

ORANGE COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
SEPTEMBER 30, 2006**

ORANGE COUNTY, TEXAS

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FINANCIAL SECTION



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge
and County Commissioners
Orange County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Orange County, Texas, as of and for the year ended September 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Orange County, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall 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 respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Orange County, Texas, as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2007, on our consideration of Orange County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements, but is 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 of measurement and presentation of the 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 Orange County, Texas' basic financial statements. The combining and individual nonmajor financial statements 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 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 accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations." and is not a required part of the basic financial statements of the County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Patricia Brown Hill, L.L.P.

May 17, 2007

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

ORANGE COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Management's Discussion and Analysis* of the County of Orange's Comprehensive Annual Financial Report (CAFR) presents a discussion and analysis of the County's financial performance during the fiscal year that ended September 30, 2006. It should be read in conjunction with the transmittal letter located at the front of this CAFR, and the County's financial statements, which follow this part of the CAFR.

FINANCIAL HIGHLIGHTS

- The assets of Orange County exceeded its liabilities as of September 30, 2006, by \$31,053,569 (net assets). Of this amount, \$7,309,135 (unrestricted net asset) may be used to meet the County's ongoing obligations to citizens and creditors in accordance with the County's fund designation and fiscal policies.
- The County's total net assets increased by \$2,404,550.
- As of the close of the current fiscal year, Orange County's governmental funds reported combined ending fund balances of \$15,236,261. Of this amount, \$8,826,887 is unreserved fund balance available for use within the County's fund designation.
- As of September 30, 2006 unreserved, undesignated fund balance for the General Fund was \$7,679,824 or 19.1% of the total General Fund budgeted expenditures and other financing uses.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The *statement of net assets* presents information on all of Orange County'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 Orange County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government'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., uncollected taxes and earned but unused compensated absences).

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 County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the County are categorized as governmental funds or fiduciary funds.

Governmental Funds - *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *current sources and uses 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 governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

Orange County maintains five individual governmental funds. Information is presented separately in the governmental fund statement of revenues, expenditures, and changes in fund balances for General Fund and Road and Bridge Fund both of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

Orange County adopts an annual appropriated budget for its General Fund and 4 other funds. Budgetary comparison statements have been provided for the General Fund and Road and Bridge Fund to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 11-12 of this report.

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

The basic fiduciary fund financial statements can be found on page 36 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-54 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents combining fund statements and schedules that further support the information in the financial statements. The combining fund statements and schedules for nonmajor funds are presented following the notes to the financial statements beginning on page 55 of this report.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

Governmental Activities:

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of Orange County, assets exceeded liabilities by \$31,053,569 as of September 30, 2006.

A portion of the County's assets, \$17,335,060, reflects its investments in capital assets (e.g., land, buildings, equipment, and construction in progress), less any outstanding debt used to acquire those assets. The County uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

ORANGE COUNTY'S NET ASSETS

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 21,711,858	\$ 18,735,234
Capital assets	15,343,012	17,313,446
Total assets	<u>37,054,870</u>	<u>36,048,680</u>
Long-term liabilities	3,481,341	3,886,501
Other liabilities	2,519,960	3,513,160
Total liabilities	<u>6,001,301</u>	<u>7,399,661</u>
Net assets:		
Invested in capital assets, net of related debt	17,335,060	14,651,430
Restricted	6,409,374	6,611,585
Unrestricted	<u>7,309,135</u>	<u>7,386,004</u>
Total net assets	<u>\$ 31,053,569</u>	<u>\$ 28,649,019</u>

An additional portion of the County's net assets \$6,409,374, represents resources that are subject to external restriction on how they may be used. The remaining balance \$7,309,135, of unrestricted net assets may be used to meet the County's ongoing obligation to citizens and creditors in accordance with the County's fund designation and fiscal policies. The overall financial condition of the County improved by \$2,404,550 this year.

As of September 30, 2006, the County has positive balances in both categories of net assets, for the County as a whole, and for its governmental funds.

Analysis of the County's Operations - The following table provides a summary of the County's operations for the year ended September 30, 2006.

ORANGE COUNTY'S CHANGES IN NET ASSETS

	Governmental Activities	
	2006	2005
REVENUES		
Program revenues:		
Charges for services	\$ 10,810,181	\$ 13,427,059
Operating grants and contributions	4,234,094	2,861,693
General revenues:		
Property taxes	21,822,794	21,414,642
Other taxes	3,982,599	3,186,082
Investment earnings	1,068,885	543,177
Other	2,966,841	851,756
Total revenues	<u>44,885,394</u>	<u>42,284,409</u>
EXPENSES		
General government	16,499,727	14,301,158
Legal	6,216,992	6,128,419
Public works	4,405,877	4,189,777
Social services	3,525,811	3,345,685
Public safety	9,720,081	9,651,547
Interest on long-term debt	111,234	120,781
Total expenses	<u>40,479,722</u>	<u>37,737,367</u>
CHANGE IN NET ASSETS	4,405,672	4,547,042
NET ASSETS, BEGINNING	28,649,019	24,101,977
PRIOR PERIOD ADJUSTMENT	(2,001,122)	-
NET ASSETS, ENDING	<u>\$ 31,053,569</u>	<u>\$ 28,649,019</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

At the end of the current fiscal year, the Orange County's governmental funds reported combined ending fund balances of \$15,236,261. Approximately 58% of this total amount (\$8,826,887) constitutes unreserved fund balance. The remaining \$6,409,374 of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay for other items. The actual increase to fund balance for the General Fund was \$4,911,654 for fiscal year 2006.

In the General Fund, the variance in actual revenue received compared to the budgeted amount was (\$2,308,763). Sales taxes collected were \$682,599 more than budget. The negative variance was due to a budget adjustment made concerning Hurricane Rita. FEMA funds were expected to reimburse the expenses during the disaster. The budget adjustment increased revenues and expenditures \$10,000,000. Actual reimbursement from FEMA was \$1,406,428. Other government support's negative variance reflects this with a (\$7,409,217).

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget, final amended budget and actual revenues and expenditures are briefly summarized below:

- Actual revenues were less than the budgeted revenues by \$2,308,763.
- Actual revenues exceeded actual expenditures by \$4,911,654.
- Original expenditure budget was amended and increased by \$11,618,263.
- Actual expenditures were under the final budgeted amount by \$8,142,313.

CAPITAL ASSETS

Orange County's investment in capital assets for its governmental activities as of September 30, 2006, amounts to \$15,343,012 (net of accumulated depreciation). This investment in capital assets included land, building, equipment and improvements (other than buildings). Major capital asset events occurring during the current fiscal year included the following:

- Capitalized \$240,420 in voting machines (HAVA);
- Capitalized \$402,676 in Road and Bridge equipment;
- Capitalized \$371,288 in Sheriff's Department equipment; and
- Capitalized \$70,625 in Transportation equipment.

**ORANGE COUNTY'S CAPITAL ASSETS
(net of depreciation)**

	Governmental Activities	
	2006	2005
Land	\$ 1,438,146	\$ 1,438,146
Buildings	16,561,294	18,264,061
Equipment	9,819,607	9,347,811
Less: accumulated depreciation	(12,476,035)	(11,736,572)
Total	\$ 15,343,012	\$ 17,313,446

Additional information on the County's capital assets can be found in Note 4 on page 48 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, Orange County had total bonded debt outstanding of \$2,270,000. The full amount is backed by the full faith and credit of the County.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- Due to recovery efforts after Hurricane Rita, Sales tax collected in 2006 was greater than ever before; however, Orange County is still maintaining and increase in sales tax.
- Estimated revenue for fiscal year 2007 is \$26,754,674 for General Fund, and estimated expenditures are \$27,448,976. There will be an increase in the tax rate to \$.56886.

All of these factors were considered in preparing Orange County's budget for the 2007 fiscal year.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of Orange County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Auditor's office, 123 South Sixth Street, Orange, Texas 77630.

**BASIC
FINANCIAL STATEMENTS**

ORANGE COUNTY, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2006

	<u>Primary Government Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 2,407,084
Investments	16,139,732
Receivables (net of allowances for uncollectibles)	
Property taxes	1,790,626
Sales tax receivable	684,536
Adjudicated fines	500,799
Other receivable	8,150
Due from other governments	180,931
Capital assets (net of accumulated depreciation)	
Land	1,438,146
Buildings and improvements	10,644,804
Machinery and equipment	<u>3,260,062</u>
Total assets	<u>37,054,870</u>
LIABILITIES	
Accounts payable	695,435
Due to other governments	861,439
Due to beneficiaries	72,304
Unearned revenue	25,000
Accrued salaries and payroll liabilities	501,643
Accrued interest	14,139
Noncurrent liabilities:	
Due within one year	350,000
Due in more than one year	<u>3,481,341</u>
Total liabilities	<u>6,001,301</u>
NET ASSETS	
Invested in capital assets, net of related debt	17,335,060
Restricted	6,409,374
Unrestricted	<u>7,309,135</u>
Total net assets	\$ <u>31,053,569</u>

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

ORANGE COUNTY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Primary Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary Government:				
Governmental activities:				
General government	\$ 16,499,727	\$ 6,236,417	\$ 3,239,644	\$(7,023,666)
Legal	6,216,992	3,957,824	335,312	(1,923,856)
Public works	4,405,877	110,625	242,040	(4,053,212)
Social services	3,525,811	21,080	389,971	(3,114,760)
Public safety	9,720,081	484,235	27,127	(9,208,719)
Interest on long-term debt	111,234	-	-	(111,234)
Total governmental activities	<u>40,479,722</u>	<u>10,810,181</u>	<u>4,234,094</u>	<u>(25,435,447)</u>
General revenues:				
Taxes:				
				21,368,956
				453,838
				3,982,599
				1,068,885
				<u>2,966,841</u>
				29,841,119
				4,405,672
				<u>28,649,019</u>
				(2,001,122)
				<u>\$ 31,053,569</u>

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

ORANGE COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2006

	<u>General</u>	<u>Road and Bridge</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 42,716	\$ 38,111	\$ 80,827
Investments	15,943,151	-	196,581	16,139,732
Sales tax receivable	684,536	-	-	684,536
Taxes receivable, net	1,665,930	46,121	78,575	1,790,626
Adjudicated fines receivable	500,799	-	-	500,799
Other receivables	8,150	-	-	8,150
Due from other funds	36,211	1,263,704	-	1,299,915
Receivable from other governments	<u>180,931</u>	<u>-</u>	<u>-</u>	<u>180,931</u>
Total assets	<u>19,019,708</u>	<u>1,352,541</u>	<u>313,267</u>	<u>20,685,516</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	294,427	181,142	7,619	483,188
Payable to other governments	861,439	-	-	861,439
Due to other funds	1,236,117	-	63,798	1,299,915
Due to beneficiaries	72,304	-	-	72,304
Deferred revenue	2,112,034	43,915	74,817	2,230,766
Other accrued expenses	<u>501,643</u>	<u>-</u>	<u>-</u>	<u>501,643</u>
Total liabilities	<u>5,077,964</u>	<u>225,057</u>	<u>146,234</u>	<u>5,449,255</u>
Fund balances:				
Reserved	6,261,920	-	147,454	6,409,374
Unreserved	7,679,824	1,127,484	-	8,807,308
Unreserved, reported in non-major:				
Special revenue funds	-	-	32,407	32,407
Capital projects funds	<u>-</u>	<u>-</u>	<u>(12,828)</u>	<u>(12,828)</u>
Total fund balances	<u>13,941,744</u>	<u>1,127,484</u>	<u>167,033</u>	<u>15,236,261</u>
Total liabilities and fund balances	<u>\$ 19,019,708</u>	<u>\$ 1,352,541</u>	<u>\$ 313,267</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.	15,343,012
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,205,766
An Internal Service Fund is used by management to charge the cost of certain capital assets to individual funds. The assets and liabilities of the Internal service Fund are included in the governmental activities in the statement of net assets.	2,114,010
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(3,845,480)</u>
Net assets of governmental activities	<u>\$ 31,053,569</u>

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

ORANGE COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>General</u>	<u>Road and Bridge</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 20,331,561	\$ 543,315	\$ 935,719	\$ 21,810,595
Sales taxes	3,982,599	-	-	3,982,599 ^B
Other governmental support	4,654,091	-	-	4,654,091
Fees of office	4,087,881	2,058,524	-	6,146,405
Forfeitures	337,186	-	-	337,186
Interest	950,881	98,577	19,427	1,068,885 ^A
Other	2,705,222	69,404	-	2,774,626
Payments in lieu of taxes	<u>1,584</u>	-	-	<u>1,584</u>
Total revenues	<u>37,051,005</u>	<u>2,769,820</u>	<u>955,146</u>	<u>40,775,971</u>
EXPENDITURES				
Current:				
General government	12,233,857	-	226,095	12,459,952
Legal	6,057,255	-	-	6,057,255
Public works	512,840	3,481,564	-	3,994,404
Social services	2,958,243	-	514,624	3,472,867
Public safety	8,863,969	-	-	8,863,969
Pass-through	582,754	-	-	582,754
Debt service:				
Principal	-	-	325,000	325,000
Interest and other charges	-	-	111,234	111,234
Capital outlay	<u>930,433</u>	<u>334,220</u>	<u>33,689</u>	<u>1,298,342</u>
Total expenditures	<u>32,139,351</u>	<u>3,815,784</u>	<u>1,210,642</u>	<u>37,165,777</u>
NET CHANGE IN FUND BALANCES	4,911,654	(1,045,964)	(255,496)	3,610,194
FUND BALANCES, BEGINNING	<u>9,030,090</u>	<u>2,173,448</u>	<u>422,529</u>	<u>11,626,067</u>
FUND BALANCES, ENDING	<u>\$ 13,941,744</u>	<u>\$ 1,127,484</u>	<u>\$ 167,033</u>	<u>\$ 15,236,261</u>

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

ORANGE COUNTY, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2006

Net change in fund balances - total governmental funds: \$ 3,610,194

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays, \$1,204,212, exceeded depreciation \$1,173,524 in the current period. 30,688

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 167,064

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments. 325,000

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds: 41,021

Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and information technology, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. 231,705

Change in net assets of governmental activities \$ 4,405,672

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

ORANGE COUNTY, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2006

	<u>Internal Service</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ <u>2,326,257</u>
Total current assets	<u>2,326,257</u>
 Total assets	 <u>2,326,257</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	<u>212,247</u>
Total current liabilities	<u>212,247</u>
 Total liabilities	 <u>212,247</u>
NET ASSETS	
Unrestricted	<u>2,114,010</u>
 Total net assets	 \$ <u>2,114,010</u>

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

ORANGE COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Internal Service
REVENUES	
Employer contributions	\$ 559,631
Employee contributions	<u>3,537,593</u>
Total operating revenues	<u>4,097,224</u>
 OPERATING EXPENSES	
Claims	2,242,372
Other charges	<u>1,623,147</u>
Total operating expenses	<u>3,865,519</u>
 OPERATING INCOME	 231,705
 CHANGE IN NET ASSETS	 231,705
 TOTAL NET ASSETS, BEGINNING	 <u>1,882,305</u>
 TOTAL NET ASSETS, ENDING	 <u>\$ 2,114,010</u>

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

ORANGE COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2006

	Governmental Activities - Internal Service Fund <hr/>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 4,141,775
Cash paid to suppliers for goods and services	(4,299,905)
Net cash used by operating activities	<u>(158,130)</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	 (158,130)
 CASH AND CASH EQUIVALENTS, BEGINNING	 <u>2,484,387</u>
 CASH AND CASH EQUIVALENTS, ENDING	 <u>\$ 2,326,257</u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 231,705
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Increase (decrease) in liabilities:	
Accounts payable	(134,386)
Due to other funds	<u>(255,449)</u>
Net cash used by operations	<u>\$(158,130)</u>

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

ORANGE COUNTY, TEXAS

GENERAL FUND

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

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 19,818,745	\$ 19,818,745	\$ 20,331,561	\$ 512,816
Sales taxes	-	3,300,000	3,982,599	682,599
Other governmental support	1,088,861	12,063,308	4,654,091	(7,409,217)
Payments in lieu of taxes	-	-	1,584	1,584
Fees of office	2,722,895	3,368,395	4,087,881	719,486
Interest	285,632	291,632	950,881	659,249
Other	517,688	517,688	2,705,222	2,187,534
Forfeiture	-	-	337,186	337,186
Total revenues	24,433,821	39,359,768	37,051,005	(2,308,763)
EXPENDITURES				
GENERAL GOVERNMENT				
Insurance escrow:				
Personnel services	1,335,750	1,335,750	1,181,813	153,937
General insurance	320,450	320,450	306,549	13,901
Miscellaneous fees/services	10,800	10,800	5,183	5,617
Total insurance escrow	1,667,000	1,667,000	1,493,545	173,455
Commissioners' court:				
Personnel services	271,510	271,510	271,550	(40)
Materials and supplies	1,000	1,000	6	994
Books and publications	250	250	115	135
Miscellaneous fees/services	3,056	3,056	2,255	801
Travel and related expenses	20,284	20,284	17,226	3,058
Total commissioners' court	296,100	296,100	291,152	4,948

(continued)

ORANGE COUNTY, TEXAS

GENERAL FUND

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

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
Data processing:				
Personnel services	\$ 385,752	\$ 385,752	\$ 376,420	\$ 9,332
Materials and supplies	98,014	98,014	72,253	25,761
Books and publications	3,500	3,500	2,832	668
Printing and binding	1,000	1,000	-	1,000
Miscellaneous fees/services	214,574	214,574	179,272	35,302
Travel and related expenses	7,021	7,021	1,017	6,004
Repairs and maintenance	3,500	3,500	1,460	2,040
Utilities	31,800	31,800	22,335	9,465
Total data processing	<u>745,161</u>	<u>745,161</u>	<u>655,589</u>	<u>89,572</u>
Courthouse security:				
Materials and supplies	-	-	9,532	(9,532)
Miscellaneous fees/services	8,300	3,514	2,008	1,506
Total courthouse security	<u>8,300</u>	<u>3,514</u>	<u>11,540</u>	<u>(8,026)</u>
County judge:				
Personnel services	172,275	172,275	168,339	3,936
Materials and supplies	6,000	6,000	4,310	1,690
Books and publications	400	400	38	362
Printing and binding	50	50	-	50
Miscellaneous fees/services	855	1,085	653	432
Travel and related expenses	5,278	5,048	3,713	1,335
Total County judge	<u>184,858</u>	<u>184,858</u>	<u>177,053</u>	<u>7,805</u>
County clerk				
Personnel services	371,755	371,755	349,630	22,125
Materials and supplies	7,787	7,782	7,432	350
Books and publications	300	300	269	31
Printing and binding	2,000	2,000	1,958	42
Miscellaneous fees/services	7,090	7,095	5,538	1,557
Travel and related	2,270	2,270	1,877	393
Total County clerk	<u>391,202</u>	<u>391,202</u>	<u>366,704</u>	<u>24,498</u>

(continued)

ORANGE COUNTY, TEXAS

GENERAL FUND

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

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
General miscellaneous:				
Personnel services	\$ 127,096	\$ 127,096	\$ 158,960	\$(31,864)
Materials and supplies	21,047	110,547	6,287	104,260
Books and publications	2,000	2,000	2,106	(106)
Miscellaneous fees/services	3,127,155	2,943,554	2,506,222	437,332
Travel and related	1,000	1,000	-	1,000
Repairs and maintenance	336,778	645,057	2,210,129	(1,565,072)
Total general miscellaneous	<u>3,615,076</u>	<u>3,829,254</u>	<u>4,883,704</u>	<u>(1,054,450)</u>
Mail room:				
Personnel services	35,548	35,548	35,621	(73)
Materials and supplies	900	900	620	280
Miscellaneous fees/services	3,676	3,676	252	3,424
Total mail room	<u>40,124</u>	<u>40,124</u>	<u>36,493</u>	<u>3,631</u>
Operations and maintenance:				
Personnel services	584,030	584,030	525,776	58,254
Materials and supplies	40,500	40,100	29,487	10,613
Books and publications	150	150	-	150
Miscellaneous fees/services	5,550	5,950	4,179	1,771
Travel and related	237	237	108	129
Repairs and maintenance	132,260	132,260	117,406	14,854
Utilities	686,500	686,500	715,740	(29,240)
Total operations and maintenance	<u>1,449,227</u>	<u>1,449,227</u>	<u>1,392,696</u>	<u>56,531</u>
Loss control:				
Personnel services	59,980	59,980	58,308	1,672
Materials and supplies	5,000	5,312	5,119	193
Books and publications	772	772	133	639
Miscellaneous fees/services	5,933	6,221	6,266	(45)
Travel and related	4,328	3,728	3,976	(248)
Total loss control	<u>76,013</u>	<u>76,013</u>	<u>73,802</u>	<u>2,211</u>

(continued)

ORANGE COUNTY, TEXAS

GENERAL FUND

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

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
Records management:				
Personnel services	\$ 210,882	\$ 210,882	\$ 179,119	\$ 31,763
Materials and supplies	10,350	10,548	6,983	3,565
Books and publications	200	2	-	2
Miscellaneous fees/services	11,491	11,491	10,837	654
Travel and related	<u>1,152</u>	<u>1,152</u>	<u>1,010</u>	<u>142</u>
Total records management	<u>234,075</u>	<u>234,075</u>	<u>197,949</u>	<u>36,126</u>
Personnel:				
Personnel services	100,309	100,309	97,285	3,024
Materials and supplies	500	6,920	399	6,521
Books and publications	124	124	250	(126)
Printing and binding	102	102	16	86
Miscellaneous fees/services	1,754	1,754	475	1,279
Travel and related	<u>1,551</u>	<u>1,551</u>	<u>853</u>	<u>698</u>
Total personnel	<u>104,340</u>	<u>110,760</u>	<u>99,278</u>	<u>11,482</u>
Tax assessor/collector:				
Personnel services	846,153	846,341	802,448	43,893
Materials and supplies	3,629	3,629	3,404	225
Books and publications	350	162	78	84
Printing and binding	3,086	3,086	2,981	105
Miscellaneous fees/services	3,070	3,070	2,307	763
Travel and related	7,104	7,104	5,459	1,645
VIT escrow	<u>5,000</u>	<u>5,000</u>	<u>1,456</u>	<u>3,544</u>
Total tax assessor/collector	<u>868,392</u>	<u>868,392</u>	<u>818,133</u>	<u>50,259</u>
Treasury forfeiture				
Miscellaneous fees/services	105,000	105,000	95,830	9,170
Repairs and maintenance	<u>-</u>	<u>-</u>	<u>372,869</u>	<u>(372,869)</u>
Total treasury forfeiture	<u>105,000</u>	<u>105,000</u>	<u>468,699</u>	<u>(363,699)</u>

(continued)

ORANGE COUNTY, TEXAS

GENERAL FUND

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

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
County auditor:				
Personnel services	\$ 360,946	\$ 361,351	\$ 361,171	\$ 180
Materials and supplies	2,200	1,295	1,525	(230)
Books and publications	500	500	38	462
Printing and binding	300	135	-	135
Miscellaneous fees/services	5,600	4,239	4,939	(700)
Travel and related	3,247	3,933	3,946	(13)
Total County auditor	<u>372,793</u>	<u>371,453</u>	<u>371,619</u>	<u>(166)</u>
County treasurer:				
Personnel services	203,153	202,973	193,226	9,747
Materials and supplies	1,626	1,606	1,825	(219)
Books and publications	40	40	38	2
Printing and binding	300	300	244	56
Miscellaneous fees/services	2,525	2,725	1,238	1,487
Travel and related	4,427	4,427	3,629	798
Total County treasurer	<u>212,071</u>	<u>212,071</u>	<u>200,200</u>	<u>11,871</u>
Purchasing:				
Personnel services	180,201	180,201	175,250	4,951
Materials and supplies	1,554	1,554	1,005	549
Books and publications	395	395	135	260
Printing and binding	1,638	1,538	98	1,440
Miscellaneous fees/services	5,350	5,450	2,105	3,345
Travel and related	2,336	2,336	1,188	1,148
Total purchasing	<u>191,474</u>	<u>191,474</u>	<u>179,781</u>	<u>11,693</u>
Nonrecurring grants:				
Personnel services	-	-	2,168	(2,168)
Materials and supplies	-	-	225,698	(225,698)
Miscellaneous fees/services	4,529	4,529	19,413	(14,884)
Total nonrecurring grants	<u>4,529</u>	<u>4,529</u>	<u>247,279</u>	<u>(242,750)</u>

(continued)

ORANGE COUNTY, TEXAS

GENERAL FUND

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

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
County clerk records management:				
Personnel services	\$ 95,948	\$ 95,948	\$ 86,551	\$ 9,397
Materials and supplies	-	52	51	1
Special projects	74,000	73,948	2,565	71,383
Total County clerk records management	169,948	169,948	89,167	80,781
Elections:				
Personnel services	102,795	97,795	102,165	(4,370)
Materials and supplies	1,500	2,430	9,031	(6,601)
Printing and binding	500	30	30	-
Miscellaneous fees/services	79,792	82,842	64,536	18,306
Travel and related	1,400	3,597	3,712	(115)
Total elections	185,987	186,694	179,474	7,220
Total general government	10,921,670	11,136,849	12,233,857	(1,097,008)
LEGAL				
Court reporter service fee:				
Miscellaneous fees/services	23,785	23,785	41,128	(17,343)
Total court reporter service fee	23,785	23,785	41,128	(17,343)
Jury miscellaneous:				
Materials and supplies	4,000	4,000	650	3,350
Miscellaneous fees/services	47,082	47,082	42,640	4,442
Total jury miscellaneous	51,082	51,082	43,290	7,792
District courts (3):				
Personnel services	415,884	415,884	404,075	11,809
Materials and supplies	3,420	3,420	1,260	2,160
Books and publications	10,068	8,107	9,082	(975)
Printing and binding	916	1,411	1,208	203
Miscellaneous fees/services	5,635	8,176	7,884	292
Travel and related	7,786	6,711	3,224	3,487
Total district courts (3)	443,709	443,709	426,733	16,976

(continued)

ORANGE COUNTY, TEXAS

GENERAL FUND

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

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
LEGAL (Continued)				
County court-at-law:				
Personnel services	\$ 521,611	\$ 522,811	\$ 442,105	\$ 80,706
Materials and supplies	4,853	4,999	4,149	850
Books and publications	4,450	3,521	2,830	691
Printing and binding	519	519	429	90
Miscellaneous fees/services	3,536	3,836	3,758	78
Travel and related	4,653	4,436	262	4,174
Total County court-at-law	<u>539,622</u>	<u>540,122</u>	<u>453,533</u>	<u>86,589</u>
District clerk:				
Personnel services	520,266	520,266	510,836	9,430
Materials and supplies	8,500	8,500	11,936	(3,436)
Books and publications	321	321	220	101
Printing and binding	1,526	1,526	1,007	519
Miscellaneous fees/services	14,262	14,262	7,138	7,124
Travel and related	5,314	5,314	2,894	2,420
District management records	21,869	21,869	15,375	6,494
Total district clerk	<u>572,058</u>	<u>572,058</u>	<u>549,406</u>	<u>22,652</u>
Justice of the peace, precinct #1				
Personnel services	183,463	183,463	180,317	3,146
Materials and supplies	2,700	2,306	502	1,804
Books and publications	300	153	153	-
Printing and binding	200	200	186	14
Miscellaneous fees/services	2,218	2,313	1,882	431
Travel and related	6,911	7,357	6,856	501
Total justice of the peace, precinct #1	<u>195,792</u>	<u>195,792</u>	<u>189,896</u>	<u>5,896</u>

(continued)

ORANGE COUNTY, TEXAS

GENERAL FUND

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

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2005

EXPENDITURES (Continued)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
LEGAL (Continued)				
Justice of the peace, precinct #2				
Personnel services	\$ 192,119	\$ 192,119	\$ 186,508	\$ 5,611
Materials and supplies	2,800	2,679	1,151	1,528
Books and publications	100	186	186	-
Printing and binding	393	393	120	273
Miscellaneous fees/services	2,155	2,190	1,009	1,181
Travel and related	12,408	12,408	7,533	4,875
Total justice of the peace, precinct #2	<u>209,975</u>	<u>209,975</u>	<u>196,507</u>	<u>13,468</u>
Justice of the peace, precinct #3				
Personnel services	178,698	178,698	177,630	1,068
Materials and supplies	1,100	804	678	126
Books and publications	695	695	388	307
Printing and binding	500	950	706	244
Miscellaneous fees/services	1,173	1,419	1,256	163
Travel and related	7,378	6,978	5,915	1,063
Total justice of the peace, precinct #3	<u>189,544</u>	<u>189,544</u>	<u>186,573</u>	<u>2,971</u>
Justice of the peace, precinct #4				
Personnel services	183,881	183,881	180,261	3,620
Materials and supplies	1,441	3,057	2,494	563
Books and publications	200	200	215	(15)
Printing and binding	685	659	507	152
Miscellaneous fees/services	1,798	951	1,171	(220)
Travel and related	5,754	6,035	5,798	237
Total justice of the peace, precinct #4	<u>193,759</u>	<u>194,783</u>	<u>190,446</u>	<u>4,337</u>

(continued)

ORANGE COUNTY, TEXAS

GENERAL FUND

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

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXPENDITURES (Continued)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
LEGAL (Continued)				
Juvenile probation:				
Personnel services	\$ 361,019	\$ 361,019	\$ 357,743	\$ 3,276
Materials and supplies	1,000	1,000	1,064	(64)
Books and publications	1,000	1,000	880	120
Printing and binding	100	100	103	(3)
Miscellaneous fees/services	164,340	164,340	165,347	(1,007)
Travel and related	5,745	5,745	751	4,994
Total juvenile probation	<u>533,204</u>	<u>533,204</u>	<u>525,888</u>	<u>7,316</u>
Child support:				
Personnel services	216,803	216,803	178,867	37,936
Materials and supplies	2,100	2,019	320	1,699
Books and publications	30	33	33	-
Printing and binding	1,500	1,500	600	900
Miscellaneous fees/services	1,568	1,568	682	886
Travel and related	1,241	1,319	504	815
Total child support	<u>223,242</u>	<u>223,242</u>	<u>181,006</u>	<u>42,236</u>
Court administrator:				
Personnel services	179,912	179,912	132,500	47,412
Materials and supplies	650	650	630	20
Books and publications	300	300	255	45
Printing and binding	450	450	79	371
Miscellaneous fees/services	577	577	1,374	(797)
Travel and related	1,034	1,034	298	736
Total court administrator	<u>182,923</u>	<u>182,923</u>	<u>135,136</u>	<u>47,787</u>
County attorney:				
Personnel services	1,072,128	1,072,128	1,085,286	(13,158)
Materials and supplies	5,000	5,000	3,126	1,874
Books and publications	20,000	20,000	15,745	4,255
Printing and binding	3,500	3,500	1,713	1,787
Miscellaneous fees/services	14,102	30,550	14,102	16,448
Travel and related	12,530	24,801	12,530	12,271
Total County attorney	<u>1,127,260</u>	<u>1,155,979</u>	<u>1,132,502</u>	<u>23,477</u>

(continued)

ORANGE COUNTY, TEXAS

GENERAL FUND

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

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXPENDITURES (Continued)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
LEGAL (Continued)				
Adult supervision:				
Personnel services	\$ -	\$ 929,124	\$ 923,231	\$ 5,893
Materials and supplies	-	32,750	19,265	13,485
Miscellaneous fees/services	-	25,243	29,308	(4,065)
Travel and related	-	26,000	20,114	5,886
Utilities	-	2,000	1,459	541
Total adult supervision	-	1,015,117	993,377	21,740
Probation education fee:				
Miscellaneous fees/services	600	600	550	50
Travel and related	1,200	1,200	138	1,062
Total probation education fee	1,800	1,800	688	1,112
Adult discretionary:				
Miscellaneous fees/services	-	77,359	59,266	18,093
Total adult discretionary	-	77,359	59,266	18,093
Adult community services:				
Personnel services	-	107,859	110,857	(2,998)
Materials and supplies	-	920	11,587	(10,667)
Miscellaneous fees/services	-	108,779	122,444	(13,665)
Total adult community services				
Community corrections assistance:				
Personnel services	85,693	85,693	65,174	20,519
Miscellaneous fees/services	100,395	100,395	94,940	5,455
Travel and related	14,000	14,000	9,241	4,759
Total community corrections assistance	200,088	200,088	169,355	30,733

(continued)

ORANGE COUNTY, TEXAS

GENERAL FUND

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

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXPENDITURES (Continued)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
LEGAL (Continued)				
Community corrections:				
Personnel services	\$ -	\$ 86,540	\$ 88,463	\$(1,923)
Miscellaneous fees/services	-	654	2,653	(1,999)
Total community corrections	-	87,194	91,116	(3,922)
Adult S.O.C. program:				
Personnel services	-	42,669	42,771	(102)
Miscellaneous fees/services	-	33,356	35,415	(2,059)
Total adult S.O.C. program	-	76,025	78,186	(2,161)
D. A. check collection:				
Personnel services	-	-	2,360	(2,360)
Miscellaneous fees/services	-	-	28,216	(28,216)
Travel and related	-	-	6,798	(6,798)
Total D. A. check collection	-	-	37,374	(37,374)
Texas juvenile probation commission:				
Personnel services	229,243	229,243	180,603	48,640
Materials and supplies	1,500	1,500	232	1,268
Miscellaneous fees/services	43,394	43,394	34,461	8,933
Travel and related	8,000	8,000	7,553	447
Total Texas juvenile probation commission	282,137	282,137	222,849	59,288
Law library:				
Personnel services	6,169	6,169	6,456	(287)
Books and publications	33,493	33,493	24,100	9,393
Total law library	39,662	39,662	30,556	
 Total legal	 5,009,642	 6,404,359	 6,057,255	 347,104

(continued)

ORANGE COUNTY, TEXAS

GENERAL FUND

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

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
PUBLIC WORKS				
Transportation department:				
Personnel services	\$ 349,422	\$ 339,422	\$ 336,275	\$ 3,147
Materials and supplies	57,750	58,150	72,524	(14,374)
Miscellaneous fees/services	2,993	2,293	1,654	639
Total transportation department	<u>410,165</u>	<u>399,865</u>	<u>410,453</u>	<u>(10,588)</u>
Airport:				
Materials and supplies	61,100	61,009	11,145	49,864
Travel and related	3,706	4,006	3,546	460
Repairs and maintenance	47,233	70,988	72,229	(1,241)
Utilities	13,500	12,561	15,467	(2,906)
Total airport	<u>125,539</u>	<u>148,564</u>	<u>102,387</u>	<u>46,177</u>
Total public works	<u>535,704</u>	<u>548,429</u>	<u>512,840</u>	<u>35,589</u>
SOCIAL SERVICES				
Child protective services:				
Materials and supplies	40,977	43,477	36,932	6,545
Miscellaneous fees/services	7,045	5,045	13,798	(8,753)
Total child protective services	<u>48,022</u>	<u>48,522</u>	<u>50,730</u>	<u>(2,208)</u>
Social services:				
Personnel services	83,017	83,017	83,183	(166)
Materials and supplies	1,202	1,202	497	705
Books and publications	500	500	130	370
Printing and binding	1,000	1,000	83	917
Miscellaneous fees/services	52,280	45,280	25,862	19,418
Travel and related	2,367	2,367	1,236	1,131
Indigent health care	331,728	338,728	265,384	73,344
Total social services	<u>472,094</u>	<u>472,094</u>	<u>376,375</u>	<u>95,719</u>

(continued)

ORANGE COUNTY, TEXAS

GENERAL FUND

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

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
SOCIAL SERVICES (Continued)				
Waste disposal:				
Personnel services	\$ 37,134	\$ 37,134	\$ 36,578	\$ 556
Materials and supplies	500	500	21	479
Miscellaneous fees/services	102,000	102,000	115,222	(13,222)
Total waste disposal	<u>139,634</u>	<u>139,634</u>	<u>151,821</u>	<u>(12,187)</u>
Community and rural health:				
Personnel services	217,205	217,205	200,454	16,751
Materials and supplies	871	871	437	434
Travel and related	37,156	37,006	34,401	2,605
Printing and binding	300	350	259	91
Miscellaneous fees/services	3,414	3,204	1,688	1,516
Total community and rural health	<u>258,946</u>	<u>258,636</u>	<u>237,239</u>	<u>21,397</u>
Veteran's service:				
Personnel services	182,397	182,397	176,485	5,912
Materials and supplies	1,900	2,640	1,056	1,584
Books and publications	400	1,243	306	937
Printing and binding	200	200	268	(68)
Miscellaneous fees/services	2,289	2,599	2,479	120
Travel and related	14,632	12,739	10,834	1,905
Total veteran's services	<u>201,818</u>	<u>201,818</u>	<u>191,428</u>	<u>10,390</u>
Park development:				
Personnel services	131,877	123,958	114,496	9,462
Materials and supplies	20,429	32,591	25,811	6,780
Miscellaneous fees/services	7,715	8,227	12,499	(4,272)
Travel and related	2,585	2,585	2,584	1
Repairs and maintenance	5,111	15,874	8,050	7,824
Utilities	16,000	16,000	14,400	1,600
Total park development	<u>183,717</u>	<u>199,235</u>	<u>177,840</u>	<u>21,395</u>

(continued)

ORANGE COUNTY, TEXAS

GENERAL FUND

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

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
SOCIAL SERVICES (Continued)				
Extension service office:				
Personnel services	\$ 169,134	\$ 169,134	\$ 159,676	\$ 9,458
Materials and supplies	1,700	1,700	1,604	96
Books and publications	265	265	231	34
Printing and binding	104	104	117	(13)
Miscellaneous fees/services	7,712	8,759	12,513	(3,754)
Travel and related	19,346	22,346	19,568	2,778
Total extension service office	198,261	202,308	193,709	8,599
FEMA:				
Personnel services	-	5,882,500	639,644	5,242,856
Materials and supplies	-	3,200,000	150,806	3,049,194
Miscellaneous fees/services	-	617,500	788,651	(171,151)
Total FEMA	-	9,700,000	1,579,101	8,120,899
Total social services	1,502,492	11,222,247	2,958,243	8,264,004
PUBLIC SAFETY				
Sheriff office:				
Personnel services	4,542,874	4,542,874	4,295,958	246,916
Materials and supplies	187,146	191,149	226,474	(35,325)
Books and publications	3,500	2,497	3,280	(783)
Printing and binding	3,000	3,000	990	2,010
Miscellaneous fees/services	86,900	113,850	87,413	26,437
Travel and related	21,911	19,411	12,166	7,245
Repairs and maintenance	63,544	69,544	60,707	8,837
Utilities	1,165	3,600	1,165	2,435
Total sheriff office	4,910,040	4,945,925	4,688,153	257,772

(continued)

ORANGE COUNTY, TEXAS

GENERAL FUND

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

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
PUBLIC SAFETY (Continued)				
Sheriff correctional:				
Personnel services	\$ 3,004,243	\$ 3,004,243	\$ 2,723,765	\$ 280,478
Materials and supplies	196,495	186,552	147,749	38,803
Books and publications	2,000	2,000	439	1,561
Printing and binding	3,500	3,500	1,576	1,924
Miscellaneous fees/services	278,849	288,792	237,690	51,102
Travel and related	5,170	5,170	1,841	3,329
Repairs and maintenance	5,000	5,000	75	4,925
Total sheriff correctional	<u>3,495,257</u>	<u>3,495,257</u>	<u>3,113,135</u>	<u>382,122</u>
School deputies:				
Personnel services	57,487	57,487	54,828	2,659
Total school deputies	<u>57,487</u>	<u>57,487</u>	<u>54,828</u>	<u>2,659</u>
Foster care fees:				
Materials and supplies	247,344	247,344	167,209	80,135
Miscellaneous fees/services	7,000	7,000	5,907	1,093
Total foster care fees	<u>254,344</u>	<u>254,344</u>	<u>173,116</u>	<u>81,228</u>
Constable #1:				
Personnel services	69,510	69,510	68,927	583
Materials and supplies	3,000	3,000	835	2,165
Books and publications	200	200	71	129
Printing and binding	213	213	39	174
Miscellaneous fees/services	2,770	2,770	1,328	1,442
Travel and related	15,954	15,954	14,093	1,861
Total constable #1	<u>91,647</u>	<u>91,647</u>	<u>85,293</u>	<u>6,354</u>

(continued)

ORANGE COUNTY, TEXAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 (Continued)
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXPENDITURES (Continued)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
PUBLIC SAFETY (Continued)				
Constable #2:				
Personnel services	\$ 66,166	\$ 66,166	\$ 65,606	\$ 560
Materials and supplies	3,200	3,200	890	2,310
Miscellaneous fees/services	1,880	1,880	796	1,084
Travel and related	15,645	15,645	14,093	1,552
Total constable #2	86,891	86,891	81,385	5,506
Constable #3:				
Personnel services	68,237	68,237	67,625	612
Materials and supplies	1,675	1,675	19	1,656
Miscellaneous fees/services	1,745	1,745	205	1,540
Travel and related	15,831	15,831	14,201	1,630
Repairs and maintenance	531	531	668	(137)
Utilities	504	504	586	(82)
Total constable #3	88,523	88,523	83,304	5,219
Constable #4:				
Personnel services	72,084	72,084	71,472	612
Materials and supplies	1,800	2,056	1,440	616
Printing and binding	150	150	58	92
Miscellaneous fees/services	3,687	3,687	817	2,870
Travel and related	14,470	14,214	14,093	121
Repairs and maintenance	500	500	714	(214)
Total constable #4	92,691	92,691	88,594	4,097
Department of public safety:				
Personnel services	30,667	30,667	30,475	192
Total department of public safety	30,667	30,667	30,475	192

(continued)

ORANGE COUNTY, TEXAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
PUBLIC SAFETY (Continued)				
Emergency management:				
Personnel services	\$ 55,816	\$ 55,816	\$ 52,706	\$ 3,110
Materials and supplies	1,593	1,577	2,466	(889)
Miscellaneous fees/services	1,180	1,065	1,126	(61)
Travel and related	1,810	1,995	1,995	-
Repairs and maintenance	525	471	146	325
Total emergency management	<u>60,924</u>	<u>60,924</u>	<u>58,439</u>	<u>2,485</u>
Inmate expense:				
Miscellaneous fees/services	75,000	75,000	61,078	13,922
Total inmate expense	<u>75,000</u>	<u>75,000</u>	<u>61,078</u>	<u>13,922</u>
Voters registration:				
Miscellaneous fees/services	5,000	5,000	1,366	3,634
Total voters registration	<u>5,000</u>	<u>5,000</u>	<u>1,366</u>	<u>3,634</u>
C.O.P.S. fast grant:				
Materials and supplies	22,178	22,178	6,685	15,493
Total C.O.P.S. fast grant	<u>22,178</u>	<u>22,178</u>	<u>6,685</u>	<u>15,493</u>
Federal drug forfeiture fund:				
Materials and supplies	1,500	1,500	77,823	(76,323)
Miscellaneous fees/services	29,000	29,000	104,076	(75,076)
Repairs and maintenance	-	-	128,191	(128,191)
Total federal drug forfeiture fund	<u>30,500</u>	<u>30,500</u>	<u>310,090</u>	<u>(279,590)</u>
State drug seizure:				
Materials and supplies	5,000	5,000	6,135	(1,135)
Miscellaneous fees/services	22,154	22,154	9,640	12,514
Total state drug seizure	<u>27,154</u>	<u>27,154</u>	<u>15,775</u>	<u>11,379</u>

(continued)

ORANGE COUNTY, TEXAS

GENERAL FUND

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

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
PUBLIC SAFETY (Continued)				
Victims' assistance:				
Personnel services	\$ 56,094	\$ 56,094	\$ 12,253	\$ 43,841
Total victims' assistance	56,094	56,094	12,253	43,841
Total public safety	9,384,397	9,420,282	8,863,969	556,313
PASS-THROUGH EXPENDITURES	-	-	582,754	(582,754)
CAPITAL OUTLAY	1,309,496	1,549,498	930,433	619,065
Total expenditures	28,663,401	40,281,664	32,139,351	8,142,313
NET CHANGE IN FUND BALANCE	\$(4,229,580)	\$(921,896)	\$ -4,911,654	\$ 5,833,550

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

ORANGE COUNTY, TEXAS

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

ROAD AND BRIDGE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 535,327	\$ 535,327	\$ 543,315	\$ 7,988
Fees and fines	1,866,261	1,866,261	2,058,524	192,263
Interest	40,000	40,000	98,577	58,577
Other revenue	<u>25,000</u>	<u>25,000</u>	<u>69,404</u>	<u>44,404</u>
Total revenues	<u>2,466,588</u>	<u>2,466,588</u>	<u>2,769,820</u>	<u>303,232</u>
EXPENDITURES				
Current:				
Public works	3,757,717	3,756,878	3,481,564	275,314
Capital outlay	<u>335,000</u>	<u>335,839</u>	<u>334,220</u>	<u>1,619</u>
Total expenditures	<u>4,092,717</u>	<u>4,092,717</u>	<u>3,815,784</u>	<u>276,933</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,626,129)</u>	<u>\$ (1,626,129)</u>	<u>\$ (1,045,964)</u>	<u>\$ 580,165</u>

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

ORANGE COUNTY, TEXAS
FIDUCIARY FUND TYPE
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
SEPTEMBER 30, 2006

	Agency Funds
ASSETS	
Cash	\$ <u>1,440,793</u>
Total assets	\$ <u>1,440,793</u>
LIABILITIES	
Other liabilities	\$ 193,545
Due to state	11,023
Due to beneficiaries	<u>1,236,225</u>
Total liabilities	\$ <u>1,440,793</u>

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

ORANGE COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Orange, Texas, was incorporated in 1852 and is an incorporated body of the State of Texas. The County is located in the southeasternmost area of the state, with its eastern border the state line between Texas and Louisiana and its southern boundary the Gulf of Mexico. The executive branch of the County operates as Commissioners' Court, with the County Judge as chief administrative officer.

The financial statements of Orange County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for established governmental accounting and financial reporting principles. The more significant of these accounting policies are described below with subsequent pronouncements referred.

A. Reporting Entity

The County is an independent political subdivision of the State of Texas governed by an elected four-member Commissioners' Court and County Judge 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 County's financial reporting entity. Based on these considerations, no other entities have been included in the County's reporting entity. Additionally, as the County 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.

Consideration regarding the potential for inclusion of other entities, organizations, or functions in the County's financial reporting entity is based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the County 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 County'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 financially independent of other state and local governments. Additional prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other 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.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The County has no business-type activities or any component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenue*.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)

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

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Road and Bridge Funds** are used to account for the operation, repair and maintenance of roads and bridges.

Additionally, the County reports the following fund types:

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

The **Debt Service Fund** is used to account for accumulation of resources for and the payment of long-term debt principal and interest.

Internal Service Funds are used to account for the self-insurance program that provides benefits to other departments or agencies of the County.

Agency Funds are used to account for assets that the County holds on behalf of others as their agent.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities and Net Assets or Equity

Cash and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Assets, Liabilities and Net Assets or Equity (Continued)

Investments for the government are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds." (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." As of September 30, 2006, the County had no amounts considered "advances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 5 percent of outstanding property taxes at September 30, 2006.

The County'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. Appraisal values are established by the Appraisal District at market value and assessed at 100% of appraised value less exemptions. The County's property taxes are billed and collected by the 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 prorated between operations, road and bridge, and debt service based on rates adopted for the year of the levy. For the current year, the County levied property taxes of \$0.55946 per \$100 of assessed valuation that were prorated between operations, road and bridge, mosquito control, and debt service in the amounts of \$0.52050, \$0.01441, \$0.01251 and \$0.01204, respectively. The resulting adjusted tax levies were approximately \$19.9, \$.6, \$.5 and \$.5 million for operations, road and bridge, mosquito control, and debt service, respectively, based on a total adjusted taxable valuation of approximately \$3.83 billion for the 2005 tax year.

Inventories

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

Capital Assets

Capital assets, which include land, buildings and improvements, machinery and equipment, construction in progress, and infrastructure (e.g. roads, bridges, sidewalks and similar items) are reported in the governmental activities column in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB Statement 34 requires the County to report and depreciate new infrastructure assets effective with implementation, which occurred in fiscal year 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the County. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first required for the fiscal year ending in 2007. The County has implemented the general provisions of GASB Statement No. 34 and hopes to implement the retroactive infrastructure provisions in the fiscal year ending September 30, 2007.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Improvements	5-50
Equipment	5-20
Infrastructure (streets)	35-50

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Assets, Liabilities and Net Assets or Equity (Continued)

Compensated Absences

The County's employees earn vacation and sick leave, which may either be taken or accumulated, up to certain amounts, until paid upon resignation or retirement. All vacation and sick leave pay are accrued when incurred in the government-wide financial statements. 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 current policy for vacation pay is that vacation pay accrues as of the "annual" anniversary date of each employee. Vacation leave from 10 to 25 days per year may be earned, based on longevity. Sick leave accrues at 8 hours a month, or 12 days per year, up to a maximum paid benefit for entitlement of 30 days.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds and net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, "Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this \$(3,845,480) difference are as follows:

Certificates of obligation	\$(3,886,501)
Accrued interest payable	(14,139)
Compensated absences	<u>55,160</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$(3,845,480)</u>

Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental fund and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period." The details of this \$30,688 difference are as follows:

Capital outlay	\$ 1,298,342
Depreciation expense	(1,173,524)
Deletion of capital assets	<u>(94,130)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 30,688</u>

Another element of that reconciliation states, "Government funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned." The details of this \$167,064 difference are as follows:

Property taxes	\$ 12,199
Miscellaneous revenue	<u>154,865</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 167,064</u>

(continued)

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$41,021 difference are as follows:

Compensated absences	\$ 55,160
Interest expense	(14,139)
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>41,021</u>

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Data

1. Budget Policy: The County of Orange annually adopts a budget for all revenue and expenditures as required by Texas law. All budget amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions of the annual budgets during the year.

The County Judge is, by statute, the County Budget Officer and has the responsibility of preparing the annual budget. In April of each year, preparations are begun for departments' submittals of their budget requests for the following year. During June and July, Commissioners' Court conducts informal hearings with each department head to discuss his or her budget requests, during which time the County Auditor prepares an estimate for revenue resources and compiles the requested department expenditures.

A copy of the budget is filed with the Clerk of the County Court and is available for inspection by the public. Within seven days of the filing of the budget, and as near June 30 of the current year as possible, the Commissioners' Court conducts a public hearing on the County's budget.

The Court has the authority to make such changes in the budget as, in its judgment, the facts and the situation warrant, and the interest of the taxpayers' demand, provided the amounts budgeted for current expenditures from the various funds of the County shall not exceed the balances in these funds as of October 1, plus the anticipated revenue for the current year for which the budget is made, as estimated by the County Judge with the assistance of the County Auditor. Upon final approval of the budget by the Commissioners' Court, no expenditures of the funds of the County are made, except in substantive compliance with the budget.

(continued)

3. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

Budget Data (Continued)

Commissioners' Court may authorize the County Auditor to transfer an existing budget surplus during the year to any fund not otherwise legally obligated.

2. **Encumbrances**: Encumbrance accounting is a system whereby purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable available funds. Year-end encumbrances are not included with final annual expenditures, but instead are carried over as restrictions of the following year's expenditures to which they relate. Any goods ordered, but delivered after the fiscal year are recorded as an expense of the new fiscal year.
3. **Budget Basis**: The budget is adopted whereby certain designated-purpose fee revenue and expenditures are not budgeted by the Commissioners' Court. Also, according to Commissioners' Court policy, encumbered (i.e., committed, but unrealized) expenditures are combined with actual expenditures for purposes as budget-compliance measurements.

4. **DETAILED NOTES ON ALL FUNDS**

A. **Cash and Investments**

The Public Funds Investment Act (Government Code Chapter 22.56) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity; (2) portfolio diversification; (3) allowable investments; (4) acceptable risk levels; (5) expected rates of return; (6) maximum allowable stated maturity of portfolio investments; (7) maximum average dollar-weighted maturity based on the stated maturity date for the portfolio; (8) investment staff quality and capabilities; and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in (1) obligations of the U. S. Treasury, certain U. S. Agencies, and the State of Texas; (2) certificates of deposit; (3) certain municipal securities; (4) money market savings accounts; (5) repurchase agreements; (6) bankers acceptances; (7) Mutual Funds; (8) investment pools; (9) guaranteed investment contracts; and (10) common trust funds. The Act also requires the County to have independent auditors perform net procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

(continued)

4. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments (Continued)

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy. That policy does address the following risks:

1. *Custodial Credit Risk – Deposits:* In the case of deposits, this is the risk that, in the event of bank failure, the County’s deposits may not be returned to it. As of September 30, 2006, the County had a bank balance of \$19,149,663. Of this amount, \$18,949,663 was collateralized with securities held by the pledging financial institution and the remaining deposits were covered by FDIC insurance.
2. *Credit Risk:* It is the County’s policy to limit investments to investment types with an investment quality rating no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service or no lower than investment grade by at least one nationally recognized rating service with a weighted average maturity no greater than 90 days. The County’s investments in TexPool are rated AAAM by Standard and Poor’s Investors Service.
3. *Interest Rate Risk:* In accordance with the County’s investment policy, the County manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to 25 months or less, dependent on market conditions.
4. *Concentration of Credit Risk:* The County’s investment policy states the maximum percentage allowed for each different investment that can be used to make up the portfolio.

The County’s investments at September 30, 2006, are shown below:

	<u>Fair Value</u>
TexPool	\$ 1,018,836
Money market	13,092,575
Certificates of deposit	<u>2,000,492</u>
	<u>\$ 16,111,903</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:				
Sales taxes	\$ 684,536	\$ -	\$ -	\$ 684,536
Property taxes	1,665,930	46,121	78,575	1,790,626
Adjudicated fines	1,513,805	-	-	1,513,805
Other	8,150	-	-	8,150
Due from other governments	<u>180,931</u>	<u>-</u>	<u>-</u>	<u>180,931</u>
Gross receivables	4,053,352	46,121	78,575	4,178,048
Less: allowance for uncollectibles	<u>(1,013,006)</u>	<u>-</u>	<u>-</u>	<u>(1,013,006)</u>
Net total receivables	<u>\$ 3,040,346</u>	<u>\$ 46,121</u>	<u>\$ 78,575</u>	<u>\$ 3,165,042</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General fund:			
Delinquent property taxes receivable	\$ 1,586,235	\$ -	\$ 1,586,235
Adjudicated fines	500,799	-	500,799
Grant revenues	-	25,000	25,000
Total general fund	<u>2,087,034</u>	<u>25,000</u>	<u>2,112,034</u>
Road and bridge fund:			
Delinquent property taxes receivable	<u>43,915</u>	<u>-</u>	<u>43,915</u>
Nonmajor governmental funds:			
Delinquent property taxes receivable	<u>74,817</u>	<u>-</u>	<u>74,817</u>
Governmental funds	<u>\$ 2,205,766</u>	<u>\$ 25,000</u>	<u>\$ 2,230,766</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Capital asset activity for the year ended September 30, 2006, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Government activities:				
Capital assets, not being depreciated:				
Land	\$ 1,438,146	\$ -	\$ -	\$ 1,438,146
Total capital assets not being depreciated	<u>1,438,146</u>	<u>-</u>	<u>-</u>	<u>1,438,146</u>
Capital assets, being depreciated:				
Buildings and improvements	18,264,061	-	1,702,767	16,561,294
Furniture, fixtures and equipment	<u>9,347,811</u>	<u>1,298,342</u>	<u>826,546</u>	<u>9,819,607</u>
Total capital assets being depreciated	<u>27,611,872</u>	<u>1,298,342</u>	<u>2,529,313</u>	<u>26,380,901</u>
Less accumulated depreciation:				
Buildings	5,499,171	417,319	-	5,916,490
Furniture, fixtures and equipment	<u>6,237,401</u>	<u>756,205</u>	<u>434,061</u>	<u>6,559,545</u>
Total accumulated depreciation	<u>11,736,572</u>	<u>1,173,524</u>	<u>434,061</u>	<u>12,476,035</u>
Total capital assets, being depreciated, net	<u>15,875,300</u>	<u>124,818</u>	<u>2,095,252</u>	<u>13,904,866</u>
Governmental activities capital assets, net	<u>\$ 17,313,446</u>	<u>\$ 124,818</u>	<u>\$ 2,095,252</u>	<u>\$ 15,343,012</u>

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

Governmental activities:	
General administration	\$ 71,554
Public works	403,679
Legal	151,943
Social services	45,150
Public safety	<u>501,198</u>
Total depreciation expense - governmental activities	<u>\$ 1,173,524</u>

(continued)

4. **DETAILED NOTES ON ALL FUNDS (Continued)**

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2006, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Road and bridge	General	\$ 1,236,117
Road and bridge	Nonmajor governmental	<u>63,798</u>
Total		<u>\$ 1,299,915</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

E. Pension Plan Obligations

Plan Description

Orange County provides retirement, disability, and death benefits for all of its fulltime employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCERS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 575 nontraditional defined benefit pension plans. TCERS, in the aggregate, issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCERS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCERS (TCERS Act). Members can retire at ages 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCERS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCERS Act.

(continued)

4. **DETAILED NOTES ON ALL FUNDS (Continued)**

F. Funding Policy

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

The employer contributed using the actuarially determined rate of 9.83% for the months of the accounting year in 2005, and 10.09% for the months of the accounting year in 2006.

The contribution rate payable by the employee members for calendar year 2006 is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

G. Funding Pension Cost

For the employer's accounting year ending September 30, 2006, the annual pension cost for the TCDRS plan for its employees was \$1,574,562 and the actual contributions were \$1,574,562.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2003 and December 31, 2004, the basis for determining the contribution rates for calendar years 2005 and 2006. The December 31, 2005, actuarial valuation is the most recent valuation.

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/03	12/31/04	12/31/05
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, open	level percentage of payroll, open	level percentage of payroll, open
Amortization period in years	20	20	20
Asset valuation method	long-term appreciation with adjustment	long-term appreciation with adjustment	long-term appreciation with adjustment
Actuarial Assumptions:			
Investment return	8.00%	8.00%	8.00%
Projected salary increases	5.5%	5.5%	5.3%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

G. Funding Pension Cost (Continued)

**Trend Information for the
Retirement Plan for the Employees of Orange County**

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/04	\$ 1,479,106	100%	\$ -
09/30/05	1,409,409	100%	-
09/30/06	1,574,562	100%	-

**Schedule of Funding Progress for the Retirement Plan
For the Employees of Orange County**

Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2003	\$ 34,298,932	\$ 40,363,253	\$ 6,064,321	84.98% ^a	\$ 13,945,299	43.49%
2004	36,607,238	42,752,003	6,144,765	85.63% ^a	14,180,197	43.33%
2005	39,668,334	46,254,624	6,586,290	85.76% ^a	15,018,117	43.86%

H. Post Employment Benefit Disclosures

In addition to the pension benefits described in Note 4, the County provides postretirement health care benefits for retirees who meet all retirement eligibility requirements. Currently, 413 retirees meet those eligibility requirements. The County does not provide health care benefits for dependents of retirees. However, retirees have the option of purchasing dependent coverage through the County.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

I. Restricted Assets

The reservations of fund balance in the General Fund are as follows:

Foster Care	\$	252,966
Adult probation		400,257
Voter registration		6,739
South East Texas Auto Theft Task Force		62,209
Payroll		4,888
Law Library		70,818
District Attorney Drug Forfeiture		841,386
Hot Check Collection	(3,439)
DWI Audio		36,630
Contributions		13,575
District Clerk Records Management		69,759
Child Support Title IV-E		129,119
Federal Drug Seizure		185,099
District Attorney Federal Drug Seizure		25,510
Law Enforcement Training		23,214
Bail Bonds		50,425
County State Drug Seizure		85,572
Child Welfare Jury		15,708
County Clerk Records Management		385,511
Community Corrections		248,837
Constable Precinct #1 - Drug Seizure		69,489
Indigent Defense		141,525
Courthouse Security		506,474
Justice of the Peace Technology		55,067
Treasury Forfeiture		358,055
Orange County Economic Development	(12,829)
Self-funded Insurance		<u>2,239,356</u>
Total Restricted Assets	\$	<u>6,261,920</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

J. Long-term Debt

The following is a summary of general long-term debt activity of Orange County, Texas for the year ended September 30, 2006:

	Date of Issue	Amount of Debt	Interest Rate	Balance 09/30/05	Additions	Deletions	Balance 09/30/06	Due Within One Year
Certificate of obligation	01/15/94	\$ 6,000,000	5.3%-4.25%	\$ 2,595,000	\$ -	\$ 325,000	\$ 2,270,000	\$ 350,000
Compensated absences				1,616,501	1,476,066	1,531,226	1,561,341	
Total				\$ 4,211,501	\$ 1,476,066	\$ 1,856,226	\$ 3,831,341	\$ 350,000

	Certificates of Obligation
Balance, October 1, 2005	\$ 2,595,000
Debt retired this year	325,000
Balance, September 30, 2006	\$ 2,270,000

(Certificates due in increments from \$125,000 beginning in 1997 to \$450,000 in 2012, at an interest rate of 4.25% to 5.30%).

In August 1999, Orange County used \$1,194,433 of remaining Capital Projects Funds to establish an irrevocable trust fund with an escrow agent for the purpose of providing monies for the repayment of \$1,205,000 of the 1994 Certificates of Obligation upon their call dates. This transaction having met the requirements of a defeasance of \$1,205,000, that amount was removed from the County's general ledger.

The annual requirements to amortize all debt outstanding as of September 30, 2006, are as follows:

Year Ending September 30,	Certificates of Obligation	Interest	Total
2007	\$ 350,000	\$ 94,963	\$ 444,963
2008	375,000	77,556	452,556
2009	400,000	58,563	458,563
2010	425,000	39,631	464,631
2011	450,000	21,038	471,038
2012	270,000	5,738	275,738
Totals	\$ 2,270,000	\$ 297,489	\$ 2,567,489

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

K. Risk Management

Various claims and lawsuits are pending against the County. The evaluation of the County management is that any liability to the County relating to such claims and lawsuits will not have a material impact on the County's financial position.

The County participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at September 30, 2006, may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

L. Prior Period Adjustment

In a prior year, \$2,435,183 in equipment was disposed of from the County's capital assets. This amount plus the corresponding accumulated depreciation of \$434,061 was not removed from the County's capital asset listing. Beginning net assets has been restated for a net decrease of \$2,001,122 to properly reflect the disposal of this equipment.

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. These funds are as follows:

Mosquito Control

Economic Development Corporation

Debt Service Funds are used to account for the accumulation of resources for and the payment of, general long-term debt principal and interest.

ORANGE COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

	<u>Mosquito Control</u>	<u>Economic Development Corporation</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 38,111	\$ -	\$ -	\$ 38,111
Investments	-	-	196,581	196,581
Taxes receivable, net	<u>40,040</u>	<u>-</u>	<u>38,535</u>	<u>78,575</u>
Total assets	<u>78,151</u>	<u>-</u>	<u>235,116</u>	<u>313,267</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	7,619	-	-	7,619
Due to other funds	-	12,828	50,970	63,798
Deferred revenue	<u>38,125</u>	<u>-</u>	<u>36,692</u>	<u>74,817</u>
Total liabilities	<u>45,744</u>	<u>12,828</u>	<u>87,662</u>	<u>146,234</u>
Fund balances:				
Reserved for:				
Debt service	-	-	147,454	147,454
Unreserved, reported in:				
Special revenue funds	<u>32,407</u>	<u>(12,828)</u>	<u>-</u>	<u>19,579</u>
Total fund balances	<u>32,407</u>	<u>(12,828)</u>	<u>147,454</u>	<u>167,033</u>
Total liabilities and fund balances	<u>\$ 78,151</u>	<u>\$ -</u>	<u>\$ 235,116</u>	<u>\$ 313,267</u>

ORANGE COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Mosquito Control</u>	<u>Economic Development Corporation</u>	<u>Debt Service</u>	<u>Total Other Governmental Funds</u>
REVENUES				
Property taxes	\$ 487,981	\$ -	\$ 447,738	\$ 935,719
Interest	<u>7,798</u>	<u>946</u>	<u>10,683</u>	<u>19,427</u>
Total revenues	<u>495,779</u>	<u>946</u>	<u>458,421</u>	<u>955,146</u>
EXPENDITURES				
Current:				
General government	-	226,095	-	226,095
Social services	514,624	-	-	514,624
Capital outlay	33,689	-	-	33,689
Debt service:				
Principal	-	-	325,000	325,000
Interest and other charges	-	-	<u>111,234</u>	<u>111,234</u>
Total expenditures	<u>548,313</u>	<u>226,095</u>	<u>436,234</u>	<u>1,210,642</u>
NET CHANGE IN FUND BALANCES	(52,534)	(225,149)	22,187	(255,496)
FUND BALANCES, BEGINNING	<u>84,941</u>	<u>212,321</u>	<u>125,267</u>	<u>422,529</u>
FUND BALANCES, ENDING	<u>\$ 32,407</u>	<u>\$ (12,828)</u>	<u>\$ 147,454</u>	<u>\$ 167,033</u>

FIDUCIARY FUNDS

District Attorney – This fund is used to account for restitution payable to victims and temporarily holds fees collected on felony hot checks.

Justices of the Peace – This fund is used to account for fees, fines and funds related to civil cases. Fees and fines are reportable to the County Treasurer, and a portion is disbursed by the Treasurer to the State.

County Clerk – This fund is used to account for all fees and fines collected by the County Clerk prior to remittance to the Treasurer and the State of Texas.

District Clerk – This fund is used to account for monies collected for court costs, fines and fees as agent for the County and the State of Texas.

Tax Assessor Collector – This fund is used to account for monies collected from property taxes.

Child Support – This fund is used to account for monies collected for beneficiaries.

Probation Officer – This fund is used to account for monies collected for probate purposes.

Sheriff – This fund is used to account for inmate funds in trust during incarceration, monies collected from commissary purchases, and fee collections by the Sheriff Department, which are reportable to the County Treasurer.

ORANGE COUNTY, TEXAS

FIDUCIARY FUND TYPE

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

SEPTEMBER 30, 2006

	<u>District Attorney</u>	<u>Justices of the Peace</u>	<u>County Clerk</u>	<u>District Clerk</u>	<u>Tax Assessor Collector</u>	<u>Child Support</u>	<u>Probation Officer</u>	<u>Sheriff</u>	<u>Total</u>
ASSETS									
Cash	\$ 781	\$ 26,753	\$ 578,105	\$ 311,729	\$ 5,589	\$ 1,912	\$ 162,013	\$ 353,911	\$ 1,440,793
Total assets	\$ 781	\$ 26,753	\$ 578,105	\$ 311,729	\$ 5,589	\$ 1,912	\$ 162,013	\$ 353,911	\$ 1,440,793
LIABILITIES									
Other liabilities	\$ -	\$ 14,603	\$ -	\$ 12,979	\$ 5,589	\$ 209	\$ 98,705	\$ 61,460	\$ 193,545
Due to state	-	11,023	-	-	-	-	-	-	11,023
Due to beneficiaries	781	1,127	578,105	298,750	-	1,703	63,308	292,451	1,236,225
Total liabilities	\$ 781	\$ 26,753	\$ 578,105	\$ 311,729	\$ 5,589	\$ 1,912	\$ 162,013	\$ 353,911	\$ 1,440,793

SINGLE AUDIT



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

To the Honorable County Judge
and Commissioners' Court
Orange County, Texas

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Orange County, Texas, as of and for the year ended September 30, 2006, which collectively comprise Orange County's basic financial statements and have issued our report thereon dated May 17, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Orange County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Orange County, in a separate letter dated May 17, 2007.

Compliance and Other Matters

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

This report is intended solely for the information of management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Rattillo, Brown & Hill, L.L.P.

May 17, 2007



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Honorable County Judge
and Commissioners' Court
Orange County, Texas

Compliance

We have audited the compliance of Orange County, Texas, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. Orange County, Texas' major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Orange County, Texas' management. Our responsibility is to express an opinion on Orange County, Texas' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "*Audits of States, Local Governments and Nonprofit Organizations*." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Orange County, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Orange County, Texas' compliance with those requirements.

In our opinion, Orange County, Texas, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Internal Control Over Compliance

The management of Orange County, Texas, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Orange County, Texas' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Pattillo, Brown & Hill, L.L.P.

May 17, 2007

ORANGE COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

<u>Federal Grantor Agency/ Pass-through Agency</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>	<u>Pass-through Expenditures</u>
<u>U. S. Department of Agriculture</u>				
Passed through Texas Department of Health:				
Women, Infants and Children	10.557	7460018264	\$ 336,628	\$ 336,628
Total Passed through Texas Department of Health			336,628	336,628
Passed through National Resources Conservation Service:				
NRCS	10.904	69-7442-6-725	295,849	-
Total Passed through National Resources Conservation Service			295,849	-
Total U. S. Department of Agriculture			632,477	336,628
<u>U. S. Department of Commerce</u>				
National Oceanic and Atmospheric Administration				
Coastal Zone Management Adjustment Awards	11.419	NA170Z2185	27,127	27,127
Total U. S. Department of Commerce			27,127	27,127
<u>U. S. Department of Housing and Urban Development</u>				
Passed through Office of Rural Community Affairs:				
Community Development Block Grant	14.228	DRS060065	99,645	99,645
Community Development Block Grant	14.228	724589	218,999	218,999
Total Passed through Office of Rural Community Affairs			318,644	318,644
Total U. S. Department of Housing and Urban Development			318,644	318,644
<u>U. S. Department of Justice</u>				
Passed through Office of the Governor - Criminal Justice Division:				
Bulletproof Vest	16.607	05029369	10,000	-
Total Passed through Office of the Governor - Criminal Justice Division			10,000	-
Total U. S. Department of Justice			10,000	-

(continued)

4-1-2011

ORANGE COUNTY, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

<u>Federal Grantor Agency/ Pass-through Agency</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>	<u>Pass-through Expenditures</u>
<u>U. S. Department of Transportation</u>				
Passed through Southeast Texas				
Regional Planning Commission:				
Transportation Services - Section 18	20.509	RPT-0401 (020)	\$ 251,841	\$ -
Total Passed through Southeast Texas			251,841	-
Regional Planning Commission			251,841	-
Total U. S. Department of Transportation			251,841	-
<u>Department of Homeland Security</u>				
Passed through Texas Department of Public Safety				
Division of Emergency Management:				
Declaration 3261/1606	97.036	FEMA-3261-EM-TX	1,049,702	-
Total Passed through Texas Department of			1,049,702	-
Public Safety Division of Emergency Management			1,049,702	-
Total Federal Emergency Management			1,049,702	-
Agency (FEMA)			1,049,702	-
<u>U. S. Department of Health and Human Services</u>				
Passed through Texas Department of Health:				
Office of Regional Administrative Services	93.991	7460018264-2005.00	18,664	-
Total Passed through Texas Department			18,664	-
of Health			18,664	-
Total U. S. Department of Health			18,664	-
and Human Services			18,664	-
<u>U. S. Elections Assistance Commission</u>				
Passed through Texas Secretary of State:				
Voting System Accessibility	39.011	789911	90,000	-
General HAVA Compliance	90.401	78656	157,610	-
Total Passed through Texas Secretary			247,610	-
of State			247,610	-
Total U. S. Elections			247,610	-
Assistance Commission			247,610	-
TOTAL FEDERAL AWARDS			\$ 2,556,065	\$ 682,399

ORANGE COUNTY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2006

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of Orange County, Texas. The County's reporting entity is defined in Note 1 to the County's financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the County's financial statements.

ORANGE COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Summary of Auditors' Results

Type of report on financial statements	Unqualified
Internal control over financial reporting: Material weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weakness(es)?	None reported
Internal control over major programs: Material weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weakness(es)?	None reported
Noncompliance which is material to the basic financial statements	None
Type of report on compliance with major programs	Unqualified
Findings and questioned costs for federal awards as defined in Section 501(a), OMB Circular A-133	None
Dollar threshold considered between Type A and Type B federal programs	\$300,000
Low risk auditee statement	The County was classified as a low-risk auditee in the context of OMB Circular A-133
Major federal programs	Women, Infants and Children, #10.557 FEMA Declaration 3261/1606, #97 036

**Findings Relating to the Financial Statements Which are
Required to be Reported in Accordance With Generally
Accepted Auditing Standards**

None

Findings and Questioned Costs for Federal Awards

None

ORANGE COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

None