the fiscal year. Collections went from \$2,229,480 in fiscal year 2012 to \$2,309,982 in fiscal year 2013. These amount have been adjusted for the sales tax collections for economic development which are collected for the City's Component Unit the Orange Economic Development Corporation. The collections for all of Orange County increased by 6.1%. The City has seen a 11.15% decrease in sales tax collections for the first quarter of fiscal year 2014. This decrease was due to a large state sales tax audit adjustment, from prior periods, that reduced payments within the first quarter.*
- *Hotel/motel tax collections did show an increase in fiscal year 2013. The collections increased by 9.1% during the fiscal year. Collections went from \$535,750 in fiscal year 2012 to \$584,541 in fiscal year 2013. This increase was not the result on any major change in the number of hotels but overall increase in hotel/motel revenue within the area.*
- *The unemployment rate for Orange County (in which Orange is located) remained above the state and national average. At September 2013 the unemployment rate was 9.7% while the statewide rate was 6.3% and the national rate was 7.2% (according to the US Bureau of Labor Statistics). The unemployment rate for the local metropolitan area is down from the prior year rate of 9.9%.*

Economic factors budgeted fiscal year 2014 -

- *The ad valorem tax certified taxable values for the new budget increased by 8.3% over the prior fiscal year. The certified taxable values went from \$823,119,578 in January 2012 to \$891,551,563 in January 2013. The City was once again able to reduce the ad valorem tax rate to \$0.69 per \$100. This was based in part on the increase in taxable values and the renegotiation of seven Industrial District Contracts in fiscal year 2012.*
- *The Industrial District certified values increased by 1.1%. The values went from \$1,161,167,951 in January 2012 to \$1,173,888,761 in January 2013. The next group of expiring Industrial District Contract will be renegotiated in fiscal year 2014.*
- *Sales tax increased 3.6% in fiscal year 2013. The City budgeted a 3.8% increase in sales tax for fiscal year 2014.*

Next years budgetary information and rates -

- *The ad valorem tax rate was reduced, by another \$0.01/\$100, for fiscal year 2014. The new*

ad valorem tax rate is \$0.69/\$100. This was made possible by additional revenue that was generated when Industrial District Contract were renegotiated in a prior fiscal year.

- *In fiscal year 2012 the City was able to renegotiate the Industrial District Contract with seven local industries. The new contracts are for 15 years and based on 93% of the ad valorem tax rate. This IDC rate was equivalent to \$0.6417/\$100 in fiscal year 2014.*
- *Fiscal year 2013 was the final year under Industrial District Contracts for our second group of industries with five year contracts. The IDC contracts are not based on ad valorem tax rates, but include an industrial tax rate. The new contracts began at \$.47206/\$100 and increase to \$.50/\$100 in the final year. These contracts will be renegotiated in fiscal year 2014.*
- *The water and sewer rates were not adjusted in fiscal year 2014. Anticipated revenue was able to meet budget needs.*
- *The sanitation rates were adjusted 3% in fiscal year 2014. The present contract for sanitation services allows the vendor to adjust rates annually for the prior twelve month CPI for sanitation services. This rate adjustment covers the CPI rate received.*
- *The City has negotiated two year contracts with both the Orange Municipal Police Association and the Orange Association of Firefighters Local 1432. Both groups received a 2% cost of living increase for fiscal year 2014.*
- *The City granted a 2% cost of living increase for non-union employees.*
- *The City budgeted step increases for non-union employees who have not reached their top step.*
- *In fiscal year 2014 the City changed medical insurance providers. We currently use Humana for medical and dental. The City works with a consulting firm to assist with the bidding of our medical insurance providers. The City was able to provide similar coverages and the City covered any additional costs to the employee and their dependents.*

Request for Information

The financial report is designed to provide a general overview of the City of Orange's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Orange, Finance Department, P. O. Box 520, Orange, TX 77631. A copy of the Comprehensive Annual Finance Report is available on the City's website at orangetexas.net.



BASIC FINANCIAL STATEMENTS



City of Orange, Texas
Statement of Net Position
September 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
Assets				
Cash and cash equivalents	\$7,099,392	\$2,055,107	\$9,154,499	\$1,344,494
Investments	249,590	0	249,590	0
Receivables (net of allowance for uncollectibles)	3,498,177	1,189,752	4,687,929	81,332
Internal balances	119,376	(119,376)	0	0
Inventories	101,349	143,023	244,372	0
Prepays	135,448	31,873	167,321	1,225
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	154,579	1,912,866	2,067,445	397,368
Capital assets (net of accumulated depreciation)				
Land	1,585,658	725,560	2,311,218	871,059
Buildings	17,436,669	351,526	17,788,195	0
Furniture, fixtures, books	706,989	0	706,989	0
Improvements other than buildings	0	38,223,371	38,223,371	7,374,703
Machinery, equipment, vehicles & improvements	4,483,456	996,991	5,480,447	0
Vehicles	0	258,114	258,114	0
Streets	1,819,196	0	1,819,196	0
Construction in progress	2,400,574	767,175	3,167,749	0
Total assets	39,790,453	46,535,982	86,326,435	10,070,181
Deferred Outflows of Resources				
Deferred outflows on refunding	267,991	0	267,991	0
Total deferred outflows of resources	267,991	0	267,991	0
Liabilities				
Accounts payable and other current liabilities	1,588,517	816,860	2,405,377	83,246
Accrued interest payable	42,110	51,961	94,071	40,770
Noncurrent liabilities				
Due within one year payable from restricted assets	154,579	1,488,660	1,643,239	285,000
Due within one year	1,624,389	117,342	1,741,731	0
Due in more than one year	9,648,743	6,863,737	16,512,480	7,000,000
Total liabilities	13,058,338	9,338,560	22,396,898	7,409,016
Deferred Inflow of Resources				
Deferred inflows on refunding	0	9,562	9,562	0
Total deferred inflows of resources	0	9,562	9,562	0
Net Position				
Net investment in capital assets	19,963,533	32,963,175	52,926,708	960,763
Restricted for:				
Debt service payments	155,728	1,488,660	1,644,388	356,598
Unrestricted	6,880,845	2,736,025	9,616,870	1,343,804
Total net position	\$27,000,106	\$37,187,860	\$64,187,966	\$2,661,165

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

City of Orange, Texas
Statement of Activities
For the Year Ended September 30, 2013

Function/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
General government	1,686,907	1,086,293	106,590	473	(\$493,551)	-	(\$493,551)
Cultural and recreation	1,721,378	23,817	6,160	1,704	(\$1,689,697)	-	(\$1,689,697)
Public safety	10,244,710	341,031	254,898	138,848	(\$9,509,933)	-	(\$9,509,933)
Public works	3,593,133	49,164	353,633	1,775,080	(\$1,415,256)	-	(\$1,415,256)
Interest on long-term debt	299,216	0	0	0	(299,216)	-	(299,216)
Total governmental activities	17,545,344	1,500,305	721,281	1,916,105	(13,407,653)	-	(13,407,653)
Business-type activities:							
Water	2,800,457	2,648,991	0	429,623	-	278,157	278,157
Sewer	4,367,032	5,064,641	0	343,277	-	1,040,886	1,040,886
Sanitation	1,661,963	1,768,833	0	0	-	106,870	106,870
Total business-type activities	8,829,452	9,482,465	0	772,900	-	1,425,913	1,425,913
Total primary government	\$26,374,796	\$10,982,770	\$721,281	\$2,689,005	(13,407,653)	1,425,913	(11,981,740)
Component Unit:							
Economic Development Corporation	\$1,281,267	\$0	\$2,525	\$259,900	-	-	(\$1,018,842)
Total component unit	\$1,281,267	\$0	\$2,525	\$259,900	-	-	(1,018,842)
General revenues:							
Property taxes					5,868,244	-	5,868,244
Sales tax					2,309,982	-	2,309,982
Other taxes					603,799	-	603,799
Franchise taxes					282,092	-	282,092
Payment in-lieu of taxes					6,457,311	-	6,457,311
Investment earnings					20,490	9,141	29,631
Total revenues					15,541,918	9,141	15,551,059
Change in net position					2,134,265	1,435,054	3,569,319
Net position - beginning					24,997,327	35,988,303	60,985,630
Net position restatement - see note Sec. V (B)					(131,486)	(235,497)	(366,983)
Net position - ending					\$27,000,106	\$37,187,860	\$64,187,966

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

City of Orange, Texas
Balance Sheet
Governmental Funds
September 30, 2013

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$4,635,380	\$154,579	\$62,599	\$1,999,418	\$6,851,976
Investments	249,590	0	0	0	249,590
Receivables (net of allowance for uncollectibles)					
Taxes	976,365	235,568	0	0	1,211,933
Accounts	683,329	0	0	797,825	1,481,154
Due from other funds	239,839	0	0	0	239,839
Due from others	6,440	1,149	0	0	7,589
Inventories, at cost	101,349	0	0	0	101,349
Prepays	131,434	0	0	4,014	135,448
Total assets	\$7,023,726	\$391,296	\$62,599	\$2,801,257	\$10,278,878
Liabilities					
Accounts payable	\$831,837	\$0	\$0	\$591,312	\$1,423,149
Partial payment of taxes	1,565	0	0	0	1,565
Due to other funds	788	0	0	155,534	156,322
Liability for municipal court	3,118	0	0	0	3,118
Total liabilities	837,308	0	0	746,846	1,584,154
Deferred inflows of resources					
Unavailable revenue-property tax	976,365	235,568	0	0	1,211,933
Total deferred inflows of resources	976,365	235,568	0	0	1,211,933
Fund balances					
Nonspendable					
Inventory	101,349	0	0	0	101,349
Restricted for:					
Cultural and recreation	0	0	0	117,333	117,333
Debt service	0	155,728	0	0	155,728
Public safety	0	0	0	904,580	904,580
Public works	0	0	0	54,177	54,177
Tourism and promotion	0	0	0	976,036	976,036
Assigned to:					
Capital outlay	0	0	62,599	0	62,599
Economic Development	0	0	0	2,285	2,285
Unassigned	5,108,704	0	0	0	5,108,704
Total fund balance	5,210,053	155,728	62,599	2,054,411	7,482,791
Total liabilities, deferred inflows of resources and fund balances	\$7,023,726	\$391,296	\$62,599	\$2,801,257	

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

Capital assets used in governmental activities are not financial resources and, therefore, are deferred in the funds.	28,432,542
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,009,434
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(11,201,830)
Internal service funds are used by management to charge the costs of workers' compensation and medical insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	277,169
Net position of governmental activities	\$27,000,106

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

City of Orange, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2013

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$6,990,517	\$1,087,800	\$0	\$584,541	\$8,662,858
Payment in lieu of taxes	6,457,311	0	0	0	6,457,311
Franchises	1,190,589	0	0	0	1,190,589
Licenses and permits	321,067	0	0	0	321,067
Intergovernmental	103,840	0	0	394,721	498,561
Charges for services	1,946,848	0	0	0	1,946,848
Donations	0	0	0	31,042	31,042
Grant income	0	0	0	2,086,515	2,086,515
Investment income	14,649	862	193	4,786	20,490
Program income	0	0	0	17,766	17,766
Forfeitures	0	0	0	67,229	67,229
Miscellaneous	206,859	0	0	0	206,859
Total revenues	17,231,680	1,088,662	193	3,186,600	21,507,135
Expenditures					
Current					
General government	1,382,697	0	0	0	1,382,697
Cultural and recreation	966,013	0	0	649,689	1,615,702
Public safety	8,534,409	0	0	224,721	8,759,130
Public works	2,928,516	0	135	345,974	3,274,625
Non departmental	1,804,513	0	0	0	1,804,513
Debt Service					
Principal	0	670,000	0	0	670,000
Interest and fiscal charges	0	289,028	0	0	289,028
Capital Outlay					
Books	6,841	0	0	1,704	8,545
Buildings	118,122	0	0	8,455	126,577
Machinery and equipment	153,350	0	0	0	153,350
Meters and settings	0	0	0	86,345	86,345
Other capital	0	0	31,367	77,693	109,060
Street construction	199,597	0	0	1,236,385	1,435,982
Storm sewer construction	0	0	0	569,250	569,250
Vehicles	222,422	0	0	0	222,422
Total expenditures	16,316,480	959,028	31,502	3,200,216	20,507,226
Excess (deficiency) of revenues over (under) expenditures	915,200	129,634	(31,309)	(13,616)	999,909
Other financing sources (uses)					
Premium on refunding bonds issued	0	204,641	0	0	204,641
Refunding bonds issued	0	5,440,000	0	0	5,440,000
Sale of general capital assets	473	0	0	0	473
Discount on refunding bonds issued	0	(31,855)	0	0	(31,855)
Payment to refunded bond escrow agent	0	(5,662,786)	0	0	(5,662,786)
Total other financing sources and uses	473	(50,000)	0	0	(49,527)
Net change in fund balances	915,673	79,634	(31,309)	(13,616)	950,382
Fund balances - beginning	4,294,380	76,094	93,908	2,068,027	6,532,409
Fund balances - ending	\$5,210,053	\$155,728	\$62,599	\$2,054,411	\$7,482,791

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

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, 2013

Amounts reported for governmental activities in the statement of activities (page 37) are different because:

Net change in fund balances - total governmental funds (page 39)	\$950,382
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	881,059
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	75,559
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	512,349
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.	(250,806)
Internal service funds are used by management to charge the cost of workers' compensation and medical insurance to individual funds.	(34,278)
Change in net position of governmental activities (page 37).	<u>\$2,134,265</u>

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

City of Orange, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Over (Under)
	Original	Final		
Revenues				
Taxes	\$7,004,365	\$7,004,365	\$6,990,517	(\$13,848)
Payment in lieu of taxes	6,497,223	6,497,223	6,457,311	(39,912)
Franchises	1,253,000	1,253,000	1,190,589	(62,411)
Licenses and permits	352,500	352,500	321,067	(31,433)
Intergovernmental	96,480	96,480	103,840	7,360
Charges for services	1,933,100	1,933,100	1,946,848	13,748
Donations	0	0	0	0
Investment income	14,500	14,500	14,649	149
Miscellaneous	35,000	101,915	206,859	104,944
Total revenues	17,186,168	17,253,083	17,231,680	(21,403)
Expenditures				
Current				
General government	1,404,734	1,471,940	1,382,697	(89,243)
Cultural and recreation	1,000,446	1,005,151	966,013	(39,138)
Public safety	8,575,586	8,642,501	8,534,409	(108,092)
Public works	3,208,662	3,208,412	2,928,516	(279,896)
Non departmental	1,965,109	2,021,099	1,804,513	(216,586)
Capital Outlay				
Books	6,000	6,900	6,841	(59)
Buildings	110,850	145,250	118,122	(27,128)
Machinery	157,568	154,329	153,350	(979)
Streets	250,000	250,000	199,597	(50,403)
Vehicles	227,493	228,257	222,422	(5,835)
Total expenditures	16,906,448	17,133,839	16,316,480	(817,359)
Excess (deficiency) of revenues over (under) expenditures	279,720	119,244	915,200	795,956
Other financing sources (uses)				
Sale of fixed assets	0	0	473	473
Total other financing sources and uses	0	0	473	473
Net change in fund balances	279,720	119,244	915,673	796,429
Fund balances - beginning	4,294,380	4,294,380	4,294,380	0
Fund balances - ending	\$4,574,100	\$4,413,624	\$5,210,053	\$796,429

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

City of Orange, Texas
Statement of Net Position
Proprietary Funds
September 30, 2013

	Business-Type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Water & Sewer Current Year	Water & Sewer Prior Year	Sanitation Current Year	Sanitation Prior Year	Total Current Year	
Assets						
Current assets:						
Cash and cash equivalents	\$1,107,688	\$989,719	\$947,419	\$783,951	\$2,055,107	\$377,995
Cash with fiscal agent	0	0	0	0	0	24,000
Due from other funds	788	0	0	0	788	0
Receivables (net of allowance for uncollectibles)	969,823	864,965	219,929	240,385	1,189,752	0
Inventories	143,023	122,726	0	0	143,023	0
Prepays	30,431	31,421	1,442	1,445	31,873	0
Cash and cash equivalents - restricted	1,912,866	1,860,752	0	0	1,912,866	0
Total current assets	4,164,619	3,869,583	1,168,790	1,025,781	5,333,409	401,995
Noncurrent assets:						
Capital assets (net of accumulated depreciation)						
Land	725,560	725,560	0	0	725,560	0
Buildings	351,526	360,791	0	0	351,526	0
Improvements other than buildings	38,223,371	39,322,429	0	0	38,223,371	0
Machinery and equipment	996,991	943,158	0	259	996,991	0
Transportation vehicles	170,400	226,651	87,714	139,010	258,114	0
Construction in progress	767,175	155,756	0	0	767,175	0
Total noncurrent assets	41,235,023	41,734,345	87,714	139,269	41,322,737	0
Total assets	45,399,642	45,603,928	1,256,504	1,165,050	46,656,146	401,995
Liabilities						
Current liabilities:						
Accounts payable and other current liabilities	694,699	701,766	122,161	110,686	816,860	160,685
Accrued interest payable	51,961	54,044	0	0	51,961	0
Capital lease payable	0	0	0	29,982	0	0
Due to other funds	79,432	79,432	4,873	4,873	84,305	0
Liability for employee benefits	42,116	40,396	3,886	3,437	46,002	0
Current portion of long-term debt	1,560,000	1,520,000	0	0	1,560,000	0
Total current liabilities	2,428,208	2,395,638	130,920	148,978	2,559,128	160,685
Noncurrent liabilities:						
Liability for employee benefits	70,625	76,254	3,112	3,763	73,737	0
General obligation bonds payable	2,825,000	4,180,000	0	0	2,825,000	0
Revenue bonds payable	3,965,000	4,170,000	0	0	3,965,000	0
Total noncurrent liabilities	6,860,625	8,426,254	3,112	3,763	6,863,737	0
Total liabilities	9,288,833	10,821,892	134,032	152,741	9,422,865	160,685
Deferred inflows of resources						
Deferred inflows on refunding	9,562	12,750	0	0	9,562	0
Combined liabilities and deferred inflows of resources	9,298,395	10,834,642	134,032	152,741	9,432,427	160,685
Net Position						
Net investment in capital assets	32,875,461	31,851,595	87,714	109,287	32,963,175	0
Restricted:						
Debt Service	1,488,660	1,488,893	0	0	1,488,660	0
Unrestricted	1,737,126	1,428,798	1,034,758	903,022	2,771,884	241,310
Total net position	\$36,101,247	\$34,769,286	\$1,122,472	\$1,012,309	37,223,719	\$241,310
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service fund and the enterprise funds over time.					(35,859)	
Net position of business-type activities					<u>\$37,187,860</u>	

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

City of Orange, Texas
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2013

	Business-Type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Water & Sewer Current Year	Water & Sewer Prior Year	Sanitation Current Year	Sanitation Prior Year	Total Current Year	
Operating revenues						
Charges for service- water	\$2,486,842	\$2,471,054	\$0	\$0	\$2,486,842	\$0
Charges for service - sewer	4,902,493	4,595,353	0	0	4,902,493	0
Charges for service - sanitation	0	0	1,768,833	1,766,769	1,768,833	0
Other services	324,297	258,307	0	0	324,297	224,863
Total operating revenues	7,713,632	7,324,714	1,768,833	1,766,769	9,482,465	224,863
Operating expenses						
Personnel services	1,570,104	1,493,707	70,582	67,526	1,640,686	0
Employee benefits	872,667	868,094	45,216	46,140	917,883	0
Contractual services	727,551	728,723	1,210,899	1,184,059	1,938,450	0
Supplies	250,776	278,890	2,884	1,485	253,660	0
Utilities	474,312	568,146	0	0	474,312	0
Depreciation	1,343,552	1,361,239	51,555	53,379	1,395,107	0
Administrative expense	1,077,101	952,155	279,401	273,980	1,356,502	28,550
Amortization expense	0	24,912				
Claims	0	0	0	0	0	192,285
Premiums	0	0	0	0	0	46,161
Total operating expenses	6,316,063	6,275,866	1,660,537	1,626,569	7,976,600	266,996
Operating income (loss)	1,397,569	1,048,848	108,296	140,200	1,505,865	(42,133)
Nonoperating revenues (expenses)						
Deferred bond premium	3,187	0	0	0	3,187	0
Investment income	7,043	14,018	2,098	4,497	9,141	785
Interest expense	(313,938)	(347,585)	(231)	(1,326)	(314,169)	0
Gain (loss) on capital asset disposition	(534,800)	52,041	0	0	(534,800)	0
Total nonoperating revenue (expense) before contributions and transfers	(838,508)	(281,526)	1,867	3,171	(836,641)	785
Income (loss) before contributions and transfers	559,061	767,322	110,163	143,371	669,224	(41,348)
Capital contributions	772,900	46,756	0	0	772,900	0
Transfers in	0	250,000	0	0	0	0
Transfers out	0	0	0	(250,000)	0	0
Change in net position	1,331,961	1,064,078	110,163	(106,629)	1,442,124	(41,348)
Total net position - beginning	34,769,286	33,940,705	1,012,309	1,118,938		282,658
Net position restatement-see note Sec. V (B)	0	(235,497)	0	0		
Total net position - ending	36,101,247	34,769,286	1,122,472	1,012,309		241,310
Adjustment for the net effect of the current year activity between the internal service fund and the enterprise funds.					(7,070)	
Change in net position of business-type activities (page 37)					\$1,435,054	

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

City of Orange
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2013

	Water & Sewer Current Year	Water & Sewer Prior Year	Sanitation Current Year	Sanitation Prior Year	Total Current Year	Governmental Activities- Internal Service Funds
Cash flows from operating activities:						
Receipts from customers and users	\$7,661,124	\$7,371,067	\$1,789,289	\$1,736,777	9,450,413	\$224,950
Receipts from interfund services provided	0	0	0	0	0	0
Payments to suppliers	(2,416,557)	(2,372,671)	(1,202,305)	(1,184,454)	(3,618,862)	(255,992)
Payments to employees	(1,562,268)	(1,494,300)	(116,000)	(115,369)	(1,678,268)	0
Payments for interfund services used	(1,077,101)	(952,155)	(279,401)	(272,770)	(1,356,502)	0
Net cash provided (used) by operating activities	2,605,198	2,551,941	191,583	164,184	2,796,781	(31,042)
Cash flows from noncapital financing activities:						
Subsidy from (to) proprietary fund	0	250,000	0	(250,000)	0	0
Net cash provided (used) by noncapital financing activities	0	250,000	0	(250,000)	0	0
Cash flows from capital and related financing activities:						
Purchases of capital assets	(606,130)	(573,155)	0	0	(606,130)	0
Sales of capital assets	0	60,000		0	0	0
Principal paid on capital debt	(1,520,000)	(1,480,000)	(29,982)	(50,467)	(1,549,982)	0
Interest paid on capital debt	(316,021)	(353,021)	(231)	(1,326)	(316,252)	0
Net cash provided (used) by capital and related financing activities	(2,442,151)	(2,346,176)	(30,213)	(51,793)	(2,472,364)	0
Cash flows from investing activities:						
Interest and dividends received	7,036	14,018	2,098	4,498	785	785
Net cash provided by investing activities	7,036	14,018	2,098	4,498	785	785
Net increase (decrease) in cash and cash equivalents	170,083	469,783	163,468	(133,111)	325,202	(30,257)
Cash and cash equivalents October 1	2,850,471	2,380,688	783,951	917,062	3,634,422	408,252
Cash and cash equivalents September 30	<u>\$3,020,554</u>	<u>\$2,850,471</u>	<u>\$947,419</u>	<u>\$783,951</u>	<u>\$3,959,624</u>	<u>\$377,995</u>
Reconciliation of operating income to net cash provided by operating activities:						
Operating Income (Loss)	\$1,397,569	\$1,048,848	\$108,296	\$140,200	\$1,505,865	(\$42,133)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation expense	1,343,552	1,361,239	51,555	53,379	1,395,107	0
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(105,646)	23,832	19,805	(28,782)	(85,841)	88
Amortization of bond issue costs (prior years)	0	24,912	0	0	0	
(Increase) decrease in inventory	(20,297)	(17,892)	0	0	(20,297)	0
(Increase) decrease in prepaids	990	(31,421)	3	(1,445)	993	0
Increase (decrease) in accounts payable	(10,970)	142,423	11,924	832	954	11,003
Net cash provided (used) by operating activities	<u>\$2,605,198</u>	<u>\$2,551,941</u>	<u>\$191,583</u>	<u>\$164,184</u>	<u>\$2,796,781</u>	<u>(\$31,042)</u>
Noncash investing, capital and financing activities						
Contributions of capital assets from government	772,900	46,756	0	0	772,900	0

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

City of Orange, Texas
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2013

	<u>Total Fiduciary Funds</u>
Assets	
Cash	\$13,086
Accounts receivable	20,581
Prepays	<u>180,000</u>
Total assets	<u>213,667</u>
Liabilities	
Accounts payable	10,834
Other liabilities	<u>202,833</u>
Total liabilities	<u>\$213,667</u>

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

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Government-wide and fund financial statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

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

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

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

The government reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

resources of the general government, except those required to be accounted for in another fund.

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

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

The government reports the following major proprietary funds:

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

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

Additionally, the government reports the following fund types:

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

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

Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments of charges between the government's water and sewer function and various other functions of the government and payment for administrative charges between the general fund and the various other functions of the

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

government. Elimination of these charges would distort the direct costs and program revenues reported for various functions concerned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grant and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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

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

1. Deposits and Investments

The City's cash balances are pooled and invested. Statutes of the State of Texas and policies mandated by the City Council authorize the City to invest in direct obligations of the federal government, agencies or instrumentalities, Texpool investment pool, and certificates of deposit. The demand portion of the balances are held in interest bearing depository bank accounts and non demand monies are invested in authorized investments. Interest earned on pooled cash is allocated monthly to each participating fund based upon each fund's month-end equity balance. Negative balances in equity, in pooled cash and investments, incurred by a fund are classified as "due to other funds". The negative balances are assessed a charge against previous related earnings based upon effective rates at the time of the negative balance.

The City uses the criteria as established by GASB Statement 9 for inclusion or exclusion of investments for cash flow reporting purposes. The City included any highly liquid, easily

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

convertible investments, with an original maturity date no more than three months after the date of purchase, as cash equivalents.

2. Receivables and Payables

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

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

All trade and property tax receivables are shown net of allowance for uncollectibles. Delinquent accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 4% of outstanding property taxes at September 30, 2013.

Property taxes are levied annually in October on the basis of the Orange County Appraisal District's assessed values as of January 1 of that calendar year. Taxes are applicable to the fiscal year in which they are levied. They become delinquent, with an enforceable lien on property, on February 1 of the subsequent calendar year. The City contracts with the Orange County Tax Department for the billing and collection of all current and delinquent property taxes.

Property taxes which are measurable and available (receivable within the current period and collected within 60 days thereafter to be used to pay liabilities of current period) are recognized as revenue in the year of levy.

3. Inventories and Prepaid Items

Material inventory items are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Non-material inventory items are recorded as expenditures when purchased.

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

In the government-wide and fund financial statements items which would result in a prepayment of expenditures are monitored at year end and any such items are recorded as prepaid items.

4. Restricted Assets

Certain assets of the governmental activities and business-type activities are classified as restricted assets on the balance sheet because their use is restricted by bond covenant, debt service requirements, construction contracts, insurance requirements or City Council authorization. These funds also include amounts with fiscal agents.

5. Capital Assets

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

The capitalization threshold was changed from \$1,000 to \$5,000 in fiscal year 2011. The change in the capitalization threshold did not affect any prior fixed assets.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plants, equipment and infrastructure of the primary government is depreciated using the straight line method over the following useful lives:

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

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The government only has one item that qualifies for reporting in this category. It 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 period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items that are reported under this section. (1) The deferred charge on refunding are reported in the government-wide statement of net position and the proprietary funds statement of net position. A deferred inflow on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. (2) Under a modified accrual basis of accounting, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

7. Compensated Absences

The City's employees earn vacation and sick leave, all of which may either be taken or accumulated, up to set limitations. At termination or retirement general government employees are paid for 18 months of accrual on vacation, but sick leave is not paid at termination. Civil service employees are also paid for 18 months of accrual on vacation and are paid for sick leave up to the prescribed contract limits. Civil service employees are also paid for any holiday leave accrual at termination or retirement.

A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

8. Long-Term Obligations

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

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

9. Fund Equity

In February 2009 the Governmental Accounting Standards Board (GASB) issued Statement No. 54 on "Fund Balance Reporting and Governmental Fund Type Definitions". The City of Orange implemented Statement No. 54 during fiscal year 2011.

The components of funds balance under GASB 54 are:

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

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

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

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

considered to be applied. It is the government's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

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

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

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

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

The City has a standard policy to maintain a minimum 20% fund balance of annual budgeted operating expenditures. This amount is reaffirmed annually during the City's budget process. The amount of minimum fund balance included within the unassigned governmental fund balance is \$3,367,333 at September 30, 2013.

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

<i>Nonspendable</i>	<i>Inventory</i>
<i>Restricted for:</i>	<i>Cultural and recreation</i>

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

Debt Service
Hurricane recovery
Public safety
Public works
Tourism and promotion

Assigned to: *Capital outlay*
 Economic development

Unassigned

10. Comparative Data/Reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation

II. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Capital assets used in governmental activities are not financial resources and, therefore, are deferred in the funds." The details of the \$28,432,542 are as follows:

<i>Capital assets</i>	<i>\$50,731,585</i>
<i>Less: Accumulated depreciation</i>	<i>(22,299,043)</i>
<i>Net adjustment to increase fund balances - total governmental funds to arrive at net position - governmental funds.</i>	<i><u>\$28,432,542</u></i>

Another element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds." The details of the \$2,009,434 are as follows:

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

<i>Accrued municipal court revenue</i>	\$797,500
<i>Accrued property tax revenue</i>	<u>1,211,934</u>
<i>Net adjustment to increase fund balances - total governmental funds to arrive at net position - governmental funds.</i>	<u>\$2,009,434</u>

Another element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of the (\$11,201,830) difference are as follows:

<i>Bonds payable:</i>	
<i>Bonds payable - prior to refunding</i>	(\$8,455,000)
<i>Bonds refunded</i>	5,155,000
<i>Bonds issued</i>	<u>(5,440,000)</u>
	(8,740,000)
<i>Accrued interest payable</i>	(42,110)
<i>Other post employment benefits</i>	(504,719)
<i>Compensated absences</i>	(2,077,828)
<i>Net pension obligation</i>	(105,164)
<i>Deferred outflows on refunding</i>	<u>267,991</u>
<i>Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental funds</i>	<u>(\$11,201,830)</u>

Another element of that reconciliation explains that "Internal service funds are used by management to charge the costs of health insurance and workers' compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position." The details of this \$277,169 are as follows:

<i>Net position of the internal service funds</i>	\$241,310
<i>Plus: Internal receivable representing charges less than cost to business-type activities - prior years</i>	28,789

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

<i>Plus: Internal receivable representing charges less than cost to business-type activities - current year</i>	<u>7,070</u>
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<i>Net adjustment to increase fund balances - total governmental funds to arrive at net position - governmental funds.</i>	<u>\$277,169</u>
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B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the governmental-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$881,059 difference are as follows:

<i>Capital outlay</i>	\$2,711,531
<i>Assets deleted during year</i>	(28,157)
<i>Depreciation expense</i>	<u>(1,802,315)</u>
<i>Net adjustment to decrease net changes in fund balances - total governmental fund to arrive at changes in net position of governmental activities</i>	<u>\$881,059</u>

Another element of that reconciliation states that "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this \$75,559 difference are as follows:

<i>Municipal court revenue</i>	(\$43,608)
<i>Property tax revenue</i>	<u>119,167</u>
<i>Net adjustment to increase net changes in fund balances - total governmental fund to arrive at changes in net position of governmental activities.</i>	<u>\$75,559</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$512,349 difference are as follows:

<i>Bonds paid</i>	<i>\$670,000</i>
<i>Bond issuance costs</i>	<i>(147,463)</i>
<i>Deferred outflow on refundings</i>	<i>(27,795)</i>
<i>Change in interest payable</i>	<i><u>17,617</u></i>
<i>Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental funds</i>	<i><u>\$512,359</u></i>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this (\$250,806) difference are as follows:

<i>Compensated absences</i>	<i>(\$96,931)</i>
<i>Other post employment benefits</i>	<i>(39,945)</i>
<i>Net pension obligation</i>	<i><u>(113,930)</u></i>
<i>Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental funds</i>	<i><u>(\$250,806)</u></i>

Another element of that reconciliation states that "The net revenues and expenses of certain activities of the internal service funds are reported with governmental activities." The details of this (\$34,278) difference are as follows:

<i>Workers' compensation internal service fund</i>	<i><u>(\$34,278)</u></i>
<i>Net adjustment to decrease net changes in fund balances- total government funds to arrive at changes in net position of governmental funds</i>	<i><u>(\$34,278)</u></i>

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds which plan expenditure activity for the fiscal year. In fiscal year 2013 annual budgets were adopted for all governmental funds except the Texas Commission on Environmental Quality SEP Fund. The City opted out of the SEP Program during fiscal year 2013. Any income of the fund was returned at that time.

Forty-five (45) days prior to the end of the fiscal year the City Manager submits the proposed annual budget and explanatory budget message to the City Council. The budget must be adopted by the twenty-seventh (27th) day of September or the budget as submitted by the City Manager will be deemed to have been adopted. The City Charter required that the budget set out the proposed expenditures by function, department, and activity, by character and object. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the division level.

The City Charter Section 6.08 Transfer of Appropriations states: "No funds of the City shall be expended nor shall any obligations for the expenditures of money be incurred, except in pursuance of the annual appropriations provided by this charter. The City Council, at the request of the City Manager and by resolution, may transfer any unencumbered appropriation balance or portion thereof from one office, department, or agency to another. The City Manager may at any time, with the approval of the City Council, transfer any unencumbered appropriation, balance of portion, or portions, thereof between general classifications of expenditures with an office, department or agency of the City..."

Any changes to the City budget, whether between any office, department or agency or within any character or object in an office, department or agency must be approved by the City Council.

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

<i>Amendment</i>	<i>Water and</i>	<i>\$100,745</i>	<i>cost for completion of Septic Receiving Station</i>
<i>#1</i>	<i>Sewer Fund</i>		<i>construction started in fiscal year 2012 and cost</i>
			<i>associated with additional meters for stock.</i>

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

	Special Revenue Funds	306,758	additional special revenue funds received, additional allocations approved or carried forward from a prior fiscal year with the largest being Orange Development, TX General Land Office Disaster Recovery Grant and TX Department of Transportation Grant.
Amendment #2	General Fund	\$160,476	increased costs in various line items during the fiscal year with the major portion being for additional overtime offset by additional revenue for standby time, payout of excess accrual time per employment contract, adjustment to radio maintenance cost associated with regional radio system, and cost of repairs to City owned property at 712 8 th .
	Water and Sewer Fund	76,577	cost of repairs at 11 th /Burton Lift Station pumps and within Jackson Street Wastewater Treatment Plant as per permit requirements.
	Special Revenue Funds	(416,650)	additional special revenue funds received or adjustment to reflect estimated amount actually to be received in fiscal year 2013. Major components were Community Development Block Grant, COPS Grant, and TX DOT IH 10 Utility Relocation Grant.

Annual appropriations lapse at the close of the fiscal year. Any outstanding obligation are then re-encumbered against funds of the succeeding year. Accordingly there was not a reservation for encumbrances at September 30, 2013.

B. Excess of Expenditures Over Appropriations

The City had two Special Revenue Funds that exceeded appropriations for fiscal year 2013. The Emergency Management Fund exceeded appropriations by \$1,098 and the Texas Forrest Service TIFMAS Fund exceeded appropriations by \$2,440. Both of these amounts was offset by additional grant revenues received.

C. Deficit Fund Balance

At September 30, 2013 the City of Orange did not have any funds that had a deficit fund balance.

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

IV. Detailed Notes on All Funds

A. Deposits and Investments

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

At September 30, 2013 the City's certificates of deposit were purchased through the local City depository and covered by collateral, held in the City's name, for that purpose. The FDIC coverage and additional collateral at the local depository are used to cover the cash accounts of the City.

	Original Cost	Fair Value	Weighted Average Maturity (Days)
U. S. Government Securities	<u>\$249,718</u>	<u>\$249,950</u>	220
Total U. S. Government Investments	<u>\$249,718</u>	<u>\$249,950</u>	

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

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

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

Concentration of credit risk. The government's investment policy limits the investment in any one type of investment to the following: 20% in collateralized bank certificates of deposit (per the City's

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

depository contract), 100% in direct obligations of the Federal Government, 50% in direct obligations of Federal Agencies and Instrumentalities, 20% in certificates of deposit at Federally insured banks or savings and loans, 100% in collateralized savings accounts at the City's Depository Bank, 20% in collateralized savings accounts at other Federally insured banks or savings and loan associations, and 5% in Texpool.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City and the Economic Development Corporation, a discretely presented component unit, did not have custodial credit risk on deposits at September 30, 2013. The City investment policy and depository contract requires that the cash, savings accounts and certificates of deposit are covered by collateralized securities that are held by the City's agent, a third party institution, in the City's name.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment are executed as delivery versus payment and held by a separate custodial institution. On the investment in governmental securities the City did not have custodial credit risk exposure although the related securities are uninsured and unregistered they are being held by the separate custodial trust department in the City's name.

A reconciliation of cash and investments as shown on the Statement of Net position for the primary government follows:

Carrying amount of deposits - cash and cash equivalents	\$11,235,030
Fair value of investments - U. S. Government securities	<u>249,590</u>
Total	<u>\$11,484,620</u>
Cash and cash equivalents	\$9,154,499
Cash and cash equivalents - temporarily restricted	2,067,445
Cash and cash equivalents - fiduciary fund	13,086
Fair value of investments	<u>249,590</u>
Total	<u>\$11,484,620</u>

B. Receivables

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

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

governmental and business-type activities are as follows:

	Governmental Activities	Business-Type Activities	Total
<i>Receivables:</i>			
Taxes	\$1,293,280	\$0	\$1,293,280
Accounts	2,278,655	1,195,242	3,473,897
Due from others	<u>7,589</u>	<u>0</u>	<u>7,589</u>
Subtotal	3,579,524	1,195,242	4,774,766
Less: allowance for uncollectible	<u>(81,347)</u>	<u>(5,490)</u>	<u>(86,837)</u>
Net total receivables	<u>\$3,498,177</u>	<u>\$1,189,752</u>	<u>\$4,687,929</u>

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

Uncollectibles related to:

<i>Ad valorem taxes - General</i>	\$65,535
<i>Ad valorem taxes - Debt Service</i>	15,812
<i>Water sales</i>	3,603
<i>Sewer usage fees</i>	1,214
<i>Sanitation fees</i>	<u>673</u>
<i>Total uncollectibles of the current fiscal year</i>	<u>\$86,837</u>

C. Capital Assets

Capital asset activity for the year ended September 30, 2013 was as follows:

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

<i>Primary Government</i>	<i>Balance at 9/30/12</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance at 9/30/13</i>
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
<i>Land</i>	<u>\$1,585,658</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,585,658</u>
<i>Construction in progress</i>	<u>1,383,373</u>	<u>1,925,081</u>	<u>(907,880)</u>	<u>2,400,574</u>
<i>Total capital assets, not being depreciated</i>	<u>2,969,031</u>	<u>1,925,081</u>	<u>(907,880)</u>	<u>3,986,232</u>
<i>Capital assets, being depreciated</i>				
<i>Buildings</i>	<u>22,357,284</u>	<u>92,137</u>	<u>(12,511)</u>	<u>22,436,910</u>
<i>Office furniture, fixtures and books</i>	<u>4,373,249</u>	<u>58,513</u>	<u>(283,189)</u>	<u>4,148,573</u>
<i>Machinery, equipment, vehicles and improvements</i>	<u>13,561,084</u>	<u>1,489,183</u>	<u>(1,434,653)</u>	<u>13,615,614</u>
<i>Infrastructure</i>	<u>6,351,159</u>	<u>193,097</u>	<u>0</u>	<u>6,544,256</u>
Governmental Activities:				
<i>Total assets being depreciated</i>	<u>46,642,776</u>	<u>1,832,930</u>	<u>(1,730,353)</u>	<u>46,745,353</u>
<i>Less accumulated depreciation for:</i>				
<i>Buildings</i>	<u>(4,352,522)</u>	<u>(649,973)</u>	<u>2,254</u>	<u>(5,000,241)</u>
<i>Office furniture, fixtures and books</i>	<u>(3,545,108)</u>	<u>(137,793)</u>	<u>241,317</u>	<u>(3,441,584)</u>
<i>Machinery, equipment, vehicles and improvements</i>	<u>(9,623,686)</u>	<u>(828,497)</u>	<u>1,320,025</u>	<u>(9,132,158)</u>
<i>Infrastructure</i>	<u>(4,539,008)</u>	<u>(186,052)</u>	<u>0</u>	<u>(4,725,060)</u>
<i>Total accumulated depreciation</i>	<u>(22,060,324)</u>	<u>(1,802,315)</u>	<u>1,563,596</u>	<u>(22,299,043)</u>
<i>Total capital assets, being depreciated, net</i>	<u>24,582,452</u>	<u>30,615</u>	<u>(166,757)</u>	<u>24,446,310</u>
<i>Governmental activities capital assets, net</i>	<u>\$27,551,483</u>	<u>\$1,955,696</u>	<u>(\$1,074,637)</u>	<u>\$28,432,542</u>
Business-type Activities:				
<i>Capital assets, not being depreciated:</i>				

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

Primary Government	Balance at 9/30/12	Increases	Decreases	Balance at 9/30/13
<i>Land</i>	<i>\$725,560</i>	<i>\$0</i>	<i>\$0</i>	<i>\$725,560</i>
<i>Construction in progress</i>	<i><u>155,756</u></i>	<i><u>746,605</u></i>	<i><u>(135,186)</u></i>	<i><u>767,175</u></i>
<i>Total capital assets, not being depreciated</i>	<i><u>881,316</u></i>	<i><u>746,605</u></i>	<i><u>(135,186)</u></i>	<i><u>1,492,735</u></i>
 <i>Buildings</i>	 <i>463,260</i>	 <i>0</i>	 <i>0</i>	 <i>463,260</i>
<i>Improvements - other than buildings</i>	<i>63,988,235</i>	<i>571,651</i>	<i>(625,756)</i>	<i>63,934,130</i>
<i>Machinery & equipment</i>	<i>1,815,755</i>	<i>195,959</i>	<i>(50,071)</i>	<i>1,961,643</i>
<i>Vehicles</i>	<i><u>1,335,624</u></i>	<i><u>0</u></i>	<i><u>0</u></i>	<i><u>1,335,624</u></i>
<i>Total capital assets, being depreciated</i>	<i><u>67,602,874</u></i>	<i><u>767,610</u></i>	<i><u>(675,827)</u></i>	<i><u>67,694,657</u></i>
 Business-type Activities:				
<i>Less: accumulated depreciation for:</i>				
<i>Buildings</i>	<i>(102,469)</i>	<i>(9,265)</i>	<i>0</i>	<i>(111,734)</i>
<i>Improvements other than buildings</i>	<i>(24,665,806)</i>	<i>(1,143,559)</i>	<i>98,606</i>	<i>(25,710,759)</i>
<i>Machinery & equipment</i>	<i>(872,338)</i>	<i>(134,716)</i>	<i>42,402</i>	<i>(964,652)</i>
<i>Vehicles</i>	<i><u>(969,963)</u></i>	<i><u>(107,567)</u></i>	<i><u>20</u></i>	<i><u>(1,077,510)</u></i>
<i>Total accumulated depreciation</i>	<i><u>(26,610,576)</u></i>	<i><u>(1,395,107)</u></i>	<i><u>141,028</u></i>	<i><u>(27,864,655)</u></i>
<i>Total capital assets, being depreciated, net</i>	<i><u>40,992,298</u></i>	<i><u>(627,497)</u></i>	<i><u>(534,799)</u></i>	<i><u>39,830,002</u></i>
<i>Business-type activities capital assets, net</i>	<i><u>\$41,873,614</u></i>	<i><u>\$119,108</u></i>	<i><u>(\$669,985)</u></i>	<i><u>\$41,322,737</u></i>

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

Government activities:

<i>General government</i>	<i>\$53,363</i>
<i>Cultural and recreation</i>	<i>291,759</i>

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

<i>Public safety</i>	1,035,424
<i>Public works</i>	<u>421,769</u>
<i>Total depreciation expense - governmental activities</i>	<u>\$1,802,315</u>
<i>Business-type activities:</i>	
<i>Water</i>	\$394,145
<i>Sewer</i>	949,407
<i>Sanitation</i>	<u>51,555</u>
<i>Total depreciation expense - business-type activities</i>	<u>\$1,395,107</u>

Construction commitments

Construction in progress capital assets consists of the following as of September 30, 2013:

Governmental Activities

<i>East Town Street Improvements GLO</i>	\$1,344,975
<i>Cooper's Gully Upgrade GLO</i>	856,098
<i>712 8th Street House - Central Fire Project</i>	114,495
<i>Rail Road Quiet Zone Project TXDOT</i>	78,506
<i>Meals on Wheels Sidewalk</i>	<u>6,500</u>
<i>Total Governmental Activities</i>	<u>\$2,400,574</u>

Business-Type Activities

<i>MLK Utility Infrastructure Project</i>	\$676,570
<i>SEP TCEQ UV Structure Upgrade</i>	60,050
<i>IH10 Utility Relocation Project</i>	<u>30,555</u>
	<u>\$767,175</u>

D. Interfund Receivables, Payables and Transfers

The City had ten short term interfund payables/receivables of cash at year end which resulted from the way the City pools cash for investment purposes. The composition of interfund balances as of

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

September 30, 2013 is as follows:

Due to/from other

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<i>Governmental Funds:</i>		
General Fund	Special Revenue - Department of Justice Grant	\$20,191
General Fund	Special Revenue - Emergency Management Grant	29,891
General Fund	Special Revenue - Texas Department of Transportation Grant	99,576
General Fund	Special Revenue - Texas General Land Office GLO Grant	<u>5,876</u>
<i>Total Governmental</i>		<u>\$155,534</u>
<u>Proprietary Funds</u>		
General Fund	Water and Sewer Fund	\$79,432
General Fund	Sanitation Fund	4,873
Water and Sewer Fund	General Fund	<u>(788)</u>
<i>Total Between Governmental and Proprietary Funds</i>		<u>\$83,517</u>

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

Capital Assets Transferred from Governmental Funds:

IH 10 Utility Relocation - Texas Department of Transportation TXDOT Grant	\$30,555
Radio Read Meters - Community Development Block Grant	<u>86,345</u>
<i>Total Capital Assets Transferred</i>	<u>\$116,900</u>

E. Lease

Capital Lease - Street Sweeper

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

In fiscal year 2010 the City of Orange entered into a lease agreement as lessee for financing the acquisition of a street sweeper for the City's sanitation enterprise fund. This lease agreement qualified as a capital lease for accounting purposes. The final lease payment was made during fiscal year 2013.

The asset acquired through capital lease is as follows:

<i>Asset:</i>	<i>Business-Type Activity</i>
<i>Vehicles</i>	<i>\$149,979</i>
<i>Less: accumulated depreciation</i>	<i><u>(142,085)</u></i>
<i>Total</i>	<i><u>\$ 7,984</u></i>

F. Long-Term Debt

General Obligation Bonds/Certificates of Obligation

The government issues general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. General obligation bonds, certificates of obligation and tax notes have been issued for both governmental and business-type activities. The original amount of general obligation bonds, certificates of obligation and tax notes issued in prior years was \$28,575,000.

General obligation, certificates of obligation, and tax notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and certificates of obligation generally are issued as twenty (20) year serial bonds with varying amounts of principal maturing each year. It is the intent of the City to pay for General Obligation bonds and Certificates of Obligation issued for business-type activities out of the revenues of the activity. General obligation bonds, certificates of obligation and tax notes currently outstanding are as follows:

<i>Purpose</i>	<i>Interest Rates</i>	<i>Original Issue</i>	<i>Outstanding</i>
Governmental Activities:			
<i>General Obligation Refunding Bonds Series 2005</i>	<i>3.0% - 4.0%</i>	<i>4,360,000</i>	<i>2,715,000</i>
<i>Tax and Revenue Certificates of Obligation Series 2008</i>	<i>4.5% - 4.0%</i>	<i>6,760,000</i>	<i>585,000</i>
<i>General Obligation Refunding Bonds Series 2013</i>	<i>0.5% - 2.5%</i>	<i>5,440,000</i>	<i>5,440,000</i>

Business-types activities - refunding:

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

<i>Water and Sewer Revenue Bonds Series 2007</i>	<i>4.0% - 4.3%</i>	<i>5,095,000</i>	<i>4,170,000</i>
<i>General Obligation Advance Refunding Series 2010</i>	<i>2.0% - 3.0%</i>	<i><u>6,920,000</u></i>	<i><u>4,180,000</u></i>
		<i><u>\$28,575,000</u></i>	<i><u>\$17,090,000</u></i>

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

Governmental Activities

General Obligation Refunding Bonds Series 2005

<i>Year Ending September 30, 2013</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
<i>2013-2014</i>	<i>420,000</i>	<i>108,600</i>	<i>528,600</i>
<i>2014-2015</i>	<i>420,000</i>	<i>91,800</i>	<i>511,800</i>
<i>2015-2016</i>	<i>450,000</i>	<i>75,000</i>	<i>525,000</i>
<i>2016-2017</i>	<i>455,000</i>	<i>57,000</i>	<i>512,000</i>
<i>2017-2018</i>	<i>475,000</i>	<i>38,800</i>	<i>513,800</i>
<i>2018-2019</i>	<i><u>495,000</u></i>	<i><u>19,800</u></i>	<i><u>514,800</u></i>
	<i><u>\$2,715,000</u></i>	<i><u>\$391,000</u></i>	<i><u>\$3,106,000</u></i>

Tax and Revenue Certificates of Obligation Series 2008

<i>Year Ending September 30, 2013</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
<i>2013-2014</i>	<i>285,000</i>	<i>19,913</i>	<i>304,913</i>
<i>2014-2015</i>	<i><u>300,000</u></i>	<i><u>6,750</u></i>	<i><u>306,750</u></i>
	<i><u>\$585,000</u></i>	<i><u>\$26,663</u></i>	<i><u>\$611,663</u></i>

General Obligation Refunding Bonds Series 2013

<i>Year Ending September 30, 2013</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
<i>2013-2014</i>	<i>50,000</i>	<i>123,225</i>	<i>173,225</i>

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

2014-2015	50,000	122,975	172,975
2015-2016	355,000	121,963	476,963
2016-2017	360,000	116,575	476,575
2017-2018	370,000	107,450	477,450
2018-2023	1,995,000	392,063	2,387,063
2023-2028	<u>2,260,000</u>	<u>137,614</u>	<u>2,397,614</u>
	<u>\$5,440,000</u>	<u>\$1,121,865</u>	<u>\$6,561,865</u>

Business-type activities

Water and Sewer Revenue Bonds Series 2007

<i>Year Ending September 30, 2013</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2013-2014	205,000	171,846	376,846
2014-2015	215,000	163,646	378,646
2015-2016	225,000	155,046	380,046
2016-2017	235,000	146,046	381,046
2017-2018	245,000	136,646	381,646
2018-2023	1,365,000	529,072	1,894,072
2023-2028	<u>1,680,000</u>	<u>221,636</u>	<u>1,901,636</u>
	<u>\$4,170,000</u>	<u>\$1,523,938</u>	<u>\$5,693,938</u>

General Obligation Advance Refunding Series 2010

<i>Year Ending September 30, 2013</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2013-2014	1,355,000	101,688	1,456,688
2014-2015	1,395,000	63,825	1,458,825
2015-2016	<u>1,430,000</u>	<u>21,450</u>	<u>1,451,450</u>
	<u>\$4,180,000</u>	<u>\$186,963</u>	<u>\$4,366,963</u>

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

Annual Debt Service

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

<i>Year Ending September 30, 2013</i>	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2013-2014	755,000	251,738	1,006,738	1,560,000	273,534	1,833,534
2014-2015	770,000	221,525	991,525	1,610,000	227,471	1,837,471
2015-2016	805,000	196,963	1,001,963	1,655,000	176,496	1,831,496
2016-2017	815,000	173,575	988,575	235,000	146,046	381,046
2017-2018	845,000	146,250	991,250	245,000	136,646	381,646
2018-2023	2,490,000	411,863	2,901,863	1,365,000	529,072	1,894,072
2023-2028	<u>2,260,000</u>	<u>137,614</u>	<u>2,397,614</u>	<u>1,680,000</u>	<u>221,636</u>	<u>1,901,636</u>
	\$8,740,000	\$1,539,528	\$10,279,528	\$8,350,000	\$1,710,901	\$10,060,901

Changes in Long-Term Liabilities

On April 1, 2013 the City issued \$5,440,000 in General Obligation Refunding Bonds, Series 2013 with an average interest rate of 2.029634 percent to advance refund \$5,155,000 of the outstanding Tax and Revenue Certificates of Obligation, Series 2008. The refunded bonds had an average interest rate of 3.9187percent. The General Obligation Refunding Bonds were at sold at premium of \$204,640 and the City contributed \$50,000 of prior receipts. After paying closing cost of \$115,608 and purchaser's discount of \$39,393 the net proceeds were \$5,539,640. The net proceeds from the issuance of the bonds were deposited in an irrevocable trust with an escrow agent until the bonds were called on February 1, 2015. As a result, the refunded bonds are considered defeased, and the liability for those bonds were removed from the Governmental Activities Long Term Debt in fiscal year 2013.

The City advance refunded the old bonds to reduce its total debt service payment over the next thirteen (13) years by \$460,471, which resulted in a net present value savings of \$400,918 or 7.36981 %. The reacquisition price exceeded the net carrying amount of the old debt by \$137,537. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt.

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

Long-term liability activity for the year ended September 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
<i>Bonds Payable:</i>					
General Obligation Bonds and Notes	\$9,125,000	\$5,440,000	(\$5,825,000)	\$8,740,000	(\$755,000)
Compensated absences	1,980,897	196,636	(99,705)	2,077,828	(1,023,968)
Net pension obligation	0	105,164	0	105,164	--
Other post employment benefits	<u>464,774</u>	<u>39,945</u>	<u>0</u>	<u>504,719</u>	<u>--</u>
Governmental activity long-term liabilities	<u>\$11,570,671</u>	<u>\$5,781,745</u>	<u>(\$5,924,705)</u>	<u>\$11,427,711</u>	<u>(\$1,778,968)</u>
Business-type activities:					
<i>Bonds payable:</i>					
General obligation bonds	\$5,500,000	\$0	(\$1,320,000)	\$4,180,000	(\$1,355,000)
Revenue bonds	4,370,000	0	(200,000)	4,170,000	(205,000)
Capital lease payable	<u>29,982</u>	<u>0</u>	<u>(29,982)</u>	<u>0</u>	<u>--</u>
Total bonds and capital lease payable	9,899,982	0	(1,549,982)	8,350,000	(1,560,000)
Compensated absences	<u>123,849</u>	<u>6,320</u>	<u>(10,430)</u>	<u>119,739</u>	<u>(46,002)</u>
Business-type activity long-term liabilities	<u>\$10,023,831</u>	<u>\$6,320</u>	<u>(\$1,560,412)</u>	<u>\$8,469,739</u>	<u>(\$1,606,002)</u>

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

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

The City of Orange has long-term deferred outflows/inflows that are related to the City's long-term

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

liabilities. These deferred outflow/inflows are the result of refunding or advance refunding of City bond issues. These deferred outflows/inflows are listed below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Deferred outflows of resources on refunding	(\$158,249)	\$137,537	\$27,795	(\$267,991)	\$32,431
Bond issue costs (a)	(131,486)	0	131,486	0	--
Negative net pension obligation	<u>(8,766)</u>	<u>0</u>	<u>8,766</u>	<u>0</u>	<u>=</u>
Governmental activities deferred outflows	(\$298,501)	\$137,537	\$168,047	(\$267,991)	\$32,431
Business-type activities:					
Deferred inflows of resources on refunding	12,749	0	(3,187)	9,562	(3,187)
Bond issue costs (a)	<u>(235,497)</u>	<u>0</u>	<u>235,497</u>	<u>0</u>	<u>=</u>
Business-type activities deferred inflows	(\$222,748)	\$0	\$232,310	\$9,562	(\$3,187)

(a) The City of Orange implemented GASB 65 within fiscal year 2013. The details of this implementation are detailed in Section V (B) Prior Period Adjustment.

The City's long term bond liabilities are liquidated out of the applicable funds. The City's net pension obligation is liquidated out of the general fund.

G. Restricted Net Position

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

Governmental activities:

Debt service payments \$154,579

Business-type activities:

Customers Deposits 424,206

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

Debt service payments	<u>1,488,660</u>
Total	<u>\$2,067,445</u>

V. Other Information

A. Risk Management

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

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

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

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

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

As of September 30, 2013, the Workers' Compensation Fund has a designated balance for insurance

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

claim liability of \$370,620 and an undesignated balance of (\$72,055). 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 \$298,565. The designation for catastrophic claims is not a legal requirement but is an estimation used to project the future needs of the fund and to aid the City in the setting of rates in future periods.

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

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments and Liability Expensed</u>	<u>Balance at Fiscal Year End</u>
2008-2009	\$334,078	(\$20,089)	(\$35,853)	\$278,136
2009-2010	\$278,136	\$397,142	(\$275,716)	\$399,562
2010-2011	\$399,562	(\$2,159)	(\$68,597)	\$328,806
2011-2012	\$328,806	\$262,741	(\$247,093)	\$344,454
2012-2013	\$344,454	\$234,358	(\$208,192)	\$370,620

	<u>2012-2013</u>	<u>2011-2012</u>	<u>2010-2011</u>	<u>2009-2010</u>	<u>2008-2009</u>
<u>Claim Liability Expensed</u>					
Unpaid claim liability beginning of year	\$95,952	\$70,045	\$143,488	\$22,062	\$54,055
Claims incurred in current year	185,330	215,723	120,339	242,686	69,713
Increase (decrease) in provision for insured events of prior year	97,165	58,382	(13,316)	83,144	(34,018)
Claim payments attributable to current year claims	(81,574)	(144,019)	(61,756)	(76,554)	(50,338)
Claim payments attributable to prior year claims	<u>(185,014)</u>	<u>(104,179)</u>	<u>(118,710)</u>	<u>(127,850)</u>	<u>(17,350)</u>
Unpaid claim liability expensed at end of year	<u>\$111,859</u>	<u>\$95,952</u>	<u>\$70,045</u>	<u>\$143,488</u>	<u>\$22,062</u>

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

	<u>2012-2013</u>	<u>2011-2012</u>	<u>2010-2011</u>	<u>2009-2010</u>	<u>2008-2009</u>
<u>Designated for Catastrophic Claim</u>					
Designated for future catastrophic claims - beginning of year	\$344,454	\$328,806	\$399,562	\$278,136	\$334,078
Increase (decrease) in reserve	<u>26,166</u>	<u>15,648</u>	<u>(70,756)</u>	<u>121,426</u>	<u>(55,942)</u>
Designated for future catastrophic claims - end of year	<u>\$370,620</u>	<u>\$344,454</u>	<u>\$328,806</u>	<u>\$399,562</u>	<u>\$278,136</u>

B. Prior Period Adjustment

The September 30, 2012 balance of the City's Net Position has been restated due to the adoption of GASB 65, which required that debt issuance costs be expenses rather than capitalized. Accordingly, the net position of both the Governmental Activities and Business-Type Activities have been lowered to reflect the unamortized portion of debt issuance costs at September 30, 2012.

The result is as follows:

Governmental Activities

Net Position at September 30, 2012	\$24,997,327
Prior Period Adjustment	<u>(131,486)</u>
Net Position at September 30, 2012 Restated	<u>\$24,865,841</u>

Business-Type Activities

Net Position at September 30, 2012	\$35,988,303
Prior Period Adjustment	<u>(235,497)</u>
Net Position at September 30, 2012 Restated	<u>\$35,752,806</u>

C. Subsequent Events

In October 2013 the City settled an outstanding lawsuit, involving a former employee, in the amount of \$300,000. In anticipation of the settlement the City had established a payable at September 30, 2013 in the amount of \$287,301 that covered the majority of the cost.

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

D. Contingent Liabilities

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

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

E. Other Post Employment Benefits

Plan Description

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

Retiree Life Insurance

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

The City now has twenty-one (21) retirees receiving this benefit and there are no more employees eligible. The present cost to the City is \$617 annually. This cost is funded out of the General Fund revenues on a pay-as-you-go annual basis.

Retiree Medical Insurance

Retiree Incentives

Since fiscal year 1996 there have been several retirement incentives offering the payment of retiree medical insurance. These incentives covered employees who were age 55 or greater, eligible for retirement, and retired by a specific date. The medical insurance is paid until the retiree reaches age 65.

The various incentives pay varying amounts based on the year the incentive was offered and whether

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

it was offered to fire, police, or general government employees. The police and fire incentives were offered in the respective collective bargaining agreements.

As of September 30, 2013 the City had (1) retiree who still qualified and participated in these incentives.

Other Retirees

The City of Orange also allows any other retirees of the City to remain on the City's medical insurance until age 65. The retirees, not included in the incentive group above, are required to pay all of their retiree insurance.

The table below summarizes the member ship of the plan as of September 30, 2013:

Current active plan members	188
Retirees and others currently receiving benefits	9
Terminated employees entitled to receive future benefits	<u>0</u>
Total	197

Funding Policy

The City of Orange has traditionally paid for the retiree's medical insurance authorized under prior incentive programs on a annual basis. The present annual cost to the City for these employees was \$55,950. The City contributed \$1,860 of these required costs and the retirees paid the balance of \$54,090. This is the amount that was contributed in fiscal year 2013. The City contributions were paid from the City General Fund. 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.

Annual OPEB Cost and Net OPEB

The City's annual other post employment benefit (OPEB) cost (expense) is calculated based on the **annual required contributions of the employer (ARC)**, an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

An actuarial valuation report was conducted on the City of Orange Retiree Health Care Plan as of

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

September 30, 2013. The fiscal year 2013 annual unfunded OPEB cost, of \$95,895, is based on current plan provisions and certain demographic and economic assumptions established within the valuation report. This amount also accounts for the interest and amortization adjustment on the OPEB. If any net postemployment benefit obligations would be required to be paid they would be funded from the City General Fund.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net other postemployment benefit (NOPEB) obligation:

Annual required contribution (ARC)	\$94,359
Interest on prior NOPEB	20,915
Amortization adjustment on prior NOPEB	<u>(19,379)</u>
Annual OPEB cost	95,895
Contributions made	<u>(55,950)</u>
Increase in NOPEB obligation	39,945
NOPEB obligation - beginning of year	<u>464,774</u>
NOPEB obligation - end of year	\$504,719

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 are as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
09/30/2010	\$154,768	16.4%	\$255,783
09/30/2011	\$113,622	10.3%	\$357,754
09/30/2012	\$113,647	5.8%	\$464,774
09/30/2013	\$95,895	58.4%	\$504,719

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term prospective of the calculations.

Amortization period	30 years - open
Cost method	Projected Unit Credit Cost Method, Level Percent of Payroll
Inflation rate	3.0%
Investment rate of return	4.5%
ARC annual increase	3%
Projected salary increases	3%
Post-retirement benefit increases	4%
Healthcare cost trend rate	9% in excess of general inflation ("intermediate" assumption)

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

Funding Status and Funding Progress

The funded status of the plan as of the September 30, 2013 actuarial valuation was as follows:

A. Present value (PV) of future benefits	
i) Retirees and beneficiaries	\$404,701
ii) Vested terminated members	0
iii) Active members	1,330,905
Total PV of Future Benefits	\$1,735,606
B. Present value (PV) of future normal costs	\$473,517
C. Actuarial accrued liabilities (A-B)	\$1,262,089

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

D. Actuarial value of assets	\$0
E. Unfunded actuarial accrued liability (C-D)	\$1,262,089
F. Funded ratio (D/C)	0.00%
G. Annual covered payroll	\$10,126,889
H. Ratio of unfunded actuarial accrued liability to the annual covered payroll (G/E)	12.46%

F. Employee Retirement Systems and Pension Plans

Plan Description

The City provides pension benefits for all of its full-time employees, except for those employees participating in the Firefighters Pension and Retirement Fund, through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are with the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statement and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2013	Plan Year 2012
Employee Deposit Rate	7%	7%
Matching Ratio (City to Employee)	2 to 1	2 to 1
Years Required for Vesting	10	10
Service Retirement Eligibility (expressed as age/years of service)	60/10, 0/20	60/10, 0/20
Updated Service Credit	100% repeating, transfers	100% repeating, transfers
Annuity Increase (to retirees)	70% of CPI repeating	70% of CPI repeating

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

<u>Fiscal Year Ending</u>	<u>9/30/2013</u>	<u>9/30/2012</u>	<u>9/30/2011</u>
<i>Annual pension cost (APC)</i>	\$2,134,343	\$2,114,183	\$1,948,452
<i>Actual contribution made</i>	\$2,134,343	\$2,114,183	\$1,948,452
<i>Percentage of APC contributed</i>	100%	100%	100%
<i>Net pension obligation/(asset)</i>	\$0	\$0	\$0

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

<u>Valuation date</u>	<u>12/31/12</u>	<u>12/31/11</u>	<u>12/31/10 Restructured</u>	<u>12/31/2010 Prior to Restructuring</u>
<i>Actuarial cost method</i>	<i>Projected Unit Credit</i>	<i>Projected Unit Credit</i>	<i>Projected Unit Credit</i>	<i>Projected Unit Credit</i>
<i>Amortization Method</i>	<i>Level Percent of Payroll</i>	<i>Level Percent of Payroll</i>	<i>Level Percent of Payroll</i>	<i>Level Percent of Payroll</i>
<i>Remaining amortization period</i>	<i>24.9 Years, closed period</i>	<i>25.9 Years, closed period</i>	<i>26.9 Years; closed period</i>	<i>26.9 years; closed period</i>

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

<i>Amortization period for new gains/losses</i>	<i>30 years</i>	<i>30 years</i>	<i>30 years</i>	<i>30 years</i>
<i>Asset valuation method</i>	<i>10 year Smoothed Market</i>	<i>10 year Smoothed Market</i>	<i>10 year Smoothed Market</i>	<i>10 year Smoothed Market</i>
<i>Actuarial assumptions:</i>				
<i>Investment rate of return *</i>	<i>7%</i>	<i>7%</i>	<i>7%</i>	<i>7.5%</i>
<i>Projected salary increases *</i>	<i>Varies by age and service</i>	<i>Varies by age and service</i>	<i>Varies by age and service</i>	<i>Varies by age and service</i>
<i>* Includes inflation at</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>3.0%</i>
<i>Cost-of-living adjustments</i>	<i>2.1%</i>	<i>2.1%</i>	<i>2.1%</i>	<i>2.1%</i>

Funded Status and Funding Progress

The funded status as of December 31, 2012, the most recent actuarial valuation date, is as follows:

	<u><i>Actuarial Valuation Date</i></u>	<u><i>12/31/2012</i></u>
(1)	<i>Actuarial Value of Assets</i>	<i>\$48,669,401</i>
(2)	<i>Actuarial Accrued Liability (AAL)</i>	<i>\$57,347,673</i>
(3)	<i>Funded Ratio</i>	<i>84.9%</i>
(4)	<i>Unfunded AAL (UAAL)</i>	<i>\$8,678,272</i>
(5)	<i>Covered Payroll</i>	<i>\$7,666,982</i>
(6)	<i>UAAL as a Percentage of Covered Payroll</i>	<i>113.2%</i>

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets.

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Orange Firemen's Relief and Retirement Fund

Annual Pension Cost

For the fiscal year ending September 30, 2013, the City of Orange's annual pension contributions, of \$303,502, for the Orange Firefighter's Relief and Retirement Fund, was equal to the City's required and actual contributions during the year. While the required contributions were not actuarially determined, the plan of benefits has been approved by the Board's actuary as having an adequate financing arrangement based on the level of the firefighter and City of Orange contribution rates. The funding policy of the fund requires the firefighters to contribute 11% of payroll and the City to contribute 14% of payroll for fiscal year ending September 30, 2007 and thereafter.

The annual required contributions for the periods December 31, 2010, December 31, 2011, and December 31, 2012 were based on the December 31, 2010 and December 31, 2010 actuarial valuations. The entry age actuarial cost method was used, with the normal cost calculated as a level percentage of payroll. The actuarial value of assets was market value smoothed with a five-year deferred recognition method with the actuarial value will not be more than 120% or less than 80% of the actual market value of assets.

<u>Valuation Date</u>	<u>12/31/12</u>	<u>12/31/10</u>
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open
Amortization period used to calculate the annual required contribution (ARC)	30 years	30 years
Method used to develop the actuarial value of assets	Five-year smoothed market value	Five-year smoothed market value
Actuarial assumptions:		
Investment return	8%	8%

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

<i>Projected salary increases</i>	<i>3% plus overtime, longevity, merit and promotion</i>	<i>3% plus overtime, longevity, merit and promotion</i>
<i>Inflation</i>	<i>3%</i>	<i>3%</i>
<i>Cost of living increases</i>	<i>None</i>	<i>None</i>
<i>Increase in total covered payroll</i>	<i>4%</i>	<i>4%</i>
<i>Annual required contribution as a percentage of covered payroll</i>	<i>14.86%</i>	<i>16.32%</i>

Trend Information

	<u>09/30/2013</u> ¹	<u>12/31/2012</u>	<u>12/31/2011</u>	<u>12/31/2010</u>
<i>Annual Required Contribution (ARC)</i>	\$322,733	\$325,817	\$305,352	\$283,447
<i>Interest on Prior NPO</i>	902	(701)	(2,094)	(1,954)
<i>Adjustment to the ARC</i>	<u>665</u>	<u>517</u>	<u>1,545</u>	<u>1,442</u>
<i>Annual Pension Cost</i>	324,300	325,633	304,803	282,935
<i>Contributions Made</i>	<u>(230,406)</u>	<u>(305,597)</u>	<u>(287,395)</u>	<u>(284,686)</u>
<i>Increase in NPO</i>	93,894	20,036	17,408	(1,751)
<i>NPO (Asset) Beginning of Year</i>	<u>11,270</u>	<u>(8,766)</u>	<u>(26,174)</u>	<u>(24,423)</u>
<i>NPO (Asset) End of Year</i>	<u>\$105,164</u>	<u>\$11,270</u>	<u>(\$8,766)</u>	<u>(\$26,174)</u>
<i>% of Annual Pension Cost Contributed</i>	71.05%	93.85%	94.29%	100.62%

¹ Prior actuarial reports included plan year information. For fiscal year 2013 converted to fiscal year presentation.

Schedule of Funding Progress

<i>Actuarial Valuation Date</i>	<i>12/31/12</i> _{2,4,5}	<i>12/31/10</i> _{2,3,4}	<i>12/31/08</i> _{2,3,4}
<i>Actuarial Value of Assets (a)</i>	\$8,766,374	\$9,035,613	\$8,115,580

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

<i>Entry Age Actuarial Accrued Liability</i>			
<i>(AAL)</i>			
<i>(b)</i>	\$15,311,319	\$13,679,257	\$12,687,217
<i>Unfunded AAL (UAAL)</i>			
<i>(b-a)</i>	\$6,544,945	\$4,643,644	\$4,571,637
<i>Funded Ratio (a/b)</i>	57.3%	66.1%	64.0%
<i>Annual Covered Payroll</i>			
<i>(c)</i>	\$1,996,008	\$1,907,382	\$1,999,997
<i>UAAL as a Percentage of Covered Payroll</i>			
<i>((b-a)/c)</i>	327.9%	243.5%	228.6%

1. The covered payroll is based on estimated annualized salaries used in the valuation.
2. Economic and demographic assumptions were revised.
3. Reflects plan benefit provisions effective February 1, 2006.
4. Actuarial value of assets is smoothed market value.
5. Reflects plan benefit provisions effective February 1, 2009.

Actuarial Information needed for Notes to the Statement as Required by Paragraph 20 of GASB 27.

A. Plan Description

1. The Board of Trustees of the Orange Firefighter's Relief and Retirement Fund is the administrator of a single-employer defined benefit pension plan. The pension fund issues a separate Comprehensive Annual Financial Report. The report for the period ended December 31, 2012, can be obtained by writing the City of Orange Firemen's Relief and Retirement Fund, P. O. Box 520, Orange, Texas 77631.
2. Firefighters in the Orange Fire Department are covered by the Orange Firefighter's Relief and Retirement Fund. The table below summarizes the membership of the fund as of December 31, 2012.

a. Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them.	37
b. Terminated employees entitled to but not yet receiving benefits	2
c. Current Employees	
i. Fully vested	12
ii. Nonvested	<u>25</u>
c. Total	76
3. The Orange Firefighter's Relief and Retirement Fund provides service retirement, death, disability and withdrawal benefits. These benefits fully vest after 20 years of credited service.

CITY OF ORANGE, TEXAS
Notes to the Financial Statements
September 30, 2013

Employees may retire at age 50 with 20 years of service. The Plan Effective February 1, 2009 provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity. The monthly benefit equals 2.60 percent of the member's highest 60 month average salary multiplied by his or her number of years of service not in excess of 20, and \$91.00 per month for each year of service in excess of 20 years.

A firefighter has the option to participate in a Retroactive Deferred Option Plan (RETRO DROP) which will provide a lump sum benefit and reduced annuity upon termination of employment. Firefighters must be at least age 53 with 23 years of service at the selected "RETRO DROP benefit calculation date" (which is prior to the date of employment termination).

There is no provision for automatic postretirement benefit increases. The fund has the authority to provide, and has periodically in the past provided for, ad hoc postretirement benefit increases. The benefit provisions of this plan are authorized by the Texas Local Fire Fighters Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions.

B. Contributions Required and Contributions Made

- 1. The contribution provisions of this plan are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City.*
- 2. While the actual contribution requirements are not actuarially determined, state law requires that each plan of benefits adopted by the fund must be approved by a eligible actuary. The actuary certifies that the contribution commitment by the firefighters and the City provides an adequate financing arrangement. Using the entry age actuarial cost method the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability, and the number of years needed to amortize the plan's unfunded actuarial accrued liability is determined using a level percentage of payroll method.*
- 3. The cost of administering the plan are financed from the trust.*
- 4. The funding policy of the Orange Firefighter's Relief and Retirement Fund requires contributions of 11% of pay by the firefighters and contributions by the City of 14% of payroll effective for fiscal year ending September 30, 2007 and thereafter.*

Required Supplementary Information

**City of Orange
Schedule of Funding Progress
Texas Municipal Retirement System**

Actuarial valuation date		12/31/2012	12/31/2011	12/31/2010 ²	12/31/2010 ¹
Actuarial value of assets	(A)	\$48,669,401	\$45,991,259	\$42,678,330	\$25,814,440
Actuarial accrued liability	(B)	\$57,347,673	\$55,338,877	\$53,166,559	\$39,584,405
Percentage funded	(C) = (A)/(B)	84.9%	83.1%	80.3%	65.2%
Unfunded actuarial accrued liability (UAAL)	(D) = (B)-(A)	\$8,678,272	\$9,347,618	\$10,488,229	\$13,769,965
Annual covered payroll	(E)	\$7,666,982	\$7,475,017	\$7,533,365	\$7,533,365
UAAL as a percentage of covered payroll	(D)/(E)	113.2%	125.1%	139.2%	182.8%

(1) Actuarial valuation performed under the original fund structure.

(2) Actuarial valuation performed under the new fund structure.

Required Supplementary Information

City of Orange Schedule of Funding Progress Orange Firemen's Relief and Retirement Fund

Actuarial valuation date	12/31/2012 ^{2,4,5}	12/31/10 ^{2,3,4}	12/31/08 ^{2,3,4}
Actuarial value of assets (a)	\$8,766,374	\$9,035,613	\$8,115,580
Entry Age Actuarial Accrual Liability AAL (b)	\$15,311,319	\$13,679,257	\$12,687,217
Unfunded actuarial accrued liability (UAAL) (b-1)	\$6,544,945	\$4,643,644	\$4,571,637
Funded Ratio (a/b)	57.3%	66.1%	64.0%
¹ Annual Covered Payroll (c)	\$1,996,008	\$1,907,382	\$1,999,997
UAAL as a percentage of Covered Payroll ((g-a)/c)	327.9%	243.5%	228.6%

¹ The covered payroll is based on estimated annualized salaries used in the valuation.

² Economic and Demographic assumptions were revised.

³ Reflects plan benefit provisions effective February 1, 2006

⁴ Actuarial value of assets is smoothed market value.

⁵ Reflects plan benefit provisions effective February 1, 2009

Required Supplementary Information

City of Orange
Schedule of Employer Contributions
Orange Firemen's Relief and Retirement Fund

Fiscal Year Ending	12/31/2012 ⁴	12/31/2011 ³	12/31/2010 ²	12/31/2009 ¹	12/31/2008 ¹
Annual pension cost:					
Annual required contribution (ARC)	325,633	304,803	283,447	278,923	275,055
Percentage of ARC Contributed	94%	94%	105%	105%	105%
Change in net pension obligation (asset)	20,220	17,957	(1,239)	(1,146)	(12,307)
Interest on net pension obligation (asset)	(701)	(2,094)	(1,954)	(1,824)	(822)
ARC Adjustment	517	1,545	1,442	1,346	607
Net pension obligation (asset)	11,270	(8,766)	(26,174)	(24,423)	(22,799)

1 Reflect NPO as stated in the Actuarial Valuation as of 12/31/08.

2 Reflect NPO as stated in the Actuarial Valuation as of 12/31/10.

3 Reflect NPO as stated in the Actuarial Disclosure Updated as of 12/31/11.

4 Reflect NPO as stated in the Actuarial Disclosure Updated as of 12/31/12.

Required Supplementary Information

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

Actuarial valuation date		09/30/2012	12/31/2010	04/30/2008 (1)
Actuarial value of assets	(A)	\$0	\$0	\$0
Actuarial accrued liability	(B)	\$1,262,089	\$1,117,250	\$1,733,169
Percentage funded	(C) = (A)/(B)	0.0%	0.0%	0.0%
Unfunded actuarial accrued liability (UAAL)	(D) = (B)-(A)	\$1,262,089	\$1,117,250	\$1,733,169
Annual Covered Payroll	(E)	\$10,126,889	\$9,672,807	\$8,993,909
Ratio of the unfunded actuarial liability to the annual covered payroll	(F) = (D) / (E)	12.46%	11.55%	19.27%

(1) This is the first actuarial valuation of City of Orange Health Care Plan.

Major Governmental Funds

General Fund - The general fund is used to account for most of the day to day operations of the City which are financed by taxes and other general revenues.

Debt Service Fund - To account for the debt being paid by levies of ad valorem taxes on property. This fund accounts for principal and interest payments on the Series 2005 General Obligation Refunding Bonds, Series 2008 Tax and Revenue Certificates of Obligation, and Series 2013 General Obligation Refunding Bonds.

Capital Projects Fund - The capital projects fund is used to account for the acquisition and construction of major capital facilities funded through the bonded debt, transfer of funds or residual equity. This fund accounts for major capital acquisition and construction of governmental funds.

City of Orange
Schedule of Expenditures Division Level - Budget and Actual
General Fund
For the Year Ending September 30, 2013

	Budget	Actual	Variance Over (Under)
<u>Council</u>			
Personal services	\$10,366	\$10,575	\$209
Supplies	850	442	(408)
Other services and charges	43,000	35,520	(7,480)
Total Council	54,216	46,537	(7,679)
<u>City Manager</u>			
Personal services	253,771	250,333	(3,438)
Supplies	2,300	1,566	(734)
Other services and charges	33,500	25,954	(7,546)
Total City Manager	289,571	277,853	(11,718)
<u>City Secretary</u>			
Personal services	160,841	126,813	(34,028)
Supplies	20,010	17,560	(2,450)
Other services and charges	11,150	5,545	(5,605)
Total City Secretary	192,001	149,918	(42,083)
<u>Municipal Court</u>			
Personal services	120,272	119,176	(1,096)
Supplies	8,500	6,257	(2,243)
Other services and charges	94,600	88,776	(5,824)
Total Municipal Court	223,372	214,209	(9,163)
<u>Human Resources</u>			
Personal services	73,843	74,920	1,077
Supplies	18,650	19,316	666
Other services and charges	30,000	27,718	(2,282)
Total Human Resources	122,493	121,954	(539)
<u>Finance</u>			
Personal services	355,319	354,116	(1,203)
Supplies	35,500	36,351	851
Other services and charges	46,500	44,141	(2,359)
Total Finance	437,319	434,608	(2,711)
<u>Tax</u>			
Other services and charges	96,877	86,400	(10,477)
Total Tax	96,877	86,400	(10,477)
<u>MIS</u>			
Personal services	27,303	31,622	4,319
Supplies	11,100	7,580	(3,520)
Other services and charges	17,688	12,016	(5,672)
Total MIS	56,091	51,218	(4,873)
Total General Government	1,471,940	1,382,697	(89,243)

(Continued)

City of Orange
Schedule of Expenditures Division Level - Budget and Actual
General Fund
For the Year Ending September 30, 2013

	Budget	Actual	Variance Over (Under)
<u>Library</u>			
Personal services	342,296	337,082	(5,214)
Supplies	11,082	9,387	(1,695)
Other services and charges	29,318	28,418	(900)
Total Library	382,696	374,887	(7,809)
<u>Natatorium</u>			
Personal services	43,661	32,705	(10,956)
Supplies	5,050	4,750	(300)
Other services and charges	6,250	2,402	(3,848)
Total Natatorium	54,961	39,857	(15,104)
<u>Recreation</u>			
Supplies	2,600	1,277	(1,323)
Other services and charges	1,630	0	(1,630)
Total Recreation	4,230	1,277	(2,953)
<u>Park Maintenance</u>			
Personal services	505,089	501,342	(3,747)
Supplies	22,725	18,178	(4,547)
Other services and charges	35,450	30,472	(4,978)
Total Park Maintenance	563,264	549,992	(13,272)
Total Cultural and Recreation	1,005,151	966,013	(39,138)
<u>Police</u>			
Personal services	4,921,330	4,895,914	(25,416)
Supplies	87,000	60,672	(26,328)
Other services and charges	168,100	136,590	(31,510)
Total Police	5,176,430	5,093,176	(83,254)
<u>Emergency Management</u>			
Supplies	8,150	7,394	(756)
Other services and charges	6,700	4,909	(1,791)
Total Emergency Management	14,850	12,303	(2,547)
<u>Fire</u>			
Personal services	3,145,453	3,137,610	(7,843)
Supplies	92,500	90,493	(2,007)
Other services and charges	80,300	76,281	(4,019)
Total Fire	3,318,253	3,304,384	(13,869)
<u>Animal Control</u>			
Personal services	111,618	106,885	(4,733)
Supplies	15,150	12,595	(2,555)
Other services and charges	6,200	5,066	(1,134)
Total Animal Control	132,968	124,546	(8,422)
Total Public Safety	8,642,501	8,534,409	(108,092)

(Continued)

City of Orange
Schedule of Expenditures Division Level - Budget and Actual
General Fund
For the Year Ending September 30, 2013

	Budget	Actual	Variance Over (Under)
<u>Planning</u>			
Personal services	126,464	126,171	(293)
Supplies	2,500	1,402	(1,098)
Other services and charges	26,800	23,858	(2,942)
Total Planning	155,764	151,431	(4,333)
<u>Code Enforcement</u>			
Personal services	226,238	226,496	258
Supplies	3,725	2,775	(950)
Other services and charges	5,675	4,037	(1,638)
Total Code Enforcement	235,638	233,308	(2,330)
<u>Building Services</u>			
Personal services	258,249	205,367	(52,882)
Supplies	15,100	10,820	(4,280)
Other services and charges	165,272	144,140	(21,132)
Total Building Services	438,621	360,327	(78,294)
<u>Street & Drainage</u>			
Personal services	877,860	780,582	(97,278)
Supplies	16,750	14,593	(2,157)
Other services and charges	219,350	180,832	(38,518)
Total Street & Drainage	1,113,960	976,007	(137,953)
<u>Public Works Administration</u>			
Personal services	209,037	208,733	(304)
Supplies	4,800	2,811	(1,989)
Other services and charges	4,950	4,515	(435)
Total Public Works Administration	218,787	216,059	(2,728)
<u>Fleet Maintenance</u>			
Personal services	276,635	264,523	(12,112)
Supplies	11,100	9,259	(1,841)
Other services and charges	670,300	635,184	(35,116)
Total Fleet Maintenance	958,035	908,966	(49,069)
<u>Engineering</u>			
Personal services	78,407	75,241	(3,166)
Supplies	4,700	3,247	(1,453)
Other services and charges	4,500	3,930	(570)
Total Engineering	87,607	82,418	(5,189)
Total Public Works	3,208,412	2,928,516	(279,896)
<u>Non Departmental</u>			
Other services and charges	2,021,099	1,804,513	(216,586)
Total Non Departmental	2,021,099	1,804,513	(216,586)

(Continued)

City of Orange
Schedule of Expenditures Division Level - Budget and Actual
General Fund
For the Year Ending September 30, 2013

	Budget	Actual	Variance Over (Under)
<u>Capital Outlay</u>			
Capital Outlay	784,736	700,332	(84,404)
Total Capital Outlay	784,736	700,332	(84,404)
 Total General Fund	 \$17,133,839	 \$16,316,480	 (\$817,359)

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Debt Service Fund
For the Year Ended September 30, 2013

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Taxes	\$982,190	\$982,190	\$1,087,800	\$105,610
Investment income	300	300	862	562
Total revenues	982,490	982,490	1,088,662	106,172
Expenditures:				
Principal retirement	670,000	670,000	670,000	0
Interest and fiscal charges	362,190	362,190	289,028	(73,162)
Total expenditures	1,032,190	1,032,190	959,028	(73,162)
Excess (deficiency) of revenues over (under) expenditures	(49,700)	(49,700)	129,634	179,334
Other financing sources (uses)				
Refunding bonds issued	0	0	5,440,000	\$5,440,000
Premium on refunding bonds issued	0	0	204,641	\$204,641
Discount on refunding bonds issued	0	0	(31,855)	(\$31,855)
Payment to refunded bond escrow agent	0	0	(5,662,786)	(5,662,786)
Total other financing sources (uses)	0	0	(50,000)	(50,000)
Net change in fund balance	(49,700)	(49,700)	79,634	129,334
Fund balances beginning	76,094	76,094	76,094	0
Fund balances ending	\$26,394	\$26,394	\$155,728	\$129,334

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects Fund
For the Year Ended September 30, 2013

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Investment income	\$0	\$0	\$193	\$193
Total revenues	0	0	193	193
Expenditures:				
Public works	0	0	135	135
Capital outlay				
Other capital	65,000	65,000	31,367	(33,633)
Total expenditures	65,000	65,000	31,502	(33,498)
Excess (deficiency) of revenues over (under) expenditures	(65,000)	(65,000)	(31,309)	33,691
Net change in fund balance	(65,000)	(65,000)	(31,309)	33,691
Fund balances beginning	93,908	93,908	93,908	0
Fund balances ending	\$28,908	\$28,908	\$62,599	\$33,691

Nonmajor Governmental Funds Special Revenue Funds

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

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

Community Development Block Grant (CDBG) Fund - To account for federal funds received from the U. S. Department of Housing and Urban Renewal for activities that benefit low to moderate income individuals and prevent inner city blight.

Confined Space Rescue Fund - This fund is used to account for donations received from local industries for the Fire Department's confined space rescue activities.

Department of Justice Local Law Enforcement Block Grant Fund - This fund is used to account for federal funds received from the U. S. Department of Justice for the purpose of reducing crime and improving public safety.

Economic Development Fund - This fund is used to account for funds set aside for specified economic development activities of the City.

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

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

Home Program Fund - This fund is used to account for funds received from the Texas Department of Housing and Community Affairs for rehabilitation of owner occupied or investor owned properties.

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

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

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

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

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

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

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

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

Texas Forest Services TIFMAS Grant Fund - This fund is used to account for grant funds received from the Texas Forest Service for related grant expenditures. Grant was for training, tuition and bunker gear for the Fire Department.

Texas General Land Office (GLO) Grant Fund - This fund is used to account for funds received from the General Land Office (formerly the Texas Department of Rural Affairs TDRA) for related grant expenditures. Grants are for hurricane disaster recovery projects.

City of Orange
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2013

	Special Revenue				
	Animal Shelter Donation Fund	Community Development Block Grant Fund	Confined Space Rescue Fund	Department of Justice Grant Fund	Economic Development Fund
Assets					
Cash and cash equivalents	\$60,068	\$5,159	\$72,353	\$0	\$2,285
Grant or other receivable	0	42,990	0	20,821	0
Prepaid	0	1,057	0	1,207	0
Total assets	<u>\$60,068</u>	<u>\$49,206</u>	<u>\$72,353</u>	<u>\$22,028</u>	<u>\$2,285</u>
Liabilities					
Accounts payable	\$110	\$9,000	\$10,363	\$1,837	\$0
Due to other funds	0	0	0	20,191	0
Total liabilities	<u>110</u>	<u>9,000</u>	<u>10,363</u>	<u>22,028</u>	<u>0</u>
Fund balances					
Restricted for:					
Cultural and recreation	0	0	0	0	0
Public safety	59,958	0	61,990	0	0
Public works	0	40,206	0	0	0
Tourism and promotion	0	0	0	0	0
Assigned to:					
Economic development	0	0	0	0	2,285
Total fund balances	<u>59,958</u>	<u>40,206</u>	<u>61,990</u>	<u>0</u>	<u>2,285</u>
Total liabilities and fund balances	<u>\$60,068</u>	<u>\$49,206</u>	<u>\$72,353</u>	<u>\$22,028</u>	<u>\$2,285</u>

(Continued)

City of Orange
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2013

	Special Revenue				
	Emergency Management Fund	Fire Department Donation Fund	Home Program Fund	Law Enforcement Seizure Fund	Library Donation Fund
Assets					
Cash and cash equivalents	\$0	\$15,036	\$9,903	\$653,720	\$103,790
Grant or other receivable	29,891	0	0	0	0
Prepaid	0	0	0	0	0
Total assets	\$29,891	\$15,036	\$9,903	\$653,720	\$103,790
Liabilities					
Accounts payable	\$0	\$0	\$0	\$0	\$212
Due to other funds	29,891	0	0	0	0
Total liabilities	29,891	0	0	0	212
Fund balances					
Restricted for:					
Cultural and recreation	0	0	0	0	103,578
Public safety	0	15,036	0	653,720	0
Public works	0	0	9,903	0	0
Tourism and promotion	0	0	0	0	0
Assigned to:					
Economic development	0	0	0	0	0
Total fund balances	0	15,036	9,903	653,720	103,578
Total liabilities and fund balances	\$29,891	\$15,036	\$9,903	\$653,720	\$103,790

(Continued)

City of Orange
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2013

	Special Revenue				
	Municipal Court Technology Fund	Nelda C & HJ Lutcher Stark Foundation Grant Fund	Orange Development Fund	Parks Donation Fund	Police Donation Fund
Assets					
Cash and cash equivalents	\$73,854	\$17,936	\$945,405	\$9,890	\$30,019
Grant or other receivable	0	0	44,969	0	0
Prepaid	0	0	1,750	0	0
Total assets	<u>\$73,854</u>	<u>\$17,936</u>	<u>\$992,124</u>	<u>\$9,890</u>	<u>\$30,019</u>
Liabilities					
Accounts payable	\$0	\$0	\$16,088	\$0	\$0
Due to other funds	0	0	0	0	0
Total liabilities	<u>0</u>	<u>0</u>	<u>16,088</u>	<u>0</u>	<u>0</u>
Fund balances					
Restricted for:					
Cultural and recreation	0	3,865	0	9,890	0
Public safety	73,854	10,003	0	0	30,019
Public works	0	4,068	0	0	0
Tourism and promotion	0	0	976,036	0	0
Assigned to:					
Economic development	0	0	0	0	0
Total fund balances	<u>73,854</u>	<u>17,936</u>	<u>976,036</u>	<u>9,890</u>	<u>30,019</u>
Total liabilities and fund balances	<u>\$73,854</u>	<u>\$17,936</u>	<u>\$992,124</u>	<u>\$9,890</u>	<u>\$30,019</u>

(Continued)

City of Orange
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2013

	Special Revenue			
	Texas Department of Transportation (TX DOT) Grant Fund	Texas Forest Service TIFMAS Grant Fund	Texas General Land Office GLO Grant Fund	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$0	\$0	\$0	\$1,999,418
Grant or other receivable	106,976	0	552,178	797,825
Prepaid	0	0	0	4,014
Total assets	<u>\$106,976</u>	<u>\$0</u>	<u>\$552,178</u>	<u>\$2,801,257</u>
Liabilities				
Accounts payable	\$7,400	\$0	\$546,302	\$591,312
Due to other funds	99,576	0	5,876	155,534
Total liabilities	<u>106,976</u>	<u>0</u>	<u>552,178</u>	<u>746,846</u>
Fund balances				
Restricted for:				
Cultural and recreation	0	0	0	117,333
Public safety	0	0	0	904,580
Public works	0	0	0	54,177
Tourism and promotion	0	0	0	976,036
Assigned to:				
Economic development	0	0	0	2,285
Total fund balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,054,411</u>
Total liabilities and fund balances	<u>\$106,976</u>	<u>\$0</u>	<u>\$552,178</u>	<u>\$2,801,257</u>

City of Orange
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2013

	Special Revenue				
	Animal Shelter Donation Fund	Community Development Block Grant Fund	Confined Space Rescue Fund	Department of Justice Grant Fund	Economic Development Fund
Revenues					
Taxes	\$0	\$0	\$0	\$0	\$0
Intergovernmental	0	394,721	0	0	0
Donations	410	0	22,000	0	0
Grant income	0	0	0	103,215	0
Investment income	140	0	175	0	5
Program income	0	7,659	0	0	0
Forfeitures	0	0	0	0	0
Total revenues	550	402,380	22,175	103,215	5
Expenditures					
Current:					
Cultural & recreation	0	0	0	0	0
Public safety	5,478	0	22,454	103,215	0
Public works	0	308,376	0	0	0
Capital outlay:					
Books	0	0	0	0	0
Buildings	0	0	0	0	0
Meters and settings	0	86,345	0	0	0
Other capital	0	0	0	0	0
Street construction	0	0	0	0	0
Sewer system construction	0	0	0	0	0
Total expenditures	5,478	394,721	22,454	103,215	0
Excess (deficiency) of revenues over (under) expenditures	(4,928)	7,659	(279)	0	5
Net change in fund balances	(4,928)	7,659	(279)	0	5
Fund balances beginning	64,886	32,547	62,269	0	2,280
Fund balances ending	\$59,958	\$40,206	\$61,990	\$0	\$2,285

(Continued)

City of Orange
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2013

	Special Revenue				
	Emergency Management Fund	Fire Department Donation Fund	Home Program Fund	Law Enforcement Seizure Fund	Library Donation Fund
Revenues					
Taxes	\$0	\$0	\$0	\$0	\$0
Intergovernmental	0	0	0	0	0
Donations	0	2,375	0	0	3,507
Grant income	29,891	0	0	0	0
Investment income	0	43	0	1,531	250
Program income	0	0	0	0	1,157
Forfeitures	0	0	0	67,229	0
Total revenues	29,891	2,418	0	68,760	4,914
Expenditures					
Current:					
Cultural & recreation	0	0	0	0	0
Public safety	29,891	3,916	0	16,098	1,185
Public works	0	0	0	0	0
Capital outlay:					
Books	0	0	0	0	1,704
Buildings	0	0	0	8,455	0
Meters and settings	0	0	0	0	0
Other capital	0	0	0	0	0
Street construction	0	0	0	0	0
Sewer system construction	0	0	0	0	0
Total expenditures	29,891	3,916	0	24,553	2,889
Excess (deficiency) of revenues over (under) expenditures	0	(1,498)	0	44,207	2,025
Net change in fund balances	0	(1,498)	0	44,207	2,025
Fund balances beginning	0	16,534	9,903	609,513	101,553
Fund balances ending	\$0	\$15,036	\$9,903	\$653,720	\$103,578

(Continued)

City of Orange
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2013

	Special Revenue				
	Municipal Court Technology Fund	Nelda C & HJ Lutcher Stark Foundation Grant Fund	Orange Development Fund	Parks Donation Fund	Police Donation Fund
Revenues					
Taxes	\$0	\$0	\$584,541	\$0	\$0
Intergovernmental	0	0	0	0	0
Donations	0	0	2,750	0	0
Grant income	0	0	0	0	0
Investment income	173	40	2,332	24	73
Program income	8,950	0	0	0	0
Forfeitures	0	0	0	0	0
Total revenues	9,123	40	589,623	24	73
Expenditures					
Current:					
Cultural & recreation	0	0	649,689	0	0
Public safety	9,071	0	0	0	930
Public works	0	0	0	0	0
Capital outlay:					
Books	0	0	0	0	0
Buildings	0	0	0	0	0
Meters and settings	0	0	0	0	0
Other capital	0	0	0	0	0
Street construction	0	0	0	0	0
Sewer system construction	0	0	0	0	0
Total expenditures	9,071	0	649,689	0	930
Excess (deficiency) of revenues over (under) expenditures	52	40	(60,066)	24	(857)
Net change in fund balances	52	40	(60,066)	24	(857)
Fund balances beginning	73,802	17,896	1,036,102	9,866	30,876
Fund balances ending	\$73,854	\$17,936	\$976,036	\$9,890	\$30,019

(Continued)

City of Orange
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2013

	Special Revenue			
	Texas Department of Transportation (TX DOT) Grant Fund	Texas Forest Service TIFMAS Grant Fund	Texas General Land Office (GLO) Grant Fund	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$0	\$0	\$0	\$584,541
Intergovernmental	0	0	0	394,721
Donations	0	0	0	31,042
Grant income	106,976	3,200	1,843,233	2,086,515
Investment income	0	0	0	4,786
Program income	0	0	0	17,766
Forfeitures	0	0	0	67,229
Total revenues	106,976	3,200	1,843,233	\$3,186,600
Expenditures				
Current:				
Cultural & recreation	0	0	0	649,689
Public safety	29,283	3,200	0	224,721
Public works	0	0	37,598	345,974
Capital outlay:				
Books	0	0	0	1,704
Buildings	0	0	0	8,455
Meters and settings	0	0	0	86,345
Other capital	77,693	0	0	77,693
Street construction	0	0	1,236,385	1,236,385
Sewer system construction	0	0	569,250	569,250
Total expenditures	106,976	3,200	1,843,233	3,200,216
Excess (deficiency) of revenues over (under) expenditures	0	0	0	(13,616)
Net change in fund balances	0	0	0	(13,616)
Fund balances beginning	0	0	0	2,068,027
Fund balances ending	\$0	\$0	\$0	\$2,054,411

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Animal Shelter Donation Fund
For the Year Ended September 30, 2013

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Donations	\$250	\$250	\$410	\$160
Investment income	10	10	140	130
Total revenues	260	260	550	290
Expenditures:				
Public safety	5,000	8,000	5,478	(2,522)
Total expenditures	5,000	8,000	5,478	(2,522)
Net change in fund balance	(4,740)	(7,740)	(4,928)	2,812
Fund balances beginning	64,886	64,886	64,886	0
Fund balances ending	\$60,146	\$57,146	\$59,958	\$2,812

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Community Development Block Grant Fund
For the Year Ended September 30, 2013

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Intergovernmental	\$0	\$423,557	\$394,721	(\$28,836)
Program income	0	0	7,659	7,659
Total revenues	0	423,557	402,380	(21,177)
Expenditures:				
Public works	333,847	427,510	308,376	(119,134)
Capital outlay				
Meters and settings	0	0	86,345	86,345
Total expenditures	333,847	427,510	394,721	(32,789)
Net change in fund balance	(333,847)	(3,953)	7,659	11,612
Fund balances beginning	32,547	32,547	32,547	0
Fund balances ending	(\$301,300)	\$28,594	\$40,206	\$11,612

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Confined Space Rescue Fund
For the Year Ended September 30, 2013

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Donations	\$22,000	\$22,000	\$22,000	\$0
Investment income	140	140	175	35
Total revenues	22,140	22,140	22,175	35
Expenditures:				
Public safety	45,000	45,000	22,454	(22,546)
Total expenditures	45,000	45,000	22,454	(22,546)
Excess (deficiency) of revenues over (under) expenditures	(22,860)	(22,860)	(279)	22,581
Net change in fund balance	(22,860)	(22,860)	(279)	22,581
Fund balances beginning	62,273	62,273	62,269	0
Fund balances ending	\$39,413	\$39,413	\$61,990	\$22,581

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Department of Justice Grant Fund
For the Year Ended September 30, 2013

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Grant income	\$36,131	\$122,887	\$103,215	(\$19,672)
Total revenues	36,131	122,887	103,215	(19,672)
Expenditures:				
Public safety	114,692	114,692	103,215	(11,477)
Total expenditures	114,692	114,692	103,215	(11,477)
Net change in fund balance	(78,561)	8,195	0	(8,195)
Fund balances beginning	0	0	0	0
Fund balances ending	(\$78,561)	\$8,195	\$0	(\$8,195)

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Emergency Management Fund
For the Year Ended September 30, 2013

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Grant income	\$29,240	\$29,240	\$29,891	\$651
Total revenues	29,240	29,240	29,891	651
Expenditures:				
Public safety	28,793	28,793	29,891	1,098
Total expenditures	28,793	28,793	29,891	1,098
Net change in fund balance	447	447	0	(447)
Fund balances beginning	0	0	0	0
Fund balances ending	\$447	\$447	\$0	(\$447)

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Fire Department Donation Fund
For the Year Ended September 30, 2013

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Donations	\$0	\$0	\$2,375	\$2,375
Investment income	70	70	43	(27)
Total revenues	70	70	2,418	2,348
Expenditures:				
Public safety	20,000	20,000	3,916	(16,084)
Total expenditures	20,000	20,000	3,916	(16,084)
Net change in fund balance	(19,930)	(19,930)	(1,498)	18,432
Fund balances beginning	16,534	16,534	16,534	0
Fund balances ending	(\$3,396)	(\$3,396)	\$15,036	\$18,432

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Law Enforcement Seizure Fund
For the Year Ended September 30, 2013

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Investment income	\$1,000	\$1,000	\$1,531	\$531
Forfeiture	5,000	5,000	67,229	62,229
Total revenues	6,000	6,000	68,760	62,760
Expenditures:				
Public safety	132,000	122,000	16,098	(105,902)
Capital outlay				
Buildings	0	10,000	8,455	(1,545)
Total expenditures	132,000	132,000	24,553	(107,447)
Net change in fund balance	(126,000)	(126,000)	44,207	170,207
Fund balances beginning	609,513	609,513	609,513	0
Fund balances ending	\$483,513	\$483,513	\$653,720	\$170,207

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Library Donation Fund
For the Year Ended September 30, 2013

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Donations	\$4,000	\$4,000	\$3,507	(\$493)
Investment income	200	200	250	50
Program income	1,700	1,700	1,157	(543)
Total revenues	5,900	5,900	4,914	(986)
Expenditures:				
Cultural and recreation	10,000	10,000	1,185	(8,815)
Capital outlay				
Books	10,000	10,000	1,704	(8,296)
Total expenditures	20,000	20,000	2,889	(17,111)
Net change in fund balance	(14,100)	(14,100)	2,025	16,125
Fund balances beginning	101,553	101,553	101,553	0
Fund balances ending	\$87,453	\$87,453	\$103,578	\$16,125

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Municipal Court Technology Fund
For the Year Ended September 30, 2013

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Investment income	\$150	\$150	\$173	\$23
Program income	12,648	12,648	8,950	(3,698)
Total revenues	12,798	12,798	9,123	(3,675)
Expenditures:				
Public safety	14,000	14,000	9,071	(4,929)
Total expenditures	14,000	14,000	9,071	(4,929)
Net change in fund balance	(1,202)	(1,202)	52	1,254
Fund balances beginning	73,802	73,802	73,802	0
Fund balances ending	\$72,600	\$72,600	\$73,854	\$1,254

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nelda C and HJ Lutzer Stark Foundation Grant Fund
For the Year Ended September 30, 2013

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Grant proceeds	\$0	\$0	\$0	\$0
Investment income	0	0	40	40
Program income	0	0	0	0
Total revenues	0	0	40	40
Expenditures:				
Public safety	1,881	1,881	0	(1,881)
Total expenditures	1,881	1,881	0	(1,881)
Net change in fund balance	(1,881)	(1,881)	40	1,921
Fund balances beginning	17,896	17,896	17,896	0
Fund balances ending	\$16,015	\$16,015	\$17,936	\$1,921

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Orange Development Fund
For the Year Ended September 30, 2013

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Taxes	\$535,000	\$535,000	\$584,541	\$49,541
Donations	3,500	3,500	2,750	(750)
Investment income	2,000	2,000	2,332	332
Total revenues	540,500	540,500	589,623	49,123
Expenditures:				
Cultural and recreation	486,142	789,900	649,689	(140,211)
Total expenditures	486,142	789,900	649,689	(140,211)
Net change in fund balance	54,358	(249,400)	(60,066)	189,334
Fund balances beginning	1,036,102	1,036,102	1,036,102	0
Fund balances ending	\$1,090,460	\$786,702	\$976,036	\$189,334

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Parks Donation Fund
For the Year Ended September 30, 2013

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Investment income	\$30	\$30	\$24	(\$6)
Total revenues	<u>30</u>	<u>30</u>	<u>24</u>	<u>(6)</u>
 Net change in fund balance	 30	 30	 24	 (6)
Fund balances beginning	9,866	9,866	9,866	0
Fund balances ending	<u>\$9,896</u>	<u>\$9,896</u>	<u>\$9,890</u>	<u>(\$6)</u>

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Police Donation Fund
For the Year Ended September 30, 2013

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Investment income	\$50	\$50	\$73	\$23
Total revenues	50	50	73	23
Expenditures:				
Public safety	25,000	25,000	930	(24,070)
Total expenditures	25,000	25,000	930	(24,070)
Net change in fund balance	(24,950)	(24,950)	(857)	24,093
Fund balances beginning	30,876	30,876	30,876	0
Fund balances ending	\$5,926	\$5,926	\$30,019	\$24,093

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Texas Department of Transportation (TX DOT) Grant Fund
For the Year Ended September 30, 2013

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Grant income	\$0	\$496,559	\$106,976	(\$389,583)
Total revenues	0	496,559	106,976	(389,583)
Expenditures:				
Public works	0	16,630	29,283	12,653
Capital outlay				
Other capital	0	479,929	77,693	(402,236)
Total expenditures	0	496,559	106,976	(389,583)
Net change in fund balance	0	0	0	0
Fund balances beginning	0	0	0	0
Fund balances ending	\$0	\$0	\$0	\$0

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Texas Forest Service TIFMAS Grant Fund
For the Year Ended September 30, 2013

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Grant income	\$0	\$760	\$3,200	\$2,440
Total revenues	0	760	3,200	2,440
Expenditures:				
Public safety	0	760	3,200	2,440
Total expenditures	0	760	3,200	2,440
Net change in fund balance	0	0	0	0
Fund balances beginning	0	0	0	0
Fund balances ending	\$0	\$0	\$0	\$0

City of Orange
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Texas General Land Office (GLO) Grant Fund
For the Year Ended September 30, 2013

	Original	Final	Actual Amounts	Variance Over (under)
Revenues:				
Grant income	\$4,770,342	\$6,084,312	\$1,843,233	(\$4,241,079)
Total revenues	4,770,342	6,084,312	1,843,233	(4,241,079)
Expenditures:				
Public works	40,911	93,858	37,598	(56,260)
Capital outlay				
Buildings	0	48,100	0	(48,100)
Street construction	4,726,431	4,699,198	569,250	(4,129,948)
Storm sewer construction	0	1,243,156	1,236,385	(6,771)
Total expenditures	4,767,342	6,084,312	1,843,233	(4,241,079)
Net change in fund balance	3,000	0	0	0
Fund balances beginning	0	0	0	0
Fund balances ending	\$3,000	\$0	\$0	\$0

Internal Service Funds

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

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

City of Orange, Texas
Statement of Net Position
Internal Service Fund
September 30, 2013

	Workers' Compensation Insurance Fund
Assets	
Cash and cash equivalents	\$377,995
Cash with fiscal agent	24,000
Total assets	<u>401,995</u>
 Liabilities	
Accounts payable	48,826
Claims payable	111,859
Total liabilities	<u>160,685</u>
 Net Position	
Unrestricted	241,310
Total net position	<u><u>\$241,310</u></u>

City of Orange, Texas
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Fund
For the Year Ended September 30, 2013

	Workers' Compensation Insurance Fund
Operating revenues:	
Charges for services	\$224,863
Total operating revenues	<u>224,863</u>
Operating expenses:	
Administrative	28,550
Claims	192,285
Premiums	46,161
Total operating expenses	<u>266,996</u>
Operating income	<u>(42,133)</u>
Nonoperating revenues (expenses):	
Investment income	<u>785</u>
Change in net position	(41,348)
Total net position - beginning	<u>282,658</u>
Total net position - ending	<u><u>\$241,310</u></u>

City of Orange, Texas
Statement of Cash Flows
Internal Service Fund
For the Year Ended September 30, 2013

	Workers' Compensation Insurance Fund
Cash flows from operating activities:	
Cash received from customers	\$224,950
Cash paid to suppliers	(255,992)
Net cash provided (used) by operating activities	(31,042)
Cash flows from investing activities:	
Interest received	785
Net cash provided by investing activities	785
Net increase (decrease) in cash and cash equivalents	(30,257)
Cash and cash equivalents beginning of year	408,252
Cash and cash equivalents end of year	<u>\$377,995</u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	(42,133)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
(Increase) decrease in prepaids	0
(Increase) decrease in due from others	88
Increase (decrease) in accounts payable	11,003
Total adjustments	11,091
Net cash provided (used) by operating activities	<u>(\$31,042)</u>

Fiduciary Funds

Fiduciary funds are used to account for resources legally held in trust by the City.

Municipal Court Escrow Agency Fund - This fund is used to account for bonds collected by the City Municipal Court.

Employee Flex Plan Agency Fund - This fund is used to account for funds in accordance with the City of Orange Flexible Benefit Plan.

City of Orange "Orange Employee Benefit" Trust Fund - This fund is used to account for funds collected to pay premiums under the City's health insurance programs for the City employees.

City of Orange, Texas
Combining Statement of Fiduciary Net Position
September 30, 2013

	Municipal Court Escrow Agency Fund	Employee Flex Plan Agency Fund	Orange Employee Benefit Trust Fund	Total Fiduciary Funds
Assets				
Cash	\$8,818	\$4,268	\$0	\$13,086
Accounts receivable	0	2,168	18,413	20,581
Prepays	0	0	180,000	180,000
Total assets	<u>8,818</u>	<u>6,436</u>	<u>198,413</u>	<u>213,667</u>
Liabilities				
Accounts payable	0	0	10,834	10,834
Other liabilities	8,818	6,436	187,579	202,833
Total liabilities	<u>\$8,818</u>	<u>\$6,436</u>	<u>\$198,413</u>	<u>\$213,667</u>

City of Orange, Texas
Combining Statement of Changes in Fiduciary Assets and Liabilities
For the Year Ended September 30, 2013

	Municipal Court Escrow Agency Fund 10/01/2012	Additions	Deletions	Municipal Court Escrow Agency Fund 09/30/2013
Cash and cash equivalents	\$6,910	\$5,193	\$3,285	\$8,818
Total assets	<u>6,910</u>	<u>5,193</u>	<u>3,285</u>	<u>8,818</u>
Other liabilities - held in trust for municipal court bonds	6,910	5,193	3,285	8,818
Total liabilities	<u>\$6,910</u>	<u>\$5,193</u>	<u>\$3,285</u>	<u>\$8,818</u>
	Employee Flex Plan Agency Fund 10/01/2012	Additions	Deletions	Employee Flex Plan Agency Fund 09/30/2013
Cash and cash equivalents	\$24,242	\$23,910	\$43,884	\$4,268
Accounts receivable	0	2,168	0	2,168
Total assets	<u>24,242</u>	<u>26,078</u>	<u>43,884</u>	<u>6,436</u>
Other liabilities - held in trust for flexible spending accounts	24,242	23,910	41,716	6,436
Total liabilities	<u>\$24,242</u>	<u>\$23,910</u>	<u>\$41,716</u>	<u>\$6,436</u>
	Orange Employee Benefit Trust Fund 10/01/2012	Additions	Deletions	Orange Employee Benefit Trust Fund 09/30/2013
Cash and cash equivalents	\$174,524	\$2,377,598	\$2,552,122	\$0
Accounts receivable	0	2,371,343	2,352,930	18,413
Prepays	0	180,000	0	180,000
Total assets	<u>174,524</u>	<u>4,928,941</u>	<u>4,905,052</u>	<u>198,413</u>
Accounts payable	12,485	2,345,455	2,347,106	10,834
Other liabilities - held in trust for employee insurance costs	162,039	2,583,486	2,557,946	187,579
Total liabilities	<u>\$174,524</u>	<u>\$4,928,941</u>	<u>\$4,905,052</u>	<u>\$198,413</u>
	Total Fiduciary Funds 10/01/2012	Additions	Deletions	Total Fiduciary Funds 09/30/2013
Cash and cash equivalents	\$205,676	\$2,406,701	\$2,599,291	\$13,086
Accounts receivable	0	2,373,511	2,352,930	20,581
Prepays	0	180,000	0	180,000
Total assets	<u>205,676</u>	<u>4,960,212</u>	<u>4,952,221</u>	<u>213,667</u>
Accounts payable	12,485	2,345,455	2,347,106	10,834
Other liabilities - held in trust for municipal court bonds	6,910	5,193	3,285	8,818
Other liabilities - held in trust for flexible spending accounts	24,242	23,910	41,716	6,436
Other liabilities - held in trust for employee insurance costs	162,039	2,583,486	2,557,946	187,579
Total liabilities	<u>\$205,676</u>	<u>\$4,958,044</u>	<u>\$4,950,053</u>	<u>\$213,667</u>



STATISTICAL SECTION

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

Contents

Page

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. 135

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax. 141

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future. 145

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place. 150

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report related to the services the government provides and the activities it performs. 152



Table 1

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

	2004	2005	2006	2007	2008	2009	2010 (a)	2011	2012	2013 (b)
Government activities										
Invested in capital assets, net of related debt	\$9,360,796	\$10,067,933	\$11,349,801	\$12,430,810	\$12,887,162	\$8,524,217	\$8,955,990	\$11,874,957	\$18,716,218	\$19,963,533
Restricted	447,841	1,750,990	1,567,244	914,538	0	57,354	71,058	65,900	14,862	155,728
Unrestricted	4,098,348	4,688,604	6,531,168	6,870,023	7,908,150	8,673,931	7,296,187	6,761,991	6,266,247	6,880,845
Total government activities net position	13,906,985	16,507,527	19,448,213	20,215,371	20,695,312	17,255,502	16,323,235	18,702,848	24,997,327	27,000,106
Business-type activities										
Invested in capital assets, net of related debt	16,784,004	17,591,804	17,832,837	18,144,331	20,888,515	29,423,794	30,776,406	31,493,491	32,196,379	32,963,175
Restricted	1,519,887	1,516,207	1,526,676	1,624,697	1,493,068	1,749,284	1,443,873	1,428,684	1,434,849	1,488,660
Unrestricted	2,487,517	1,549,515	1,761,416	1,615,060	1,324,520	1,708,919	1,973,799	2,120,773	2,357,075	2,736,025
Total business-type activities net position	20,791,408	20,657,526	21,120,929	21,384,088	23,706,103	32,881,997	34,194,078	35,042,948	35,988,303	37,187,860
Primary government										
Net investment in capital assets	26,144,800	27,659,737	29,182,638	30,575,141	33,775,677	37,948,011	39,732,396	43,368,448	50,912,597	52,926,708
Restricted	1,967,728	3,267,197	3,093,920	2,539,235	1,493,068	1,806,638	1,514,931	1,494,584	1,449,711	1,644,388
Unrestricted	6,585,965	6,238,119	8,292,584	8,485,083	9,132,670	10,382,850	9,269,986	8,882,764	8,623,322	9,616,870
Total primary government net position	\$34,698,393	\$37,165,053	\$40,569,142	\$41,599,459	\$44,401,415	\$50,137,499	\$50,517,313	\$53,745,796	\$60,985,630	\$64,187,966

(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).

Table 2

City of Orange, Texas
Changes in Net Position
Last Ten Fiscal Years

(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010 (b), (c)	2011	2012	2013
Expenses										
Governmental Activities										
General government	\$1,106,808	\$1,162,509	\$1,166,696	\$1,235,297	\$1,262,411	\$1,444,316	\$1,338,566	\$1,382,505	\$1,449,759	\$1,686,907
Cultural and recreation	1,294,912	1,307,849	1,312,439	1,385,314	1,446,538	1,486,749	1,702,697	1,597,544	1,506,522	1,721,378
Public safety	7,102,739	7,537,592	7,912,215	8,280,559	8,931,939	9,399,380	9,870,932	9,807,217	10,124,888	10,244,710
Public works	2,906,131	3,759,213	4,214,823	4,142,241	4,194,268	4,435,852	4,694,527	4,195,605	4,294,614	3,593,133
Interest on long-term debt	291,035	178,801	317,323	288,522	328,931	556,581	493,848	460,991	426,512	299,216
Total governmental activities	12,641,625	13,945,764	14,823,496	15,331,933	16,164,087	17,322,878	18,100,370	17,443,862	17,802,295	17,545,344
Business-type activities										
Water	1,709,064	1,739,179	2,115,515	2,025,692	2,221,629	2,355,024	2,551,573	2,664,708	2,416,132	2,800,457
Sewer	3,595,219	3,687,226	3,591,242	3,694,760	3,920,433	4,008,183	4,171,001	4,399,089	4,217,375	4,367,032
Sanitation	850,612	991,354	1,051,813	1,179,005	1,548,541	1,566,280	1,582,983	1,659,430	1,629,934	1,661,963
Total business-type activities	6,154,895	6,417,759	6,758,570	6,899,457	7,688,603	7,929,487	8,305,557	8,723,227	8,263,441	8,829,452
Total primary government	18,796,520	20,363,523	21,582,066	22,231,390	23,852,690	25,252,365	26,405,927	26,167,089	26,065,736	26,374,796
Program Revenues										
Governmental activities										
Charges for services										
General government	759,891	914,912	798,225	799,177	848,857	830,125	1,134,214	1,112,058	1,139,522	1,086,293
Cultural and recreation	65,650	62,831	32,111	51,212	37,715	36,527	27,011	36,020	22,777	23,817
Public safety	243,227	198,655	260,488	227,100	194,897	259,217	270,964	199,371	319,280	341,031
Public works	87,982	104,710	72,905	138,584	108,543	225,303	98,552	102,228	54,690	49,164
Operating grants and contributions										
General government	65,373	73,037	73,918	82,384	210,540	164,470	83,547	88,459	112,093	106,590
Cultural and recreation	11,877	10,319	80,833	45,483	13,075	16,991	16,752	18,763	3,019	6,160
Public safety	60,628	56,065	579,559	439,073	671,362	753,682	395,027	247,351	262,965	254,898
Public works	509,598	916,850	1,265,790	1,052,904	1,295,456	1,416,415	1,412,616	1,007,070	1,032,602	353,633
Capital grants and contributions										
General government	0	2,917	39,851	27,775	12,418	89,964	0	0	34,959	473
Cultural and recreation	967,931	2,074,602	746,533	0	28,516	213,396	8,185	126,979	3,187	1,704
Public safety	286,991	293,492	313,354	332,579	410,248	1,339,349	663,321	2,316,708	6,155,476	138,848
Public works	4,540	178,404	979,749	412,792	854,619	813,231	222,996	1,289,006	611,356	1,775,080
Total governmental activities program revenues	3,063,588	4,886,794	5,243,316	3,609,063	4,686,246	6,158,670	4,333,185	6,544,013	9,751,928	4,137,691

(Continued)

Table 2 (Continued)

	2004	2005	2006	2007	2008	2009	2010 (b), (c)	2011	2012	2013
Business-type activities										
Charges for services										
Water	1,666,926	1,699,153	1,755,665	1,981,226	1,996,487	2,140,507	2,409,073	2,596,037	2,600,208	2,648,991
Sewer	3,191,904	3,276,503	3,624,877	3,742,025	3,697,384	3,839,209	4,290,074	4,548,118	3,648,695	5,064,641
Sanitation	883,025	976,221	1,157,739	1,284,458	1,664,792	1,579,773	1,678,957	1,724,816	1,625,639	1,768,833
Operating grants and contributions										
Water	0	39,216	150,718	11,263	35,678	30,574	10,960	0	0	0
Sewer	0	0	150,719	11,262	35,678	201,440	10,960	0	0	0
Sanitation	0	0	0	0	0	164,116	150,089	0	0	0
Capital grants and contributions										
Water	6,432	186,833	136,019	3,275	689,420	942,491	264,074	10,110	20,570	429,623
Sewer	123,936	40,800	142,964	101,310	710,511	1,336,866	74,940	74,136	52,041	343,277
Sanitation	0	0	0	0	0	0	39,505	0	0	0
Total governmental activities program revenues	5,872,223	6,218,728	7,118,691	7,034,819	8,829,950	10,234,976	8,928,632	8,953,217	7,947,153	10,255,365
Total primary government program revenues	8,935,811	11,105,520	12,362,007	10,843,882	13,516,196	16,393,646	13,281,817	15,497,230	17,699,079	14,393,056
Net (expense)/revenue	(9,578,037)	(9,058,970)	(9,580,180)	(11,722,870)	(11,477,841)	(11,164,208)	(13,767,185)	(10,899,849)	(8,050,369)	(13,407,653)
Governmental activities	(282,672)	(199,033)	360,121	51,769	1,141,347	2,305,489	623,075	229,990	800,663	1,425,913
Business-type activities	(9,850,709)	(9,258,003)	(9,220,059)	(11,871,101)	(10,336,494)	(8,858,719)	(13,144,110)	(10,969,859)	(7,149,716)	(11,981,740)
Total primary government net expense										
General Revenues and Other Changes in Net Position										
Governmental Activities										
Property taxes	3,768,207	3,754,181	4,159,139	4,078,832	4,377,602	5,345,422	5,666,502	5,874,034	6,096,780	5,868,244
Sales taxes	1,502,035	1,829,671	2,442,369	2,152,471	2,241,325	3,035,472	2,469,558	2,308,088	2,229,480	2,309,862
Other taxes	288,648	362,078	452,242	599,959	684,480	598,063	497,900	474,895	553,828	603,799
Franchise taxes	264,046	281,104	266,850	312,356	336,533	334,756	329,673	342,136	306,524	282,092
Payment in-lieu of taxes	3,968,504	5,286,809	4,858,528	4,965,279	5,042,646	5,087,347	4,503,987	4,871,157	5,162,155	6,467,311
Licenses and permits	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)
Unrestricted investment earnings	51,766	143,671	341,737	464,724	267,263	143,409	26,853	20,396	22,267	20,490
Transfers	0	0	0	(83,593)	(1,012,067)	(6,820,071)	(682,404)	(611,194)	(26,186)	0
Total governmental activities	9,853,208	11,659,512	12,520,866	12,490,028	11,957,782	7,724,398	12,812,089	13,279,512	14,344,848	15,541,918
Business-type activities										
Unrestricted investment earnings	25,619	65,151	103,282	127,797	168,601	50,334	6,602	7,886	18,516	9,141
Transfers	0	0	0	83,593	1,012,067	6,820,071	862,404	811,194	26,186	0
Total business-type activities	25,619	65,151	103,282	211,390	1,180,668	6,870,405	869,006	818,880	44,702	9,141
Total primary government	9,878,825	11,724,663	12,624,148	12,701,418	13,138,450	14,594,803	13,501,075	13,998,392	14,389,550	15,551,059
Change in Net Position										
Governmental activities	275,169	2,600,542	2,940,686	767,158	479,941	(3,439,810)	(955,116)	2,379,663	6,294,479	2,134,265
Business-type activities	(257,053)	(133,882)	483,403	263,159	2,322,015	9,175,894	1,312,081	848,870	945,355	1,435,054
Total primary government	\$18,116	\$2,466,660	\$3,404,089	\$1,030,317	\$2,801,956	\$5,736,084	\$356,965	\$3,228,533	\$7,239,834	\$3,569,319

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

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

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

Table 3

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Other Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
2004	\$3,768,207	\$1,502,035	\$298,648	\$264,046	\$5,832,936
2005	\$3,754,181	\$1,829,671	\$362,076	\$281,104	\$6,227,032
2006	\$4,159,139	\$2,442,369	\$452,242	\$266,850	\$7,320,600
2007	\$4,078,832	\$2,152,471	\$599,959	\$312,356	\$7,143,618
2008	\$4,377,602	\$2,241,325	\$684,480	\$336,533	\$7,639,940
2009	\$5,345,422	\$3,035,472	\$598,063	\$334,756	\$9,313,713
2010	\$5,666,502	\$2,469,558	\$497,900	\$329,673	\$8,963,633
2011	\$5,874,034	\$2,308,088	\$474,895	\$342,136	\$8,999,153
2012	\$6,096,780	\$2,229,480	\$553,480	\$306,524	\$9,186,264
2013	\$5,868,244	\$2,309,982	\$603,799	\$282,092	\$9,064,117

Table 4

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

	<u>2004-2010 (a)</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General fund				
Nonspendable:				
Inventory	\$0	\$66,951	\$124,361	\$101,349
Assigned to:				
Capital outlay	0	369,593	0	0
Hurricane recovery	0	249,752	0	0
Restricted for:				
Hurricane recovery	0	0	0	0
Unassigned	0	4,340,641	4,170,019	5,108,704
Total general fund	<u>\$0</u>	<u>\$5,026,937</u>	<u>\$4,294,380</u>	<u>\$5,210,053</u>
Debt service				
Restricted for:				
Debt service	<u>\$0</u>	<u>\$114,024</u>	<u>\$76,094</u>	<u>\$155,728</u>
Total debt service	<u>\$0</u>	<u>\$114,024</u>	<u>\$76,094</u>	<u>\$155,728</u>
Capital projects				
Assigned to:				
Capital projects	<u>\$0</u>	<u>\$98,789</u>	<u>\$93,908</u>	<u>\$62,599</u>
Total capital projects	<u>\$0</u>	<u>\$98,789</u>	<u>\$93,908</u>	<u>\$62,599</u>
Other governmental funds				
Special revenue funds				
Restricted for:				
Cultural and recreation	\$0	\$114,391	\$115,275	\$117,333
Hurricane recovery	0	246,134	0	0
Public safety	0	877,088	867,861	904,580
Public works	0	53,137	46,509	54,177
Tourism and promotion	0	835,280	1,036,102	976,036
Assigned to:				
Economic development	0	2,268	2,280	2,285
Total all other governmental funds	<u>\$0</u>	<u>\$2,128,298</u>	<u>\$2,068,027</u>	<u>\$2,054,411</u>

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

Table 5

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$5,541,831	\$6,107,047	\$7,019,320	\$6,827,323	\$7,251,694	\$8,962,140	\$8,625,889	\$8,567,376	\$8,616,255	\$8,662,858
Payments in lieu of taxes	3,968,504	5,288,809	4,858,529	4,965,279	5,042,646	5,087,347	4,503,987	4,871,157	5,162,155	6,457,311
Franchises	960,286	951,492	899,597	989,628	1,044,480	985,522	1,302,854	1,289,831	1,243,862	1,190,589
Licenses and permits	366,264	359,267	310,512	399,478	407,416	531,419	417,235	387,541	375,209	321,067
Intergovernmental	555,136	1,505,200	1,518,494	909,526	1,215,187	1,908,101	1,446,148	833,590	1,226,800	498,561
Charges for services	1,327,326	1,420,457	1,605,180	1,609,823	1,747,388	1,690,276	1,711,616	1,950,949	1,864,230	1,946,848
Donations	28,237	28,554	192,071	78,447	170,720	183,515	61,207	45,375	67,498	31,042
Grant income	208,234	277,094	624,347	886,200	782,590	400,000	822,476	3,387,878	6,776,309	2,086,515
Investment income	51,766	143,669	341,737	464,724	287,263	143,408	26,855	20,396	22,287	20,490
Program income	170,218	21,441	45,225	87,708	66,527	39,061	50,087	79,576	23,449	17,766
Forfeitures	5,480	4,050	53,541	354,764	563,239	429,966	275,257	57,701	56,774	67,229
Restitution	500	108	40	96	0	0	0	0	0	0
Miscellaneous	15,687	34,145	53,625	42,074	83,294	41,124	21,571	53,350	77,191	206,859
Total revenues	13,200,469	16,142,333	17,522,198	17,615,071	18,662,444	20,401,879	19,267,182	21,544,720	25,511,999	21,507,135
Expenditures										
General government	1,015,711	1,188,131	1,114,903	1,159,666	1,189,026	1,317,887	1,318,867	1,431,652	1,380,066	1,382,697
Cultural and recreation	1,014,696	1,118,608	1,072,498	1,171,112	1,247,902	1,363,852	1,510,032	1,480,747	1,352,473	1,615,702
Public safety	6,282,977	6,762,778	7,028,542	7,203,623	7,878,323	8,102,070	8,601,402	8,730,355	8,676,928	8,759,130
Public works	2,467,911	3,461,438	3,658,157	3,670,623	3,554,757	3,660,947	4,249,819	3,911,497	4,176,623	3,274,625
Non departmental Hurricane	0	0	475,699	68,947	667,723	785,822	54,093	173,125	312,925	0
Non departmental	1,552,592	1,532,723	1,759,799	1,716,235	1,801,242	1,567,423	1,664,657	1,796,074	1,780,323	1,804,513
Debt Service	235,000	245,000	480,000	515,000	545,000	555,000	830,000	865,000	895,000	670,000
Principal	292,769	166,809	290,035	256,668	235,593	534,562	458,003	425,565	391,278	289,028
Interest and fiscal charges	0	152,174	0	0	0	0	0	0	0	0
Bond issuance costs	518,250	1,040,538	1,957,120	2,122,744	3,332,853	8,674,015	1,418,833	3,979,351	7,472,353	2,711,531
Capital Outlay	13,379,908	15,668,199	17,836,753	17,884,618	20,282,419	26,561,578	20,105,706	22,793,366	26,437,969	20,507,226
Total expenditures	(179,437)	474,134	(314,555)	(269,547)	(1,589,975)	(6,159,699)	(838,524)	(1,248,546)	(925,970)	999,909
Excess of revenues over (under) expenditures	114,682	114,882	0	0	0	0	0	0	0	0
Other financing sources (uses)	(114,882)	(114,882)	0	0	0	(579,846)	(379,846)	0	0	0
Transfers in	0	0	0	0	6,807,605	0	0	0	0	0
Transfers out	0	0	0	0	(159,670)	0	0	0	0	0
Bond proceeds	0	0	0	0	697,971	2,007,303	76,214	690,216	29,868	0
Bond issuance costs	0	0	1,414,588	365,929	697,971	2,007,303	76,214	690,216	29,868	0
Insurance proceeds	0	0	0	165,100	17,280	5,700	1,750	0	60,463	473
Sales of fixed asset	0	0	0	0	0	0	0	0	0	5,440,000
Refunding bonds issued	4,360,000	4,360,000	0	0	0	0	0	0	0	0
Tax notes issued	1,560,000	1,560,000	0	0	0	0	0	0	0	0
Discount on refunding bonds	0	0	0	0	0	0	0	0	0	(31,855)
Premium on refunding bonds	14,386	14,386	0	0	0	0	0	0	0	0
Premium on tax notes issued	7,095	7,095	0	0	0	0	0	0	0	204,641
Payment to refunded bond escrow account	(4,376,153)	(4,376,153)	0	0	0	0	0	0	0	(5,662,786)
Total other financing sources and uses	1,565,328	1,565,328	1,414,588	531,029	7,363,186	1,433,157	(301,882)	690,216	90,331	(49,527)
Net changes in fund balances	1,385,891	2,038,462	1,100,033	261,482	5,773,211	(4,726,542)	(1,140,406)	(558,430)	(835,639)	950,382
Debt service as a percentage of noncapital expenditures	4.35%	3.20%	4.92%	4.67%	4.61%	6.09%	6.78%	6.64%	6.86%	5.43%
Capital # from Notes	1,237,279	2,808,777	2,188,403	1,358,173	3,332,853	8,674,013	1,116,474	3,368,157	7,691,828	2,850,131

Table 6

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

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Real Property</u>		<u>Personal Property</u>		<u>Taxable Assessed Value (a) (b)</u>	<u>Total Direct Tax Rate</u>	<u>Est. True Value</u>	<u>Percentage of Total Assessed Value to True Value</u>
		<u>Assessed Value</u>	<u>Percent</u>	<u>Assessed Value</u>	<u>Percent</u>				
2004	2003	\$348,741,322	81.81%	\$94,503,370	18.19%	\$443,244,692	\$0.84600	\$443,244,692	100.00%
2005	2004	\$355,372,278	81.32%	\$99,472,730	18.68%	\$454,845,008	\$0.83600	\$454,845,008	100.00%
2006	2005	\$383,377,767	77.61%	\$110,633,874	22.39%	\$494,011,641	\$0.81000	\$494,011,641	100.00%
2007	2006	\$388,520,228	77.86%	\$110,484,248	22.14%	\$499,004,476	\$0.81655	\$499,004,476	100.00%
2008	2007	\$434,219,778	75.43%	\$141,459,950	24.57%	\$575,679,728	\$0.74500	\$575,679,728	100.00%
2009	2008	\$563,980,966	79.95%	\$141,457,516	20.05%	\$705,438,482	\$0.74500	\$705,438,482	100.00%
2010	2009	\$572,672,308	76.97%	\$171,366,286	23.03%	\$744,038,594	\$0.74500	\$744,038,594	100.00%
2011	2010	\$620,990,969	78.37%	\$171,359,393	21.63%	\$792,350,362	\$0.74500	\$792,350,362	100.00%
2012	2011	\$631,241,805	78.06%	\$177,369,499	21.94%	\$808,611,304	\$0.74500	\$808,611,304	100.00%
2013	2012	\$618,576,246	76.25%	\$192,627,347	23.75%	\$811,203,593	\$0.70000	\$811,203,593	100.00%

(a) Certified Tax Roll - Orange County Appraisal District

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

Table 7

City of Orange, Texas
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	General Fund	Debt Service	Total City Tax Rate	Bridge City		Little Cypress		Orangefield		West Orange		Orange County + (Lateral Road)	Orange County Drainage District	Port and Navigation District	Total (a)	Total (b)	Total (c)	Total (d)
				School District	School District	School District	School District	Cove School District	West Orange District	School District	School District							
2004	\$0.72693	\$0.11907	\$0.84600	\$1.66320	\$1.60000	\$1.58500	\$1.57357	\$0.53913	\$0.12111	\$0.01250	\$3.18194	\$3.11874	\$3.10374	\$3.09231				
2005	\$0.72009	\$0.11591	\$0.83600	\$1.75775	\$1.60000	\$1.78000	\$1.58926	\$0.57958	\$0.12156	\$0.01125	\$3.30614	\$3.14839	\$3.32839	\$3.13765				
2006	\$0.65654	\$0.15346	\$0.81000	\$1.66870	\$1.60000	\$1.65000	\$1.58265	\$0.55946	\$0.11529	\$0.01067	\$3.16412	\$3.09542	\$3.14542	\$3.07807				
2007	\$0.66342	\$0.15313	\$0.81655	\$1.56750	\$1.50525	\$1.50000	\$1.46040	\$0.56227	\$0.11814	\$0.01067	\$3.07513	\$3.01288	\$3.00763	\$2.96803				
2008	\$0.59275	\$0.15225	\$0.74500	\$1.22000	\$1.15059	\$1.17000	\$1.13175	\$0.54261	\$0.10856	\$0.00980	\$2.62597	\$2.55656	\$2.57597	\$2.53772				
2009	\$0.58245	\$0.16255	\$0.74500	\$1.21000	\$1.14823	\$1.17000	\$1.24858	\$0.51700	\$0.10080	\$0.00909	\$2.58189	\$2.52012	\$2.54189	\$2.62047				
2010	\$0.57087	\$0.17413	\$0.74500	\$1.29000	\$1.14667	\$1.17000	\$1.43204	\$0.57075	\$0.10770	\$0.00909	\$2.72254	\$2.57921	\$2.60254	\$2.86458				
2011	\$0.57930	\$0.16570	\$0.74500	\$1.19000	\$1.15721	\$1.17000	\$1.35270	\$0.53559	\$0.09869	\$0.00832	\$2.57760	\$2.54481	\$2.55760	\$2.74030				
2012	\$0.58278	\$0.16222	\$0.74500	\$1.19000	\$1.15567	\$1.17000	\$1.28600	\$0.52990	\$0.10195	\$0.00821	\$2.57506	\$2.54073	\$2.55506	\$2.67106				
2013	\$0.56708	\$0.13292	\$0.70000	\$1.19000	\$1.58350	\$1.17000	\$1.45660	\$0.52990	\$0.10726	\$0.00811	\$2.53527	\$2.92877	\$2.51527	\$2.80187				

- (a) Total for taxpayers living in the Bridge City School District.
(b) Total for taxpayers living in the Little Cypress Mauriceville School District.
(c) Total for taxpayers living in the Orangefield School District.
(d) Total for taxpayers living in the West Orange Cove School District.

Table 8

City of Orange, Texas
Principal Property Taxpayers
September 30, 2013

	<u>FY 2013 (a)</u>			<u>FY 2003 (b)</u>		
	<u>Assessed</u>	<u>Percent of</u>		<u>Assessed</u>	<u>Percent of</u>	
<u>Name</u>	<u>Value</u>	<u>Total Assessed</u>	<u>Value</u>	<u>Value</u>	<u>Total Assessed</u>	<u>Value</u>
Signal International Texas, LP	\$39,522,000	1	4.6923%			
Exxonmobil Chemical Co.	\$16,525,060	2	1.9620%			
Orange Shipbuilding, Inc.	\$16,361,425	3	1.9425%			
Entergy Texas, Inc.	\$12,711,520	4	1.5092%			
Kirby Inland Marine	\$10,300,380	5	1.2229%			
Firestone	\$9,671,690	6	1.1483%			
Honeywell (Allied)	\$9,361,350	7	1.1114%			
Invista SARL	\$8,399,530	8	0.9972%			
Webco Industries, Inc.	\$6,816,410	9	0.8093%			
Cloeren Company	\$5,707,630	10	0.6776%			
Gulf States Utilities				\$5,058,300	8	1.1617%
Bayer				\$11,640,320	1	2.6734%
Del Sasso, Anton				\$10,318,690	2	2.3699%
Friede Goldman Offshore				\$10,153,800	3	2.3320%
SBC Communicaiton, Inc.				\$9,563,380	4	2.1964%
Wickersham, Charles T.				\$8,431,250	5	1.9364%
Cloeren Company				\$8,177,320	6	1.8781%
Stark, Nedla C.				\$5,058,300	8	1.1617%
Kronos (US), Inc.				\$5,051,300	9	1.1601%
				\$4,049,400	10	0.9300%
	<u>\$135,376,995</u>		<u>16.0728%</u>	<u>\$77,502,060</u>		<u>17.8000%</u>

(a) Tax roll for Fiscal Year 2013, tax year 2012.

(b) Tax roll for Fiscal Year 2003, tax year 2002.

Table 9

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

Fiscal Year	Total Adj. Tax Levy For Fiscal Year (a)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years		Total Collections to Date	
		Amount	Percentage of Levy	Amount	Percentage of Levy	Amount	Percentage of Levy
2004	\$3,730,225	\$3,559,104	95.41%	\$132,343		\$3,701,447	99.23%
2005	\$3,790,742	\$3,644,860	95.97%	\$115,349		\$3,760,209	99.19%
2006	\$4,088,273	\$3,934,316	96.23%	\$112,257		\$4,046,573	98.98%
2007	\$4,017,777	\$3,819,191	95.06%	\$145,672		\$3,964,863	98.68%
2008	\$4,280,432	\$4,075,986	95.22%	\$146,809		\$4,222,795	98.65%
2009	\$5,272,282	\$5,062,658	96.02%	\$141,991		\$5,204,649	98.72%
2010	\$5,550,497	\$5,365,446	96.67%	\$99,850		\$5,465,296	98.46%
2011	\$5,889,163	\$5,657,735	96.07%	\$79,587		\$5,737,322	97.42%
2012	\$5,999,729	\$5,622,255	93.71%	\$96,763		\$5,719,018	95.32%
2013	\$5,916,136	\$5,544,045	93.71%	\$0		\$5,544,045	93.71%

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

Table 10

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

Fiscal Year	Government Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds & Notes	Capital Leases		General Obligation Bonds	Revenue Bonds	Capital Leases			
2004	\$5,425,000	\$0		\$14,355,000	\$0	\$0	\$19,780,000	9.13%	\$1,060.99
2005	\$7,050,000	\$0		\$13,430,000	\$0	\$115,094	\$20,595,094	n/a	\$1,104.71
2006	\$6,570,000	\$0		\$12,470,000	\$0	\$62,898	\$19,102,898	n/a	\$1,024.67
2007	\$6,055,000	\$0		\$11,440,000	\$0	\$89,819	\$17,584,819	n/a	\$943.24
2008	\$12,270,000	\$0		\$10,370,000	\$5,095,000	\$44,514	\$22,684,514	n/a	\$1,216.78
2009	\$11,715,000	\$0		\$9,255,000	\$4,925,000	\$6,516	\$20,976,516	n/a	\$1,125.17
2010	\$10,885,000	\$0		\$8,095,000	\$4,745,000	\$129,765	\$19,109,765	n/a	\$1,027.68
2011	\$10,020,000	\$0		\$6,790,000	\$4,560,000	\$80,449	\$16,890,449	n/a	\$908.33
2012	\$9,125,000	\$0		\$5,500,000	\$4,370,000	\$29,981	\$14,654,981	n/a	\$788.11
2013	\$8,740,000	\$0		\$4,180,000	\$4,170,000	\$0	\$12,920,000	n/a	\$694.81

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

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

Table 11

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

Fiscal Year	General Obligation Debt		Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (a)	Per Capita (b)
	Governmental Activities	Business-Type Activities				
2004	\$5,425,000	\$14,355,000	\$1,519,887	\$18,260,113	4.12%	\$979.46
2005	\$7,050,000	\$13,430,000	\$1,541,864	\$18,938,136	4.16%	\$1,015.83
2006	\$6,570,000	\$12,470,000	\$1,543,293	\$17,496,707	3.54%	\$938.51
2007	\$6,055,000	\$11,440,000	\$1,625,334	\$15,869,666	3.18%	\$851.24
2008	\$12,270,000	\$10,370,000	\$1,585,562	\$21,054,438	3.66%	\$1,129.35
2009	\$11,715,000	\$9,255,000	\$1,584,049	\$19,385,951	2.75%	\$1,039.85
2010	\$10,885,000	\$8,095,000	\$1,514,931	\$17,465,069	2.35%	\$939.23
2011	\$10,020,000	\$6,790,000	\$1,607,640	\$15,202,360	1.92%	\$817.55
2012	\$9,125,000	\$5,500,000	\$1,533,692	\$13,091,308	1.62%	\$704.02
2013	\$8,740,000	\$4,180,000	\$1,614,369	\$11,305,631	1.39%	\$607.99

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

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

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

Table 12

City of Orange, Texas
Direct and Overlapping Governmental Activities Debt

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
City of Orange	\$8,584,272 (a)(b)	100.00%	\$8,584,272
Bridge City ISD	\$22,147,744	2.03% (c)	\$449,599
Little Cypress Mauriceville ISD	\$16,505,285	28.43% (c)	\$4,692,453
Orange County	\$0	17.08% (c)	\$0
Orangefield ISD	\$9,494,998	6.58% (c)	\$624,771
West Orange Cove CISD	\$61,027,672	28.49% (c)	\$17,386,784
Subtotal Overlapping Debt	<u>\$109,175,699</u>		<u>\$23,153,606</u>
Total Direct and Overlapping Debt	<u>\$117,759,971</u>		<u>\$31,737,878</u>

Source: Debt outstanding data provided by overlapping entities.

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 reported in the enterprise funds.

(b) Debt outstanding is reduced by governmental net assets restricted for debt service payments.

(c) Information from the Municipal Advisory of Texas (Texas MAC) used for overlapping % information in 2013.

Table 13

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit	\$51,958,013	\$53,236,562	\$63,587,723	\$64,713,191	\$73,955,148	\$90,912,109	\$94,533,047	\$100,307,453	\$102,608,008	\$102,470,872
Total net debt applicable to limit	\$5,425,000	\$7,050,000	\$6,570,000	\$6,055,000	\$12,177,506	\$11,576,792	\$10,742,612	\$9,905,976	\$9,050,421	\$8,584,272
Legal debt margin	\$46,533,013	\$46,186,562	\$57,017,723	\$58,658,191	\$61,785,148	\$79,335,317	\$83,790,435	\$90,401,477	\$93,557,587	\$93,886,600
Total net debt applicable to the limit as a percentage of debt limit	11.66%	15.26%	11.52%	10.32%	19.71%	14.59%	12.82%	10.96%	9.67%	9.14%

Legal Debt Margin Calculation
For Fiscal Year 2013

14 Total assessed value (a)	\$1,024,708,723
Debt limit 10% of assessed value (b)	\$102,470,872
Amount of debt applicable to debt margin:	
Total bonded debt	\$17,090,000
Less:	
Assets available in governmental debt service fund balance	\$155,728
Self supported bonds and certificates (c)	\$8,350,000
Total amount of debt applicable to	\$8,584,272
Legal debt limit	\$93,886,600

- (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 2007 Water and Sewer Revenue Bonds of \$4,170,000 and the 2010 General Obligation Refunding Bonds of \$4,180,000.
- (d) This includes the 2005 General Obligation Refunding Bonds of \$2,715,000 and the 2013 General Obligation Refunding Bonds of \$5,440,000.

Table 14
City of Orange, Texas
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water and Sewer Charges and Other (a)	Less: Operating Expenses (b)	Net Available Revenue	Series 2007 WS System			2001 GO Refunding Bonds (c)			2010 GO Refunding Bonds (d),(e)		
				Principal	Interest	Coverage	Principal	Interest		Principal	Interest	
2004	4,883,688	3,459,224	1,424,464	--	--	--	900,000	615,359	--	--	--	--
2005	5,038,069	3,623,281	1,414,788	--	--	--	925,000	585,628	--	--	--	--
2006	5,478,213	3,978,035	1,500,178	--	--	--	960,000	553,506	--	--	--	--
2007	5,742,709	4,059,422	1,683,287	--	--	--	1,030,000	515,389	--	--	--	--
2008	5,852,386	4,317,360	1,535,026	0	173,282	8.86	1,070,000	472,128	--	--	--	--
2009	5,962,767	4,523,215	1,439,552	170,000	208,846	3.80	1,115,000	435,406	--	--	--	--
2010	6,703,436	4,689,281	2,014,155	180,000	202,046	5.27	1,160,000	389,181	--	--	--	--
2011	7,149,432	4,898,200	2,251,232	185,000	193,640	5.95	1,047,978	123,075	--	130,000	147,645	--
2012	7,338,732	4,889,715	2,449,017	190,000	186,207	6.51	--	--	--	1,290,000	160,318	--
2013	7,720,675	4,972,511	2,748,164	200,000	179,846	7.23	--	--	--	1,320,000	135,125	--

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.

Table 15

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

<u>Fiscal Year</u>	<u>Population (a)</u>	<u>Personal Income (b)</u>	<u>Per Capita Personal Income (a) (b)</u>	<u>Median Age (a)</u>	<u>% Completing High School or Higher (a)</u>	<u>School Enrollment (a)</u>	<u>Unemployment Rate (c)</u>
2004	18,643	\$2,166,894	\$25,576	36.1	78.10%	4,945	9.4%
2005	18,643	n/a	n/a	36.1	78.10%	4,945	7.4%
2006	18,643	n/a	n/a	36.1	78.10%	4,945	6.0%
2007	18,643	n/a	n/a	36.1	78.10%	4,945	5.6%
2008	18,643	n/a	n/a	36.1	78.10%	4,945	7.1%
2009	18,643	n/a	n/a	36.1	78.10%	4,945	11.1%
2010	18,595	n/a	\$23,155 (a)	39.1	85.80%	n/a	10.8%
2011	18,595	n/a	\$23,155 (a)	39.1	85.80%	n/a	11.4%
2012	18,595	n/a	\$23,155 (a)	39.1	85.80%	n/a	9.8%
2013	18,595	n/a	\$23,155 (a)	39.1	85.80%	n/a	9.7%

Data Sources

(a) Bureau of the Census, year 2010 uses Census for Orange County.

(b) US Department of Commerce, Bureau of Economic Analysis

(c) US Department of Labor, Bureau of Labor Statistics by State and Metropolitan Area.

Table 16

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

	2013 (a)			2004 (c)		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment (b)</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
<u>Employer</u>						
El Dupont de Nemours & Co.	920	1	2.42%	n/a	n/a	n/a
Invista	732	2	1.93%	n/a	n/a	n/a
Little Cypress-Mauriceville ISD	584	3	1.54%	n/a	n/a	n/a
Orange County	500	4	1.32%	n/a	n/a	n/a
West Orange Cove Consolidated ISD	450	5	1.18%	n/a	n/a	n/a
International Paper	412	6	1.08%	n/a	n/a	n/a
Kellogg - Brown & Root	420	7	1.11%	n/a	n/a	n/a
Lanxess, Inc.	390	8	1.03%	n/a	n/a	n/a
Lamar State College - Orange	274	9	0.72%	n/a	n/a	n/a
Cloeren Company, Inc.	250	10	0.66%	n/a	n/a	n/a
Orangefield ISD	249	11	0.66%	n/a	n/a	n/a
Firestone Polymers	200	12	0.53%	n/a	n/a	n/a
Memorial Hermann Baptist Orange	194	13	0.51%	n/a	n/a	n/a
City of Orange	193	14	0.51%	n/a	n/a	n/a
Signal International	180	15	0.47%	n/a	n/a	n/a
Chevron Phillips Chemical Co.	180	16	0.47%	n/a	n/a	n/a
Printpack, Inc.	141	17	0.37%	n/a	n/a	n/a
Texas Polymer Services, Inc.	130	18	0.34%	n/a	n/a	n/a
Orange Shipbuilding & Dry Dock, Inc.	120	19	0.32%	n/a	n/a	n/a
Beacon Maritime, Inc.	100	20	0.26%	n/a	n/a	n/a
	<u>6,619</u>		<u>17.42%</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) Year 2004 not available at this time.

Table 17

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

<u>Employer</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
City Manager	1	1	1	1	1	1	1	1	1	1
City Secretary	2	2	2	2	2	2	2	2	2	2
Municipal Court	2	2	2	2	2	2	2	2	2	2
Personnel	1	1	1	1	1	1	1	1	1	1
Finance	4	4	4	4	4	4	4	4	4	4
Animal Control	2	2	2	2	2	2	2	2	2	2
Library	6	6	6	6	6	6	6	6	6	6
Police	52	53	53	53	53	53.5	55	56	55	57
Fire	38	38	38	38	38	38.5	38	38	38	38
Engineering	1	1	1	1	1	1	1	1	1	1
Planning	1	1	1	1	1	1	1	1	1	1
Inspections	3	3	3	3	3	3	3	3	3	3
Building Services	4	4	4	4	4	4	4	4	4	4
Street & Drainage	15	15	15	15	15	15	15	15	15	15
Public Works Administration	1	1	2	2	2	2	2	2	2	2
Fleet Maintenance	4	4	4	4	4	4	4	4	4	4
Park Maintenance	7	8	8	8	8	8	8	8	8	8
Orange Development	1	1	1	1	1	1	1	1	1	1
Community Development	2	2	2	2	2	2	2	2	2	1
Police Special Revenue	0	2	2	2	2	2	0	1	1	1
Fire Special Revenue	0	0	0	0	0	0	1	0	0	0
Sewer Operations	9	9	9	9	9	9	9	9	9	9
Water Operations	8	8	8	8	8	8.5	8	8	8	8
Wastewater Treatment Plant	7	7	7	7	7	7	8	8	8	8
Water Productions	4	4	4	4	4	4	4	4	4	4
Customer Service	5	5	5	5	5	5	5	5	5	5
Meter Readers	3	3	3	3	3	3	3	3	3	3
Sanitation										
Street Sweeping	1	1	1	1	1	1	1	1	1	1
Total	<u>184</u>	<u>189</u>	<u>190</u>	<u>190</u>	<u>190</u>	<u>191.5</u>	<u>192.0</u>	<u>193.0</u>	<u>192.0</u>	<u>193.0</u>

Source: City Annual Budget

Table 18

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

<u>Function</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police										
Physical arrests	1,641	1,641	1,342	1,426	1,236	1,430	1,764	1,521	1,583	1,577
Parking violations	18	18	20	54	180	25	30	32	83	14
Traffic violations	2,069	2,069	1,848	2,360	2,699	2,645	2,019	2,068	2,724	2,320
Fire										
Number of calls answered	1,737	2,153	2,809	3,253	3,976	2,753	2,725	2,803	2,822	2,819
Inspections	1,205	1,050	642	1,122	834	608	581	64	249	323
Street & Drainage										
Street resurfacing (miles)	0	4	0	0.6	0.6	3.0	0.0	1.2	2.0	8.0
Potholes repaired	3,675	3,675	3,675	3,675	3,675	4,400	5,060	5,550	6,000	5,800
Sanitation										
Refuse collected (tons/day)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Culture and recreation										
Recreation center (use fees)	12,115	9,275	2,898	3,009	1,441	362	390	360	685	385
Natorium patrons (use fees)	21,559	23,585	13,978	11,328	6,650	14,181	7,651	4,291	7,158	8,779
Library patrons (use fees)	20,307	19,606	15,236	18,906	18,145	21,984	18,970	17,674	14,934	14,653
Water										
New connections	21	25	37	65	28	43	585	38	14	18
Water main breaks	885	921	1,265	899	940	1,039	970	863	743	530
Average daily consumption (thousands of gallons)	1,686	1,713	1,722	1,624	1,658	1,634	1,646	1,719	1,625	1,614
Wastewater										
Average daily sewage treatment (thousands of gallons)	3,350	2,383	2,626	3,240	2,422	2,847	2,770	1,940	2,308	2,427

Source: Various city departments

Table 19

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

<u>Function</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	28	28	28	28	28	28	28	28	28	28
Personnel & officers	53	55	55	55	55	55	57	57	57	57
Fire										
Fire stations	3	3	3	3	3	3	3	3	3	3
Fire trucks	6	6	6	6	6	6	6	6	6	6
Personnel & officers	38	38	38	38	38	38	38	38	38	38
Sanitation										
Collection Trucks	n/a	1	1	2	2	2	2	2	2	2
Street and Drainage										
Streets (miles)	148	148	148	161	161	162	162	162	162	162
Streetlights	1,553	1,553	1,553	1,562	1,562	1,562	1,562	1,562	1,562	1,562
Traffic Signals	7	7	7	7	7	7	7	7	7	7
Cultural and Recreation										(a)
Parks acreage	284	284	284	284	284	284	284	284	284	284
Parks	20	20	20	20	20	20	20	20	20	19
Library	1	1	1	1	1	1	1	1	1	1
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	6	6	6	6	6	6	6	6	6	6
Recreation centers	1	1	1	1	1	1	0	0	0	0
Water										
Water mains (miles)	140	140	140	140	140	156	156	156	156	156
Fire hydrants	556	556	556	556	556	726	726	726	726	726
Maximum daily capacity (thousand of gallons)	7,500	7,500	7,500	7,500	7,500	10,613	10,613	10,613	10,613	10,613
Service connections	6,398	6,433	6,347	6,361	6,360	6,921	6,999	7,041	7,046	6,934
Wastewater										
Sanitary sewers (miles)	135	135	135	135	135	149	149	149	149	149
Storm sewers (miles)	72	72	72	72	72	72	72	72	72	72
Maximum daily treatment capacity (thousands of gallons)	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Treatment plants	1	1	1	1	1	1	1	1	1	1
Service connections	6,235	6,253	6,160	6,173	6,166	6,632	6,763	6,808	6,789	6,690

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

Source: Various city departments

Table 20

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Water Consumption										
October	49,059	55,159	60,689	57,929	50,672	46,343	48,724	50,873	56,313	57,752
November	46,770	47,748	49,475	48,585	55,468	49,117	42,087	45,481	50,243	49,813
December	47,415	46,500	50,002	46,004	44,196	44,395	49,571	45,275	46,626	47,117
January	49,954	49,271	49,067	45,730	49,334	45,973	44,805	44,798	45,120	47,380
February	45,990	47,754	46,808	45,789	48,734	44,704	43,222	45,690	41,875	39,852
March	44,969	39,579	42,626	42,725	45,855	45,037	42,894	41,356	39,046	41,891
April	50,376	48,748	50,719	49,053	44,012	45,620	46,106	50,695	46,233	46,081
May	46,292	52,633	50,066	44,765	50,929	44,214	58,221	51,130	50,367	45,561
June	53,265	59,111	59,742	54,004	53,749	53,127	61,731	68,903	56,486	53,492
July	53,053	60,423	54,366	51,581	55,276	68,324	55,648	59,881	55,313	55,236
August	60,611	57,111	56,172	53,605	55,306	53,127	53,234	58,388	53,936	52,150
September	67,738	61,078	58,937	53,054	51,806	56,539	54,534	64,823	51,489	52,920
Total	615,492	625,115	628,669	592,824	605,337	596,520	600,777	627,293	593,047	589,245
Water Rates										
Minimum 3/4"	6.76	6.87	7.56	7.82	7.82	8.37	9.21	9.58	10.06	10.56
Minimum 1"	8.25	8.39	9.23	9.55	9.55	10.22	11.24	11.69	12.27	12.88
Minimum 1 1/2"	11.92	12.12	13.33	13.80	13.80	14.77	16.25	16.90	17.70	18.64
Minimum 2"	16.35	16.63	18.29	18.93	18.93	20.26	22.29	23.18	24.34	25.56
Minimum 3"	26.66	27.11	29.82	30.86	30.86	33.02	36.32	37.77	39.66	41.64
Minimum 4"	41.39	42.09	46.30	47.92	47.92	51.27	56.40	58.66	61.59	64.67
Minimum 6"	78.23	79.55	87.51	90.57	90.57	96.91	106.60	110.86	116.40	122.22
Minimum 8"	122.44	124.51	136.96	141.75	141.75	151.67	166.84	173.51	182.19	191.30
Minimum 10"	174.00	176.94	194.63	201.44	201.44	215.54	237.09	246.57	258.90	271.85
Minimum 12"	232.94	236.88	260.57	269.69	269.69	288.57	317.43	330.13	346.64	363.97
Over 1,000 gallon minimum	1.61	1.64	1.80	1.86	1.86	1.99	2.19	2.28	2.39	2.51
Sewer Rates										
Minimum	8.37	8.64	9.50	9.83	9.83	10.52	11.57	12.03	12.63	13.26
Over 1,000 gallon minimum	5.46	5.64	6.20	6.42	6.42	6.87	7.56	7.86	8.25	8.66

Source: Various city departments



CITY OF ORANGE, TEXAS

FEDERAL SINGLE AUDIT REPORTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

**CITY OF ORANGE, TEXAS
FEDERAL SINGLE AUDIT REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report in Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	159-160
Independent Auditor's Report on Compliance for Each Major Program and On Internal Control Over Compliance Required by OMB Circular A-133	161-162
 SCHEDULES	
Schedule of Findings and Questioned Costs	163
Schedule of Prior Audit Findings	164
Schedule of Expenditures of Federal Awards	164
Notes to Schedule of Expenditures of Federal Awards	166



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Orange, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise City of Orange, Texas' basic financial statements, and have issued our report thereon dated March 3, 2014. The financial statements of a discretely presented component unit, the City of Orange Economic Development Corporation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Orange, Texas' 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.

Charles E. Reed & Associates, P.C.

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

Port Arthur, Texas

March 3, 2014



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited City of Orange, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Orange, Texas' major federal programs for the year ended September 30, 2013. City of Orange, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Orange, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Orange, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Orange, Texas' compliance.

Opinion on Each Major Federal Program

In our opinion, City of Orange, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of City of Orange, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Orange, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Orange, Texas' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Charles E. Reed & Associates, P.C.

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

Port Arthur, Texas
March 3, 2014

CITY OF ORANGE, TEXAS
Schedule of Findings and Questioned Costs
For the year ended September 30, 2013

Section I-Summary of Auditor's Results

Financial Statements

Type if auditor's report issued: Unqualified

Internal Control over financial reporting:

Material weakness identified? ☐ Yes ☒ No
 Significant deficiency that is not considered
 to be a material weakness? ☐ Yes ☒ No
 Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Material weakness identified? ☐ Yes ☒ No
 Significant deficiency identified that is
 not considered to be a material weakness? ☐ Yes ☒ No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in
 accordance with section 510(a) of Circular A-133 ☐ Yes ☒ No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	U.S. Department of Housing and Urban Development Supplemental Disaster Recovery – State Administered
14.218	U.S. Department of Housing and Urban Development Community Block Grant Entitlements

The threshold used to distinguish the type of federal program was \$ 300,000.

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

Section II-Financial Statements Findings

None

Material Weaknessess

None

Significant Deficiencies

None

Section III - Federal Award Findings and Questioned Costs

None

CITY OF ORANGE, TEXAS
Schedule of Prior Year Audit Findings
For the year ended September 30, 2012

There were no findings for the year ended September 30, 2012.

CITY OF ORANGE, TEXAS
Schedule of Expenditures of Federal Awards
For the year ended September 30, 2013

Federal Grantor/Pass-through Grantor/Program	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>Federal Highway Administration Passed through State</u>			
Texas Department of Transportation - Highway-Railroad Grade Crossing Consolidation and Closure Agreement	20.205	CSJ 5800-00-052	\$ 22,500
Texas Department of Transportation - Highway-Railroad Grade Crossing Consolidation and Closure Agreement	20.205	CSJ 0920-30-065	26,923
Texas Department of Transportation - Highway-Railroad Grade Crossing Consolidation and Closure Agreement	20.205	CSJ 0920-30-066	26,998
Texas Department of Transportation - IH 10 Utility Relocation	20.205	CSJ 0028-14-108	30,555
			<u>\$ 106,976</u>
<u>Department of Housing and Urban Development</u>			
Community Development Block Grant Entitlements	14.218		394,721
Passed through state:			
Texas Department of Rural Affairs	14.228	DRS210131-12-206-000-5506	1,824,296
Texas Department of Rural Affairs	14.228	DRS210131-12-524-000-6755	18,937
			<u>\$ 2,237,954</u>
<u>Department of Justice</u>			
2010 Edward Byrne Memorial Justice Assistance Grant	16.804	2010-DJ-BX-0665	\$ 7,252
2011 Edward Byrne Memorial Justice Assistance Grant	16.804	2011-DJ-BX-3037	221
2012 Edward Byrne Memorial Justice Assistance Grant	16.804	2011-DJ-BX-0439	13,217
Community Oriented Policing Services (COPS) Grant	16.710	2010-UM-WX-0316	81,800
Bullet Proof Vest Partnership Program	16.607		725
			<u>\$ 103,215</u>
<u>Department of Homeland Security</u>			
Passed through the State:			
Texas Department of Public Safety - Emergency Management Performance Grant	97.042	13TX-EMPG0412	\$ 29,891
TOTAL EXPENDITURES OF FEDERAL AWARDS			2,478,036

CITY OF ORANGE, TEXAS

**Notes to the Schedule of Expenditures of Federal and State Awards
For the year ended September 30, 2013**

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal and State Financial Awards presents the activity of all Federal and State financial assistance programs of the City of Orange, Texas. All federal awards received directly from Federal agencies and State and Federal awards passed through State agencies are included on the schedule.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal and State Financial Awards is presented using the accrual basis of accounting.

The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

NOTE 3 – BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes the federal grant activities of the City of Orange, Texas on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.