

Comprehensive Annual Financial Report

of the

City of West Orange, Texas

**Fiscal Year Ended
September 30, 2009**



Officials Issuing Report

**Roy McDonald
Mayor**

**Theresa Van Meter
City Secretary**

CITY OF WEST ORANGE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended September 30, 2009

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
<u>INTRODUCTORY SECTION</u>		
Letter of Transmittal		i-iv
Certificate of Achievement for Excellence in Financial Reporting		v
Organizational Chart		vi
Principal Officials		vii
<u>FINANCIAL SECTION</u>		
Independent Auditors' Report		3-4
Management's Discussion and Analysis		5-11
<u>Basic Financial Statements</u>		
Government-Wide Financial Statements:		
Statement of Net Assets	A-1	15
Statement of Activities	A-2	16-17
Fund Financial Statements:		
Balance Sheet - Governmental Funds	A-3	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	A-4	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A-5	21
Notes to Financial Statements	A-6	23-34
<u>Required Supplementary Information</u>		
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	B-1	36
Notes to Required Supplementary Information	B-2	37
Texas Municipal Retirement System – Schedule of Funding Progress	B-3	38
<u>Combining and Individual Fund Statements and Schedules</u>		
Combining Balance Sheet - Nonmajor Governmental Funds	C-1	42-43
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	C-2	44-45
Comparative Balance Sheets - General Fund	C-3	46
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	C-4	47-49

CITY OF WEST ORANGE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended September 30, 2009

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
<u>STATISTICAL SECTION</u>	<u>Table</u>	
Net Assets by Component	1	52-53
Changes in Net Assets	2	54-57
Governmental Activities Tax Revenues by Source	3	58-59
Fund Balances of Governmental Funds	4	60-61
Changes in Fund Balances of Governmental Funds	5	62-63
General Governmental Tax Revenues by Source	6	64-65
Taxable Sales By Category	7	66-67
Assessed Value and Estimated Actual Value of Taxable Property	8	68
Property Tax Rates - Direct and Overlapping Governments	9	69
Principal Property Taxpayers	10	70
Property Tax Levies and Collectons	11	71
Ratios of Outstanding Debt by Type	12	72
Direct and Overlapping Governmental Activities Debt	13	73
Legal Debt Margin Information	14	74-75
Demographic and Economic Statistics	15	76
Principal Employers	16	77
Full-time Equivalent City Governmental Employees by Function	17	78
Operating Indicators by Function	18	79
Capital Assets Statistics by Function	19	80

January 25, 2010

Honorable Members of the City Council
City of West Orange, Texas

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (“GAAP”) and audited in accordance with U.S. generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, the comprehensive annual financial report of the City of West Orange, Texas (the “City”) for the fiscal year ended September 30, 2009, is hereby submitted.

The responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. The report consists of management's representations concerning the finances of the City. To provide a reasonable basis for making these representations, the City has established a comprehensive internal control framework that is designed to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we believe the enclosed data to be accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City's financial statements have been audited by **Sandersen Knox & Co., L.L.P.**, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2009, 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 on the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the year ended September 30, 2009, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement and should be read in conjunction with the MD&A. The City's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The City, incorporated in 1954, is located in the eastern part of the state, currently occupies a land area 3.2 square miles and serves a population of 3,983. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by City Council.

The City of West Orange has adopted a Mayor-Council form of government. The Council, vested with policy-making and legislative authority, is comprised of a Mayor and five Council members. The Mayor and Council members are all elected at large for a two-year term, with no term limits. The Mayor and two Council members are elected on one rotation (every odd year), and the three remaining Council members are on a separate rotation (elected in even years). City council is responsible, among other things, for passing ordinances, adopting the budget and the hiring of the City's management and attorney.

The City provides a full range of municipal services: public safety (police and fire protection), public improvements, sanitation, repair and maintenance of infrastructure, recreation and general administrative services. As an independent political subdivision of the State of Texas governed by an elected Mayor and Council, the City is considered a primary government. In accordance with standards established by the Governmental Accounting Standards Board, the City reports all funds and account groups for which the City, as the primary government, is accountable.

The annual budget serves as the foundation for the City's financial planning and control. Department heads are required to submit requests for appropriation to the Mayor in June or July of each year. The mayor then presents the proposed budget to council for review. The council is required to hold a public hearing on the proposed final budget and to adopt a final budget by no later than September 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g. public safety) and department (e.g. police). Department heads make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the approval of council. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. The City has adopted a budget for the General Fund, but not the Special Revenue Funds. The City also utilizes an encumbrance accounting system to aid in accomplishing budgetary control. Unencumbered amounts lapse at year end. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

LOCAL ECONOMY

The City of West Orange is home to a small group of industries. Major industries and business activities in the area include healthcare, metals, oil and gas services and a variety of general retail operations. The top two taxpayers account for approximately 16.1% of assessed valuation in the City.

The City is also a major retail trade area for building materials, general merchandise, food stores and restaurants.

Net taxable value for all residential and commercial property in the City was approximately \$112.7 million for fiscal year 2008, which is an increase of approximately \$4.6 million from the previous fiscal year.

LONG-TERM FINANCIAL PLANNING

Unreserved fund balance in the General Fund amounted to \$1,589,178 as of September 30, 2009. The City plans on continuing to build up fund balance in order to finance future capital projects as they arise.

RELEVANT FINANCIAL POLICIES

During the current fiscal year, the City received monies from various federal agencies due to damage and expenditures incurred from two recent hurricanes. The City, its residents and local businesses continue their recovery efforts from the impact of Hurricane Rita in 2005 and Hurricane IKE in 2008. It is the City's policy that these monies not be used for current operating purposes, but to place the monies back in the General Fund to replenish the monies used to fund the expenditures incurred from these two hurricanes.

ACCOUNTING SYSTEMS AND BUDGETING CONTROL

Accounting Systems

The City's accounting records for general governmental operations are maintained on a modified accrual basis with the revenues recorded when available and measurable and expenditures recorded when the services and goods are received and the liabilities are incurred. The City has no proprietary activities, which are maintained on the accrual basis.

Consideration of adequate internal accounting controls has been made in designing the City's accounting system. Internal accounting controls, instituted by the Mayor and Council as part of the accounting system, are designed to provide reasonable assurances that assets are properly safeguarded against loss from unauthorized use or disposition, that financial records used in preparation of the financial statements are reliable, and that accountability for the City's assets is maintained. The concept of reasonable assurance in relation to internal controls recognizes that the cost of a control process should not exceed the benefits derived from the performance of related procedures and that the City's management must make estimates and judgments in evaluating the cost and benefit relationships relating to internal control processes and procedures that become a part of the City's accounting system.

Budgetary Compliance

Because budgetary compliance is significant in managing governmental activities, budgetary compliance controls are critical. The objective of these controls is to ensure compliance with legal spending limits in annual or project appropriated budgets approved by City Council. The City Charter provides that the City Council shall adopt annual or project budgets every fiscal year for all City funds. The budgets are prepared and maintained by the city management.

The objective of budgetary controls is to ensure compliance with legal provisions contained in the annual appropriated budget approved by the City Council. Annual appropriated budgets are adopted for the General Fund. The original budget is adopted by the City Council prior to the beginning of the fiscal year. Expenditures may not legally exceed budgeted appropriations at the department level. Expenditure requests, which would require an increase in total budgeted appropriations, must be approved by City Council through a formal budget amendment. At any time in the fiscal year, the Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. The Council has the power to transfer any unencumbered funds allocated by the budget from one activity, function, or department, to another activity, function, or department, to re-estimate revenues and expenditures, and to amend the budget.

Budgetary Controls

During the year, expenditure controls are maintained by each department with review of the budget provided by the Mayor and overall control exercised by the Mayor and Council. Constant review of revenue and expenditure estimates is performed to assure the integrity of the adopted budget and to assure funds are available to meet current obligations. As a result of this review, it is possible to exercise administrative budgetary controls throughout the year. As demonstrated by the financial statements presented in this report, the City continues to meet its responsibility for sound financial management.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2008. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such Comprehensive Annual Financial Reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. This was the eleventh consecutive year that the City has received this prestigious award. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for its review.

In closing, without the dedication of the employees and the direction of the members of the City Council, preparation of this report would not have been possible. As Mayor, I want to express my sincere appreciation to our employees, who have continually demonstrated their professionalism and abilities in the management of the finance function. I also want to thank the Members of the City Council for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Roy McDonald
Mayor

CITY OF WEST ORANGE, TEXAS

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

September 30, 2008 (Prior Fiscal Year)

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of West Orange
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "JEFFREY R. EGAN".

President

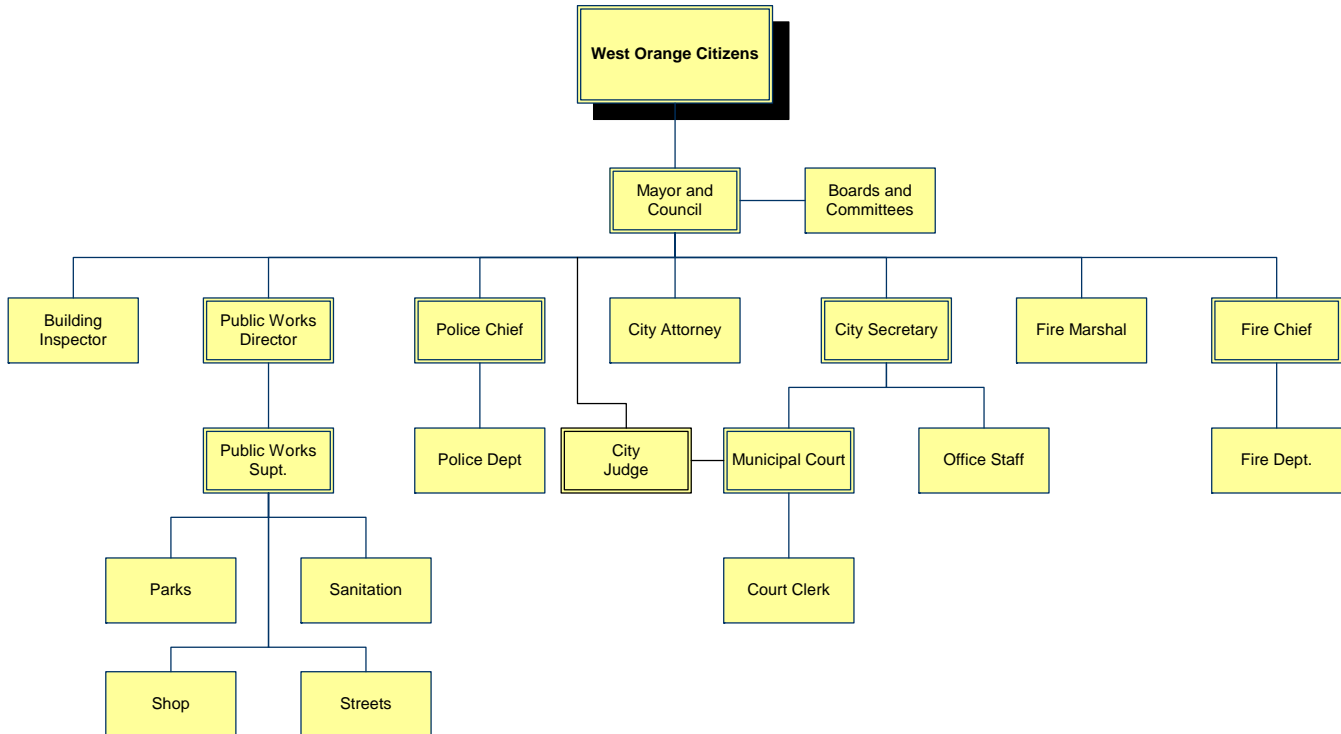
A handwritten signature in black ink, appearing to read "JEFFREY R. EGAN".

Executive Director

CITY OF WEST ORANGE, TEXAS

ORGANIZATIONAL CHART

Fiscal Year 2008-2009



CITY OF WEST ORANGE, TEXAS

PRINCIPAL OFFICIALS

September 30, 2009

<u>City Officials</u>	<u>Elective Position</u>	<u>Term Expires</u>
Roy McDonald	Mayor	2011
Shirley Bonnin	Council Member (Mayor Pro Tem)	2010
Dale Dardeau	Council Member	2010
Frances Droddy	Council Member	2011
Charles Winter	Council Member	2011
Mike Shugart	Council Member	2010

<u>Key Staff</u>	<u>Position</u>
Theresa Van Meter	City Secretary *
Joe Alford	City Attorney *
Michael Stelly	Police Chief *
Randy Veitch	Fire Chief *
Ralph "Gene" Roberts	City Judge *
Dean Fuller	Fire Marshal/Building Inspector *
Michael Stelly	Interim Director of Public Works *

* - City Council Appointive Position

(This Page Intentionally Left Blank)

FINANCIAL SECTION

(This Page Intentionally Left Blank)

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, major fund and the aggregate remaining fund information of the City of West Orange, Texas, as of September 30, 2009, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City of West Orange, Texas, management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, major fund and the aggregate remaining fund information of the City of West Orange, Texas, as of September 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and other required supplementary information on pages 5 through 11 and 36 through 38, respectively, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods and measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Orange's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

A handwritten signature in cursive script that reads "Sugar Land & Co." with a stylized flourish at the end.

Sugar Land, Texas
December 19, 2009

Management's Discussion and Analysis

As management of West Orange, Texas (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended September 30, 2009.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$5,698,506 (net assets).
- As of September 30, 2009, the City's governmental funds reported an ending fund balance of \$1,753,727.
- The City's cash balance at September 30, 2009 was \$1,748,499, representing an increase of \$1,086,909 from September 30, 2008.
- The City had expenses net of program revenue of \$1,621,618 and general revenues of \$2,515,236, resulting in a net increase in net assets of \$893,618 for the year ended September 30, 2009.
- At the end of the fiscal year, unreserved and undesignated fund balance for the General Fund was \$1,589,178, or 59.9 percent of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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., depreciation and earned but unused vacation leave).

The government-wide financial statements present functions of the City that are provided from funding sources (governmental activities). The government-wide financial statements can be found on pages 15-17 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, like other state and local governments, uses

fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City consist solely of governmental funds (the General Fund and Special Revenue Funds).

Governmental Funds - Governmental funds are used to account for essentially the same function 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 financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the 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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide an adjustments column to facilitate this comparison between the governmental funds and *governmental activities*. The basic governmental fund financial statements can be found on pages 18-21 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements 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 23 through 34 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 General Fund budget and the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 36-38 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$5,698,506 as of September 30, 2009.

The largest portion of the City's net assets (71.6 percent) reflects its investment in capital assets (e.g. land, buildings, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the individuals we serve; consequently, these assets are not available for future spending.

Additionally, a portion of the City's net assets (25.4 percent) represents unrestricted financial resources available for future operations.

SUMMARY OF STATEMENT OF NET ASSETS
As of September 30, 2009 and 2008

	Governmental	
	Activities	
	2009	2008
Current and other assets	\$ 1,909,623	\$ 850,356
Capital assets, net	4,082,383	4,262,919
Total Assets	5,992,006	5,113,275
Long-term liabilities	192,240	190,637
Other liabilities	101,260	117,750
Total Liabilities	293,500	308,387
Net Assets:		
Invested in capital assets	4,082,383	4,262,919
Restricted	164,549	83,960
Unrestricted	1,451,574	458,009
Total Net Assets	\$ 5,698,506	\$ 4,804,888

Net assets of the City, all of which relate to governmental activities, increased by \$893,618. Key elements of the increase are as follows:

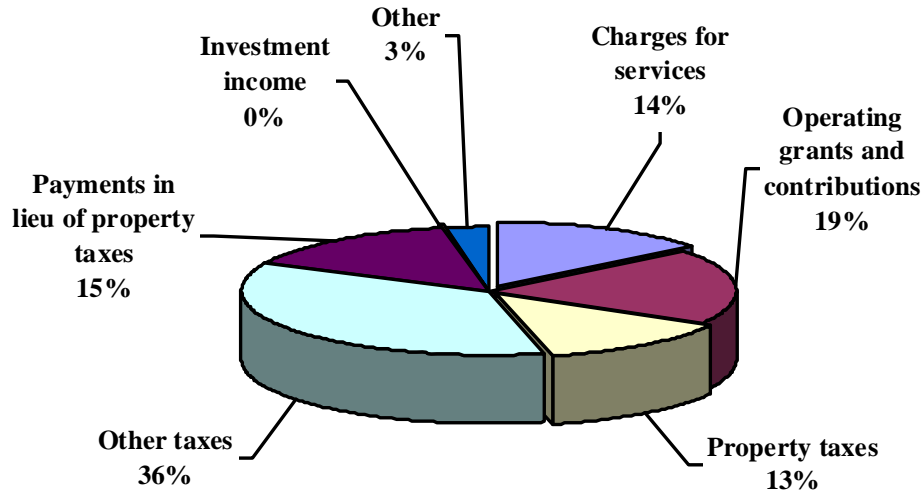
CHANGES IN NET ASSETS
For the Fiscal Years Ended September 30, 2009 and 2008

	Governmental Activities	
	2009	2008
Revenues		
Program revenues:		
Charges for services	\$ 546,676	\$ 583,554
Operating grants and contributions	711,273	153,114
Capital grants and contributions		59,210
General revenues:		
Property taxes, penalties and interest	495,404	480,972
Other taxes	1,340,378	1,185,703
Payments in lieu of property taxes	566,809	489,623
Investment income	3,840	19,837
Other	108,805	28,265
Total Revenues	3,773,185	3,000,278
Expenses		
General government	499,640	508,617
Public safety	1,097,427	1,293,321
Public works	1,282,500	1,295,535
Total Expenses	2,879,567	3,097,473
Change in Net Assets	893,618	(97,195)
Net assets, beginning	4,804,888	4,902,083
Net Assets, Ending	\$ 5,698,506	\$ 4,804,888

This \$893,618 increase in net assets is primarily a result of an increase in insurance proceeds and FEMA monies received in connection with Hurricane IKE relief efforts. In addition, public safety expenses decreased by approximately \$196,000 from the prior fiscal year.

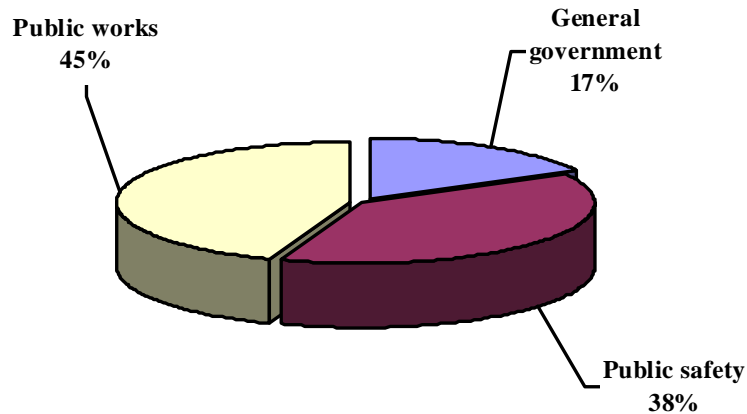
Graphic presentations of selected current year data from the changes in net assets table follow in order to assist in the analysis of the City's activities.

GOVERNMENTAL REVENUES



For the fiscal year ended September 30, 2009, revenue from governmental activities totaled \$3,773,185.

GOVERNMENTAL FUNCTIONAL EXPENSES



For the fiscal year ended September 30, 2009 expenses from governmental activities totaled \$2,879,567, the largest portions of which relate to public works (45%) and public safety (38%).

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As previously noted, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's governmental funds are discussed below:

Governmental Funds - The focus of the City's 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, fund balances may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As of September 30, 2009, the City's governmental funds, which consist of a general fund and special revenues funds, reported an ending fund balance of \$1,753,727, which is an increase of \$1,080,781 from last year's total of \$672,946. The General Fund, the City's main operating fund, had an ending fund balance of \$1,589,178, a \$1,000,192 increase from the prior year. The increase was mainly due to an increase in tax revenues as well an increase in intergovernmental revenues. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 59.9 percent of total General Fund expenditures. The Special Revenue Funds reported an ending fund balance of \$164,549, all of which is reserved for public safety.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets as of September 30, 2009 amounts to \$4,082,383 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, infrastructure, and construction in progress.

CAPITAL ASSETS SCHEDULE

	Governmental Activities	
	2009	2008
Land	\$ 629,111	\$ 633,111
Buildings	1,517,445	1,517,445
Machinery and equipment	1,324,790	1,287,938
Infrastructure	4,798,287	4,798,287
Less: accumulated depreciation	<u>(4,187,250)</u>	<u>(3,973,862)</u>
Total Capital Assets, Net	<u>\$ 4,082,383</u>	<u>\$ 4,262,919</u>

Additional information on the City's capital assets can found in Note 5 in the Notes to Financial Statements.

LONG-TERM DEBT

As of September 30, 2009, the City's long-term debt was comprised solely of compensated absences, which amounted to \$192,240. The City has established a separate bank account in which money is being accumulated for the payment of compensated absences. As of September 30, 2009, this bank account has a balance of \$61,677.

Additional information on the City's long-term debt can be found in Note 6 in the Notes to Financial Statements.

GENERAL FUND ENDING FUND BALANCE

- Unreserved fund balance in the General Fund increased to \$1,589,178. It is intended that the use of available fund balance will avoid the need to raise taxes during the 2010 fiscal year.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of West Orange, Texas' finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to West Orange, Texas: Roy McDonald, Mayor, 2700 Western Avenue, West Orange, Texas 77630.

(This Page Intentionally Left Blank)

BASIC FINANCIAL STATEMENTS

(This Page Intentionally Left Blank)

CITY OF WEST ORANGE, TEXAS

Exhibit A-1

STATEMENT OF NET ASSETS

September 30, 2009

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 1,748,499
Receivables	160,424
Prepaid expenses	700
Capital assets:	
Land	629,111
Buildings	1,053,146
Machinery and equipment	369,743
Infrastructure	2,030,383
Total Assets	<u>5,992,006</u>
<u>Liabilities</u>	
Accounts payable and other current liabilities	101,260
Noncurrent liabilities:	
Due within one year	19,224
Due in more than one year	173,016
Total Liabilities	<u>293,500</u>
<u>Net Assets</u>	
Invested in capital assets	4,082,383
Restricted for:	
Public safety	164,549
Unrestricted	1,451,574
Total Net Assets	<u>\$ 5,698,506</u>

See Notes to Financial Statements.

CITY OF WEST ORANGE, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2009

Functions/Programs	Expenses	Program
		Charges for Services
Governmental Activities:		
General government	\$ 499,640	\$ 28,597
Public safety	1,097,427	190,867
Public works	1,282,500	327,212
Total Governmental Activities	<u>\$ 2,879,567</u>	<u>\$ 546,676</u>
General Revenues:		
Property taxes		
Sales taxes		
Road maintenance taxes		
Franchise taxes		
Payments in lieu of property taxes		
Investment income		
Other		
Total General Revenues		
Change in Net Assets		
Net Assets - beginning		
Net Assets - Ending		

See Notes to Financial Statements.

Exhibit A-2

<u>Revenues</u> <u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Net (Expense) Revenue and</u> <u>Change in Net Assets</u> <u>Governmental</u> <u>Activities</u> <u>(Total)</u>
\$ 363,386	\$ (107,657)
347,887	(906,560)
<u>711,273</u>	<u>(607,401)</u>
<u>\$ 711,273</u>	<u>\$ (1,621,618)</u>
	495,404
	931,126
	232,205
	177,047
	566,809
	3,840
	<u>108,805</u>
	<u>2,515,236</u>
	893,618
	4,804,888
	<u>\$ 5,698,506</u>

CITY OF WEST ORANGE, TEXAS

Exhibit A-3

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 1,583,950	\$ 164,549	\$ 1,748,499
Receivables:			
Taxes	135,302		135,302
Accounts	25,122		25,122
Prepaid items	700		700
Total Assets	<u>\$ 1,745,074</u>	<u>\$ 164,549</u>	<u>\$ 1,909,623</u>
 <u>Liabilities and Fund Balances</u>			
<u>Liabilities</u>			
Accounts payable and accrued liabilities	\$ 101,260	\$	\$ 101,260
Deferred revenue	54,636		54,636
Total Liabilities	<u>155,896</u>		<u>155,896</u>
 <u>Fund Balances</u>			
Fund Balances:			
Reserved for public safety		164,549	164,549
Unreserved	1,589,178		1,589,178
Total Fund Balances	<u>1,589,178</u>	<u>164,549</u>	<u>1,753,727</u>
Total Liabilities and Fund Balances	<u>\$ 1,745,074</u>	<u>\$ 164,549</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 4,082,383

Long-term liabilities, including accrued compensated absences (\$192,240) are not due and payable in the current period and are therefore not reported in the funds. (192,240)

Revenues that do not provide current financial resources are reported as deferred in the funds. 54,636

Net Assets of Governmental Activities **\$ 5,698,506**

See Notes to Financial Statements.

CITY OF WEST ORANGE, TEXAS

Exhibit A-4

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>			
Taxes	\$ 2,420,286	\$	\$ 2,420,286
Licenses and permits	28,597		28,597
Fines and forfeitures	182,836	625	183,461
Fees and charges for services	336,218		336,218
Intergovernmental	347,887	92,034	439,921
Investment earnings	3,498	342	3,840
Other	332,944	36,942	369,886
Total Revenues	<u>3,652,266</u>	<u>129,943</u>	<u>3,782,209</u>
<u>Expenditures</u>			
Current:			
General government	458,783		458,783
Public safety	1,084,314	10,991	1,095,305
Public works	957,456	38,363	995,819
Non-departmental	151,521		151,521
Total Expenditures	<u>2,652,074</u>	<u>49,354</u>	<u>2,701,428</u>
Net Change in Fund Balance	1,000,192	80,589	1,080,781
Fund balances - Beginning	<u>588,986</u>	<u>83,960</u>	<u>672,946</u>
Fund Balances - Ending	<u>\$ 1,589,178</u>	<u>\$ 164,549</u>	<u>\$ 1,753,727</u>

See Notes to Financial Statements.

(This Page Intentionally Left Blank)

CITY OF WEST ORANGE, TEXAS

Exhibit A-5

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2009

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

Net change in fund balances - total governmental funds	\$ 1,080,781
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. This is the amount by which depreciation (\$258,388) exceeded capital outlay (\$77,852) in the current period.	(180,536)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. This adjustment reflects the net change in property taxes receivable on the accrual basis of accounting.	(5,024)
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. This adjustment reflects the net change in accrued compensated absences.	<u>(1,603)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 893,618</u></u>

See Notes to Financial Statements.

(This Page Intentionally Left Blank)

CITY OF WEST ORANGE, TEXAS

Exhibit A-6

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of West Orange, Texas (the City), was incorporated on August 10, 1954, under the provisions of Title 28 of the Revised Civil Statutes of Texas, 1925. On May 19, 1956, the City adopted a Home Rule Charter. The City now operates under a mayor-council form of government.

The City Council is the principal legislative body of the City. The Mayor presides at meetings of the City Council.

The City provides the following services: public safety to include police and fire, highways and streets, sanitation, recreation, public improvements, and general administration.

A. Reporting Entity

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations or functions as part of the City's financial reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

B. Financial Statement Presentation

These financial statements include implementation of Governmental Accounting Standards Board (GASB) Statement No. 34 – Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments.

Certain of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and changes in financial position.
- Government-wide financial statements prepared using the accrual basis of accounting for all of the City's governmental and business type activities.

CITY OF WEST ORANGE, TEXAS

Exhibit A-6

NOTES TO FINANCIAL STATEMENTS

- Fund financial statements focusing on the major funds.

Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets and a statement of activities. It requires the reclassification of net assets into three components-invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through contractual provisions or enabling legislation.
- Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information about the City as a whole. For the most part, the effect of interfund activity has been removed from these statements. Direct expenses are not eliminated from the various functional categories in the process of consolidation.

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 of directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements or 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. Major individual governmental funds are reported as separate columns in the fund financial statements.

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses.

CITY OF WEST ORANGE, TEXAS

Exhibit A-6

NOTES TO FINANCIAL STATEMENTS

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 are recorded only when payment is due.

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

The government reports the following major governmental fund:

General Fund

The General Fund accounts for the resources used to finance the fundamental operations of the City. The principal sources of revenue of the General Fund are property taxes, sales and use taxes, franchise taxes, fines and forfeitures, permits and fees, and sanitation. Expenditures are for general government, public safety and public works.

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. No encumbrances were outstanding at year-end.

F. Cash and Cash Equivalents

Cash and cash equivalents include cash and temporary investments that are generally available for the City's disbursement needs and have a maturity of three months or less from the date of acquisition.

G. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

H. Inventories

Inventories are stated at cost. The City uses the FIFO method of accounting for inventories. Inventories consist of expendable supplies held for consumption, and the cost thereof is recorded as

CITY OF WEST ORANGE, TEXAS

Exhibit A-6

NOTES TO FINANCIAL STATEMENTS

an expense/expenditure at the time the inventory items are issued (consumption method). No inventory was on hand at year-end.

I. Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payables are, for the most part, eliminated from the government-wide Statement of Net Assets and are classified as "due from other funds" or "due to other funds" in the fund financial statements.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure items, are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Infrastructure is not held to the \$5,000 limit; all infrastructure is capitalized regardless of cost. 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 costs 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 as constructed.

Property, plant, and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings	31.5 years
Building improvements	31.5 years
Public domain infrastructure	40 years
System infrastructure	40 years
Vehicles	7 years
Police vehicles	5 years
Machinery and equipment	7 years
Computer equipment	5 years

K. Compensated Employee Absences

The City's employees earn vacation and sick leave which may either be taken or accumulated, up to certain amounts, until paid upon 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.

The City accrues vacation and sick leave based on criteria established by the Governmental Accounting Standards Board. For all funds, this liability reflects amounts attributable to cumulative

CITY OF WEST ORANGE, TEXAS

Exhibit A-6

NOTES TO FINANCIAL STATEMENTS

employee services previously rendered, where the payment is probable and can be reasonably estimated.

L. Fund Equity

Reserved equity balances represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use. Unreserved fund balances represent available balances for the City's future use.

M. Reclassifications

Certain reclassifications to prior year balances have been made to conform to current year presentation. Such reclassifications have had no effect on the excess of revenues over expenditures.

N. Estimates

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

NOTE 2 - DEPOSITS

The City's funds are required to be deposited and invested under the terms of a depository contract pursuant to state statutes. The depository bank deposits, for safekeeping and trust with the City's agent bank, approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) Insurance.

Cash and Cash Equivalents

The City's cash and cash equivalents consist of cash on hand and demand deposits. The City's cash and cash equivalents at September 30, 2009, are shown below.

	Carrying Amount	Fair Value
Cash	\$ 1,748,499	\$ 1,748,499
Total Cash and Cash Equivalents	\$ 1,748,499	\$ 1,748,499

Custodial Credit Risk - Deposits

For deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. Collateral is required for all bank deposits at 102% of deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and

CITY OF WEST ORANGE, TEXAS

Exhibit A-6

NOTES TO FINANCIAL STATEMENTS

its municipalities and school districts. Collateral pledged to cover the City's deposits is required to be held in the City's name by the trust department of a bank other than the pledging bank (the City's agent). Collateral securities must bear a Baa-1 or better rating to qualify for use in securing uninsured depository balances. Deposits at year-end are representative of the types of deposits maintained by the City during the year.

The City's cash deposits, at September 30, 2009, were entirely guaranteed by FDIC insurance or by pledged collateral held by the City's agent bank.

NOTE 3 - PROPERTY TAXES

The City's property taxes are levied annually in October on the basis of the Appraisal District's assessed values as of January 1 of that calendar year. Appraised values are established by the Appraisal District at market value and assessed at 100% of appraised value. The City's property taxes are billed and collected by the Orange County Tax Assessor/Collector. Such taxes are applicable to the fiscal year in which they are levied and become delinquent with an enforceable lien on property on February 1 of the subsequent calendar year.

Property taxes are levied for operations and based on rates adopted for the year of the levy. For the current year, the City levied property taxes of \$0.42939 per \$100 of assessed valuation. The resulting adjusted tax levy was \$483,758 for operations on the total adjusted taxable valuation of \$112,661,624 for the 2008 tax year.

Property taxes receivable, at September 30, 2009, consists of the following:

<u>Tax Year</u>	<u>General Fund</u>
2008	\$ 18,428
2007	8,826
2006	6,275
2005	5,520
2004	4,409
2003 and prior	17,314
	<u>\$ 60,772</u>

NOTE 4 - RECEIVABLES

Receivables as of year-end for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

CITY OF WEST ORANGE, TEXAS

Exhibit A-6

NOTES TO FINANCIAL STATEMENTS

	<u>General</u>	<u>Total</u>
Receivables:		
Taxes	\$ 141,438	\$ 141,438
Accounts	<u>25,122</u>	<u>25,122</u>
Gross receivables	166,560	166,560
Less: allowance for uncollectibles	<u>(6,136)</u>	<u>(6,136)</u>
Net Total Receivables	<u><u>\$ 160,424</u></u>	<u><u>\$ 160,424</u></u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable - General Fund	<u><u>\$ 54,636</u></u>	<u><u>\$</u></u>

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2009:

CITY OF WEST ORANGE, TEXAS

Exhibit A-6

NOTES TO FINANCIAL STATEMENTS

	Balance		Increases		(Decreases)		Balance
	Oct. 1, 2008						Sept. 30, 2009
Governmental Activities:							
Capital assets not being depreciated:							
Land	\$ 633,111		\$		\$ (4,000)		\$ 629,111
Total capital assets not being depreciated	633,111				(4,000)		629,111
Capital assets being depreciated:							
Buildings	1,517,445						1,517,445
Machinery and equipment	1,287,938		81,852		(45,000)		1,324,790
Infrastructure	4,798,287						4,798,287
Total capital assets being depreciated	7,603,670		81,852		(45,000)		7,640,522
Less accumulated depreciation for:							
Buildings	(427,129)		(37,170)				(464,299)
Machinery and equipment	(894,474)		(105,573)		45,000		(955,047)
Infrastructure	(2,652,259)		(115,645)				(2,767,904)
Total accumulated depreciation	(3,973,862)		(258,388)		45,000		(4,187,250)
Total capital assets being depreciated, net	3,629,808		(176,536)				3,453,272
Governmental activities capital assets, net	\$ 4,262,919		\$ (176,536)		\$ (4,000)		\$ 4,082,383

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

Governmental Activities:			
General government		\$	40,857
Public safety			69,771
Public works			147,760
Total Depreciation Expense-Governmental Activities		\$	258,388

NOTE 6 - LONG-TERM DEBT

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2009, was as follows:

CITY OF WEST ORANGE, TEXAS

Exhibit A-6

NOTES TO FINANCIAL STATEMENTS

	Balance Oct. 1, 2008	Additions	Reductions	Balance Sept. 30, 2009	Due within One Year
Governmental Activities:					
Compensated absences	\$ 190,637	\$ 13,216	\$ (11,613)	\$ 192,240	\$ 19,224
Total	<u>\$ 190,637</u>	<u>\$ 13,216</u>	<u>\$ (11,613)</u>	<u>\$ 192,240</u>	<u>\$ 19,224</u>

For governmental activities, compensated absences are generally liquidated by the General Fund.

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM

Texas Municipal Retirement System

Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 833 administered by TMRS, an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements 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 by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS's 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:

	<u>Plan Year 2008</u>	<u>Plan Year 2009</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility (expressed as age/years of service)	60/10, 0/20	60/10, 0/20
Updated service credit	100% Repeating	100% Repeating
Annuity increase	70% of CPI Repeating	70% of CPI Repeating

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 contributions rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll form year to year. The normal cost contribution rate finances the portion of an

CITY OF WEST ORANGE, TEXAS

Exhibit A-6

NOTES TO FINANCIAL STATEMENTS

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 TMRS 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 is the basis for the rate and the calendar year when the rate goes into effect.

Three year trend information is presented below:

	2009	2008	2007
Annual Required Contributions(ARC)	\$ 225,123	\$ 174,519	\$ 163,351
Percentage of ARC Contributed	100%	100%	100%
Net Pension Obligation at the End of Period	\$ 0	\$ 0	\$ 0

Because the actuary determines contribution rates on an annual basis and the City pays the calculated rate each month, the City will always have a net pension obligation (NPO) of zero at the beginning and end of the period, and the annually required contributions (ARC) will always equal contributions made.

The required contribution rates for the 2009 fiscal year were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2008, also follows:

	Valuation Date		
	12/31/06	12/31/07	12/31/08
Actuarial Cost Method	Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	25 Years; Open Period	30 Years; Closed Period	29 Years; Closed Period
Asset Valuation Method	Amortized Cost	Amortized Cost	Amortized Cost
Actuarial Assumptions:			
Investment Rate of Return *	7.0%	7.0%	7.5%
Projected Salary Increases *	Varies by Age and Service	Varies by Age and Service	Varies by Age and Service
* - Includes Inflation at Cost-of-Living Adjustments	3.00% N/A	3.00% 2.1%	3.00% 2.1%

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 plane assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

CITY OF WEST ORANGE, TEXAS

Exhibit A-6

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - DEFERRED COMPENSATION PLAN

The City maintains, for its employees, a tax-deferred compensation plan meeting the requirements of Internal Revenue Code Section 457. The plan was established in September 1996 by City Ordinance, and Nationwide Retirement Solutions was appointed as plan administrator. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency. The plan's trust arrangements are established to protect deferred compensation amounts of employees under the plan from any other use other than intended under the plan (eventual payment to employees deferring the compensation) in accordance with federal tax laws. Amounts of compensation deferred by employees under plan provisions are disbursed monthly by the City to a third party administrator. The third party administrator handles all funds in the plan and makes investment decisions and disburses funds to employees in accordance with plan provisions.

NOTE 9 - RESERVED FUND BALANCE

Fund balances in the non-major special revenue funds totaling \$164,549 are reserved for the police department and designated grants.

NOTE 10 - 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; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. The City has not significantly reduced insurance coverage or had settlements, which exceeded coverage amounts for the past three fiscal years.

The City had no material unpaid claims liabilities at the end of the current or prior year.

NOTE 11 – INTERLOCAL AGREEMENT

The City has applied, and been awarded, a Community Development Fund Grant for sewer service connections. These funds are made available from appropriations for the Community Development Block Grant Program of the United States Department of Housing and Urban Development. This program is administered for the State of Texas by the Texas Department of Rural Affairs through the Texas Community Development Block Grant (TxCDBG) Program. These grant funds have been applied for, and accepted by, the City on behalf of the Orange County Water Control & Improvements District No. 2. The City has entered into an interlocal agreement with Orange County Water Control & Improvements District No. 2, to perform all services related to the sewer service connections and to provide all local matching funds required by the grant.

CITY OF WEST ORANGE, TEXAS

Exhibit A-6

NOTES TO FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S
DISCUSSION AND ANALYSIS (UNAUDITED)

CITY OF WEST ORANGE, TEXAS

Exhibit B-1

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

Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes	\$ 2,178,500	\$ 2,178,500	\$ 2,420,286	\$ 241,786
Intergovernmental			347,887	347,887
Licenses and permits	8,250	8,250	28,597	20,347
Fines and forfeitures	221,400	221,400	182,836	(38,564)
Fees and charges for services	370,800	370,800	336,218	(34,582)
Investment earnings	19,000	19,000	3,498	(15,502)
Other	60,180	62,180	332,944	270,764
Total Revenues	2,858,130	2,860,130	3,652,266	792,136
<u>Expenditures</u>				
Current:				
General government	481,894	481,894	458,783	23,111
Public safety	1,291,605	1,291,605	1,084,314	207,291
Public works	1,216,210	1,216,210	957,456	258,754
Non-departmental-Hurricane Ike Recovery			151,521	(151,521)
Total Expenditures	2,989,709	2,989,709	2,652,074	337,635
Excess (Deficiency) of Revenues Over (Under) Expenditures	(131,579)	(129,579)	1,000,192	1,129,771
Net Change in Fund Balance	(131,579)	(129,579)	1,000,192	1,129,771
Fund balances - Beginning	588,986	588,986	588,986	
Fund Balances - Ending	\$ 457,407	\$ 459,407	\$ 1,589,178	\$ 1,129,771

CITY OF WEST ORANGE, TEXAS

Exhibit B-2

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

A. Budgets and Budgetary Accounting

An annual appropriated budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. Project length budgets are adopted for the Special Revenue Funds.

Expenditures may not legally exceed budgeted appropriations at the department level. Expenditure requests, which would require an increase in total budgeted appropriations, must be approved by City Council through a formal budget amendment. At any time in the fiscal year, the Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. The Council has the power to transfer any unencumbered funds allocated by the budget from one activity, function, or department, to another activity, function, or department, to re-estimate revenues and expenditures, and to amend the budget. Management has the authority to transfer available funds allocated by the budget from one function or activity to another function or activity within the same department.

In cooperation with the department heads of the City, the Mayor prepares an annual budget for the General Fund for the ensuing fiscal year, in a form and style as deemed desirable by Council. The budget, as adopted, must set forth the appropriations for services, functions, and activities of the various City departments and agencies, and shall meet all fund requirements provided by law and required by applicable bond covenants.

B. Excess of Expenditures over Appropriations

For the year ended September, 30, 2009, expenditures exceeded appropriations in the Fire and Non-departmental-Hurricane Ike Recovery departments (the legal level of budgetary control) of the General Fund by \$1,795 and \$151,521, respectively. These overexpenditures were funded by available fund balance.

CITY OF WEST ORANGE, TEXAS

Exhibit B-3

TEXAS MUNICIPAL RETIREMENT SYSTEM - SCHEDULE OF FUNDING PROGRESS (UNAUDITED)

The City's annual covered payroll and pension costs are actuarially valued on a calendar year basis. Because the City makes all the annually required contributions, no net pension obligation (NPO) exists. The information presented below represents the City's Schedule of Funding Progress.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Percentage Funded</u>	<u>Unfunded AAL (UAAL)</u>	<u>Annual Covered Payroll</u>	<u>As A Percentage of Covered Payroll</u>
12/31/2006	\$ 2,456,598	\$ 3,566,620	68.9%	\$ 1,110,022	\$ 1,005,204	110.4%
12/31/2007 *	2,070,484	4,036,393	51.3%	1,965,909	995,020	197.6%
12/31/2008	2,183,433	4,329,849	50.4%	2,146,416	1,155,789	185.7%

* - New actuarial cost method and assumptions were adopted by the TMRS Board of Trustees at their December 2007 meeting, to be effective for the 12/31/2007 valuation.

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

(This Page Intentionally Left Blank)

NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

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

Police-Public Safety Fund - This fund is used to account for amounts received through fines and fees when Department of Public Safety officers issue traffic citations within the city limits. The proceeds are used for unbudgeted police expenditures.

Police-Seizure and Forfeiture Fund - This fund accounts for amounts received from police forfeiture revenues, with the proceeds used for unbudgeted police expenditures.

Police-State Education Fund - This fund accounts for funds received from the State, based on the number of officers employed, and are designated to be used for law enforcement education.

Police-Federal Asset Forfeiture Fund - This fund accounts for funds received from the federal government, with the proceeds used for unbudgeted police expenditures.

Police-Federal Treasury Asset Forfeiture Fund - This fund accounts for funds received from the federal government, with the proceeds used for unbudgeted police expenditures.

FY 2008 Sewer Improvement Grant - This fund accounts for funds received from the Office of Rural Community Affairs, which are to be used to provide sewer line replacements citywide for low to moderate income citizens.

CITY OF WEST ORANGE, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2009

	<u>Special Revenue Funds</u>		
	<u>Police- Public Safety Fund</u>	<u>Police- Seizure & Forfeiture Fund</u>	<u>Police- State Education Fund</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 71,123	\$ 14,595	\$ 15,152
Total Assets	<u>\$ 71,123</u>	<u>\$ 14,595</u>	<u>\$ 15,152</u>
<u>Fund Balances</u>			
Reserved			
Public safety	<u>71,123</u>	<u>14,595</u>	<u>15,152</u>
Total Fund Balances	<u>71,123</u>	<u>14,595</u>	<u>15,152</u>
Total Liabilities and Fund Balances	<u>\$ 71,123</u>	<u>\$ 14,595</u>	<u>\$ 15,152</u>

Exhibit C-1

Police- Federal Asset Forfeiture Fund	Police- Federal Treasury Asset Forfeiture Fund	FY 2008 Sewer Improvement Grant	Total Non-Major Governmental Funds
\$ 11,346	\$ 52,333	\$	\$ 164,549
\$ 11,346	\$ 52,333	\$	\$ 164,549
11,346	52,333		164,549
11,346	52,333		164,549
\$ 11,346	\$ 52,333	\$	\$ 164,549

CITY OF WEST ORANGE, TEXAS

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

Year Ended September 30, 2009

	<u>Special Revenue Funds</u>		
	<u>Police- Public Safety Fund</u>	<u>Police- Seizure & Forfeiture Fund</u>	<u>Police- State Education Fund</u>
<u>Revenues</u>			
Fines and forfeitures	\$ 625	\$	\$
Intergovernmental revenue			1,219
Investment earnings	155	50	53
Other	36,942		
Total Revenues	<u>37,722</u>	<u>50</u>	<u>1,272</u>
<u>Expenditures</u>			
Current:			
Public safety			1,009
Public works			
Total Expenditures			<u>1,009</u>
Net Change in Fund Balance	37,722	50	263
Fund Balances, Beginning of year	<u>33,401</u>	<u>14,545</u>	<u>14,889</u>
Fund Balances, End of Year	<u>\$ 71,123</u>	<u>\$ 14,595</u>	<u>\$ 15,152</u>

Police- Federal Asset Forfeiture Fund	Police- Federal Treasury Asset Forfeiture Fund	FY 2008 Sewer Improvement Fund	Total Non-Major Governmental Funds
\$	\$	\$	\$
133	52,319	38,363	625
70	14		92,034
			342
			36,942
<u>203</u>	<u>52,333</u>	<u>38,363</u>	<u>129,943</u>
9,982			10,991
		38,363	38,363
<u>9,982</u>		<u>38,363</u>	<u>49,354</u>
(9,779)	52,333		80,589
21,125			83,960
<u>\$ 11,346</u>	<u>\$ 52,333</u>	<u>\$</u>	<u>\$ 164,549</u>

CITY OF WEST ORANGE, TEXAS

Exhibit C-3

COMPARATIVE BALANCE SHEETS
GENERAL FUND

September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 1,583,950	\$ 577,630
Receivables:		
Taxes	135,302	138,337
Accounts	25,122	49,913
Prepaid items	<u>700</u>	<u>516</u>
Total Assets	<u>\$ 1,745,074</u>	<u>\$ 766,396</u>
<u>Liabilities and Equity</u>		
<u>Liabilities</u>		
Accounts payable and accrued liabilities	\$ 101,260	\$ 117,750
Deferred revenue	<u>54,636</u>	<u>59,660</u>
Total Liabilities	<u>155,896</u>	<u>177,410</u>
<u>Equity</u>		
Fund Balances:		
Unreserved and undesignated	<u>1,589,178</u>	<u>588,986</u>
Total Equity	<u>1,589,178</u>	<u>588,986</u>
Total Liabilities and Equity	<u>\$ 1,745,074</u>	<u>\$ 766,396</u>

CITY OF WEST ORANGE, TEXAS

Exhibit C-4 Page 1 of 3

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND**

Year Ended September 30, 2009
with Comparative Actual Balances for the Year Ended September 30, 2008

	2009			2008 Actual
	Budget	Actual	Over (Under)	
<u>Revenues</u>				
Property taxes	\$ 462,000	\$ 500,428	\$ 38,428	\$ 471,907
Other taxes	1,214,500	1,353,049	138,549	1,185,703
Industrial payments in lieu of taxes	502,000	566,809	64,809	489,623
Intergovernmental		347,887	347,887	2,020
Licenses and permits	8,250	28,597	20,347	14,149
Fines and forfeitures	221,400	182,836	(38,564)	205,126
Fees and charges for services	370,800	336,218	(34,582)	363,630
Investment earnings	19,000	3,498	(15,502)	17,984
Other	62,180	332,944	270,764	212,324
Total Revenues	2,860,130	3,652,266	792,136	2,962,466
<u>Expenditures</u>				
City Administration:				
Personnel services	142,645	134,761	7,884	129,242
Supplies and repairs	11,500	9,159	2,341	10,265
Contractual services	9,750	6,986	2,764	10,848
Other services and charges	169,375	162,259	7,116	155,638
Capital outlay	5,000	3,401	1,599	4,673
Total City Administration	338,270	316,566	21,704	310,666
Municipal Court:				
Personnel services	73,744	67,822	5,922	65,837
Supplies	1,450	1,515	(65)	907
Repairs and maintenance	2,300	1,517	783	1,499
Other services and charges	66,130	71,363	(5,233)	88,847
Total Municipal Court	143,624	142,217	1,407	157,090
Total General Government	481,894	458,783	23,111	467,756

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

Year Ended September 30, 2009
with Comparative Actual Balances for the Year Ended September 30, 2008

	<u>2009</u>		Variance Over (Under)	2008 Actual
	<u>Budget</u>	<u>Actual</u>		
<u>Expenditures (continued)</u>				
Public Safety:				
Animal Control:				
Personnel services	51,120	48,990	2,130	45,977
Supplies	8,635	5,685	2,950	8,882
Repairs and maintenance	350	465	(115)	172
Other services and charges	15,250	12,164	3,086	6,244
Capital outlay	15,000	14,253	747	
Total Animal Control	<u>90,355</u>	<u>81,557</u>	<u>8,798</u>	<u>61,275</u>
Police:				
Personnel services	873,325	727,683	145,642	803,537
Supplies	34,450	20,066	14,384	45,009
Repairs and maintenance	17,000	26,589	(9,589)	21,988
Other services and charges	70,200	50,935	19,265	50,318
Capital outlay	55,000	54,999	1	86,121
Total Police	<u>1,049,975</u>	<u>880,272</u>	<u>169,703</u>	<u>1,006,973</u>
Fire:				
Personnel services	430	83	347	395
Supplies	12,100	7,994	4,106	69,134
Repairs and maintenance	2,000	2,833	(833)	1,760
Other services and charges	17,850	23,265	(5,415)	21,033
Total Fire	<u>32,380</u>	<u>34,175</u>	<u>(1,795)</u>	<u>92,322</u>
Fire Marshal:				
Personnel services	55,795	57,474	(1,679)	58,645
Supplies	1,500	482	1,018	927
Repairs and maintenance	2,000	338	1,662	337
Other services and charges	59,600	30,016	29,584	39,641
Capital outlay				150
Total Fire Marshal	<u>118,895</u>	<u>88,310</u>	<u>30,585</u>	<u>99,700</u>
Total Public Safety	<u>1,291,605</u>	<u>1,084,314</u>	<u>207,291</u>	<u>1,260,270</u>

CITY OF WEST ORANGE, TEXAS

Exhibit C-4 Page 3 of 3

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND**

**Year Ended September 30, 2009
with Comparative Actual Balances for the Year Ended September 30, 2008**

	2009		Variance Over (Under)	2008 Actual
	Budget	Actual		
Expenditures (continued)				
Public Works:				
Sanitation:				
Personnel services	216,380	195,590	20,790	165,740
Supplies	28,300	17,775	10,525	29,427
Repairs and maintenance	10,500	9,681	819	3,062
Other services and charges	292,100	284,908	7,192	331,658
Capital outlay	1,000			
Total Sanitation	548,280	507,954	39,326	529,887
Streets:				
Personnel services	284,840	264,439	20,401	285,386
Supplies	28,100	17,175	10,925	17,745
Repairs and maintenance	237,000	33,506	203,494	151,895
Other services and charges	24,300	17,056	7,244	19,639
Capital outlay	28,000	12,600	15,400	121,541
Total Streets	602,240	344,776	257,464	596,206
Maintenance Shop:				
Personnel services	58,540	51,365	7,175	56,487
Supplies	2,850	2,064	786	2,336
Other services and charges	4,300	3,455	845	2,342
Total Maintenance Shop	65,690	56,884	8,806	61,165
Parks and Facilities:				
Personnel services	42,156	35,276	6,880	
Supplies	6,200	3,781	2,419	
Repairs and maintenance	18,000	8,446	9,554	
Other services and charges	2,050	339	1,711	
Total Parks and Facilities	68,406	47,842	20,564	
Total Public Works	1,216,210	957,456	305,596	1,187,258
Non-departmental-Hurricane Ike Recovery				
		151,521	(151,521)	16,269
Non-departmental-Improvements				
				4,963
Total Expenditures	2,989,709	2,652,074	384,477	2,936,516
Net Change in Fund Balance	(129,579)	1,000,192	1,176,613	25,950
Fund Balances - Beginning	588,986	588,986		563,036
Fund Balances - Ending	\$ 459,407	\$ 1,589,178	\$ 1,176,613	\$ 588,986

(This Page Intentionally Left Blank)

STATISTICAL SECTION

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

Contents	Page
Financial Trends	52
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	64
These schedules contain information to help the reader assess the City's most significant local revenue source, the sales tax, and another significant local source, the property tax.	
Debt Capacity	72
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	76
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities takes place.	
Operating Information	79
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

Sources - Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

CITY OF WEST ORANGE, TEXAS

NET ASSETS BY COMPONENT

Last Six Fiscal Years *
(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental Activities				
Invested in capital assets, net of related debt	\$ 3,596,135	\$ 3,538,495	\$ 3,807,713	\$ 4,412,386
Restricted	36,889	48,920	54,394	66,699
Unrestricted	864,769	876,717	1,136,612	422,998
Total Governmental Activities Net Assets	<u>\$ 4,497,793</u>	<u>\$ 4,464,132</u>	<u>\$ 4,998,719</u>	<u>\$ 4,902,083</u>
Primary Government				
Invested in capital assets, net of related debt	\$ 3,596,135	\$ 3,538,495	\$ 3,807,713	\$ 4,412,386
Restricted	36,889	48,920	54,394	66,699
Unrestricted	864,769	876,717	1,136,612	422,998
Total Primary Government Net Assets	<u>\$ 4,497,793</u>	<u>\$ 4,464,132</u>	<u>\$ 4,998,719</u>	<u>\$ 4,902,083</u>

* The requirement for statistical data is ten years; only six years are available at this time.

Table 1

<u>2008</u>	<u>2009</u>
\$ 4,262,919	\$ 4,082,383
83,960	164,549
458,009	1,451,574
<u>\$ 4,804,888</u>	<u>\$ 5,698,506</u>

\$ 4,262,919	\$ 4,082,383
83,960	164,549
458,009	1,451,574
<u>\$ 4,804,888</u>	<u>\$ 5,698,506</u>

CITY OF WEST ORANGE, TEXAS

CHANGES IN NET ASSETS

Last Six Fiscal Years *
(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses			
Governmental Activities			
General government	\$ 388,361	\$ 427,659	\$ 654,920
Public safety	868,797	848,174	937,934
Public works	997,977	1,071,183	950,714
Interest and fiscal agent fees on long-term debt	507	2,867	544
Total Governmental Activities Expenses	<u>2,255,642</u>	<u>2,349,883</u>	<u>2,544,112</u>
Total Primary Government Expenses	<u>\$ 2,255,642</u>	<u>\$ 2,349,883</u>	<u>\$ 2,544,112</u>
Program Revenues			
Governmental Activities			
Charges for services			
General government	\$ 7,260	\$ 11,580	\$ 9,788
Public safety	148,232	216,462	229,327
Public works	239,812	261,876	257,041
Operating grants and contributions	70,373	41,858	263,763
Capital grants and contributions			278,578
Total Governmental Activities Program Revenues	<u>465,677</u>	<u>531,776</u>	<u>1,038,497</u>
Total Primary Government Program Revenues	<u>\$ 465,677</u>	<u>\$ 531,776</u>	<u>\$ 1,038,497</u>
Net (Expense)/Revenue			
Governmental activities	\$ (1,789,965)	\$ (1,818,107)	\$ (1,505,615)
Total Primary Government Net Expense	<u>\$ (1,789,965)</u>	<u>\$ (1,818,107)</u>	<u>\$ (1,505,615)</u>

* The requirement for statistical data is ten years; only six years are available at this time.

CITY OF WEST ORANGE, TEXAS

<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 449,332	\$ 508,617	\$ 499,640
938,344	1,293,321	1,097,427
1,623,646	1,295,535	1,282,500
547		
3,011,869	3,097,473	2,879,567
\$ 3,011,869	\$ 3,097,473	\$ 2,879,567

\$ 12,065	\$ 14,149	\$ 28,597
197,240	215,446	190,867
318,011	353,959	327,212
328,547	153,114	711,273
4,664	59,210	
860,527	795,878	1,257,949
\$ 860,527	\$ 795,878	\$ 1,257,949

\$ (2,151,342)	\$ (2,301,595)	\$ (1,621,618)
\$ (2,151,342)	\$ (2,301,595)	\$ (1,621,618)

CHANGES IN NET ASSETS

Last Six Fiscal Years * (accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Revenues and Other Changes in Net Assets			
Governmental Activities			
Taxes			
Property taxes	\$ 401,781	\$ 411,706	\$ 443,488
Other taxes	1,075,490	1,061,171	1,207,680
Payments in lieu of property taxes	302,118	290,241	331,480
Investment earnings	9,343	21,328	57,554
Other			
Total Governmental Activities	<u>1,788,732</u>	<u>1,784,446</u>	<u>2,040,202</u>
Total Primary Government	<u>\$ 1,788,732</u>	<u>\$ 1,784,446</u>	<u>\$ 2,040,202</u>
Change in Net Assets			
Governmental activities	\$ (1,233)	\$ (33,661)	\$ 534,587
Total Primary Government	<u>\$ (1,233)</u>	<u>\$ (33,661)</u>	<u>\$ 534,587</u>

* The requirement for statistical data is ten years; only six years are available at this time.

<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 447,726	\$ 480,972	\$ 495,404
1,201,385	1,185,703	1,340,378
343,689	489,623	566,809
44,104	19,837	3,840
17,802	28,265	108,805
2,054,706	2,204,400	2,515,236
\$ 2,054,706	\$ 2,204,400	\$ 2,515,236
\$ (96,636)	\$ (97,195)	\$ 893,618
\$ (96,636)	\$ (97,195)	\$ 893,618

CITY OF WEST ORANGE, TEXAS

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

Last Six Fiscal Years **
(accrual basis of accounting)

<u>Function</u>	<u>2004*</u>	<u>2005*</u>	<u>2006*</u>	<u>2007</u>
Property taxes	\$ 401,781	\$ 411,706	\$ 443,488	\$ 447,726
Sales taxes	1,075,490	1,061,171	1,207,680	812,296
Payments in lieu of property taxes	302,118	290,241	331,480	343,689
Mixed beverage taxes				2,766
Road maintenance taxes				202,624
Hotel/Motel occupancy taxes				7,553
Franchise taxes				176,146
Total	<u>\$ 1,779,389</u>	<u>\$ 1,763,118</u>	<u>\$ 1,982,648</u>	<u>\$ 1,992,800</u>

* Mixed beverage taxes, road maintenance taxes, hotel/motel occupancy taxes and franchise taxes were all reported as sales taxes. Beginning in 2007, these taxes are reported separately.

** The requirement for statistical data is ten years; only six years are available at this time.

Table 3

2008	2009
\$ 480,972	\$ 495,404
811,862	931,126
489,623	566,809
3,587	5,072
203,508	232,205
6,139	7,600
<u>160,607</u>	<u>177,047</u>
<u>\$ 2,156,298</u>	<u>\$ 2,415,263</u>

CITY OF WEST ORANGE, TEXAS

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Six Fiscal Years *
(modified accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund				
Unreserved	\$ 984,994	\$ 996,472	\$ 1,264,452	\$ 563,036
Total General Fund	<u>\$ 984,994</u>	<u>\$ 996,472</u>	<u>\$ 1,264,452</u>	<u>\$ 563,036</u>
All Other Governmental Funds				
Reserved	\$ 36,889	\$ 48,920	\$ 54,394	\$ 66,699
Total All Other Governmental Funds	<u>\$ 36,889</u>	<u>\$ 48,920</u>	<u>\$ 54,394</u>	<u>\$ 66,699</u>

* The requirement for statistical data is ten years; only six years are available at this time.

Table 4

<u>2008</u>	<u>2009</u>
<u>\$ 588,986</u>	<u>\$ 1,589,178</u>
<u><u>\$ 588,986</u></u>	<u><u>\$ 1,589,178</u></u>
<u>\$ 83,960</u>	<u>\$ 164,549</u>
<u><u>\$ 83,960</u></u>	<u><u>\$ 164,549</u></u>

CITY OF WEST ORANGE, TEXAS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Six Fiscal Years *
(modified accrual basis of accounting)

	2004	2005	2006	2007
Revenues				
Taxes	\$ 1,781,251	\$ 1,761,081	\$ 1,980,021	\$ 1,993,381
Licenses and permits	7,260	11,580	9,788	12,065
Fines and forfeitures	136,909	203,928	218,811	186,825
Fees and charges for services	251,135	274,410	267,557	328,426
Intergovernmental	44,924	33,625	280,885	217,692
Investment earnings	9,343	21,328	57,554	44,104
Other revenues	25,449	8,233	261,456	133,321
	2,256,271	2,314,185	3,076,072	2,915,814
Expenditures				
General government	360,226	409,248	534,690	425,863
Public safety	867,704	857,429	915,181	1,649,768
Public works	917,552	915,850	809,856	1,498,318
Non-departmental	36,508	93,062	527,775	3,140
Debt service				
Principal	14,572	14,572	14,572	27,289
Interest and fiscal charges	507	515	544	547
	2,197,069	2,290,676	2,802,618	3,604,925
Excess of Revenues Over Expenditures	59,202	23,509	273,454	(689,111)
Other Financing Sources				
Capital leases	66,851			
	66,851			
Net Change in Fund Balances	\$ 126,053	\$ 23,509	\$ 273,454	\$ (689,111)
Debt service as a percentage of noncapital expenditures	0.7%	0.7%	0.7%	0.8%

* The requirement for statistical data is ten years; only six years are available at this time.

Table 5

<u>2008</u>	<u>2009</u>
\$ 2,147,233	\$ 2,420,286
14,149	28,597
205,775	183,461
363,630	336,218
28,265	439,921
19,837	3,840
212,324	369,886
<u>2,991,213</u>	<u>3,782,209</u>
467,756	458,783
1,271,756	1,095,305
1,187,258	995,819
21,232	151,521
<u>2,948,002</u>	<u>2,701,428</u>
43,211	1,080,781
<u>43,211</u>	<u>1,080,781</u>
0.0%	0.0%

CITY OF WEST ORANGE, TEXAS

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE

Last Six Fiscal Years **
(modified accrual basis of accounting)

<u>Function</u>	<u>2004*</u>	<u>2005*</u>	<u>2006*</u>	<u>2007</u>
Sales taxes	\$ 1,075,490	\$ 1,061,171	\$ 1,207,680	\$ 812,296
Property taxes	403,643	409,669	440,861	448,307
Payments in lieu of property taxes	302,118	290,241	331,480	343,689
Mixed beverage taxes				2,766
Road maintenance taxes				202,624
Hotel/Motel occupancy taxes				7,553
Franchise taxes				176,146
Total	<u>\$ 1,781,251</u>	<u>\$ 1,761,081</u>	<u>\$ 1,980,021</u>	<u>\$ 1,993,381</u>

* Mixed beverage taxes, road maintenance taxes, hotel/motel occupancy taxes and franchise taxes were all reported as sales taxes. Beginning in 2007, these taxes are reported separately.

** The requirement for statistical data is ten years; only six years are available at this time.

Table 6

<u>2008</u>	<u>2009</u>
\$ 811,862	\$ 931,126
471,907	490,380
489,623	566,809
3,587	5,072
203,508	232,205
6,139	7,600
<u>160,607</u>	<u>177,047</u>
<u>\$ 2,147,233</u>	<u>\$ 2,410,239</u>

CITY OF WEST ORANGE, TEXAS

TAXABLE SALES BY CATEGORY

Last Seven Fiscal Years *

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Manufacturing	\$ 2,232,372	\$ 2,037,933	\$ 2,775,076	\$ 476,586	\$ 1,089,115
Construction	283,066	388,667	565,939	2,222,413	2,620,885
Wholesale trade	109,233				
Retail trade	111,438,524	113,542,086	114,803,032	136,575,905	128,286,420
Finance/Insurance					
Professional/Technical		85,447		928,597	1,400,178
Admin/Waste management	55,455	25,298	46,316		36,666
Entertainment/Recreation			118,116	68,984	257,763
Accommodation/Food service	4,825,351	5,248,775	4,374,253	4,419,669	4,635,875
Other services	3,009,467	2,145,446	1,185,065	2,875,973	2,707,876
Other	19,200	7,034			
City direct sales tax rate	0.0125000 %	0.0125000 %	0.0125000 %	0.0125000 %	0.0125000 %

Source - Texas Comptroller of Public Accounts.

* The requirement for statistical data is ten years; only seven years are available at this time.

** Represents the first three quarters of the 2009 fiscal year. The fourth quarter is not currently available.

Table 7

<u>2008</u>	<u>2009**</u>
\$ 2,360,088	\$ 977,795
1,024,439	1,593,535
139,379,899	124,382,985
58,366	
610,401	366,945
	15,229
94,214	
6,365,083	4,921,509
2,860,780	2,432,273
0.0125000 %	0.0125000 %

CITY OF WEST ORANGE, TEXAS

Table 8

**ASSESSED VALUE AND ESTIMATED VALUE
OF TAXABLE PROPERTY**

Last Ten Fiscal Years

Fiscal Year Ended Sept. 30,	Residential Property	Commercial Property	Personal Property	Less: Tax-Exempt Real Property	Total Taxable Assessed Value (1)	Total Direct Tax Rate
2000	\$ 35,794,310	\$ 43,201,810	\$ 26,889,220	\$ 17,947,380	\$ 87,937,960	\$ 0.42939
2001	51,250,170	32,819,200	24,046,510	18,715,070	89,400,810	0.42939
2002	35,280,580	48,866,620	27,860,050	18,886,850	93,120,400	0.42939
2003	37,147,770	46,994,680	27,616,040	19,430,270	92,328,220	0.42939
2004	54,705,410	29,460,790	28,390,220	19,072,360	93,484,060	0.42939
2005	61,716,230	37,570,796	30,807,762	27,411,181	102,683,607	0.42939
2006	64,801,373	27,840,318	32,208,093	23,329,176	101,520,608	0.42939
2007	65,883,811	28,158,211	30,807,762	23,076,894	101,772,890	0.42939
2008	63,076,601	27,610,188	29,765,086	12,369,582	108,082,293	0.42939
2009	70,224,400	32,121,493	31,431,568	21,115,837	112,661,624	0.42939

Source - Tax assessor/collector's records.

(1) Property is assessed at actual value; therefore, the assessed values are equal to actual value.
Tax rates are per \$100 of assessed value.

CITY OF WEST ORANGE, TEXAS

Table 9

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Direct Rate</u>		<u>Overlapping Rates (1)</u>		<u>Total</u>
		<u>City of West Orange</u>	<u>West Orange Cove CISD</u>	<u>Orange County (2)</u>		
2000	1999	\$ 0.42939	\$ 1.56454	\$ 0.59008	\$ 2.58401	
2001	2000	0.42939	1.55786	0.63115	2.61840	
2002	2001	0.42939	1.55786	0.64125	2.62850	
2003	2002	0.42939	1.54609	0.66994	2.64542	
2004	2003	0.42939	1.57357	0.67972	2.68268	
2005	2004	0.42939	1.58926	0.71886	2.73751	
2006	2005	0.42939	1.58265	0.68542	2.69746	
2007	2006	0.42939	1.46040	0.56227	2.45206	
2008	2007	0.42939	1.13175	0.54261	2.10375	
2009	2008	0.42939	1.43204	0.56469	2.42612	

Source - Tax Department records of the various taxing authorities.

(1) Overlapping rates are those of local and county governments that apply within the City of West Orange. Not all overlapping rates apply to all City of West Orange property owners (e.g., the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district).

(2) Orange County tax rate includes Orange County Navigation & Port District, Orange County Drainage District, and Orange County Lateral Roads tax rates.

CITY OF WEST ORANGE, TEXAS

Table 10

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Six Years Ago

Taxpayer	2009			2003		
	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
G E Betz-Betz Dearborn	\$ 10,779,020	1	9.57 %	\$ 8,053,090	1	8.72 %
Wal-Mart Store #00777	7,429,102	2	6.59	7,302,350	2	7.91
Wal-Mart Stores Inc.	7,100,937	3	6.30	6,617,500	3	7.17
Albanese Real Estate	3,865,745	4	3.43			
Enterprise Leasing Company	2,635,931	5	2.34			
Entergy Gulf States, Inc.	1,852,380	6	1.64	1,657,560	5	1.80
Metal Depot, Inc.	1,490,599	7	1.32			
Union Pacific Railroad Company	1,013,190	8	0.90			
Granger Chevrolet	1,008,048	9	0.89			
Dupont Employees Rec Assn.	981,532	10	0.87	1,506,030	7	1.63
West Orange Shopping				2,785,040	4	3.02
Jones Contractors				1,583,540	6	1.72
Staples #565				1,137,610	8	1.23
Laidlaw Transit, Inc.				1,043,620	9	1.13
Enterprise Leasing Co.				1,042,650	10	1.13
Subtotal	38,156,484		33.87	32,728,990		35.45
Other taxpayers	74,505,140		66.13	59,599,230		64.55
Total	<u>\$ 112,661,624</u>		<u>100.00</u>	<u>\$ 92,328,220</u>		<u>100.00</u>

Source - Tax assessor/collector's records.

* The requirement for statistical data is ten years; only six years are available at this time.

CITY OF WEST ORANGE, TEXAS

Table 11

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

Fiscal Year	Tax Rate	Total Tax Levy and Adjust.	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	% of Levy		Amount	% of Levy
2000	\$ 0.42939	\$ 363,775	\$ 340,040	93.48 %	\$ 22,092	\$ 362,132	99.55 %
2001	0.42939	367,041	363,868	99.14	963	364,831	99.40
2002	0.42939	379,721	368,659	97.09	8,717	377,376	99.38
2003	0.42939	398,420	383,142	96.17	12,355	395,497	99.27
2004	0.42939	390,622	378,308	96.85	8,514	386,822	99.03
2005	0.42939	399,439	381,878	95.60	13,152	395,030	98.90
2006	0.42939	435,919	418,785	96.07	11,613	430,398	98.73
2007	0.42939	437,003	423,872	97.00	6,856	430,728	98.56
2008	0.42939	464,095	445,096	95.91	10,173	455,269	98.10
2009	0.42939	483,758	465,330	96.19		465,330	96.19

Source - Tax assessor/collector's records.

CITY OF WEST ORANGE, TEXAS

Table 12

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Six Fiscal Years *

<u>Fiscal Year Ended Sept. 30,</u>	<u>Governmental Activities Capital Leases</u>	<u>Total Primary Government</u>	<u>% of Personal Income **</u>	<u>Per Capita **</u>
2004	\$ 52,279	\$ 52,279	0.13%	\$ 13
2005	40,059	40,059	0.01%	10
2006	27,289	27,289	0.07%	7
2007	***	***	***	***
2008	***	***	***	***
2009	***	***	***	***

* The requirement for statistical data is ten years; only six years are available at this time.

** See the Schedule of Demographic and Economic Statistics (Table 14) for personal income and population data.

*** The City had no outstanding debt.

CITY OF WEST ORANGE, TEXAS

Table 13

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2009

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>City of West Orange Share of Debt</u>
West Orange Cove CISD	\$ 62,050,751	18.71 %	\$ 11,609,696
Orange County	1,211,406	2.37	28,710
Subtotal, overlapping debt			11,638,406
City Direct Debt			
Total Direct and Overlapping Debt			<u>\$ 11,638,406</u>

Source - West Orange Cove CISD, Orange County

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. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne 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.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's taxable assessed value that is within the City's boundaries and dividing it by the overlapping government's total taxable assessed value.

CITY OF WEST ORANGE, TEXAS

LEGAL DEBT MARGIN INFORMATION

Last Six Fiscal Years *

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt limit	\$ 9,348,406	\$ 10,268,361	\$ 10,152,061
Total net debt applicable to limit			
Legal debt margin	<u>\$ 9,348,406</u>	<u>\$ 10,268,361</u>	<u>\$ 10,152,061</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%
Legal Debt Margin Calculation by Fiscal Year			
Assessed value	\$ 93,484,060	\$ 102,683,607	\$ 101,520,608
Debt limit (10% of assessed value)	<u>9,348,406</u>	<u>10,268,361</u>	<u>10,152,061</u>
Legal debt margin	<u>\$ 9,348,406</u>	<u>\$ 10,268,361</u>	<u>\$ 10,152,061</u>

Note - Under state finance law, the City of West Orange's outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds. The City did not have any general obligation debt for the last five fiscal years.

* The requirement for statistical data is ten years; only six years are available at this time.

Table 14

<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 10,177,289	\$ 10,207,162	\$ 11,266,162
<u>\$ 10,177,289</u>	<u>\$ 10,207,162</u>	<u>\$ 11,266,162</u>
0.00%	0.00%	0.00%
\$ 101,772,890	\$ 102,071,624	\$ 112,661,624
10,177,289	10,207,162	11,266,162
<u>\$ 10,177,289</u>	<u>\$ 10,207,162</u>	<u>\$ 11,266,162</u>

CITY OF WEST ORANGE, TEXAS

Table 15

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

<u>Fiscal Year Ended Sept. 30,</u>	<u>Population (1) (3)</u>	<u>Personal Income (3)</u>	<u>Per Capita Personal Income (3)</u>	<u>Median Age (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate</u>
2000	4,111	\$ n/a	\$ n/a	37	3,564	n/a
2001	4,111	n/a	n/a	37	3,403	n/a
2002	4,111	n/a	n/a	37	3,328	n/a
2003	4,111	n/a	n/a	37	3,210	n/a
2004	4,111	n/a	n/a	37	2,916	n/a
2005	4,111	n/a	n/a	37	2,924	n/a
2006	4,111	n/a	n/a	37	2,665	n/a
2007	3,983	72,251,620	18,140	37	2,700	n/a
2008	3,983	72,251,620	18,140	37	2,385	n/a
2009	3,983	69,237,938	17,383	37	2,550	n/a

n/a - information not available.

Data sources:

- (1) Bureau of the Census
- (2) West Orange Cove CISD
- (3) Orange County Economic Development Council

CITY OF WEST ORANGE, TEXAS

Table 16

PRINCIPAL EMPLOYERS

Current Year and Two Years Ago

Employer	2009			2007		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
Wal Mart	415	1	19.68%	368	1	22.33%
WOCCISD	186	2	8.82%	205	2	12.44%
Betz Laboratories	45	3	2.13%	45	4	2.73%
STS Bus Service	43	4	2.04%			
Akrotex, Inc.	42	5	1.99%	46	3	2.79%
Granger Chevrolet	35	6	1.66%	35	6	2.12%
City of West Orange	26	7	1.23%	25	7	1.52%
Sonic Drive-In	20	8	0.95%	24	8	1.46%
Little Giant/TMRX	18	9	0.85%	16	10	0.97%
Burke's Outlet	17	10	0.81%			
Laidlaw Transit				44	5	2.67%
Goody's				21	9	1.27%
Total	847		40.16%	829		50.30%

Source - City records.

CITY OF WEST ORANGE, TEXAS

Table 17

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of September 30									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government	6	6	6	6	6	6	6	6	6	5
Public safety										
Police										
Officers	9	9	9	9	8	9	9	9	8	8
Civilians	1	1	1	1	1	1	1	1	1	2
Public works										
Streets and sanitation	5	4	4	4	4	4	5	5	8	10
Maintenance and operations	2	2	2	2	2	2	3	3	2	1
Total	23	22	22	22	21	22	24	24	25	26

Source - City personnel records.

CITY OF WEST ORANGE, TEXAS

Table 18

OPERATING INDICATORS BY FUNCTION

Last Six Fiscal Years *

Function	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Police						
Arrests	691	769	555	555	543	591
Accident reports	64	70	76	76	68	89
Citations	2,219	2,201	2,136	2,136	1,788	1,099
Offense reports	1,314	1,383	1,221	1,221	776	796
Calls for service	4,863	3,515	3,977	3,977	3,794	3,391
Fire						
Emergency responses	22	9	8	8	24	24
Fire incidents	42	37	19	19	16	23
Service calls and other calls	23	54	26	26	7	3
Automatic aid, mutual aid given	11	6	2	2	1	10

Source - Various City departments.

* The requirement for statistical data is ten years; only six years are available at this time.

CITY OF WEST ORANGE, TEXAS

Table 19

CAPITAL ASSETS STATISTICS BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public safety										
Police										
Stations	1	1	1	1	1	1	0*	1	1	1
Patrol units	8	8	8	8	8	9	9	9	8	6
Fire										
Stations	1	1	1	1	1	1	0*	1	1	1
Public works										
Collection trucks	3	3	3	3	3	3	3	3	3	3
Streets (miles)	28.9	28.9	28.9	28.9	28.9	28.9	28.9	28.9	28.9	28.9

Source - Various City departments.

Note - No capital asset indicators are available for the general government function.

* - Police and fire stations destroyed in Hurricane Rita. They were re-constructed in the 2007 fiscal year.