

City of Odessa, Texas



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended
September 30, 2010

CITY OF ODESSA, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

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INTRODUCTORY SECTION

March 29, 2011

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Odessa:

We are pleased to submit for your information the Comprehensive Annual Financial Report (CAFR) of the City of Odessa for the fiscal year ended September 30, 2010. This report was prepared by both the Departments of the Office of the City Manager and Finance, in order to provide citizens, investors, grantor agencies, and other interested parties with reliable financial information about the City of Odessa in accordance with governing State law.

This report consists of management's representations concerning the finances of the City of Odessa. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Odessa's financial statements have been audited by Weaver and Tidwell, LLP., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Odessa for the fiscal year ended September 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Odessa's financial statements for the fiscal year ended September 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

Incorporated in 1927, the City of Odessa is located in a community that is often referred to as "the heart of West Texas". The city of Odessa's boundaries are positioned in Ector County in an area between Dallas-Fort

Worth and El Paso along Interstate 20 in the Permian Basin. Odessa consists of 41.77 square miles of area land and a population of 103,704 residents. The City of Odessa is empowered to levy a property tax on both real and personal properties located within its boundary; however, it collects no personal or corporate taxes from residents, nor is a state income tax assessed. In addition, the City of Odessa is empowered by state statute to extend its corporate limits by annexation, and this occurs periodically when deemed appropriate by the governing City Council.

Presently, the City of Odessa operates under a Council-Manager form of government. Policy-making and legislative authority are vested in the governing council that consists of the mayor and five other members who are elected on a non-partisan basis. The mayor is elected at large, while council members are elected by district. The governing City Council is responsible for passing ordinances; adopting the budget; and appointing its City Manager, City Attorney, City Secretary, and City Magistrates. The City Manager is responsible for implementing the policies and ordinances of the governing City Council; overseeing the daily operations of the government; and appointing the various Department Directors.

The City of Odessa also provides a full range of services including police and fire protection; emergency ambulance; streets and infrastructure maintenance; planning and zoning; parks and recreation; and general support services. Specific utility services are provided through the Water & Sewer and Solid Waste departments of the City of Odessa, and therefore, have been included as integral parts of the City of Odessa's financial statements. The City of Odessa is also financially accountable for the Odessa Development Corporation (the Corporation), a legally separate entity, which is reported separately within the City of Odessa's financial statements as a discretely presented component unit. Additional information on this can be found in Note 8 in the notes to the financial statements.

The City's accounting policies for financial recordkeeping conform to generally accepted accounting principles in general governmental operations as well as other proprietary operations. City management is responsible for establishing and maintaining an accounting system that gives adequate consideration to the internal control structure for these activities. Therefore, city management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Odessa's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Odessa's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. All evaluations for internal control occur within the framework as described.

Each year, the annually adopted budget serves as the foundation for the City of Odessa's financial planning controls. All departments of the City of Odessa are required to submit requests for appropriations to the City Manager on or before May 31st of each year. The City Manager makes use of these requests as a starting point for developing the proposed budget. The City Manager then presents this proposed budget to the City Council for review by July 31st. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget by September 30th, or the close of the City of Odessa's fiscal year.

The City Manager prepares the appropriated budget by fund, function, (e.g., Water & Sewer) and department (e.g., Billing & Collection). Department Directors may make transfers of appropriations within their department line item budget. However, transfers of appropriations between funds require special approval of the governing City Council. Financial reports are also prepared monthly to show the City's revenue collections

and its budgeted and actual expenditures by city department. These reports are posted electronically each month for department management to review.

In this report, budget to actual comparisons are provided for each individual governmental fund for which an appropriated annual budget has been adopted. The general fund comparison is presented on page 27 as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental funds subsection of this report and begins on page 94.

Factors Affecting Economic Condition

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

Regional And Local Economy. This past fiscal year, the regional economy was able to garner some resilience to the slowing economic environment that lingered across the nation. Area growth potential and stability were expected to remain positive for the community in the near term. Likewise, many sectors of Odessa's local business community found opportunities that offered favorable prospects and were able to sustain fair to moderate economic performance while the nation as a whole moved through the recession. Job losses in Odessa narrowed during the last half of the fiscal year with an annualized unemployment rate of 8.6% while personal consumer spending began to show gradual signs of improvement as well. The U.S. rig count was up 67.30% at September 2010; however, the West Texas Region rig count revealed a striking increase of 188.10% for the same period end. Overall, increased activities in the oil and gas industry served as the supporting anchor of improvement for Odessa's economic base and the local economy ultimately displayed conditions that evidenced economic improvement and stabilization for the 2010 fiscal year end.

For example, Odessa realized favorable change in its sales tax revenue collections when moderate increases became evident during the 3rd quarter of the 2010 fiscal year. Total year-to-date sales tax receipts were greater than budget by \$1,105,845 or 6.3%. There was also evidence of some stabilization within the realty markets during fiscal year 2010. Single-family housing permits increased by 14.3% over the prior year and represented a solid value of approximately \$3.6 million in additions to the community. While other communities across the nation reflected significant economic downturn in the housing markets area, the change in Odessa's average home values over 2009 values was less severe. Property values actually reflected a nominal increase of .74% over the prior year's assessed valuations and property tax revenues increased by \$339,220 during the 2010 fiscal year. The 2010 property tax rate for the City of Odessa reflected no change from the prior year as it remained at the same adopted rate of 52.2750 cents per \$100 of valuation.

Overall, the influence of new residential development within the community facilitated other commercial/retail development in Odessa. Multiple private construction projects of both residential and commercial subdivisions in east Odessa continued to progress as planned. In addition, the construction of the IH-20 Interchange in partnership with the Texas Department of Transportation was successfully completed. Construction plans to connect JBS Parkway south of the IH-20 Interchange to FM3503 are currently underway with projected start dates pending the execution of a joint agreement with Ector County's governing body.

Other productivity was also noted in the efforts of the Odessa Development Corporation which provided a total of 145 new jobs with a cumulative annual payroll estimated at \$5.8 million for the community. These job

creation efforts were primarily made possible by the Odessa Development Corporation (the Corporation) via their exercise of industry-luring incentive strategies funded by designated sales tax collections. During the 2010 fiscal year, the Corporation also assisted with the retention efforts of a 400-megawatt plant to the community that would produce clean energy and facilitate enhanced oilfield recovery services. The proposed plant is a State-supported Clean Energy Project and its successful establishment should create about 150 full-time permanent jobs, as well as, more than one thousand construction jobs. It is anticipated plant construction would begin in the fall of 2012.

In aggregate, the economic conditions discussed above clearly indicate the local community is moving toward greater economic improvements and recovery. Odessa residents will continue to reap the benefits of every successful economic development partnership within the community.

Long-Term Financial Planning. As previously discussed, the City Council establishes the City's operating budget and related policies. City Management makes every effort to comply with the governing council's adopted plans for the City. For example, the City of Odessa's Capital Improvement Program (CIP) for fiscal year 2010 focused on improvements for the activities of parks and recreation, golf, public works, and water and sewer. Major renovations to the Ratliff Ranch Golf Course were completed and facilitated public use goals regarding efforts to enhance the city of Odessa's image. Public works projects will continue to address the execution of capital improvement projects necessary for the redevelopment of city parks and street drainage/paving improvements. Planned projects for new residential/commercial developments, stormwater facilities, drainage improvements and traffic construction activities in major thoroughfares will continue as top priority based upon City Council directives. Regarding Water and Sewer projects, the City of Odessa will continue to focus on ongoing water and sewer line replacements and other improvements necessary for the successful operation of both state and federal mandated programs including water conservation, water quality reporting, and water treatment issues.

While addressing the City's CIP needs and other major projects, City officials are quite mindful of the recession that lingered across the nation, as well as, the prospects for financial recovery within the local community. Accordingly, the City executed a financial management strategy early during the 2010 fiscal year to offset foreseeable ills associated with a lackluster financial environment. The financial strategy essentially reduced general fund budgetary expenditures by approximately \$1.6 million. The budgetary reductions varied but included savings in areas such as personnel, maintenance and repairs, and education and training costs. Although the City's economic future may continue to face challenges, no significant budgetary cost constraints are expected to be incurred as a result of the changes in the financial management strategy. Refer to the MD& A for further explanation.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Odessa for its comprehensive annual financial report for the fiscal year ended September 30, 2009. This was the twenty-fourth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, the City of Odessa also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning October 1, 2009. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document met appropriate criteria as a policy document, an operating guide, and a financial plan.

The preparation of this report was made possible by the dedicated service and hard work of the City Manager's Office and Finance Department staff and could not have been accomplished without the efficient and dedicated services of the staff in the Purchasing Department's printing division. Each member of these departments has our sincere appreciation for their contributions made in the preparation of this report. We also gratefully acknowledge the professional assistance provided by our independent auditors, Weaver & Tidwell, LLP.

In closing, I wish to acknowledge the Mayor and City Council whose consistent support and leadership have enabled the City to maintain its goal of excellence in all aspects of financial management.

Respectfully Submitted,


Richard Morton
City Manager


James Lentner
Assistant City Manager
Of Administrative Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Odessa
Texas

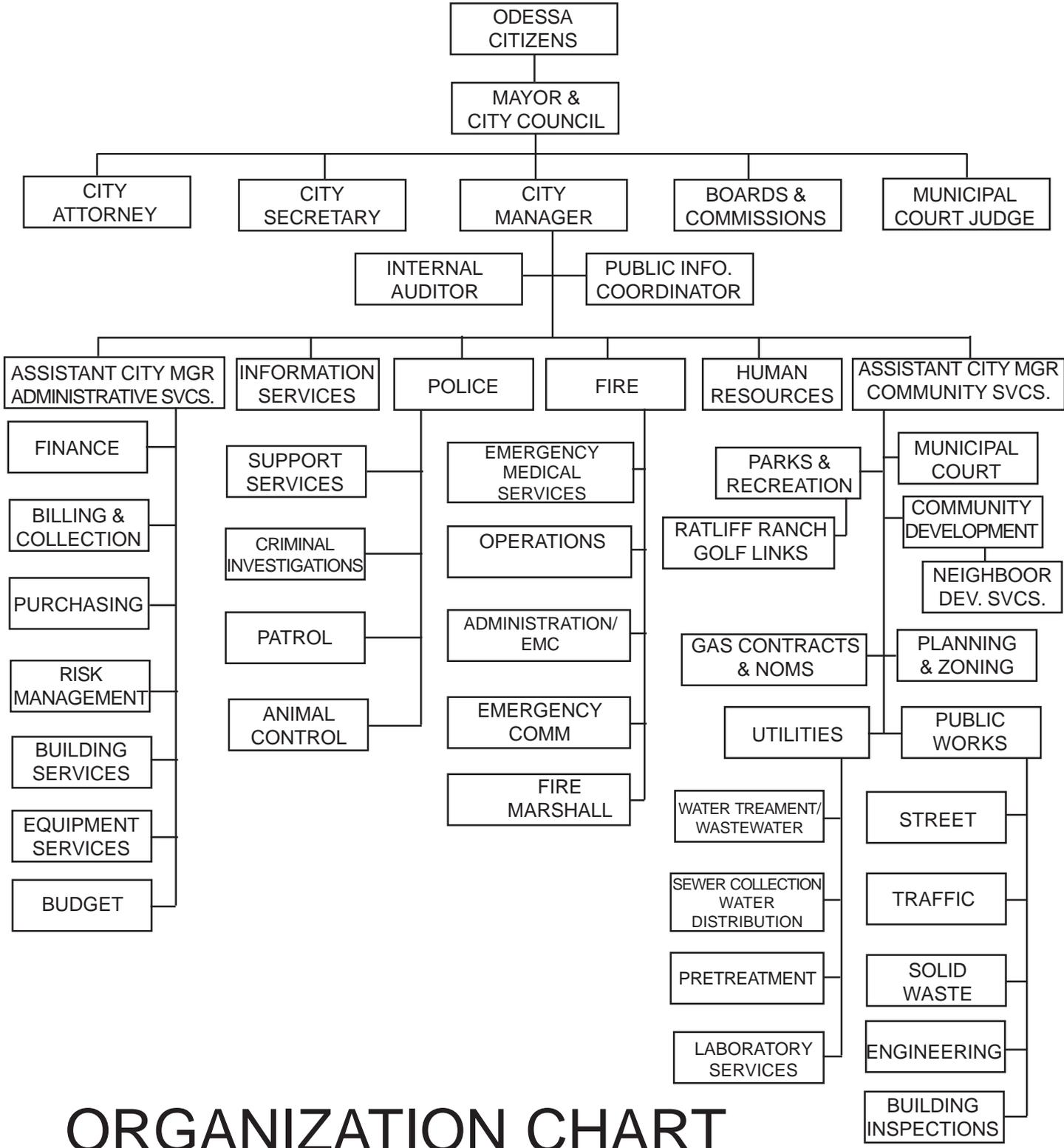
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

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



President

Executive Director



ORGANIZATION CHART CITY OF ODESSA

Drawn By: City of Odessa Print Shop
Date: 3/10

CITY OF ODESSA, TEXAS

CITY OFFICIALS

MAYOR

LARRY MELTON

CITY COUNCIL

DISTRICT 1

BILL CLEAVER

DISTRICT 2

JAMES GOATES

DISTRICT 3

BARBARA GRAFF

DISTRICT 4

DEAN COMBS

DISTRICT 5

ROY HUNTON

CITY MANAGER

RICHARD MORTON

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
Odessa, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Odessa, Texas (the City) as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's 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 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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Odessa, Texas as of September 30, 2010 and the respective changes in financial position, and cash flows, where applicable, thereof 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 March 29, 2011, on our consideration of the City's internal control over financial reporting and 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.



Honorable Mayor and Members of the City Council
City of Odessa, Texas

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures 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 as a whole.

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Odessa, Texas
March 29, 2011

CITY OF ODESSA, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of September 30, 2010

As management of the City of Odessa, we offer readers of the City of Odessa's financial statements this narrative overview and analysis of the financial activities of the City of Odessa for the fiscal year ended September 30, 2010. The vision of the government's elected public officials and sound administration of the public's financial resources provide the underlying base for the services provided to the Odessa citizens. Accordingly, we encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report. All amounts, unless otherwise indicated, are expressed in millions of dollars.

Financial Highlights

- The assets of the City of Odessa exceeded its liabilities at the close of the most recent fiscal year by \$165.0 million (net assets). Of this amount \$38.9 million (unrestricted net assets) may be used to meet the government's on going obligations to citizens and creditors. The government's total net assets increased \$3.4 million during the 2010 fiscal year. Accordingly, unrestricted net assets increased by \$1.7 million or 4.7%.
- The City of Odessa's governmental funds reported a decrease of \$1.4 million over the previous year with combined ending fund balances of \$34.0 million as of the close of the current fiscal year. Approximately 87.1%, or \$29.6 million, of this total amount is available for spending at the government's discretion (unreserved fund balances). Only \$541,064 has been restricted for specific debt service requirements and a total of \$3.8 million has been reserved for encumbrances.
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$24.5 million, or 46.3%, of total general fund expenditures and is available for spending at the government's discretion for any lawful purpose. As the recent economic downturn has made some impact upon the General Fund, the City continues to benefit from the employment of sound, financial management practices as discussed herein.
- The City of Odessa's capital projects fund balance totaled \$2.5 million and decreased by \$4.5 million at the close of the current fiscal year. This change resulted from revenues of \$0.1 million and expenditures of \$4.6 million.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

The Statement Of Net Assets presents information on all of the City of Odessa's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City of Odessa 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 vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Odessa that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Odessa include general government, finance, public works, planning and inspection, public safety, welfare, and culture and recreation. The business-type activities of the City of Odessa include water and sewer, solid waste, natural gas, municipal golf course, liquid waste and storm water.

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

Fund Financial Statements

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

1. Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Fund Financial Statements (continued)

1. **Governmental Funds** (continued)

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.

The City of Odessa maintains seven individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement Of Revenues, Expenditures, And Changes In Fund Balances for the General Fund and the Capital Projects Fund, both of which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Odessa adopts an annual appropriated budget for its general fund, the majority of its special revenue funds and its debt service fund. Budgetary comparisons have been provided in this report.

2. **Proprietary Funds.** The City of Odessa maintains two different types of proprietary funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Odessa uses Enterprise Funds to account for its operations in water and sewer, solid waste, natural gas utility, Ratliff golf course, liquid waste and storm water funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City of Odessa's various functions. The City of Odessa uses Internal Service Funds to account for its equipment service and insurance funds. The Internal Service Funds predominantly benefit governmental rather than business-type functions and have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for operations in the Water and Sewer Fund, Solid Waste Fund, Natural Gas Utility Fund and the Ratliff Ranch Golf Course Fund, each of which is considered to be major funds of the City of Odessa.

Fund Financial Statements (continued)

2. Proprietary Funds, (continued)

Although they do not meet the criteria for a major fund, the Liquid Waste and Storm Water Funds are also presented separately because they are believed to be particularly important to financial statement users. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report

3. 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 statements because the resources of those funds are not available to support the City of Odessa's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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.

Other Information

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

The pension plan information is included in the notes and the General Fund budgetary comparison schedule is presented as part of the basic financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the notes to the financial statements.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Odessa, assets exceeded liabilities by \$165.0 million at the close of the fiscal year.

By far, the largest portion of the City of Odessa's net assets, \$124.5 million, or 75.5%, reflects its investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Odessa uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Odessa's investment in its capital assets is reported net of related debt, it should

Government-Wide Financial Analysis (continued)

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.

**Table 1
City of Odessa's Net Assets
(In Millions)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2010	2009	2010	2009	2010
Current and						
Other Assets	\$ 49	\$ 51	\$ 85	\$ 79	\$ 134	\$ 130
Capital Assets	92	95	90	94	182	189
Total Assets	<u>141</u>	<u>146</u>	<u>175</u>	<u>173</u>	<u>316</u>	<u>319</u>
Long-Term Liabilities						
Outstanding	48	49	87	84	135	133
Other Liabilities	10	12	9	9	19	21
Total Liabilities	<u>58</u>	<u>61</u>	<u>96</u>	<u>93</u>	<u>154</u>	<u>154</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	60	60	63	64	123	124
Restricted	1	1	1	1	2	2
Unrestricted	22	24	15	15	37	39
Total Net Assets	<u>\$ 83</u>	<u>\$ 85</u>	<u>\$ 79</u>	<u>\$ 80</u>	<u>\$ 162</u>	<u>\$ 165</u>

An additional portion of the City of Odessa's net assets (\$2 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$39 million) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Odessa is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as, for its separate governmental and business-type activities.

During the current fiscal year, the government's total net assets increased by approximately \$3.4 million. Governmental type activities had an increase of \$1.6 million; and the business-type activities had a \$1.8 million increase. The total revenues increased to \$140.2 million, which was 9.9% more than the previous year. Total expenses increased to \$136.8 million, which was an increase of \$7.2 million or 5.6%. The net increase to the government's net assets of \$3.4 million was \$6.7 million more than the previous year's amount of negative \$3.3 million.

Government-Wide Financial Analysis (continued)

**Table 2
City of Odessa's Changes In Net Assets
(In Thousands)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2010	2009	2010	2009	2010
Revenues:						
Program Revenues:						
Charges for Services	\$ 7,824	\$ 8,259	\$58,230	\$64,808	\$ 66,054	\$ 73,067
Operating Grants & Contributions	2,643	8,798	20	13	2,663	8,811
Capital Grants & Contributions	2,136	2,181	3,169	2,598	5,305	4,779
General Revenues:						
Property Taxes	19,923	20,550	-	-	19,923	20,550
Sales Taxes	18,339	18,667	-	-	18,339	18,667
Other Taxes	11,145	11,244	-	-	11,145	11,244
Other	2,109	2,803	731	285	2,840	3,088
Total Revenues	64,119	72,502	62,150	67,704	126,269	140,206
Expenses:						
General Government	4,470	4,220	-	-	4,470	4,220
Finance	978	822	-	-	978	822
Public Works	12,271	15,486	-	-	12,271	15,486
Planning & Inspection	609	734	-	-	609	734
Public Safety	38,383	37,844	-	-	38,383	37,844
Welfare	1,967	2,929	-	-	1,967	2,929
Culture & Recreation	7,007	7,052	-	-	7,007	7,052
Interest on Long-Term Debt	1,680	1,693	-	-	1,680	1,693
Water and Sewer	-	-	39,818	39,796	39,818	39,796
Solid Waste	-	-	9,877	9,806	9,877	9,806
Natural Gas Utility	-	-	10,544	14,270	10,544	14,270
Ratliff Golf Course	-	-	1,908	1,586	1,908	1,586
Liquid Waste	-	-	59	51	59	51
Storm Water	-	-	-	523	-	523
Total Expenses	67,365	70,780	62,206	66,032	129,571	136,812
Increase in Net Assets Before Transfers	(3,246)	1,722	(56)	1,672	(3,302)	3,394
Contributed Capital	(1,704)	53	1,704	(53)	-	-
Transfers	(200)	(200)	200	200	-	-
Increase In Net Assets	(5,150)	1,575	1,848	1,819	(3,302)	3,394
Net Assets – Beginning	88,128	82,978	76,812	78,660	164,940	161,638
Net Assets - Ending	\$82,978	\$84,553	\$78,660	\$80,479	\$ 161,638	\$ 165,032

Governmental Activities

Table 3
City of Odessa's General Revenues And Transfers
(In Thousands)

	<u>2009</u>	<u>2010</u>	<u>Variance</u>
Property Tax, Penalties and Interest	\$ 19,923	\$ 20,550	\$ 627
Sales Taxes	18,339	18,667	328
Franchise and Gross Receipts	8,915	9,215	300
Hotel-Motel Taxes	2,230	2,028	(202)
Industrial Taxes	1,562	2,598	1,036
Unrestricted Investment Income/Misc	547	204	(343)
Contributed Capital	(1,704)	53	1,757
Transfers	(200)	(200)	-
Total General Revenues And Transfers	<u>\$ 49,612</u>	<u>\$ 53,115</u>	<u>\$ 3,503</u>

The City of Odessa's general revenues and transfers provided \$53.1 million to fund the costs associated with those activities that are not self-supporting. It is anticipated that governmental activities will not be self-supporting and will be paid for through general revenues.

Program revenues for governmental activities were \$19.2 million and were used to pay for expenses associated with governmental activities of \$70.8 million.

The primary sources of revenue for governmental activities are property taxes, sales taxes, franchise and gross receipts, charges for services from public safety, and hotel - motel taxes. During fiscal year 2010, property taxes generated \$20.6 million and reflected an increase of \$.7 million over the previous year. Property tax collections were derived from growth in the property tax base that increased to \$3.8 billion during the year and was combined with a property tax rate of 52.28 cents per hundred dollars valuation, which is a 3.95 cent drop over the previous year. Sales taxes revenues generated \$18.7 million, which was more than budget by approximately \$1.1million. Franchise and gross receipts contributed \$9.2 million to operations, which was an increase over last year by \$300 thousand. The total charges for services came in at \$8.3 million with the majority coming from public safety in the amount of \$7.3 million. Hotel-motel taxes income provided an additional \$2.0 million.

The most significant expenses of governmental activities are those associated with providing public safety (police, fire and public safety communications), public works (engineering, streets and traffic) culture and recreation (parks, recreation opportunities and aquatic facilities) and the related support functions necessary to provide these services. Public safety expenses of \$37.8 million represents 53.5% of all combined governmental activities expenses.

Business-Type Activities

Net assets from business-type activities were \$80.5 million at the close of the fiscal year and reflected a 2.3% increase from the prior year. Revenues and transfers of business-type activities contributed \$67.8 million to the operations of the City of Odessa. Expenses associated with these activities totaled \$66.0 million and resulted in an increase to the City's net assets of \$1.8 million from business-type activities.

The major components of the revenue stream for business-type activities represent Water and Sewer revenues of \$38.7 million, Natural Gas Utility revenues of \$14.3 million and Solid Waste revenues of \$9.9 million. Investment earnings were significantly lower and represented only \$0.3 million of the revenue component of business-type activities for the City of Odessa due to the economic downturn. Meanwhile, grants and contributions revenues totaled \$2.6 million as compared to \$3.2 million during the prior year. The Ratliff Golf Course, which reflected its second full year of operations depicted revenues of \$1.2 million.

The Water and Sewer Fund had \$39.8 million in expenses coupled with a position of \$1.5 million net revenues over expenses for the current fiscal year end. The Natural Gas Utility Fund had expenses of \$14.3 million resulting in a deficiency of revenues over expenses of \$(6,833). Expenses of the Solid Waste Fund were \$9.8 million and resulted in an excess of revenues over expenses totaling \$126,126. The Ratliff Ranch Golf Course had expenses of \$1.6 million and resulted in a deficiency of revenues over expenses totaling \$(377,001).

Financial Analysis of the Government's Funds

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

1. **Governmental Funds**

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

As of September 30, 2010, the City of Odessa's governmental funds reported combined ending fund balance of \$34.0 million, a decrease of \$1.4 million in comparison with the prior year. Approximately 87.1% of this total amount, \$29.6 million, constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period by \$3.8 million; and to pay debt service of \$541,064.

Financial Analysis of the Government's Funds (continued)

1. Governmental Funds (continued)

The General Fund is the chief operating fund of the City of Odessa. At the end of the current year, unreserved fund balance of the General Fund was \$24.5 million, while total fund balance reached \$27.1 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

Unreserved fund balance represents 46.3% of total General Fund expenditures, while total fund balance represents 51.0% of that same amount. The fund balance of the City of Odessa's General Fund, increased by \$2.7 million during the current fiscal year. Some of reasons for the positive variance are apparent in the performance of both General Fund revenues and expenses including increased sales tax revenues, and increased fines and forfeitures collections.

At the beginning of the fiscal year, a balanced budget was adopted. Revenues exceeded the original revenue budget by \$1.8 million during the fiscal year as depicted below.

2010 Revenues	Original Budget	Actual	Variance Over (Under)
Property Tax, Penalties & Interest	\$17,456,749	\$ 17,479,326	\$ 22,577
City Sales Tax	17,561,109	18,666,954	1,105,845
Franchise & Gross Receipts	8,984,453	9,215,471	231,018
Fines & Forfeitures	2,951,500	3,398,115	446,615
Permits & Licenses	443,100	441,524	(1,576)
Investment Income	300,000	98,013	(201,987)
Industrial Contracts	2,706,000	2,598,135	(107,865)
Other	2,810,350	2,984,056	173,706
Intergovernmental	965,300	1,089,869	124,569
Total Revenues	\$54,178,561	\$ 55,971,463	\$ 1,792,902

The Capital Projects Fund has a total fund balance of \$2.5 million. Of that amount \$1.0 million is reserved for encumbrances; \$373,203 is designated for obligated projects; and \$1.1 million is reported as undesignated. The net decrease in fund balance during the current year for the Capital Projects Fund was \$4.5 million. This change is primarily due to the increase of fund expenditures necessary for the completion of various capital projects.

Financial Analysis of the Government's Funds (continued)

2. Proprietary Funds

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

The net assets of the Water and Sewer Fund at the end of the year amounted to \$75.3 million. The total change in net assets was an increase of \$1.4 million. Major factors impacting this change include operating income of \$2.1 million, \$2.6 million in capital contributions; \$0.3 million in investment income; and the absence of any operating transfers during the fiscal year.

Unrestricted net assets of the Solid Waste Fund at the end of the year totaled \$181,886. The change in net assets from the previous fiscal year was a \$122,469 increase.

The Natural Gas Utility Fund has a zero net asset balance at the end of the current fiscal year. As of September 30, 2010, the City will no longer purchase and sale natural gas to the citizens of Odessa.

Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Odessa's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an increase in appropriations of \$1,616,321 and can be briefly summarized, in thousands of dollars, as follows:

- \$ 76 decrease in general government activities;
- \$1,196 increase in finance services activities;
- \$ 375 decrease in public works activities;
- \$ 140 decrease in public safety activities;
- \$ 118 decrease in culture and recreation activities;
- \$1,122 increase in capital outlays; and

As discussed previously, approximately \$1.6 million of this increase relates to encumbrances carryover.

With the adjustments made during fiscal year 2010, the actual expenditures were \$53.1 million as compared to the final budget amount of \$55.5 million causing a positive variance of \$2.4 million. This positive variance was offset by the reserve for encumbrances set aside at the end of the fiscal year totaling \$2.5 million.

Capital Assets and Debt Administration

Capital Assets

The City of Odessa's investment in capital assets for its governmental and business type activities as of September 30, 2010, amounts to \$189.4 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, furniture and office equipment, data processing equipment, automotive equipment, and radio and communication equipment.

Construction in progress as of September 30, 2010 was \$4,598,449 in the governmental activities and \$12,046,426 in the business type activities for a total of \$16,644,875. Additional information on the City of Odessa's capital assets can be found in Note 6 of this report.

Table 4
Capital Assets As Of September 30, 2009
(Net of Depreciation, in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2010	2009	2010	2009	2010
Land	\$19,767	\$20,001	\$ 366	\$ 366	\$ 20,133	\$ 20,367
Buildings	13,318	12,536	4,682	4,423	18,000	16,959
Improvements Other Than Buildings	20,713	20,512	32,914	30,484	53,627	50,996
Infrastructure	22,497	24,515	43,004	46,258	65,501	70,773
Furniture & Office Equipment	32	23	-	5	32	28
Machinery & Equipment	1,341	1,475	898	755	2,239	2,230
Data Processing Equipment	845	578	91	56	936	634
Automotive Equipment	9,799	10,062	-	-	9,799	10,062
Radio & Communications Equipment	1,270	728	2	1	1,272	729
Construction In Progress	2,666	4,599	7,923	12,046	10,589	16,645
Totals	<u>\$92,248</u>	<u>\$95,029</u>	<u>\$89,880</u>	<u>\$94,394</u>	<u>\$182,128</u>	<u>\$189,423</u>

The following major capital projects were completed during fiscal year 2010:

Governmental Projects

- Noel Plaza Shade Structure
- Elevator Upgrade – Municipal Plaza
- JBS/BI Interchange Traffic
- Sherwood Park Light Structure
- Sherwood Skate Park

Water and Sewer Projects

- Sewer Line Replacements – Phase I
- Water Line Replacements – Phase I

Capital Assets and Debt Administration (continued)

Long Term Debt

At the end of the current fiscal year, the City of Odessa had total debt outstanding of \$117 million. Of this amount, \$34.1 million is governmental-type tax supported debt. Water and Sewer system revenues support \$83.1 million of business-type activity debt.

**Table 5
Outstanding Debt, At Year-End
(In Thousands)**

	Governmental Activities		Business-type Activities		Totals	
	2009	2010	2009	2010	2009	2010
Certificates of Obligation Serviced	\$26,470	\$25,405	\$62,855	\$62,855	\$89,325	\$88,260
Refunding General Obligations Serviced	9,050	8,730	16,765	16,665	25,815	25,395
Water & Sewer Bonds	-	-	6,905	3,540	6,905	3,540
Totals	<u>\$35,520</u>	<u>\$34,135</u>	<u>\$86,525</u>	<u>\$83,060</u>	<u>\$122,045</u>	<u>\$117,195</u>

The City of Odessa's total bonded debt decreased \$4.9 million during the current fiscal year. Debt serviced by governmental type activities decreased by \$1.4 million, while debt serviced by business-type activities decreased by \$3.5 million. Water and Sewer debt refunding obligations were executed in fiscal year 2009 to refund a portion of the 2001 Series Refunding Revenue Bonds in the amount of \$3.9 million to effect a present -value savings of 8.03% of the refunded principal. General refunding obligations were also executed in 2009 to refund remaining Certificates of Obligation, Series 1998 in the amount of \$3,195,000. The City did not issue any additional debt in the current year.

The City maintains a rating of "Aa3" by Moody's Investors Service, Inc. and "AA" Standard & Poor's Ratings Services for the most recent refunding bonds issued and previously outstanding debt held. Ratings reflect the respective view of the organizations and can be revised by such ratings companies if circumstances warrant such.

General property taxes are limited by the Home Rule Charter to \$2.00 per \$100 assessed valuation. There is no limitation within \$2.00 ceiling for debt service. Additional information on the City of Odessa's long-term debt can be found in note 13 of this report.

Economic Factors And Next Year's Budgets and Rates

As our nation continues to ebb out of an extraordinary recession, Odessa's local economy continues to offer encouragement based upon some of the past accomplishments noted within the community. Some moderate signs of economic recovery such as the increasing of sales tax revenues were present at year end, as well as the continued rise in local property valuations. It is anticipated the Odessa economy will likely continue its current upward trend. Past economic diversification efforts of the community leaders are expected to afford the continuance of stabilizing trends including low unemployment, solid housing market activities, and traditional consumer spending as moderate activity continues to be evident within multiple sectors of the local business community.

Additionally, area business prospects have continued to affect an influx of both residential and commercial opportunities. The city of Odessa will likely continue to experience moderate development in both residential and commercial areas along the JBS Parkway, as well as, along the Billy Hext Road and Eastridge Roads.

The annual budget for the 2011 fiscal year continues to focus on community objectives that are geared toward enhancing the city's image, improving city services, and expanding economic development. These objectives and other initiatives have allowed financial resources to be allocated toward the completion of major capital improvement, street reconstruction, and park redevelopment projects.

Effective October 1, 2010, the City will no longer purchase and sale natural gas to the citizens of Odessa, causing the budgeted revenues and expenditures for 2011 to decrease by \$20 million. The increases and decreases detailed below are changes from 2010 to 2011 without considering the Natural Gas Fund for 2010.

Current budgeted expenditures for the City's 2011 fiscal year total \$137.9 million. This amount represents \$2.4 million, or 1.7%, decrease below the 2010 fiscal year budget of \$140.3 million. Most changes in expenditures reflected slight increases in some funds and a large decrease in the Equipment Services fund, and are noted as follows: \$490,227 in the General Fund; \$233,244 in the Water and Sewer Fund; \$(108,998) in the Solid Waste Fund; \$(2.9) million in the Equipment Services Fund; \$7,263 in the Risk Management Fund; \$7,854 in the Golf Course Fund and \$6,296 in the Debt Service Fund.

Total revenues for the 2011 fiscal year are projected at \$138.9 million; an amount that falls below last year's adopted budget by \$1 million, or .7%. When compared to last year's adopted budget, budgeted revenues represent a decrease of only .7%, while current expenditures represent a decrease of 1.7%. The more significant revenue changes are derived from several sources including: \$0.5 million increase in General Fund revenues; \$1.4 million decrease in Water and Sewer revenues; \$0.2 million increase in Equipment Services revenues; and \$0.4 million decrease in Convention and Visitors revenues. Also, when considering the various revenue categories of the annual budget, General Fund Revenues have historically reflected the most significant change. Property taxes and sales taxes are projected to be the leading revenues in the new fiscal year with a only slight increases over the prior year.

Economic Factors and Next Year's Budgets and Rates (continued)

General Fund revenues for the 2011 fiscal year are budgeted at \$59.5 million, as compared to \$58.9 million the previous fiscal year. This \$0.5 million change primarily consists of a slight increase in the areas of property tax revenue, gross receipts revenue and various other operating revenues. The faltering trends of the economy on a national scale have resulted in a modest increase being projected for General Fund. Because assessed values of property in Odessa continue to rise, the City was able to maintain its tax rate at 52.28 cents per \$100 valuation.

Expenditures projected for the 2011 General Fund total \$59.5 million. This amount yields a balanced budget for 2011, yet affects a \$0.5 million, or 0.8% increase, over the previous adopted budget.

Some of the factors contributing to the minor changes within the General Fund expenditures include:

- 2% pay increase to personnel
- personnel enhancements to improve recruitment/retention for public safety.

The General Fund Un-appropriated Fund Balance of \$24,547,773 is essential for positive bond ratings; future budget stabilization considerations; disaster recovery needs, cash flow shortages, and other regulatory changes.

Water and Sewer Fund revenues were budgeted at \$39.6 million and reflect a decrease of \$ 1.4 million, or 3.5%, below revenues budgeted for 2010. This change is attributed to a decrease in interest income and other financing sources. The newly established rates set in 2010 will remain the same in 2011 and are expected to generate revenues sufficient to support operating expenditures; provide water and sewer infrastructure maintenance and aid in water and sewer infrastructure development for new residential areas.

Water and Sewer Fund operating expenditures were budgeted at \$40.5 million with a \$233,244, or.6%, increase in operating costs from the previous fiscal year. Budgeted expenditures should cover the rising costs of fleet maintenance, chemical supplies, and other water and sewer system replacement costs including plant rehabilitation.

In the Solid Waste Fund, budgeted revenues are projected at \$10 million while expenditures are estimated at \$9.9 million. Budgeted revenues reflect a \$57,505 decrease, while expenditures reflect a \$108,998, or 1.0% decrease for the 2011 fiscal year. Solid Waste revenues did reflect a rate increase for the fiscal year 2010, but not in 2011. Family and Commercial accounts realized increases of 7.18% and 11.05% respectively.

Economic Factors and Next Year's Budgets and Rates (continued)

The Golf Course Fund reflects only slight changes in proposed activities for the 2011 fiscal year. The Ratliff Ranch Golf Course completed its second full year of operations as of August 2010, and increased usage at the current rate fees are expected to provide an increased revenue stream in the next few years. At present, operating revenues are budgeted at \$1.4 million and expenses are budget at 1.4 million as well. Repayment of the fund's deficit fund balance from the prior years will extend over the next few years.

Request for Information

This financial report is designed to provide a general overview of the City of Odessa'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 Assistant City Manager of Administrative Services, City of Odessa, P.O. Box 4398, Odessa, Texas, 79760-4398.

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BASIC FINANCIAL STATEMENTS

CITY OF ODESSA, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Odessa Development Corporation
ASSETS				
Cash and Investments	\$ 32,497,635	\$ 74,570,658	\$ 107,068,293	\$ 6,988,713
Receivables (Net of Allowance for Uncollectibles)	10,858,654	4,990,254	15,848,908	865,775
Internal Balances	5,759,331	(5,759,331)	-	-
Prepaid Expenses	-	97,350	97,350	-
Inventories	187,911	391,209	579,120	-
Deferred Charges	479,845	1,115,423	1,595,268	-
Restricted Assets:				
Cash and Investments	-	3,545,771	3,545,771	-
Property Held for Sale	1,039,524	-	1,039,524	179,533
Capital Assets (Net of Accumulated Depreciation):				
Land	20,001,048	365,560	20,366,608	-
Buildings	12,536,049	4,422,508	16,958,557	-
Improvements	20,511,734	30,483,979	50,995,713	-
Infrastructure	24,515,244	46,257,865	70,773,109	-
Furniture and Office Equipment	23,442	4,894	28,336	-
Machinery and Equipment	1,474,515	754,963	2,229,478	-
Data Processing Equipment	577,452	56,422	633,874	-
Automotive Equipment	10,062,398	-	10,062,398	-
Radio and Communication Equipment	728,389	1,500	729,889	-
Construction-in-Progress	4,598,449	12,046,426	16,644,875	-
TOTAL ASSETS	145,851,620	173,345,450	319,197,070	8,034,021
LIABILITIES				
Accounts Payable and Other Current Liabilities	6,319,954	2,516,966	8,836,920	65,237
Accrued Interest Payable	150,239	411,302	561,541	-
Unearned Revenue	1,039,524	2,120,430	3,159,954	-
Noncurrent Liabilities:				
Due Within One Year	4,449,634	3,640,000	8,089,634	-
Due in More Than One Year	49,339,709	84,178,190	133,517,899	-
TOTAL LIABILITIES	61,299,060	92,866,888	154,165,948	65,237
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	60,031,983	64,507,840	124,539,823	-
Restricted for:				
Debt Service	541,064	-	541,064	-
Rate Stabilization	-	1,000,000	1,000,000	-
Unrestricted	23,979,513	14,970,722	38,950,235	7,968,784
TOTAL NET ASSETS	\$ 84,552,560	\$ 80,478,562	\$ 165,031,122	\$ 7,968,784

The accompanying notes are an integral part
of these financial statements

**CITY OF ODESSA, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 4,219,813	\$ 93,066	\$ -	\$ -
Finance	821,498	277,002	-	-
Public Works	15,485,987	174,435	4,742,651	1,877,100
Planning and Inspection	734,271	347,018	-	-
Public Safety	37,843,822	7,281,874	1,009,183	304,210
Welfare	2,929,321	-	3,046,627	-
Culture and Recreation	7,052,105	85,400	-	-
Interest on Long-term Debt	1,692,839	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	70,779,656	8,258,795	8,798,461	2,181,310
Business-Type Activities:				
Water and Sewer	39,795,955	38,671,498	-	2,597,609
Solid Waste	9,806,223	9,932,349	-	-
Natural Gas	14,270,216	14,263,383	-	-
Ratliff Golf Course	1,585,941	1,208,940	-	-
Liquid Waste	50,634	28,406	12,776	-
Storm Water	523,047	703,054	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	66,032,016	64,807,630	12,776	2,597,609
TOTAL PRIMARY GOVERNMENT	\$ 136,811,672	\$ 73,066,425	\$ 8,811,237	\$ 4,778,919
Component Unit:				
Odessa Development Corporation	\$ 7,773,140	\$ -	\$ -	\$ -
TOTAL COMPONENT UNITS	\$ 7,773,140	\$ -	\$ -	\$ -

General Revenues:

Property Taxes
Sales Taxes
Gross Receipts Taxes
Hotel-Taxes
Industrial Contracts
Unrestricted Investment Earnings
Miscellaneous
Contributed Capital
Transfers

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET ASSETS

NET ASSETS - BEGINNING OF THE YEAR

NET ASSETS - END OF THE YEAR

Net (Expense) Revenue and
Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Odessa Development Corporation
\$ (4,126,747)	\$ -	\$ (4,126,747)	\$ -
(544,496)	-	(544,496)	-
(8,691,801)	-	(8,691,801)	-
(387,253)	-	(387,253)	-
(29,248,555)	-	(29,248,555)	-
117,306	-	117,306	-
(6,966,705)	-	(6,966,705)	-
(1,692,839)	-	(1,692,839)	-
<u>(51,541,090)</u>	<u>-</u>	<u>(51,541,090)</u>	<u>-</u>
-	1,473,152	1,473,152	-
-	126,126	126,126	-
-	(6,833)	(6,833)	-
-	(377,001)	(377,001)	-
-	(9,452)	(9,452)	-
-	180,007	180,007	-
<u>-</u>	<u>1,385,999</u>	<u>1,385,999</u>	<u>-</u>
<u>(51,541,090)</u>	<u>1,385,999</u>	<u>(50,155,091)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,773,140)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,773,140)</u>
20,550,483	-	20,550,483	-
18,666,954	-	18,666,954	4,666,738
9,215,471	-	9,215,471	-
2,028,217	-	2,028,217	-
2,598,135	-	2,598,135	-
187,157	285,550	472,707	65,251
16,940	-	16,940	-
52,628	(52,628)	-	-
(200,000)	200,000	-	-
<u>53,115,985</u>	<u>432,922</u>	<u>53,548,907</u>	<u>4,731,989</u>
1,574,895	1,818,921	3,393,816	(3,041,151)
<u>82,977,665</u>	<u>78,659,641</u>	<u>161,637,306</u>	<u>11,009,935</u>
<u>\$ 84,552,560</u>	<u>\$ 80,478,562</u>	<u>\$ 165,031,122</u>	<u>\$ 7,968,784</u>

The accompanying notes are an integral part
of these financial statements.

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**CITY OF ODESSA, TEXAS
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2010**

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 15,396,241	\$ 2,715,915	\$ 4,188,667	\$ 22,300,823
Receivables, net of Allowance for Uncollectibles				
Property Taxes	1,894,369	-	-	1,894,369
Accounts Receivable	6,931,394	-	2,033,677	8,965,071
Other	373,586	-	-	373,586
Interfund Receivables	10,464,869	-	48,567	10,513,436
Inventories	94	-	-	94
Property Held for Sale	-	-	1,039,524	1,039,524
	<u>\$ 35,060,553</u>	<u>\$ 2,715,915</u>	<u>\$ 7,310,435</u>	<u>\$ 45,086,903</u>
TOTAL ASSETS				
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts Payable	\$ 971,398	\$ 16,632	\$ 317,370	\$ 1,305,400
Contracts Payable	-	186,303	-	186,303
Accrued Payroll	1,845,921	-	38,025	1,883,946
Deferred Tax Revenue	1,748,964	-	-	1,748,964
Deferred Revenue	3,083,543	-	1,039,524	4,123,067
Interfund Payable	71,092	-	1,475,451	1,546,543
Other	265,751	25,389	-	291,140
	<u>7,986,669</u>	<u>228,324</u>	<u>2,870,370</u>	<u>11,085,363</u>
TOTAL LIABILITIES				
FUND BALANCES:				
Reserved for Encumbrances	2,526,111	1,034,227	226,324	3,786,662
Reserved for Debt Service	-	-	541,064	541,064
Unreserved				
Designated for Contingencies	9,775,059	-	-	9,775,059
Designated for Budget Stabilization	4,072,941	-	-	4,072,941
Designated for Obligated Projects	-	373,203	-	373,203
Designated for Compensated Absences	1,143,523	-	-	1,143,523
Undesignated, Reported in				
General Fund	9,556,250	-	-	9,556,250
Capital Projects Fund	-	1,080,161	-	1,080,161
Special Revenue Funds	-	-	3,672,677	3,672,677
	<u>27,073,884</u>	<u>2,487,591</u>	<u>4,440,065</u>	<u>34,001,540</u>
TOTAL FUND BALANCES				
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 35,060,553</u>	<u>\$ 2,715,915</u>	<u>\$ 7,310,435</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.	83,508,909
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	4,450,772
Internal service funds are used by management to charge the costs of fleet management and self-insurance costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	15,223,877
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(52,632,538)</u>
Net Assets of Governmental Activities	<u>\$ 84,552,560</u>

The accompanying notes are an integral part
of these financial statements.

**CITY OF ODESSA, TEXAS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2010**

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Property Tax, Penalties and Interest	\$ 17,479,326	\$ -	\$ 2,925,686	\$ 20,405,012
City Sales Tax	18,666,954	-	-	18,666,954
Franchise and Gross Receipts	9,215,471	-	-	9,215,471
Fines and Forfeitures	3,398,115	-	167,997	3,566,112
Permits and Licenses	441,524	-	-	441,524
Grants and Entitlements	-	-	8,765,475	8,765,475
Hotel and Motel Occupancy Tax	-	-	2,028,217	2,028,217
Investment Income	98,013	17,520	16,580	132,113
Donations	-	70,000	-	70,000
Industrial Contracts	2,598,135	-	-	2,598,135
Other	2,984,056	-	337,196	3,321,252
Intergovernmental	1,089,869	-	-	1,089,869
Sale of Confiscated Property	-	-	67,416	67,416
TOTAL REVENUES	55,971,463	87,520	14,308,567	70,367,550
EXPENDITURES				
Current				
General Government	3,766,157	-	-	3,766,157
Finance	285,375	-	217,842	503,217
Public Works	8,702,695	19,359	4,762,448	13,484,502
Planning and Inspection	697,351	-	-	697,351
Public Safety	34,525,067	73,926	645,375	35,244,368
Welfare	-	-	2,852,906	2,852,906
Culture and Recreation	4,037,893	13,981	2,116,430	6,168,304
TOTAL CURRENT	52,014,538	107,266	10,595,001	62,716,805
Debt Service				
Principal Retirement	407,976	-	1,385,000	1,792,976
Interest and Fiscal Charges	126,775	-	1,520,675	1,647,450
TOTAL DEBT SERVICE	534,751	-	2,905,675	3,440,426
Capital Outlay	503,944	4,485,479	428,667	5,418,090
TOTAL EXPENDITURES	53,053,233	4,592,745	13,929,343	71,575,321
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (Carried Forward)	2,918,230	(4,505,225)	379,224	(1,207,771)

(Continued)

**CITY OF ODESSA, TEXAS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2010**

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (Brought Forward)	\$ 2,918,230	\$ (4,505,225)	\$ 379,224	\$ (1,207,771)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	17,766	17,766
Transfers (Out)	(210,216)	-	(7,550)	(217,766)
TOTAL OTHER FINANCING SOURCES (USES)	(210,216)	-	10,216	(200,000)
NET CHANGE IN FUND BALANCES	2,708,014	(4,505,225)	389,440	(1,407,771)
FUND BALANCE - AT BEGINNING OF YEAR,	24,365,870	6,992,816	4,050,625	35,409,311
FUND BALANCE - AT END OF YEAR	<u>\$ 27,073,884</u>	<u>\$ 2,487,591</u>	<u>\$ 4,440,065</u>	<u>\$ 34,001,540</u>

The accompanying notes are an integral part
of these financial statements.

**CITY OF ODESSA, 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, 2010**

Amounts reported for governmental activities in the statement of activities (page 21) are different because:

Net change in fund balances-total governmental funds (page 25)	\$ (1,407,771)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	941,234
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	1,786,452
Net change in revenues in the statement of activities that do not provide current financial resources and are not reported as revenue in the funds (i.e. deferred revenues and earned but unavailable revenues)	272,224
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,733,484
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(2,513,934)
Internal service funds are used by management to charge the costs of the garage, warehouse and self-insurance funds to individual funds. The net gain of certain activities of internal service funds is reported with governmental activities	<u>763,206</u>
Change in net assets of governmental activities (page 21)	<u><u>\$ 1,574,895</u></u>

The accompanying notes are an integral part
of these financial statements.

CITY OF ODESSA, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amount		Actual	Variance
	Original	Final		Over (Under)
REVENUES				
Property Tax, Penalties and Interest	\$ 17,456,749	\$ 17,456,749	\$ 17,479,326	\$ 22,577
City Sales Tax	17,561,109	17,561,109	18,666,954	1,105,845
Franchise and Gross Receipts	8,984,453	8,984,453	9,215,471	231,018
Fines and Forfeitures	2,951,500	2,951,500	3,398,115	446,615
Permits and Licenses	443,100	443,100	441,524	(1,576)
Investment Income	300,000	300,000	98,013	(201,987)
Industrial Contracts	2,706,000	2,706,000	2,598,135	(107,865)
Other	2,810,350	2,810,350	2,984,056	173,706
Intergovernmental	965,300	965,300	1,089,869	124,569
TOTAL REVENUES	54,178,561	54,178,561	55,971,463	1,792,902
EXPENDITURES				
Current				
General Government	3,813,610	3,737,796	3,766,157	28,361
Finance	750,082	1,945,604	285,375	(1,660,229)
Public Works	9,258,767	8,884,187	8,702,695	(181,492)
Planning and Inspection	745,138	752,576	697,351	(55,225)
Public Safety	33,974,021	33,833,902	34,525,067	691,165
Culture and Recreation	4,134,944	4,016,687	4,037,893	21,206
Landfill closure and postclosure care (\$(47,464) [total amount determined for the year under GASB-18] plus \$47,464 change in general long-term debt account group liability)	-	-	-	-
TOTAL CURRENT	52,676,562	53,170,752	52,014,538	(1,156,214)
Debt Service				
Principal Retirement	407,976	407,976	407,976	-
Interest	126,775	126,775	126,775	-
Capital Outlay	638,248	1,760,379	503,944	(1,256,435)
TOTAL EXPENDITURES	53,849,561	55,465,882	53,053,233	(2,412,649)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	329,000	(1,287,321)	2,918,230	4,205,551
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(329,000)	(329,000)	(210,216)	(118,784)
TOTAL OTHER FINANCING SOURCES (USES)	(329,000)	(329,000)	(210,216)	(118,784)
NET CHANGE IN FUND BALANCE	-	(1,616,321)	2,708,014	4,324,335
FUND BALANCE - AT BEGINNING OF YEAR,	24,365,870	24,365,870	24,365,870	-
FUND BALANCE - AT END OF YEAR	\$ 24,365,870	\$ 22,749,549	\$ 27,073,884	\$ 4,324,335

The accompanying notes are an integral part of these financial statements.

**CITY OF ODESSA, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2010**

	Business-Type Activities - Enterprise Funds	
	Water and Sewer Fund	Solid Waste Fund
ASSETS		
CURRENT ASSETS:		
Cash and Investments	\$ 73,830,444	\$ 548,823
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	4,065,841	862,047
Interfund Receivable	-	1,371
Prepaid Expenses	97,350	-
Inventories	338,758	-
RESTRICTED ASSETS:		
Cash and Investments	3,545,771	-
	81,878,164	1,412,241
TOTAL CURRENT ASSETS		
NONCURRENT ASSETS:		
CAPITAL ASSETS:		
Land	345,042	-
Buildings	9,091,744	-
Improvements	70,714,524	-
Infrastructure	107,521,409	-
Furniture and Office Equipment	110,337	-
Machinery and Equipment	2,866,295	123,739
Data Processing Equipment	992,516	19,170
Automotive Equipment	-	-
Radio and Electronic Equipment	3,750	-
Construction-In-Progress	12,046,426	-
Less Accumulated Depreciation	(112,964,523)	(122,513)
	90,727,520	20,396
TOTAL CAPITAL ASSETS (Net of Accumulated Depreciation)		
DEFERRED CHARGES:		
Bond Issue Costs (Net of Accumulated Amortization)	1,115,423	-
	91,842,943	20,396
TOTAL NONCURRENT ASSETS		
TOTAL ASSETS	173,721,107	1,432,637

Business-Type Activities - Enterprise Funds					Governmental
Natural Gas Utility Fund	Ratliff Golf Course Fund	Liquid Waste Fund	Storm Water Fund	Totals	Activities - Internal Service Funds
\$ -	\$ 450	\$ -	\$ 190,941	\$ 74,570,658	\$ 10,196,811
-	-	-	62,366	4,990,254	7,361
-	-	-	-	1,371	71,092
-	-	-	-	97,350	-
-	52,451	-	-	391,209	187,816
-	-	-	-	3,545,771	-
-	52,901	-	253,307	83,596,613	10,463,080
-	20,518	-	-	365,560	89,531
-	206,604	-	-	9,298,348	1,356,554
-	3,883,791	-	-	74,598,315	443,554
-	-	-	-	107,521,409	-
-	-	-	-	110,337	38,414
-	43,613	-	-	3,033,647	1,574,144
-	10,626	-	-	1,022,312	471,047
-	-	-	-	-	27,242,561
-	-	-	-	3,750	145,882
-	-	-	-	12,046,426	-
-	(518,952)	-	-	(113,605,988)	(19,841,876)
-	3,646,200	-	-	94,394,116	11,519,811
-	-	-	-	1,115,423	-
-	3,646,200	-	-	95,509,539	11,519,811
-	3,699,101	-	253,307	179,106,152	21,982,891

(Continued)

**CITY OF ODESSA, TEXAS
STATEMENT OF NET ASSETS (CONTINUED)
SEPTEMBER 30, 2010**

	Business-Type Activities - Enterprise Funds	
	Water and Sewer Fund	Solid Waste Fund
LIABILITIES		
CURRENT LIABILITIES:		
Accounts Payable	\$ 303,207	\$ 260,431
Accrued Employee Benefits Payable	581,527	320,169
Accrued Payroll	234,161	96,684
Interfund Payables	7,057,342	-
Contracts Payable	388,470	-
Deposits and Billings Payable	2,120,430	-
Current Portion of Revenue Bonds Payable	3,640,000	-
Accrued Interest	411,302	-
Other Liabilities	116,389	60,004
	14,852,828	737,288
TOTAL CURRENT LIABILITIES		
NONCURRENT LIABILITIES:		
Other Post Employment Benefits Payable	798,430	294,474
TMRS Phase In Liability	541,820	198,593
Revenue Bonds Payable (Net of Current Maturities)	82,211,522	-
	83,551,772	493,067
TOTAL NONCURRENT LIABILITIES		
TOTAL LIABILITIES		
	98,404,600	1,230,355
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	60,841,244	20,396
Restricted for Rate Stabilization	1,000,000	-
Unrestricted	13,475,263	181,886
	\$ 75,316,507	\$ 202,282
TOTAL NET ASSETS		

Reconciliation to government-wide statement of net assets:

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Net assets of business-type activities

Business-Type Activities - Enterprise Funds					Governmental
Natural Gas Utility Fund	Ratliff Golf Course Fund	Liquid Waste Fund	Storm Water Fund	Totals	Activities - Internal Service Funds
\$ -	\$ 15,532	\$ -	\$ -	\$ 579,170	\$ 2,567,957
-	49,567	-	44,734	995,997	399,465
-	21,285	-	8,796	360,926	85,184
-	1,974,268	7,746	-	9,039,356	-
-	-	-	-	388,470	-
-	-	-	-	2,120,430	-
-	-	-	-	3,640,000	-
-	-	-	-	411,302	-
-	16,010	-	-	192,403	23
-	2,076,662	7,746	53,530	17,728,054	3,052,629
-	62,044	6,375	11,883	1,173,206	246,460
-	41,780	3,803	7,466	793,462	181,272
-	-	-	-	82,211,522	-
-	103,824	10,178	19,349	84,178,190	427,732
-	2,180,486	17,924	72,879	101,906,244	3,480,361
-	3,646,200	-	-	64,507,840	11,519,811
-	-	-	-	1,000,000	-
-	(2,127,585)	(17,924)	180,428	11,692,068	6,982,719
\$ -	\$ 1,518,615	\$ (17,924)	\$ 180,428	77,199,908	\$ 18,502,530
				3,278,654	
				\$ 80,478,562	

The accompanying notes are an integral part
of these financial statements.

**CITY OF ODESSA, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 YEAR ENDED SEPTEMBER 30, 2010**

	Business-Type Activities - Enterprise Funds	
	Water and Sewer Fund	Solid Waste Fund
OPERATING REVENUES		
Water	\$ 24,091,564	\$ -
Sewer	12,943,492	-
Other	1,636,442	34,009
User Fees	-	9,898,340
	<u>38,671,498</u>	<u>9,932,349</u>
TOTAL OPERATING REVENUES		
	<u>38,671,498</u>	<u>9,932,349</u>
OPERATING EXPENSES		
Personal Services	6,829,158	2,659,523
Supplies and Materials	13,366,481	49,589
Other Services	9,531,403	6,244,690
Maintenance	1,249,681	290,753
Depreciation and Amortization	5,487,342	5,099
Other	96,082	556,569
	<u>36,560,147</u>	<u>9,806,223</u>
TOTAL OPERATING EXPENSES		
	<u>36,560,147</u>	<u>9,806,223</u>
OPERATING INCOME (LOSS)	<u>2,111,351</u>	<u>126,126</u>
	<u>2,111,351</u>	<u>126,126</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	283,582	1,544
Gain on Sale of City Property	-	-
Interest Expense and Fiscal Charges	(3,590,457)	-
Other Non-Operating Expense	(47,427)	(5,201)
	<u>(3,354,302)</u>	<u>(3,657)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)		
	<u>(3,354,302)</u>	<u>(3,657)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(1,242,951)	122,469
	(1,242,951)	122,469
CAPITAL CONTRIBUTIONS	2,597,609	-
	2,597,609	-
TRANSFERS IN	-	-
	-	-
CHANGE IN NET ASSETS	1,354,658	122,469
	1,354,658	122,469
NET ASSETS - BEGINNING OF YEAR	<u>73,961,849</u>	<u>79,813</u>
	<u>73,961,849</u>	<u>79,813</u>
NET ASSETS - END OF YEAR	<u>\$ 75,316,507</u>	<u>\$ 202,282</u>
	<u>\$ 75,316,507</u>	<u>\$ 202,282</u>

Change in fund net assets of proprietary funds
 Adjustment to reflect the inclusion of internal service fund activities related to enterprise fund.
 Change in net assets of business-type activities

Business-Type Activities - Enterprise Funds					Governmental
Natural Gas Utility Fund	Ratliff Golf Course Fund	Liquid Waste Fund	Storm Water Fund	Totals	Activities - Internal Service Funds
\$ -	\$ -	\$ -	\$ -	\$ 24,091,564	\$ -
-	-	-	-	12,943,492	-
-	-	12,776	-	1,683,227	863,442
14,263,383	1,208,940	28,406	703,054	26,102,123	19,715,103
14,263,383	1,208,940	41,182	703,054	64,820,406	20,578,545
-	624,356	41,748	276,678	10,431,463	2,326,840
14,248,539	255,155	710	-	27,920,474	2,028,954
21,677	521,472	8,176	228,090	16,555,508	8,782,961
-	41,797	-	18,279	1,600,510	2,124,737
-	143,161	-	-	5,635,602	3,762,722
-	-	-	-	652,651	754,652
14,270,216	1,585,941	50,634	523,047	62,796,208	19,780,866
(6,833)	(377,001)	(9,452)	180,007	2,024,198	797,679
3	-	-	421	285,550	35,990
-	-	-	-	-	210,898
-	-	-	-	(3,590,457)	-
-	-	-	-	(52,628)	-
3	-	-	421	(3,357,535)	246,888
(6,830)	(377,001)	(9,452)	180,428	(1,333,337)	1,044,567
-	-	-	-	2,597,609	73,288
-	200,000	-	-	200,000	-
(6,830)	(177,001)	(9,452)	180,428	1,464,272	1,117,855
6,830	1,695,616	(8,472)	-	75,735,636	17,384,675
\$ -	\$ 1,518,615	\$ (17,924)	\$ 180,428	\$ 77,199,908	\$ 18,502,530
				\$ 1,464,272	
				354,649	
				\$ 1,818,921	

The accompanying notes are an integral part of these financial statements.

**CITY OF ODESSA, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED SEPTEMBER 30, 2010**

	<u>Business-Type Activities - Enterprise Funds</u>	
	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 36,291,758	\$ 9,802,069
Cash Received from Other Funds for Services	1,636,442	-
Cash Received from City and County Contributions	-	-
Cash Paid to Employees	(6,460,704)	(2,452,270)
Cash Paid for Goods and Services	(16,737,690)	(3,168,771)
Cash Paid to Other Funds for Services	(6,862,898)	(3,926,675)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>7,866,908</u>	<u>254,353</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Capital Contributions Out	(47,427)	(5,201)
Transfer from General Fund	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(47,427)</u>	<u>(5,201)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Paid on Debt	(3,820,889)	-
Interest Paid on Debt	(4,137,954)	-
Acquisition and Construction of Capital Assets	(7,525,971)	(25,495)
Proceeds from Sale of Capital Assets	-	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCIAL ACTIVITIES	<u>(15,484,814)</u>	<u>(25,495)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income Received on Investments	<u>283,582</u>	<u>1,544</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>283,582</u>	<u>1,544</u>
 NET INCREASE (DECREASE) IN CASH	 <u>(7,381,751)</u>	 <u>225,201</u>
CASH - AT BEGINNING OF YEAR (Included in Cash and Investments of \$81,855,921 and \$3,235,304 in Restricted Accounts)	 <u>84,757,966</u>	 <u>323,622</u>
 CASH - AT END OF YEAR (Included in Cash and Investments of \$74,570,658 and \$3,545,771 in Restricted Accounts)	 <u>\$ 77,376,215</u>	 <u>\$ 548,823</u>

Business-Type Activities - Enterprise Funds					Governmental
Natural	Ratliff	Liquid	Storm	Totals	Activities -
Gas	Golf	Waste	Water		Internal
Utility	Course	Fund	Fund		Service
Fund	Fund	Fund	Fund		Funds
\$ 14,263,383	\$ 1,208,940	\$ 28,406	\$ 640,688	\$ 62,235,244	\$ 19,718,244
-	-	-	-	1,636,442	863,442
-	-	12,776	-	12,776	-
-	(582,707)	(42,399)	(203,799)	(9,741,879)	(2,212,683)
(14,270,216)	(527,145)	(710)	(18,279)	(34,722,811)	(12,131,426)
-	(299,088)	(430)	(228,090)	(11,317,181)	(1,028,461)
<u>(6,833)</u>	<u>(200,000)</u>	<u>(2,357)</u>	<u>190,520</u>	<u>8,102,591</u>	<u>5,209,116</u>
-	-	-	-	(52,628)	-
-	200,000	-	-	200,000	-
<u>-</u>	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>147,372</u>	<u>-</u>
-	-	-	-	(3,820,889)	-
-	-	-	-	(4,137,954)	-
-	-	-	-	(7,551,466)	(3,756,663)
-	-	-	-	-	224,913
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,510,309)</u>	<u>(3,531,750)</u>
3	-	-	421	285,550	35,990
<u>3</u>	<u>-</u>	<u>-</u>	<u>421</u>	<u>285,550</u>	<u>35,990</u>
-	-	-	-	-	-
<u>(6,830)</u>	<u>-</u>	<u>(2,357)</u>	<u>190,941</u>	<u>(6,974,796)</u>	<u>1,713,356</u>
6,830	450	2,357	-	85,091,225	8,483,455
<u>\$ -</u>	<u>\$ 450</u>	<u>\$ -</u>	<u>\$ 190,941</u>	<u>\$ 78,116,429</u>	<u>\$ 10,196,811</u>

(Continued)

**CITY OF ODESSA, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS (CONTINUED)
 YEAR ENDED SEPTEMBER 30, 2010**

	<u>Business-Type Activities - Enterprise Funds</u>	
	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
OPERATING INCOME (LOSS)	\$ 2,111,351	\$ 126,126
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities		
Depreciation and Amortization	5,487,342	5,099
(Increase) Decrease in Accounts Receivable	(861,854)	(130,280)
(Increase) Decrease in Prepaid Assets	88,331	-
(Increase) Decrease in Inventories	(65)	-
(Increase) Decrease in Interfund Receivable	-	(1,371)
(Decrease) Increase in Accounts Payable	(183,989)	43,022
(Decrease) Increase in Accrued Employee Benefits Payable	(122,053)	23,953
(Decrease) Increase in Accrued Payroll	(25,958)	(3,401)
(Decrease) Increase in Interfund Payables	470,936	-
(Decrease) Increase in Contracts Payable	262,841	-
(Decrease) Increase in Deposits and Billings Payable	118,556	-
(Decrease) Increase in Other Post Employment Payable	232,566	84,029
(Decrease) Increase in TMRs Phase In Liability	283,899	102,672
(Decrease) Increase in Other Liabilities	5,005	4,504
TOTAL ADJUSTMENTS	5,755,557	128,227
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 7,866,908	\$ 254,353

NONCASH INVESTING CAPITAL AND FINANCING ACTIVITIES

During the fiscal year ended September 30, 2010, the Water and Sewer Fund acquired capital assets of \$2,550,182 through contributed capital.

During the fiscal year ended September 30, 2010, the Internal Service Funds acquired capital assets of \$73,288 through contributed capital.

Business-Type Activities - Enterprise Funds					Governmental
Natural Gas Utility Fund	Ratliff Golf Course Fund	Liquid Waste Fund	Storm Water Fund	Totals	Activities - Internal Service Funds
\$ (6,833)	\$ (377,001)	\$ (9,452)	\$ 180,007	\$ 2,024,198	\$ 797,679
-	143,161	-	-	5,635,602	3,762,722
-	-	-	(62,366)	(1,054,500)	(4,099)
-	-	-	-	88,331	-
-	493	-	-	428	7,144
-	-	-	-	(1,371)	7,240
-	(6,876)	-	-	(147,843)	524,265
-	9,474	(2,275)	44,734	(46,167)	(49,226)
-	(3,567)	(1,745)	8,796	(25,875)	(5,640)
-	(4,498)	7,746	-	474,184	-
-	-	-	-	262,841	-
-	-	-	-	118,556	-
-	15,278	1,698	11,883	345,454	68,751
-	20,464	1,671	7,466	416,172	100,272
-	3,072	-	-	12,581	8
-	177,001	7,095	10,513	6,078,393	4,411,437
\$ (6,833)	\$ (200,000)	\$ (2,357)	\$ 190,520	\$ 8,102,591	\$ 5,209,116

The accompanying notes are an integral part of these financial statements.

**CITY OF ODESSA, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
SEPTEMBER 30, 2010**

	Agency Funds
ASSETS	
Cash and Investments	\$ 1,074,860
TOTAL ASSETS	<u>\$ 1,074,860</u>
LIABILITIES	
Accounts Payable	\$ 848,571
Deposits and Billings Payable	<u>226,289</u>
TOTAL LIABILITIES	<u>\$ 1,074,860</u>

The accompanying notes are an integral part
of these financial statements.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

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**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Odessa, Texas (the City), was incorporated on April 18, 1927, under what is commonly known as the Home Rule Amendment to the Constitution of the state of Texas. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: Public Safety (Police and Fire), Highways and Streets, Sanitation, Public Improvements, Planning and Inspection, Water Utilities, Parks and Recreation, and General Administrative Services.

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative literature. The following is a summary of the more significant policies:

GASB Statement 34, as amended by Statement 37, requires that the basic financial statements and required supplementary information (RSI) for general purpose governments should consist of:

- Management's Discussion and Analysis (MD&A) – MD&A is RSI presented before the basic financial statements, which introduces the basic financial statements and provides an analytical overview of the government's financial activities.
- Basic Financial Statements – The basic financial statements, including notes to the financial statements that are essential to a user's understanding of the statements, are presented on two basic levels:
 - A. The government-wide level where all statements are prepared using the economic resources measurement focus and the accrual basis of accounting. These statements present all assets, liabilities, revenues, expenses and gains and losses of the City and distinguish between governmental and business-type activities of the City and activities of the City's discretely presented component unit.
 - B. The fund level, where governmental fund statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting, and proprietary and fiduciary fund statements are prepared using the economic resources measurement focus and the accrual basis of accounting. These statements focus on information about the City's major governmental and enterprise funds. Information presented about the City's funds at this level is similar to prior financial statements, with some modification to financial statement format as prescribed by GASB Statement No. 34.
- Required Supplementary Information - RSI, other than MD&A, includes budgetary comparison schedules for the General Fund and any major governmental funds and other data, such as pension related data, required by other GASB statements. The budgetary comparison schedules for the General Fund have been reported as part of the basic financial statements.

The Capital Projects Fund does not adopt an annual budget but rather a budget covering the life of the respective projects. Budgetary information is disclosed in Note 3. Pension related data and trend information is disclosed in Note 7.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

A. Reporting Entity

Accounting principles generally accepted in the United States of America require that these financial statements present the City (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its board) and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government. As an amendment to GASB Statement No. 14, Governmental Accounting Standards Board Statement Number 39 states that certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units.

If these certain organizations were excluded, they would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

In addition, other organizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government. It is a matter of professional judgment to determine whether the nature and the significance of a potential component unit's relationship with the primary government warrant inclusion in the reporting entity. The component units discussed in this note are included in the City's reporting entity because of the nature and significance of their operational or financial relationships with the City.

Individual Component Unit Disclosures:

Discrete Component Units:

1. The Odessa Health Facilities Development Corporation - "Development Corporation" is a non-profit corporation created pursuant to the provisions of the Health Facilities Development Act for the purpose of issuing Health Facility Revenue Bonds. A majority of the Development Corporation's board is appointed by the City Council and the Council can impose will. The Corporation issued several bonds from 1982 through 1994, of which all have been paid out. These bonds posed no liability to the Corporation or the City as they were considered "no commitment debt". As of and for the year ended September 30, 2010, there was no financial activity (no operating or account balances) for the Odessa Health Facilities Development Corporation, thus no financial information is included in the City's basic financial statements.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

A. Reporting Entity – Continued

2. Odessa Economic Development Corporation - "Economic Development" is a non-profit corporation created pursuant to the Development Corporation Act of 1979, as amended, to promote and develop manufacturing and commercial enterprises by issuing Industrial Development Revenue Bonds. A majority of the Economic Development's board is appointed by the City Council and the Council can impose will. As of and for the year ended September 30, 2010 there was no financial activity (no operations or account balances) for the Economic Development Corporation, thus no financial information is included in the City's basic financial statements.

The Odessa Health Facilities Development Corporation and the Odessa Economic Development Corporation do not issue separate component unit financial statements and financial information therefore cannot be obtained outside of the City of Odessa's basic financial statements.

3. Odessa Development Corporation – "ODC" is a quasi-governmental organization created on December 1, 1997, as a public instrumentality and non-profit industrial development corporation under provisions of the Development Corporation Act of 1979 of the State of Texas, and is funded by a 1/4 percent sales tax. The City of Odessa serves as fiscal agent for the Corporation's funds and accounting records and, accordingly, its cash and investments are held by the City in a fiduciary capacity.

ODC is considered to be a part of the City's financial reporting entity because the City Council appoints its Board of Directors, approves its budget, and exercises final authority over its operations. While ODC is included in the City's overall reporting entity, it is discretely presented in a separate column of the City's comprehensive annual financial report to emphasize that it is legally separate from the City. Further information concerning ODC may be found in Note 8 of this financial report.

The City Council is also responsible for appointing members of the boards of other organizations, but the City's accountability for these organizations do not extend beyond making appointments. The organizations included in this category are the Odessa Housing Authority, the Odessa Housing Finance Corporation, and PALS.

Joint Venture:

On August 28, 2001, the City signed an interlocal agreement with the City of Midland, Texas to create the Midland-Odessa Urban Transit District ("MOUTD"). The MOUTD shall be exclusively governed by both City Councils or they may delegate this authority to an equally appointed Board. For the year ended September 30, 2010, the two Cities made a \$470,000 contribution into the MOUTD. Further information concerning MOUTD may be found in Note 9 of this financial report.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-Wide and Fund Financial Statements

As previously discussed, the basic financial statements of the City are presented at two basic levels, the government-wide level and the fund level. These statements focus on the City as a whole at the government-wide level and on major funds at the fund level whereas financial statements prior to GASB No. 34 focused on reporting by fund type. 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 for the financial reporting entity of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

Likewise, the City is reported separately from certain legally separate component units which meet the criteria for discrete presentation as set forth in GASB Statement No. 14.

The government-wide statement of net assets reports all financial and capital resources of the City and is presented in an “assets minus liabilities equal net assets” format with net assets reported in the order of relative liquidity. Also, assets and liabilities are presented in relative order of liquidity with liabilities which have an average maturity of more than one year separated into the amount due within one year and the amount due in more than one year.

The government-wide statement of activities identifies the relative financial burden of each of the City's functions (General, Finance, Public Works, Planning and Inspection, Public Safety, Welfare, and Cultural and Recreation) or segments (Water and Sewer, Solid Waste, Natural Gas and Liquid Waste) on the taxpayers by identifying direct expenses and the extent of self support through program revenues. Direct expenses are clearly identifiable expenses that can be specifically associated with a function or segment. Program revenues are revenues derived directly from the function or segment or from other sources which reduce the net cost of the function to be financed from general government revenues.

Program revenues are: 1) charges to customers who purchase, use, or directly benefit from services provided by a function or segment and which are generated by that function, 2) grants and contributions restricted to operating requirements of a function or segment and, 3) grants and contributions restricted to capital requirements of a function or segment. Items such as taxes, investment earnings and non-specific grants are not included as program revenues but are instead reported as general revenues which normally cover the net cost of a function or segment.

Interfund services provided and used are not eliminated in process of consolidation in the government-wide statement of activities. However, the effect of internal service fund activities in the government-wide statements is eliminated to the extent possible to avoid the effect of “doubling up” internal service fund activity. Internal service funds report activities which provide goods or services to the financial reporting entity on a cost reimbursement basis. Any net profit or loss from these activities is allocated back to the function or segment that benefited from the goods or services provided based upon their proportionate benefit to the extent possible. Any residual assets of internal service funds are reported with governmental activities at the entity-wide level.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-Wide and Fund Financial Statements - Continued

Fund level financial statements are presented for governmental funds, proprietary funds with a focus on major funds, and fiduciary funds, which are excluded from the government-wide financial statements because they do not represent assets which can be used to support the City's programs. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category and for the governmental and enterprise funds combined) for the determination of major funds. Non-major funds are combined in a column in the fund financial statements.

Additionally, any fund deemed particularly important by the City may be reported as a major fund. The financial information for each major fund is presented in a separate column, with nonmajor funds aggregated and displayed in a single column, on either the governmental or proprietary fund financial statements. The fund level statements for proprietary funds also contain combined totals for all internal service funds. This information is presented in a separate column immediately to the right of the total column for all enterprise fund activity.

The focus of fiduciary funds is on net assets and changes in net assets. These funds report assets held in a trustee or agency capacity by the City for the benefit of others and cannot be used to support City activities.

C. Measurement Focus and Basis of Accounting

The government-wide statements and proprietary fund statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus. Exchange and exchange-like transactions, transactions in which the City gives or receives value and receives or gives equal value, that create revenues, expenses, gains, losses, assets or liabilities are recognized when the exchange occurs. Nonexchange transactions, transactions in which the City gives or receives value without receiving or giving equal value in exchange, that result in revenues, expenses, gains, losses, assets or liabilities are recognized in accordance with GASB No. 33, as amended by GASB Statement Nos. 34 and 36. The treatment of nonexchange transactions is grouped in four classes based upon the principal characteristics of the transaction and reported according to those characteristics. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Capital assets are reported as historical cost and depreciated, except for inexhaustible assets such as land, in accordance with the City's depreciation policy.

Governmental fund financial statements are reported using a current financial resources measurement focus and modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus and Basis of Accounting – Continued

In the case of property and sales taxes, available means due within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Grant revenues are considered to be available if they are to be received within one year. Expenditures are generally recorded when a liability is incurred. However, expenditures related to general long-term debt, compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current 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 government.

Governmental fund level revenues which have been accrued based upon the susceptible to accrual concept are:

General Fund – ad valorem taxes, sales taxes, interest and federal and state grant proceeds, except where such grants are expenditure driven and other requirements related to the grant have not been met.

Special Revenue Funds – federal and state grant proceeds and interest, except where such grants are expenditure driven and other requirements related to the grant have not been met.

Debt Service Fund – ad valorem taxes and interest.

Capital Projects Fund – interest.

Proprietary fund activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. This measurement focus includes all assets and liabilities on the balance sheet. Operating statements using this focus present a net total assets view of increases (revenues) and decreases (expenses) in the fund.

All applicable GASB pronouncements as well as the FASB Codification of Statements, Interpretations, APB Opinions and Accounting Research Bulletins issued on or before November 30, 1989, are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The City has elected not to follow subsequent private-sector guidance.

Proprietary fund operating statements distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses generally are the result of providing or delivering goods or services in association with the fund's principal on going operations. The principal operating revenues of the City's water and sewer, solid waste, liquid waste, and natural gas funds are charges of this type. Operating expenses include the costs of administration, sales, services and depreciation.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus and Basis of Accounting – Continued

Transactions resulting in nonoperating revenues and expenses are normally created by such items as cash flows from capital and related financing activities, noncapital financing activities, investing activities, and include most nonexchange and exchange-like revenues.

The following major funds are used by the City:

GOVERNMENTAL FUNDS

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type activities).

Other Governmental Funds – The non-major governmental funds include:

1. *Special Revenue Funds* – The Special Revenue Funds account for revenues derived from specific taxes or other earmarked revenue sources that are legally restricted to expenditures for a specific purpose.
2. *Debt Service Fund* – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. Financing is provided by property tax levies.

PROPRIETARY FUNDS

All Proprietary Funds are considered major funds.

Water and Sewer Fund – The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including administration, operations, maintenance, financing, and billing and collection.

Solid Waste Fund – The Solid Waste Fund is used to account for the provision of solid waste services to the residents of the City.

Natural Gas Fund – The Natural Gas Fund is used to account for the provision of natural gas to the citizens of Odessa. As of September 30, 2010, the City would no longer purchase and sale natural gas to the citizens of Odessa.

Ratliff Golf Course Fund – The Ratliff Golf Course Fund is used to account for the provision of a public golf course located in Odessa.

Liquid Waste Fund – The Liquid Waste Fund is used to account for the provision of liquid waste disposal to the City, County and citizens.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus and Basis of Accounting – Continued

PROPRIETARY FUNDS – Continued

Storm Water Fund – The Storm Water Fund is used to account for the provision of the new Storm Water Program as approved by the Texas Commission on Environmental Quality and Environmental Protection Agency (EPA).

OTHER FUND TYPES

Internal Service Funds account for the fleet management services and insurance provided to other departments or agencies of the City or to other governments, on a cost reimbursement basis.

Agency Funds are used to report assets which cannot be used to support City activities and are held in an agency capacity by the City for the benefit of others. The Payroll Fund accounts for the collection and distribution of wages, salaries, and employee deductions. The Ector County Utility District Fund accounts for the billing and collection service provided to this entity by the City. The Martin Luther King Memorial and Motor MPO funds account for the financial activities of those activities.

D. Cash and Investments

Cash and Investments include amounts in demand deposits as well as investments. Cash and Cash Equivalents, as defined for cash flow purposes, include cash and investments with original maturity dates no longer than three months. The City's investments are stated at fair value, except for external investment pools. Fair value is based on quoted market prices as of the valuation date. Management's intent is to hold all investments to maturity and thereby recover the full value of the various investments made. The gain/loss resulting from valuation will be reported within the "Investment Income" account on the Statement of Revenues, Expenditures, and Changes in Fund Balance (Equity).

The portfolio did hold investments in external pools that are not SEC-registered. The external investment pools are:

LOGIC - LOGIC was created by an interlocal contract under the laws of the state of Texas and is governed by the Public Funds Investment Act, Chapter 2256, Texas Government Code and is rated AAAM by Standard & Poor's. It is not registered with the SEC as an investment company. LOGIC is governed by a board of directors consisting of three local government participants. It is required by the Public Funds Investment Act to maintain an "AAA" rating. LOGIC uses the amortized cost method permitted by SEC Rule 2a7. LOGIC operates in substantial compliance with Rule 2a7, to the extent such rule is applicable to its operations. The fair value of LOGIC shares is the same as the value of LOGIC's shares, pursuant to the amortized cost method permitted by Rule 2a7.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Cash and Investments – Continued

TexPool – Texpool was also created by an interlocal contract and is governed by the Public Funds Investment Act. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

TexStar – TexStar is administered by First Southwest Asset Management, Inc. and JP Morgan Chase. TexStar is a local government investment pool created under the Interlocal Cooperation Act and is rated AAAM by Standard and Poor's. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas Public Fund Investment Act. The fair value of the position in TexStar is the same as the value of TexStar shares.

E. Receivables, Payables and Interfund Transactions

The City's Water and Sewer Enterprise Fund operates on a monthly billing cycle, issuing billings continuously throughout the month. The accounts receivable for water and sewer at September 30, 2010, represents the final unpaid billings issued prior to September 30, 2010, and includes an amount for unbilled September 2010, consumption.

Short-term loans between funds are reported as interfund receivables in the fund making the loan and as interfund payables in the fund receiving the loan. Arms length transactions between funds for goods and services are reported as revenues in the selling fund and as expenses/expenditures in the acquiring fund. Any unpaid amounts are appropriately recorded as interfund receivables/payables. Any residential balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances", flows or assets from one fund to another with no requirement for repayment or without an equivalent flow of assets in return are accounted for as transfers.

F. Inventories

Inventories are valued at cost, which approximates market, using the first-in, first-out method and recorded under the consumption method. Inventories in the General Fund consist of expendable supplies. The cost is recorded as inventory at the time individual items are acquired and included in expenditures as supplies are used.

G. Restricted Assets

These assets consist of cash and other investments legally restricted for the repayment of Water and Sewer debt as required by applicable bond covenants.

H. Property Held for Sale

The City acquired certain properties during the fiscal year in conjunction with a federal grant program. These properties will be rehabbed and then sold to qualified buyers.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. Capital Assets

Capital Assets are defined as a purchase, construction or other acquisition of any equipment, facilities or other similar assets, in which the cost is in excess of \$5,000 and has a useful life of more than one year. These assets include property, plant, equipment, infrastructure, and all other tangible and intangible assets purchased or acquired. Purchased or constructed assets are carried at historical cost or estimated historical cost. Infrastructure assets, which include streets and associated drainage, sidewalks, bridges, drainage systems, water and sewer systems, lighting systems and other similar type assets, have been recorded at historical or estimated historical cost. Donated assets are recorded at estimated fair market value at the time of donation.

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

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

Depreciable capital assets are depreciated using the straight line method over the following estimated useful lives:

Buildings	25 - 40 Years	Machinery and Equipment	5 - 20 Years
Improvements	25 - 40 Years	Data Processing Equipment	5 Years
Infrastructure	25 Years	Automotive Equipment	3 - 20 Years
Furniture and Office Equipment	7 - 10 Years	Radio Equipment	5 Years

J. Accrued Employee Benefits Payable

The City has in place a consolidated leave policy for sick, vacation, and emergency leave which is referred to as unileave. The rate at which employees accrue unileave time is dependent upon length of service and ranges from seventeen days to twenty-days per year. Any unileave not used within the year in which it was accrued may be carried over to the following year without limitation, until termination of employment, at which time it would be paid to the employee at his or her current salary per hour. The vacation time that had accrued prior to the inception of this policy was transferred to the employee's unileave account and considered to be the beginning unileave balance. All sick leave an employee accrued prior to this policy was placed in an Old Plan accrual account. This sick leave is available to the employee to be utilized after the employee has utilized five consecutive full days of unileave and needs additional days for the same reason. At termination, those employees with sick leave hours remaining under the Old Plan will be paid for those hours at a rate of one-for-two, which means the employee will receive one hour of current pay for every two hours of sick leave accrued. The City accrues a liability for compensated absences that meet the following criteria:

1. The City's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' service already rendered.
2. The obligation relates to rights that vest or accumulate.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J. Accrued Employee Benefits Payable – Continued

3. Payment for compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the City accrued a liability for unileave and for remaining sick leave, and compensatory time which has been earned but not taken by City employees. For government-wide financial statements and proprietary fund financial statements, the entire liability for compensated absences has been recorded in the liabilities section.

K. Long-Term Obligations

General Obligation Bonds, Certificates of Obligation and Capital Leases which have been issued to fund purchases and capital projects of the general government that are to be repaid from tax revenues of the City are reported in the government-wide statement of net assets. Revenue Bonds and Capital Leases which have been issued to fund capital projects of proprietary funds that are to be repaid with funds from proprietary fund assets are reported in the proprietary funds. Bonds payable are reported net of the associated premium or discount at the government-wide level and in the fund level proprietary fund statements.

The government-wide and proprietary fund level statements defer bond premiums, discounts and issuance costs and amortize these items over the life of the issue using the effective interest rate method. In the fund level statements, governmental fund types recognize these items in the current period.

L. 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.

The following is a list of all reserved and designated fund balances and restricted net assets used by the City in their fund financial statements and a description of each:

- *Reserved for Encumbrances – Encumbered but unspent funds to be recognized as expenditures upon vendor's performance.*
- *Reserved for Debt Service – Net assets legally restricted for retirement of general long-term debt.*
- *Designated for Contingencies – Funds appropriated by City Council Resolution 83R-62 for the purpose of providing for contingencies with an amount based on a minimum of 60 days emergency operations.*
- *Designated for Budget Stabilization – Funds reserved by City Council Ordinance 99-04 for the purpose of protecting the City against a decline in sales tax revenue of up to 15%, as well as a 10% decline in property tax revenues or any other revenue loss. The reserve amount is based upon a 25-day balance based on the last adopted budget.*

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

L. Fund Equity – Continued

- *Designated for Obligated Projects* – Funds to be used for various capital projects currently in progress. The expenditures will be recognized as the costs are incurred.
- *Designated for Compensated Absences* – Funds to be used for the payment of accrued compensated absences.

Restricted Net Assets reported in the proprietary fund and government-wide net assets consist of the following:

- *Restricted for Debt Service* – Net assets legally restricted for the retirement of debt.
- *Restricted for Rate Stabilization* – Net assets legally restricted under debt covenants for the repayment of debt, if necessary.

M. Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on the following October 1 and are due and payable at that time. Taxes are collected by the collecting agency beginning September 1. All unpaid taxes levied October 1 become delinquent February 1 of the following year.

For fund financial statements, property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected soon enough after year-end to be used to pay current expenditures. This is approximately sixty days after year-end. All other outstanding receivables are adjusted from revenue and recognized as deferred for future collections. An allowance equal to 4% of the outstanding property taxes at September 30, 2010 has been reported.

General property taxes are limited by Home Rule Charter to \$2.00 per \$100 for assessed valuation. There is no limitation within the \$2.00 ceiling for debt service. The combined tax rate for the year ended September 30, 2010, was \$.523 per \$100 of assessed valuation, therefore leaving a tax margin of \$1.477 per \$100 which represented approximate potential property tax revenue of \$57,291,136.

State statutes limit the debt service tax rate to an amount no greater than that needed to meet current year principal and interest requirements, but does provide for an allowance for the uncollected current year's tax levy. The City has adopted a policy to record all delinquent taxes in the General Fund. The effect of accounting for the delinquent taxes in this manner is to maximize the tax revenue earmarked for debt service and is not significant to the financial statements.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

N. Federal and State Grants and Entitlements

Grants and entitlements may be accounted for within any of the fund types. The purpose and requirements of each grant or entitlement are carefully analyzed to determine the proper fund type in which to record the related transactions. Grants or entitlements received for purposes normally financed through a particular fund type may be accounted for in that fund type provided that applicable legal restrictions can be appropriately satisfied. Such revenues received for purposes normally financed through the general government are accounted for within the Special Revenue Funds: Housing and Community Development Fund and Other Fund. The recognition of these revenues is expenditure driven.

O. Use of Estimates

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

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes reconciliation between fund balance – total government funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(52,632,538) difference are as follows:

Bonds, Certification of Obligations and Notes Payable	\$ (34,135,000)
Plus Bond Premiums	(191,748)
Less Deferred Charge for Issuance Costs	479,845
Less Deferred Loss	282,892
Accrued Interest Payable	(150,239)
Landfill Payable	(1,703,436)
Compensated Absences	(7,634,809)
Capital Lease Payable	(2,823,250)
Other Post Employment Benefits Obligation	(3,982,451)
TMRS Phase-in Liability	<u>(2,774,342)</u>
 Net adjustment to reduce Fund balance - Total	
Government Funds to arrive at net assets - Governmental Activities	<u>\$ (52,632,538)</u>

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS –
CONTINUED**

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

Another element of that reconciliation states that “Other long-term assets are not available to pay for current-period expenditures and therefore, are ‘deferred funds.’” The details of this \$4,450,772 difference are as follows:

Deferred Property Tax Revenue	\$ 1,748,964
Deferred Municipal Court Fines Revenue	1,849,301
Deferred Other Miscellaneous Revenue	<u>852,507</u>
 Net adjustment to increase Fund Balance - Total Governmental Funds to arrive at Net Assets - Governmental Activities	 <u><u>\$ 4,450,772</u></u>

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes reconciliation *between net changes in fund balances – total governmental funds and changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$941,234 difference are as follows:

Capital Outlay	\$ 5,418,090
Depreciation Expense	<u>(4,476,856)</u>
 Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	 <u><u>\$ 941,234</u></u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.” The details of this \$1,786,452 difference are as follows:

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources	<u>\$ 1,786,452</u>
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Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 1,786,452</u></u>
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**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS –
CONTINUED**

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities – Continued

Another element of that reconciliation states that the “Issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.” Neither transaction, however, has any effect on net assets.

Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$1,733,484 difference are as follows:

Principal repayments on Certificates of Obligation and Capital Leases	\$ 1,792,976
Amortization of Premium	19,044
Amortization of Bond Issuances Costs and Deferred Loss	<u>(78,536)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,733,484</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities did not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$(2,513,934) difference are as follows:

Accrued Interest	\$ 33,144
Compensated Absences	(167,723)
Landfill	47,464
Other Post Employment Benefit	(1,008,160)
TMRS Phase-In	<u>(1,418,659)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (2,513,934)</u>

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the City Charter, prior to September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year. The City Charter requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control is at the functional level.
2. Public hearings are conducted with public notice being given within statutory limits, for the purpose of obtaining taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between departments within any funds; however, any revisions that increase the total expenditures of any fund must be approved by the City Council after appropriate public notice and citizen participation.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and Debt Service Fund. The Capital Projects Funds are budgeted over the life of the respective projects.
6. Budgets for the General Fund, most Special Revenue Funds, and Debt Service Fund are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Proprietary Funds are included in the annual budget adopted as a financial plan only. The MOUTD Fund does not require a legally adopted budget in the City's budget process as these are grant dollars budgeted on grant periods exceeding or not conferring with the City's fiscal year.
7. All annual appropriations lapse at the end of each fiscal year.
8. The City Council may authorize supplemental appropriations during the year. During the fiscal year ended September 30, 2010, supplemental appropriations in the amount of \$1,616,321 for rollover encumbrances were necessary in the General Fund.

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2010, expenditures exceeded appropriations in the General Fund General Government Function by \$28,361, the General Public Safety Function by \$691,165 and in the Culture and Recreation Function by \$21,206. These over expenditures were funded by available fund balance and excess current year revenues.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

C. Deficit Fund Equity

The Housing and Community Development Fund had a deficit fund balance at September 30, 2010 of \$(6,958). The deficit is the result of certain accrued expenses for which a reimbursement request had not been made and recorded.

The Liquid Waste Fund had a deficit fund balance at September 30, 2010 of \$(17,924). The deficit is the result of accruing certain year-end expenses for accrued compensation, OPEB and TMRS Phase-in liability.

NOTE 4: DEPOSITS AND INVESTMENTS

In order to facilitate cash management and increase income through combined investment activities, the operating cash of certain funds is pooled into one account in a local bank. At September 30, 2010, certain funds have made disbursements from the pooled account in excess of their individual equity in the pooled cash account, which is recorded as a liability (interfund payable) in the financial statements. The City is authorized to use demand accounts and certificates of deposit.

Deposits - State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of the deposits.

The City's deposits were fully insured or collateralized as required by the state statutes at September 30, 2010. At year-end, the carrying amount of the City's deposits was \$111,688,924 (\$110,614,064 in the Primary Government and \$1,074,860 in the Agency Funds). Of the total, \$22,748,443 was in deposits (including \$9,375,565 in CD's and \$12,912,982 in CDARS CD's) and \$88,940,481 was in investments, and the respective bank balances totaled \$22,575,779. Of the total bank balance, the Federal Depository Insurance Corporation (FDIC) covered \$13,108,670 and \$9,467,109 was covered by collateral held by the pledging bank's agent for the City in the City's name.

Investments – State statutes, city bond ordinances and city resolutions authorize the City's investments. The City is authorized to invest in U.S. Government obligations and its agencies or instrumentalities; direct obligations of this state or its agencies and instrumentalities; other obligations, the principal of and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies or instrumentalities; obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent rating; no-load, SEC registered money market mutual funds with a weighted average stated maturity of 90 days on less fully collateralized repurchase agreements; insured or collateralized certificates of deposit; and local government pools..

The City's investments carried at fair value as of September 30, 2010, are:

	Fair Value	Effective Duration or Weighted Average Maturity	Credit Risk
Investment Pools:			
LOGIC	\$ 3,723,993	53 Days	AAAm - S&P
TEXPOOL	34,775,861	47 Days	AAAm - S&P
TexStar	50,440,627	48 Days	AAAm - S&P
Total Fair Value:	<u>\$ 88,940,481</u>		

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4: DEPOSITS AND INVESTMENTS – CONTINUED

Interest Rate Risk—As required by the City’s investment policy, the City minimizes the interest rate risk, related to the decline in fair value of securities due to rising interest rates in the portfolio by: 1) limiting the effective duration of security types not to exceed three years with the exception of securities purchases related to reserve funds, 2) structuring the investment portfolio so that securities matured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the secondary market prior to maturity, 3) monitoring credit ratings of portfolio positions to assure compliance with rating requirements imposed by the Public Funds Investment Act, and 4) investing operating funds primarily in shorter-term securities and government investment pools.

Credit Risk – In compliance with the City’s investment policy, as of September 30, 2010, the City minimized credit risk losses due to default of a security issuer or backer, by: 1) limiting investments to the safest types of securities by purchasing investments in US Agencies Notes that were rated AAA, AAA, and Aaa by Standard & Poor’s, Fitch and Moody’s respectively, 2) pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business, and 3) diversifying the investment portfolio so that potential losses on individual securities were minimized.

See Note 8 for disclosure of deposit and investment disclosure for the discretely presented component unit.

NOTE 5: RECEIVABLES

Receivables as of September 30, 2010, for the City's individual major funds, and non-major and all other funds in the aggregate, including applicable allowances for uncollectible amounts, are as follows:

	General	Water and Sewer	Solid Waste	Storm Water	Nonmajor and Other Funds	Total
Receivables:						
Property Taxes	\$ 1,973,301	\$ -	\$ -	\$ -	\$ -	\$ 1,973,301
Sales Taxes	3,463,104	-	-	-	-	3,463,104
Accounts	9,125,690	4,341,857	935,882	62,366	7,361	14,473,156
Hotel/Motel Tax	-	-	-	-	553,271	553,271
Intergovernmental	-	-	-	-	1,480,406	1,480,406
Gross Receivables	<u>14,562,095</u>	<u>4,341,857</u>	<u>935,882</u>	<u>62,366</u>	<u>2,041,038</u>	<u>21,943,238</u>
Less: Allowance for Uncollectible	<u>(5,744,479)</u>	<u>(276,016)</u>	<u>(73,835)</u>	<u>-</u>	<u>-</u>	<u>(6,094,330)</u>
Net Total Receivables	<u><u>\$ 8,817,616</u></u>	<u><u>\$ 4,065,841</u></u>	<u><u>\$ 862,047</u></u>	<u><u>\$ 62,366</u></u>	<u><u>\$ 2,041,038</u></u>	<u><u>\$ 15,848,908</u></u>

The City reports, in its governmental funds, deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At September 30, 2010, deferred tax revenue in the amount of \$5,872,031 was reported.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6: CAPITAL ASSETS

Capital asset acquisition and disposal of the reporting entity was restricted to activities of the primary government only. Capital asset activity for the year ended September 30, 2010, was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$ 19,766,924	\$ 234,124	\$ -	\$ 20,001,048
Construction in Progress	2,666,269	3,937,414	2,005,234	4,598,449
Total Capital Assets, not being depreciated	<u>22,433,193</u>	<u>4,171,538</u>	<u>2,005,234</u>	<u>24,599,497</u>
Capital Assets, being depreciated				
Buildings	28,601,960	29,821	-	28,631,781
Improvements other than buildings	31,699,253	707,210	-	32,406,463
Infrastructure	69,652,280	3,656,999	-	73,309,279
Furniture and Office Equipment	465,834	-	2,431	463,403
Machinery and Equipment	4,492,869	673,467	69,513	5,096,823
Data Processing Equipment	5,518,706	69,532	1,177	5,587,061
Automotive Equipment	25,629,914	3,731,162	2,118,515	27,242,561
Radio and Communication Equipment	5,740,094	-	1,849	5,738,245
Total Capital Assets, being depreciated	<u>171,800,910</u>	<u>8,868,191</u>	<u>2,193,485</u>	<u>178,475,616</u>
Less Accumulated Depreciation for				
Buildings	15,284,542	811,190	-	16,095,732
Improvements other than buildings	10,985,855	908,874	-	11,894,729
Infrastructure	47,155,309	1,638,726	-	48,794,035
Furniture and Office Equipment	433,432	8,960	2,431	439,961
Machinery and Equipment	3,151,529	540,292	69,513	3,622,308
Data Processing Equipment	4,673,748	337,038	1,177	5,009,609
Automotive Equipment	15,831,275	3,453,388	2,104,500	17,180,163
Radio and Communication Equipment	4,470,595	541,110	1,849	5,009,856
Total Accumulated Depreciation	<u>101,986,285</u>	<u>8,239,578</u>	<u>2,179,470</u>	<u>108,046,393</u>
Total Capital Assets, being depreciated, net	<u>69,814,625</u>	<u>628,613</u>	<u>14,015</u>	<u>70,429,223</u>
Governmental Activities Capital Assets, net	<u>\$ 92,247,818</u>	<u>\$ 4,800,151</u>	<u>\$ 2,019,249</u>	<u>\$ 95,028,720</u>

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6: CAPITAL ASSETS – CONTINUED

	<u>Beginning Balance</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Business-type Activities				
Capital Assets, not being depreciated				
Land	\$ 365,560	\$ -	\$ -	\$ 365,560
Construction in Progress	7,923,806	6,804,322	2,681,702	12,046,426
Total Capital Assets, not being depreciated	<u>\$ 8,289,366</u>	<u>6,804,322</u>	<u>2,681,702</u>	<u>12,411,986</u>
Capital Assets, being depreciated				
Buildings	9,298,348	-	-	9,298,348
Improvements other than buildings	74,558,942	39,373	-	74,598,315
Infrastructure	101,626,511	5,894,899	-	107,521,410
Furniture and Office Equipment	104,627	5,710	-	110,337
Machinery and Equipment	3,050,093	86,474	102,920	3,033,647
Radio Equipment	3,750	-	-	3,750
Data Processing Equipment	1,024,544	-	2,232	1,022,312
Total Capital Assets, being depreciated	<u>189,666,815</u>	<u>6,026,456</u>	<u>105,152</u>	<u>195,588,119</u>
Less Accumulated Depreciation for				
Buildings	4,616,833	259,007	-	4,875,840
Improvements other than buildings	41,645,217	2,469,119	-	44,114,336
Infrastructure	58,622,289	2,641,256	-	61,263,545
Furniture and Office Equipment	104,627	816	-	105,443
Machinery and Equipment	2,151,598	230,006	102,920	2,278,684
Radio Equipment	1,500	750	-	2,250
Data Processing Equipment	933,474	34,648	2,232	965,890
Total Accumulated Depreciation	<u>108,075,538</u>	<u>5,635,602</u>	<u>105,152</u>	<u>113,605,988</u>
Total Capital Assets, being depreciated, net	<u>81,591,277</u>	<u>390,854</u>	<u>-</u>	<u>81,982,131</u>
Business-type Activities Capital Assets, net	<u>\$ 89,880,643</u>	<u>\$ 7,195,176</u>	<u>\$ 2,786,854</u>	<u>\$ 94,394,117</u>

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6: CAPITAL ASSETS – CONTINUED

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

Governmental Activities

General Government	\$ 326,094
Finance	100,690
Public Works	1,733,799
Planning and Inspection	3,378
Public Safety	1,543,310
Cultural and Recreation	769,585
Capital Assets held by governments Internal Service	
Funds are charged to the various functions based on their usage of assets	3,762,722
 Total Depreciation Expense - Governmental Activities	 \$ 8,239,578

Business-type Activities

Water and Sewer	\$ 5,487,342
Solid Waste	5,099
Ratliff Golf Course	143,161
 Total Depreciation Expense - Business-type Activities	 \$ 5,635,602

NOTE 7: RETIREMENT COMMITMENTS

Texas Municipal Retirement System

Plan Description:

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7: RETIREMENT COMMITMENTS – CONTINUED

Texas Municipal Retirement System (Continued)

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

	Plan Year 2009	Plan Year 2010
Employee Deposit Rate	7%	7%
Matching Ratio (City to Employee)	2 to 1	2 to 1
Years Required for Vesting	5	5
Service Retirement Eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100 % Repeating, Transfers	100 % Repeating, Transfers
Annuity Increase (to Retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions:

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

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation / (asset) as of September 30, 2010, are as follows:

Annual Required Contribution (ARC)	\$ 6,699,317
Interest on Net Pension Obligation	133,781
Adjustment to the ARC	<u>(109,242)</u>
Annual Pension Cost (APC)	6,723,856
Contributions Made	<u>(4,788,753)</u>
Increase (Decrease) in Net Pension Obligation	1,935,103
Net Pension Obligation / (Asset), Beginning of Year	<u>1,813,973</u>
Net Pension Obligation / (Asset), End of Year	<u><u>\$ 3,749,076</u></u>

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7: RETIREMENT COMMITMENTS – CONTINUED

Texas Municipal Retirement System – Continued

Annual TMRS pension cost, net annual pension obligation (NPO) and related information for the last three fiscal years ended September 30, are as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Annual Pension Cost	\$ 6,723,856	\$ 6,418,089	\$ 3,712,787
Actual Contributions Made	4,788,753	4,604,116	3,712,787
Net Pension Obligation Increase	<u>\$ 1,935,103</u>	<u>\$ 1,813,973</u>	<u>\$ -</u>

Contributions as a % of Annual Pension Cost	71.2%	71.7%	100%
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The required contribution rates for the fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

Valuation Date	December 31, 2009	December 31, 2008	December 31, 2007
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level % of Payroll	Level % of Payroll	Level % of Payroll
Remaining Amortization Period	28 Year Closed Period	29 Year Closed Period	30 Year Open Period
Asset Valuation Method	10-Yr. Smoothed Market	Amortized Cost	Amortized Cost
Actuarial Assumptions:			
Investment Rate of Return *	7.50%	7.50%	7%
Projected Salary Increases *	Varies by Age and Service	Varies by Age and Service	Varies by Age and Service
* Includes Inflation at	3%	3%	3%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

The schedule of funding progress, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits:

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded AAL Funded (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL Actuarial as a % of Covered Payroll
12/31/09	\$ 72,702,578	\$ 123,786,574	\$ 51,083,996	58.7%	\$ 29,207,496	174.9%
12/31/08	68,052,044	117,079,347	49,027,303	58.1	27,289,656	179.7
12/31/07	69,364,043	114,111,914	44,747,871	60.8	23,268,108	192.3
12/31/06	70,288,601	95,771,547	25,482,946	73.4	23,405,500	108.9
12/31/05	69,230,189	93,028,393	23,798,204	74.4	21,777,646	109.3
12/31/04	67,637,750	89,651,575	22,013,825	75.4	20,897,729	105.3
12/31/03	68,475,451	88,883,718	20,408,267	77.0	19,549,029	104.4

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7: RETIREMENT COMMITMENTS – CONTINUED

Supplemental Death Benefits Fund (SDBF)

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The plan does not issue a stand-alone financial report, but is included within the TMRS Comprehensive Annual Financial Report.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

Contributions:

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers.

Schedule of Contribution Rates:
(RETIREE-only portion of the rate)

<u>Plan/Calendar Year</u>	<u>Annual Required Contribution (Rate)</u>	<u>Actual Contribution Made (Rate)</u>	<u>Percentage of ARC Contributed</u>
2006	0.07%	0.07%	100%
2007	0.08%	0.08%	100%
2008	0.08%	0.08%	100%
2009	0.08%	0.08%	100%
2010	0.05%	0.05%	100%

Other Postemployment Health Care Benefits (OPEB)

Plan Description

The City offers postemployment health care and dental benefits to all employees who retire from the City and meet certain age-and service-related requirements. Health care benefits are offered directly by the City. For all retirees except firemen, eligibility for benefits for either option begins upon retirement with 20 years of service or upon retirement at age 60 with at least 5 years of service. For firemen, eligibility for benefits begins upon retirement with 20 years of service at age 50. Medical coverage continues past a members' age 65, but Medicare becomes primary.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7: RETIREMENT COMMITMENTS – CONTINUED

Other Postemployment Health Care Benefits (OPEB) – Continued

Plan Description – Continued

Eligible retired employees participating in the Plan pay their premiums directly to the City. The City of Odessa paid benefits of \$790,141 for fiscal year 2010.

The City adopted GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions” during fiscal year 2009. This statement requires governmental entities to recognize and match other postretirement benefit costs with related services received and also to provide information regarding the actuarially calculated liability and funding level of the benefits associated with past services. The Plan is considered a single-employer plan and consists of hospital benefits, major medical benefits, a prescription drug program, dental benefits, and a preferred care program. The health care benefits cover medical and hospitalization costs for retirees and their dependents. If the retiree is eligible for Medicare, City coverage is secondary. The authority under which the Plan’s benefit provisions are established or amended is the City Council. Recommendations for modifications are brought to the Council by the Family Health Benefit Pool Committee. Any amendments to the obligations of the plan members or employer to contribute to the plan are brought forth by the Family Health Benefit Pool Committee and approved by the Council.

Participants included in the actuarial valuation include retirees and survivors, and active employees who may be eligible to participate in the Plan upon retirement. Expenditures for postretirement health care and other benefits are recognized monthly and financed on a pay-as-you-go basis. The City funded approximately 1.5% of the postretirement healthcare and other benefit costs, which totaled \$790,141 for fiscal year ended September 30, 2010. The retirees were responsible for funding approximately 98.5% of the healthcare and other benefit costs.

As part of the transition provisions of GASB statement No. 45, the City accrued an additional \$1,446,140 in retiree healthcare expenses during fiscal year 2010.

The Plan does not issue a stand-alone financial report. For inquiries relating to the Plan, please contact Darrell Wells, City of Odessa, P.O. Box 83, Odessa, Texas, 79764.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7: RETIREMENT COMMITMENTS – CONTINUED

Other Postemployment Health Care Benefits (OPEB) – Continued

The required schedule of funding progress contained in this note presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial Note accrued liability for benefits.

Determination of Annual Required Contribution (ARC) and End of Year Accrual

Cost Element	Fiscal Year Ending September 30, 2010 Amount	Percent of Payroll ¹
1. Unfunded actuarial accrued liability at October 1, 2010	\$ 15,173,522	39.8%
<u>Annual Required Contribution (ARC)</u>		
2. Normal Cost	\$ 767,244	
3. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization	774,142	
4. Annual Required Contribution (ARC = 2 + 3)	<u>\$ 1,541,386</u>	4.0%
<u>Annual OPEB Cost (Expenses)</u>		
5. ARC	\$ 1,541,386	
6. Interest on beginning of year CAFR accrual	118,679	
7. Amortization of beginning of year CAFR accrual	(201,831)	
8. Fiscal 2008 OPEB cost (5 + 6 - 7)	<u>\$ 1,458,234</u>	3.8%
<u>End of Year CAFR Accrual (Net OPEB Obligation) ²</u>		
9. Beginning of year CAFR accrual	\$ 3,955,977	
10. Annual OPEB cost	1,458,234	
11. Employer contribution (benefit payments)	12,094	
12. End of year CAFR accrual (9 + 10 - 11) ²	<u>\$ 5,402,117</u>	14.2%

¹ Annual payroll for the 834 active plan participants as of October 1, 2009 was \$38,167,117.

² Actual benefits and administrative fees paid in fiscal year 2010 of \$790,141 less participant contributions of \$778,047. Employer contributed .8% of annual OPEB cost during fiscal year 2010.

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contributions	Actual Contributions ³	Percentage Contributed
September 30, 2009	\$ 3,979,752	\$ 23,775	0.6%
September 30, 2010	1,541,386	12,094	0.8

³ Since there is no funding, these are actual benefit payments of \$790,141 less retiree contributions of \$778,047 for 2010. For 2009, actual benefit payments were \$688,556 and retiree contribution were \$664,781.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7: RETIREMENT COMMITMENTS – CONTINUED

Other Postemployment Health Care Benefits (OPEB) – Continued

Schedule of Funding Progress

The schedule of funding progress presents multi-year trend information comparing the actuarial value of plan assets to the actuarial accrued liability.

Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll ⁴ (c)	UAAL as a Percentage of Covered Payroll ⁴ [(b)-(a)/(c)]
September 30, 2009	\$ -	\$ 38,026,634	\$ 38,026,634	0%	\$ 38,560,534	98.6%
September 30, 2010	-	15,173,522	15,173,522	0	38,167,117	39.8

⁴ Estimated payroll as of September 30, 2010 and 2009 includes only plan participants.

Note: The annual required contribution (ARC) of \$1,541,386 for fiscal year 2010 and CAFR accrual of \$5,402,117 as of September 30, 2010, are based on a current decision not to fund in a segregated GASB qualified trust.

Three-Year Schedule of Percentage of OPEB cost contributed

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
September 30, 2009	\$ 3,979,752	0.6%	\$ 3,955,977
September 30, 2010	1,458,234	0.8	5,402,117

Summary of Key Actuarial Methods and Assumptions

Valuation Year	October 1, 2009 – September 30, 2010
Actuarial Cost Method	Projected Unit Credit, level dollar
Amortization Method	30 years, level dollar open amortization ⁵
Asset Valuation Method	N/A

⁵ Open amortization means a fresh-start each year for the cumulative unrecognized amount.

Actuarial assumptions:

Discount Rate	3.0%
Projected payroll growth rate	N/A
Health care cost trend rate for Medical and prescription drugs	6.5% in fiscal year 2010, and then decreasing by one-half percentage point per year to an ultimate of 4% in fiscal year 2015 and thereafter.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7: RETIREMENT COMMITMENTS – CONTINUED

Other Postemployment Health Care Benefits (OPEB) – Continued

General Overview of the Valuation Methodology

The estimation of the retiree healthcare benefit obligation is generally based on per participant contributions developed from recent periods for which claims experience is available. The City provided actual claims for 2005-2010.

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

Calculations are based on the types of benefits provided under the terms of the Plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Valuation Year October 1, 2009-September 30, 2010

Date of Census Data October 1, 2009

Actuarial Cost Method Projected Unit Credit actuarial cost method; Unfunded Actuarial Liability (UAL) amortized on a level dollar basis over 30 years.

Retiree Premiums (without Primary Eligibility Elsewhere)

Health (Monthly Rate)	Gold	Silver	Bronze
Retiree Only	576.52	547.84	N/A
Retiree Plus One	728.66	646.28	547.84
Family	777.02	687.50	580.06
 Dental-Base (Monthly Rate)			
Retiree	29.04	29.04	29.04

Retiree Premiums (with Primary Eligibility Elsewhere)

Health (Monthly rate)	Gold	Silver	Bronze
Retiree Only	342.76	252.98	215.58
Retiree Plus One	516.76	380.60	325.26
Family	572.36	435.70	371.22
 Dental-Base (Monthly Rate)			
Retiree	29.04	29.04	29.04

Administrative expenses are included in the premiums.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7: RETIREMENT COMMITMENTS – CONTINUED

Other Postemployment Health Care Benefits (OPEB) – Continued

General Overview of the Valuation Methodology – Continued

Annual Health Care Trend Rate Medical and Fiscal Rx Combined

<u>Year</u>	<u>Rate</u>
2010	6.5%
2011	6.0
2012	5.5
2013	5.0
2014	4.5
2015	4.0

Discount Rate 3.00% per annum

Spouse Age Difference Husbands are assumed to be three years older than wives for current and future retirees who are married

Mortality IRS 2008 Combined Static Mortality Table

Participation Rates Active employees are assumed to elect spousal coverage, where applicable.

Retirement Rates

Employees are assumed to retire according to the following schedule:

<u>Age</u>	<u>Male Retirement Rates</u>	<u>Female Retirement Rates</u>
55-59	5.0%	5.0%
60	17.5%	30.0%
61	15.0%	14.0%
62	45.0%	35.0%
63	25.0%	20.0%
64	25.0%	16.0%
65	100.0%	100.0%

Sample Withdrawal and Disability Rates

Employees are assumed to terminate or become disabled according to the following percentages:

<u>Service</u>	<u>Male Termination Rates</u>	<u>Female Termination Rates</u>
0	23.0%	23.3%
3	10.1%	13.5%
6	6.4%	8.8%
9	3.9%	5.0%
12	2.5%	2.1%
15	1.8%	1.4%
18	1.6%	1.1%

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7: RETIREMENT COMMITMENTS – CONTINUED

Firefighters’ Relief and Retirement Fund

Plan Description:

The Board of Trustees is the administrator of the Odessa Firefighters’ Relief and Retirement Fund (“OFRRF”), a single-employer defined benefit pension plan. The Odessa Firefighters’ Relief and Retirement Fund is a separate legal entity and issues its own audited financial statements which may be obtained by writing the Odessa Firefighters’ Relief and Retirement Fund Board of Trustees, P.O. Box 4398, Odessa, Texas 79760.

Additionally, the Fund has single entity actuarial valuations performed as of December 31 in even numbered years. The last actuarial valuation report available is for the year ended December 31, 2008. A degree of financial dependence upon the City does exist to the extent the City makes contributions to the Fund equal to a percentage of the participant’s pay - 16.23% for 2009 and 16.8% for 2010.

In the City’s professional judgment, this dependence is not sufficient to warrant inclusion of the Fund’s activities within the City’s basic financial statements.

Firefighters in the Odessa Fire Department are covered by the Odessa Firefighters’ Relief and Retirement Fund. The table below summarizes the membership of the fund at December 31, 2009:

	<u>December 31, 2009</u>
Retirees and beneficiates currently receiving benefits	136
Terminated employees entitled to benefits but not yet receiving	9
Current employees	
a. Vested	82
b. Partially Vested	-
c. Nonvested	<u>79</u>
TOTAL	<u>306</u>

The Odessa Firefighters’ Relief and Retirement Fund provide service retirement, death, disability and withdrawal benefits. These benefits become fully vested after 20 years of credited service. Employees may retire at age 50 with 20 years of service. A partially vested benefit is provided for employees who terminate employment with at least 10 but less than 20 years of service. Employees are also eligible for immediate actuarially reduced early retirement benefits upon completion of 20 years of service. The monthly benefit at normal retirement, payable in a joint and 2/3 to spouse form of annuity, is equal to 72% of highest 60-monthly average salary plus \$107 per month for each whole year of service in excess of 20 years.

This plan of benefits, which is described as the "New Plan", became effective October 1, 2000. Firefighters retiring after age 50 with 20 years of service are eligible for a supplemental benefit of \$500 per month for life of member/eligible surviving spouse. Also, a change in the Cost of Living Adjustment (COLA) was made to increase the COLA to one percent with a minimum of \$37. The plan also provides for an optional “DROP” benefit. A partially vested benefit is provided for employees who terminate employment with at least 10, but less than 20 years of service. These partially vested employees are permitted to draw a reduced, but actuarially equivalent benefit prior to the date the member would have had 20 years of service or the member reached age 50, whichever occurs later.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7: RETIREMENT COMMITMENTS – CONTINUED

Firefighters' Relief and Retirement Fund – Continued

A member drawing a benefit under this proposal is not eligible for supplemental benefits or for COLA benefits. Employees are also eligible for immediate actuarially reduced early retirement benefits upon completion of 20 years of service. Odessa firefighters are required to contribute 13.00% of their pay to the fund. The City is required to make contributions which will equal the effective matching requirement of TMRS. This rate for 2009 was 16.23% and for 2010 was 16.8%. The benefit and contribution provisions of this plan are authorized by the Texas Local Firefighters Retirement Act (TELFRA).

While the contribution requirements are not actuarially determined, state law requires that each plan of benefits adopted by the Fund must be approved by a qualified actuary. The actuary certifies that the contribution commitment by the firefighters and the City provides an adequate financing arrangement. This financing arrangement includes consideration of the Fund's funding status on a going-concern basis and progress made in accumulating sufficient assets to pay benefits when due. Using the entry age actuarial cost method, the plan's normal cost is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost rate is used to amortize the plan's unfunded actuarial accrued liability, and the number of years needed to amortize the plan's unfunded actuarial accrued liability is determined using a level percentage of payroll method.

Actuarial valuations are performed every two years. For years in which actuarial valuations are not performed, estimates are made using the actuarial methods and principles.

Basis of Accounting:

The Odessa Firefighters' Relief and Retirement Fund financial statements are prepared using the accrual basis of accounting with a December 31 year-end. Employee and employer contributions are recognized as revenues in the period in which they are received by the Fund for benefit purposes, but reported as accrued in the audited statements. Benefits paid are recognized in the period paid.

Method Used to Value Investments:

The Odessa Firefighters' Relief and Retirement Fund's investments are reported at fair value. Investment income is recognized as earned.

Summary of Significant Accounting Policies and Plan Asset Matters:

In accordance with the policy of stating investments at fair value, the amount reflected as the net appreciation (depreciation) in fair value represents the net changes in fair values from the beginning of the year or date of purchase (whichever is later) to the end of the year, adjusted for securities sold during the year. The Fund has no single investment that represents 5% or more of the Fund's net assets.

The Odessa Firefighters' Relief and Retirement Fund adopted the current plan effective December 19, 2002.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7: RETIREMENT COMMITMENTS – CONTINUED

Firefighters' Relief and Retirement Fund – Continued

Funding Status and Progress:

The Fund is required by statute to conduct actuarial studies every two years and conducted the last study December 31, 2008, for the plan in effect at that time. The following disclosures relative to the funding and progress of the plan are made for the plan in effect and the plan year ended December 31, 2008.

The funding policy of the Fund requires contributions equal to 13.00% of pay by the firefighters and 14.69% of pay by the City of Odessa.

While the contribution requirements are not actuarially determined, state law requires that each plan of benefits adopted by the Fund must be approved by a qualified actuary. The actuary certifies that the contribution commitment by the firefighters and the City provide an adequate financing arrangement.

Annual Odessa Firefighters' Relief and Retirement Fund pension cost, net pension obligation (NPO) and related information for the last three years is as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Annual Required Contribution ARC	<u>\$ 1,417,224</u>	<u>\$ 1,240,085</u>	<u>\$ 1,192,690</u>
Annual Pension Cost	1,417,224	1,240,085	1,192,690
Contributions Made	1,417,224	1,240,085	1,192,690
Change in Net Pension Obligation	-	-	-
NPO, Beginning of Year	-	-	-
NPO, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>2008</u>	<u>2006</u>
Contributions as a % of Annual pension cost	100%	100%
Actuarial valuation date	January 1, 2009	January 1, 2007
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Open method	Open method
Asset valuation method	Level percentage of payroll Smoothed market values	Level percentage of payroll Smoothed market values
Amortization period for ARC	30 years	30 years
Amortization period for UAAL	will not amortize	38 years
Amortization period for UAAL without 120% of market value limit on AV of assets	35.9 years	38 years
Actuarial assumptions		
Investment rate of return	8.5%	8.5%
Inflation rate	3.5%	3.5%
Cost-of-living adjustments	1%	1%
Projected salary increases	4.5% per year	4.5% per year

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7: RETIREMENT COMMITMENTS – CONTINUED

Firefighters’ Relief and Retirement Fund – Continued

Schedule of Funding Progress - An analysis of funding progress is as follows:

Actuarial Valuation Date *	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL Funded (UAAL)	Percentage Funded	Annual Covered Payroll	UAAL Actuarial as a % of Covered
12/31/09	N/A	N/A	N/A	N/A	N/A	N/A
12/31/08	\$ 40,697,590	\$ 69,827,153	\$ 29,129,563	58.3%	\$ 8,437,868	345.2%
12/31/07	N/A	N/A	N/A	N/A	N/A	N/A
12/31/06	46,340,444	60,504,139	14,163,695	76.6	7,562,781	187.3
12/31/05	N/A	N/A	N/A	N/A	N/A	N/A
12/31/04	40,209,041	53,098,711	12,889,670	75.7	6,922,260	186.2
12/31/03	N/A	N/A	N/A	N/A	N/A	N/A
12/31/02	34,128,630	48,377,824	14,249,194	70.5	7,023,092	202.9

* Actuarial valuation performed every two years.

NOTE 8: DISCRETE COMPONENT UNIT - ODESSA DEVELOPMENT CORPORATION

The financial report of the Odessa Development Corporation can be obtained or reviewed by writing to Odessa Development Corporation, Treasurer, P.O. Box 4398, Odessa, Texas, 79760.

A. Significant Accounting Policies

1. Definition and Nature of Entity

The Odessa Development Corporation, (“the Corporation”) is a quasi-governmental organization created on December 1, 1997 as a public instrumentality and non-profit industrial development corporation under provisions of the Development Corporation Act of 1979 of the State of Texas, and is funded by a ¼ percent sales tax.

The Corporation is governed by a five-member Board of Directors appointed by the City Council, and the Corporation's annual operating budget, as well as projects undertaken by it, is subject to approval by the City Council. Because of this oversight responsibility, the Corporation is considered to be a component unit of the City of Odessa, and in accordance with Governmental Accounting Standards Board (GASB) Statement 14, and as amended by GASB Statement 39, its financial affairs are included in the City's comprehensive annual financial report as a discretely-presented entity. Based on the nature of its major revenues, it is included in the City's governmental funds presentation.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8: DISCRETE COMPONENT UNIT - ODESSA DEVELOPMENT CORPORATION – CONTINUED

A. Significant Accounting Policies – Continued

1. Definition and Nature of Entity – Continued

The purpose of the Corporation is to promote and develop industrial and manufacturing enterprises in order to eliminate unemployment and underemployment, and to promote and encourage employment and the public welfare of, for, and on behalf of the City, and to do any and all projects authorized by section 4A of the Development Corporation Act.

2. Government-Wide and Fund Financial Statements

The basic financial statements of the Corporation are presented at two basic levels, the government-wide level and the fund level. These statements focus on the Corporation as a whole at the government-wide level and on the major fund at the fund level whereas financial statements prior to GASB No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, focused on reporting by fund type. The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of activities of the Corporation. There is no interfund activity in the Corporation’s statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are the only reported activities.

The government-wide statement of net assets reports all financial and capital resources of the Corporation and is presented in an “assets minus liabilities equal net assets” format with net assets reported in the order of relative liquidity. Also, assets and liabilities are presented in relative order of liquidity with liabilities which have an average maturity of more than one year separated into the amount due within one year and the amount due in more than one year.

The government-wide statement of activities identifies the relative financial burden of each of the Corporation’s functions on the taxpayers by identifying direct expenses and the extent of self-support through program revenues. Direct expenses are clearly identifiable expenses that can be specifically associated with a function. Program revenues are revenues derived directly from the function or from other sources which reduce the net cost of the function to be financed from general government revenues. Program revenues are 1) charges to customers who purchase, use, or directly benefit from services provided by a function and which are generated by that function, 2) grants and contributions restricted to operating requirements of a function and, 3) grants and contributions restricted to capital requirements of a function. The Corporation had no program revenues for the 2010 year. Items such as taxes, investment earnings and non-specific grants are not included as program revenues but are instead reported as general revenues which normally cover the net cost of a function.

Fund level financial statements are presented for the governmental fund, with a focus on the major fund. A major fund is defined by GASB Statement No. 34, paragraph 76, as amended by GASB Statement No. 37, paragraph 15, as a fund meeting certain specific asset, liability, revenue, or expenditure/expense criteria relative to all funds of that type and relative to the total for all governmental and enterprise funds combined.

A budgetary comparison schedule for the General Fund is included in the RSI – required supplementary information of the Corporation’s financial statements.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8: DISCRETE COMPONENT UNIT - ODESSA DEVELOPMENT CORPORATION – CONTINUED

A. Significant Accounting Policies – Continued

3. Measurement Focus and Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Exchange and exchange-like transactions, transactions in which the Corporation gives or receives value and receives or gives equal value, that create revenues, expenses, gains, losses, assets or liabilities are recognized when the exchange occurs. Nonexchange transactions, transactions in which the Corporation gives or receives value without receiving or giving equal value in exchange, that result in revenues, expenses, gains, losses, assets or liabilities are recognized in accordance with GASB No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", as amended by GASB Statement Nos. 34 and 36, "Recipient Reporting for Certain shared Nonexchange Revenues." The treatment of Nonexchange transactions is grouped in four classes based upon the principal characteristics of the transaction and reported according to those characteristics.

Government fund financial statements are reported using a current financial resources measurement focus and modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. In the case of sales taxes, available means due within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Expenditures are generally recorded when a fund liability is incurred.

Governmental fund level revenues, which have been accrued based upon the susceptible to accrual concept, are sales taxes.

The only major fund used by the Corporation is the General Fund. As the only operating unit of the Corporation; this fund accounts for the major activities of the Corporation's, collection of sales tax revenues and payment of contractual expense items.

4. Use of Estimates

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

5. Budget

The annual budget is legally adopted by the Corporation's Board and is prepared on a basis consistent with accounting principles generally accepted in the United States of America. At least sixty days prior to the commencement of each fiscal year of the Corporation, the Board shall adopt a proposed budget of expected revenues and proposed expenditures for the next ensuing fiscal year. The budget shall contain such classifications and shall be in such form as may be prescribed by the Council. The budget shall not be effective until the same has been approved by the Council. Expenditures may not exceed the appropriation of the adopted annual operating budget. Supplemental appropriations during the year must be approved and adopted by the Corporation's Board and the City Council.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8: DISCRETE COMPONENT UNIT - ODESSA DEVELOPMENT CORPORATION – CONTINUED

A. Significant Accounting Policies – Continued

6. Investments

The Corporation elected to implement GASB Statement 31, “Accounting and Financial Reporting for Certain Investments and for External Investment Pools” as of September 30, 1998. As a governmental entity other than an external investment pool in accordance with GASB 31, the Corporation’s investments are stated at fair value, except for external investment pools.

In applying GASB 31, the Corporation utilizes the following methods and assumptions:

- a) Fair value is based on quoted market prices as of the valuation date;
- b) The portfolio did not hold investments in any of the following:
 - 1) Items required to be reported at amortized cost,
 - 2) Items subject to involuntary participation in an external pool,
 - 3) Items associated with a fund other than the funds to which the income is assigned;
- c) The portfolio did hold investments in external pools that are not SEC registered. The external investment pool is TexPool. The State Comptroller of Public Accounts exercises oversight over TexPool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. TexPool operates in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.
- d) The gain/loss resulting from valuation will be reported within the “Investment Income” account on the Statement of Revenues, Expenditures, and Changes in Fund Balance.

7. Reserved Fund Balance

The Corporation records reserves to indicate that a portion of fund balance is legally segregated for a specific future use. The Corporation has the following:

Reserved for Incentives (in the Corporation’s financial statements) - Represents funds obligated under contract with other organizations/businesses for the purpose of promoting and developing industrial enterprises.

8. Sales Taxes

Sales taxes are recognized as revenue in the month in which sales tax returns are filed with the State Comptroller, in which returns generally report taxes that were collected by the remitter in the immediately preceding month.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8: DISCRETE COMPONENT UNIT - ODESSA DEVELOPMENT CORPORATION – CONTINUED

A. Significant Accounting Policies – Continued

9. Income Taxes

Because the Corporation is wholly-owned by the City of Odessa and its revenues are related to its public purpose, any net revenues of the Corporation are exempt from federal income tax under the Internal Revenue Code of 1986, as amended.

B. Reconciliation of Government-Wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:
 - There are no differences between the governmental fund balance sheet and the government-wide statement of net assets. The nature of the other assets and liabilities which were reported at the government-wide level are such that they also met the criteria for reporting at the fund level.
2. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balance and the government-wide statement of activities:
 - There are no differences between the governmental fund statement of revenues, expenditures and changes in fund balance and the government-wide statement of activities because the nature of the revenues and expenses which were accrued at the government-wide level were such that they also met the criteria for accrual at the fund level.

C. Cash and Investments

As further described in Note F, the City of Odessa serves as the Corporation's fiscal agent. Under the arrangement, the Corporation's cash and investments are accounted for by the City as an agency fund, and its uninvested cash (if any) is held in the City's depository in the City's name as agent for the Corporation. As required by the Revised Statutes of the State of Texas, all of the City's deposits, to the extent not insured by federal depository insurance, are collateralized by securities held by an independent third party agent in the City's name under a joint custody arrangement giving the City unconditional rights and claims to the collateral.

At year-end, the carrying amount of the Corporation's cash and investments were \$6,988,713, of which \$2,874,929 was held in investments in TexPool, and \$4,113,784 was held in certificates of deposit at local banks. The certificates of deposit were entirely covered by federal depository insurance or collateralized with securities held by the pledging financial institution's agent in the Corporation's name.

The Corporation's investments are administered by the City's management under terms of an investment policy and strategy that has been updated to conform to the latest amendments to the Texas Public Funds Investment Act. The Corporation is authorized to invest in the same as the City, which is disclosed in Note 4. At September 30, 2010, 41% of the Corporation's investments were in an external investment pool, TexPool.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8: DISCRETE COMPONENT UNIT - ODESSA DEVELOPMENT CORPORATION – CONTINUED

D. Receivables

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

	General
Receivables	
Sales Tax	\$ 865,775
Gross Receivables	865,775
Less: Allowance for Uncollectibles	-
Total Net Receivables	\$ 865,775

The Odessa Development Corporation does not anticipate any uncollectible accounts as of September 30, 2010.

E. Concentrations of Risk

As described in Note A, the Corporation's funding is dependent upon ¼ percent sales tax assessed on retail sales within the city limits of the City of Odessa. This revenue source is subject to the normal economic fluctuations experienced by the City and the surrounding region. As described in Note C, the Corporation's cash and investments, which were in the total amount of \$6,988,713 at September 30, 2010, are held at TexPool and Wells Fargo.

F. Transactions with Municipality

The City of Odessa serves as fiscal agent for the Corporation, furnishing accounting, investment management, and data processing services under a contract, which provides that the City will be reimbursed for its cost of providing the services. The City will also prepare and provide space and information for the Corporation's board meetings. Fees charged under this agreement, are \$3,682 per month and for the period ended September 30, 2010, the Corporation paid the City \$44,184.

G. Commitments

The Corporation entered into a contract with the Odessa Chamber of Commerce to provide economic development services (referred to as the "Economic Development Program") in accordance with the General Development Plan, as prepared by the Corporation. The Corporation paid the Chamber \$653,221 for the current year, paid in equal quarterly installments. The Chamber contributed certain in-kind services as provided in the contract. The contract period began October 1, 2009 and terminated on September 30, 2010, whereby a new annual contract began with essentially the same provisions.

The Corporation entered into a contract with MOTRAN Alliance, Inc. to provide economic development services in accordance with the General Development Plan. The Corporation paid MOTRAN \$68,970 for the current year, paid in equal quarterly installments. The Corporation received a \$2,633 refund from MOTRAN in the current year for the 2008-2009 contract period. The contract period began October 1, 2009 and terminated September 30, 2010, whereby a new annual contract began with essentially the same provisions.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8: DISCRETE COMPONENT UNIT - ODESSA DEVELOPMENT CORPORATION – CONTINUED

G. Commitments – Continued

The Corporation entered into a contract with the Odessa Hispanic Chamber of Commerce (OHCC) to provide economic development services in accordance with the General Development Plan. The Corporation paid OHCC \$110,524 for the current period, paid in equal quarterly installments. The Corporation received a \$1,504 refund from OHCC in the current year for the 2008-2009 contract period. The contract period began October 1, 2009 and terminated September 30, 2010, whereby a new annual contract began with essentially the same provisions.

H. Contingencies

The Corporation has entered into incentive agreements with several entities. The agreements require the Corporation to pay incentives upon certain transactions, which may or may not correspond to the entity's earnings of those incentives. Based on the modified accrual accounting, these incentive expenditures are recorded when paid out. If the entities fail to meet their requirements, the agreement requires the entities to refund incentive dollars back to the Corporation.

NOTE 9: JOINT VENTURE

The Midland-Odessa Urban Transit District (MOUSD), created by the cities of Odessa and Midland, incurred start-up costs and purchased buses and other vehicles prior to September 30, 2003. During the year ended September 30, 2004 the MOUSD began operating the bus routes. Federal and state grants were obtained to cover the start-up costs and purchases of buses and vehicles, and to provide for operating expenses. An annual audit was performed as of September 30, 2010, and can be obtained from the MOUSD. For the year ended September 30, 2010, the cities had contributed money to the MOUSD in the amount of \$470,000. Both cities have budgeted contributions to the MOUSD, but do not have an equity interest. As of September 30, 2010, the MOUSD had net assets of \$8,356,143 of which \$7,755,817 represented "Investment in Capital Assets."

NOTE 10: DEFERRED COMPENSATION PLAN

The City of Odessa offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The supplementary retirement plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency.

In prior years the Internal Revenue Code specified that the plan's assets were the property of the City until paid or made available to participants, subject only on an equal basis to the claims of the City's general creditors. Therefore, the plan's assets were recorded in the Agency Fund. A 1996 federal law now requires all assets and income of Internal Revenue Code Section 457 deferred compensation plans to be held in trust, custodial accounts, or annuity contracts for the exclusive benefit of the participants and their beneficiaries. Assets of the City's plan are administered by private administrators under contract with the City. The City added endorsements to the plan's contracts as of October 13, 1998 to comply with the new federal law. Consequently, the plan's assets and liabilities have been removed from the City's financial statements for all subsequent years.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 11: FLEXIBLE BENEFITS PLAN

The City of Odessa established a Medical Reimbursement Plan for its employees. This plan is intended to constitute a "cafeteria plan" under Section 125 of the Internal Revenue Code. Under this plan, each employee will be eligible to have a portion of his/her family's uninsured medical expenses reimbursed on a tax-free basis. The plan is available to all employees who have completed one year of service and work at least 40 hours per week. The maximum reimbursement allowed under this plan is the lesser of (a) the amount the employee has earmarked for medical payments, or (b) five percent of his/her gross salary.

The City of Odessa has also established a Dependent Care Assistance Plan for its employees. Under this plan, each employee will be eligible to have a portion of his/her family's dependent care expenses reimbursed on a tax-free basis. The plan is available to all employees who have completed 30 days of service and work at least 40 hours per week. The maximum reimbursement allowed under this plan is the lesser of (a) the amount the employee has earmarked for dependent care, (b) \$5,000, or (c) the amount earned by the participant's spouse.

NOTE 12: INTERFUND TRANSACTIONS

During the course of normal operations, the City of Odessa has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The governmental and proprietary type funds' financial statements generally reflect such transactions as transfers. The internal service funds record charges for service to City departments as operating revenue. All City funds record these payments to the internal service funds as operating expenses. The proprietary funds record operating subsidies as other income whereas the fund paying the subsidy records it as either an expenditure or transfer. The purpose of the interfund balances is to track amounts owed between funds for short-term loans between funds and unpaid amounts for arms length transactions between funds for goods and services. Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to spend them; and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Individual fund interfund receivable and payable balances at September 30, 2010, arising from these transactions were as follows:

	Interfund	
	Receivables	Payables
Governmental Funds		
General Fund	\$ 10,464,869	\$ 71,092
Non-Major Government Funds		
Housing and Community Development	48,567	1,166,425
MOUTD	-	100,000
Other	-	209,026
Internal Service Funds		
Equipment Service Fund	71,092	-
Enterprise Funds		
Water and Sewer Fund	-	7,057,342
Solid Waste Fund	1,371	-
Ratliff Golf Course Fund	-	1,974,268
Liquid Waste Fund	-	7,746
	<u>\$ 10,585,899</u>	<u>\$ 10,585,899</u>

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 12: INTERFUND TRANSACTIONS – CONTINUED

Interfund transfers for the year ended September 30, 2010, are as follows:

	Interfund	
	Transfers In	Transfers Out
Governmental Funds		
General Fund	\$ -	\$ 210,216
Non-Major Government Funds		
Special Revenue Funds-Other	17,766	7,550
Enterprise Funds		
Ratliff Golf Course Fund	200,000	-
	<u>\$ 217,766</u>	<u>\$ 217,766</u>

NOTE 13: LONG-TERM DEBT

GOVERNMENTAL ACTIVITIES:

The following is a summary of debt transactions for governmental activities of the City for the year ended September 30, 2010:

	Balance, October 1, 2009	Additions	Reductions	Balance, September 30, 2010	Due Within One Year
Certificates of Obligation :					
Series 2000	\$ 405,000	\$ -	\$ 405,000	\$ -	\$ -
Series 2001	2,160,000	-	110,000	2,050,000	115,000
Series 2004	5,375,000	-	50,000	5,325,000	55,000
Series 2005	5,015,000	-	115,000	4,900,000	125,000
Series 2006	9,220,000	-	365,000	8,855,000	380,000
Series 2007	4,295,000	-	20,000	4,275,000	20,000
General Refunding Bond:					
Series 2006	5,820,000	-	45,000	5,775,000	475,000
General Obligation Refunding:					
Series 2009	3,230,000	-	275,000	2,955,000	285,000
Unamortized Premiums:					
Series 2007	152,664	-	8,481	144,183	-
Series 2009	58,128	-	10,563	47,565	-
Deferred Loss on Refundings:					
Series 2006	(245,319)	-	(23,809)	(221,510)	-
Series 2009	(73,881)	-	(12,501)	(61,380)	-
Capital Lease Payable	3,231,226	-	407,976	2,823,250	424,666
Compensated Absences	7,915,777	2,623,465	2,504,968	8,034,274	2,504,968
Landfill Closure/Post-Closure	1,750,900	15,194	62,658	1,703,436	65,000
Other Post Employment					
Benefits Obligation	3,152,000	1,076,911	-	4,228,911	-
TMRS Phase-in Liability	1,436,684	1,518,930	-	2,955,614	-
	<u>\$ 52,898,179</u>	<u>\$ 5,234,500</u>	<u>\$ 4,343,336</u>	<u>\$ 53,789,343</u>	<u>\$ 4,449,634</u>

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 13: LONG-TERM DEBT – CONTINUED

Certificates of Obligation	<u>September 30, 2010</u>
\$2,550,000 Certificate of Obligation Bonds due in annual installments from March 1, 2006 through March 1, 2021; interest rates 5.1 - 6.1% - Aquatic facility.	\$ 2,050,000
\$5,759,500 Certificates of Obligation Bonds due in annual installments from March 1, 2005 through March 1, 2024; interest rates 4.25 - 5.25% - Two major street interchanges.	5,325,000
\$5,400,000 Certificates of Obligation Bonds due in annual installments from March 1, 2005 through March 1, 2016; interest rates 3.5 - 4.5% - Drainage, curbs and gutters.	4,900,000
\$10,150,000 Certificates of Obligation Bonds due in annual installments from March 1, 2007 through March 1, 2026; interest rates 4.0% – Replace three fire stations.	8,855,000
\$4,345,000 Certificates of Obligation Bonds due in annual installments from September 30, 2008 through September 30, 2027; interest rates 4.0 - 5.0% – Park development, traffic improvements, paving and drainage improvements.	4,275,000
 BONDS	
\$5,905,000 General Obligation Refunding Bonds Series 2006 due in annual installments beginning March 1, 2008 through March 1, 2020; effective interest at 4.00%.	5,775,000
\$3,280,000 General Obligation Refunding Bonds Series 2009 due in annual installments beginning March 1, 2009 through March 1, 2019; effective interest at 3.39%	2,955,000

Currently, principal payments are due annually for all bonds on March 1 and interest payments are due semi-annually on March 1 and September 1. Governmental accrued compensated absences will be liquidated by the general fund and the special revenue funds.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 13: LONG-TERM DEBT – CONTINUED

The annual requirements to amortize general bonded debt outstanding as of September 30, 2010, are as follows:

<u>Year Ending September 30</u>	<u>Certificates of Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 695,000	\$ 1,153,582	\$ 1,848,582
2012	760,000	1,116,018	1,876,018
2013	830,000	1,074,884	1,904,884
2014	875,000	1,034,669	1,909,669
2015	915,000	996,288	1,911,288
2016-2020	6,940,000	4,206,847	11,146,847
2021-2025	12,295,000	1,874,515	14,169,515
2026-2029	2,095,000	86,422	2,181,422
	<u>\$ 25,405,000</u>	<u>\$ 11,543,225</u>	<u>\$ 36,948,225</u>

<u>Year Ending September 30</u>	<u>Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 760,000	\$ 319,025	\$ 1,079,025
2012	785,000	293,150	1,078,150
2013	815,000	264,825	1,079,825
2014	855,000	234,500	1,089,500
2015	890,000	201,988	1,091,988
2016-2020	4,625,000	441,100	5,066,100
	<u>\$ 8,730,000</u>	<u>\$ 1,754,588</u>	<u>\$ 10,484,588</u>

The ordinances authorizing the issuance of general obligation bonds created an interest and sinking fund (General Debt Service Fund). The ordinances require the City to ascertain a rate and amount of ad valorem tax which will be sufficient to pay interest as it comes due and provide a reserve fund which is adequate to meet principal as it matures. The bonds have various call options whereby they may be redeemed during certain periods prior to maturity. There are a number of limitations and restrictions contained in the various bond indentures.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 13: LONG-TERM DEBT – CONTINUED

The City was in compliance with all significant limitations and restrictions.

Business-type Activities:

	Balance October 1, 2009	Additions	Reductions	Due Balance September 30, 2010	Within One Year
\$44,855,000 Waterworks and Sewer Sytem Refunding Revenue Bonds Series 2001 due in annual installments beginning April 1, 2002 through April 1, 2015; effective interest at 4.68%	\$ 6,905,000	\$ -	\$ 3,365,000	\$ 3,540,000	\$ 3,540,000
Unamortized Premium on Refunding Revenue Bonds Series 2001	302,624	-	147,478	155,146	-
\$12,830,000 General Obligation Refunding Bonds - Series 2006 (Water & Sewer Fund portion) due in annual installments beginning March 1, 2008 through March 1, 2020; effective interest at 4.00%	12,700,000	-	70,000	12,630,000	70,000
Unamortized Premium on General Obligation Refunding Bonds Series 2006 (W&S portion)	175,763	-	968	174,795	-
Combination Tax and Revenue Certificates of Obligation - Series 2007 due in annual installments from September 20, 2008 through September 30, 2027; effective interest at 4.75%	62,855,000	-	-	62,855,000	-
Unamortized Premium on Certificate of Obligations - 2007	2,606,465	-	206,980	2,399,485	-
\$4,065,000 General Obligation Refunding Bonds - Series 2009 (Water & Sewer Fund portion) due in annual installments beginning March 1, 2010 through March 1, 2015; effective interest 3.39%	4,065,000	-	30,000	4,035,000	30,000
Unamortized Premium on General Obligation Refunding Bonds Series 2009 (W&S portion)	62,558	-	462	62,096	-
Other Post Employment Benefits Obligation	827,752	345,454	-	1,173,206	-
TMRS Net Pension Obligation	377,290	416,172	-	793,462	-
	<u>\$ 90,877,452</u>	<u>\$ 761,626</u>	<u>\$ 3,820,888</u>	<u>\$ 87,818,190</u>	<u>\$ 3,640,000</u>

Principal payments are due annually for revenue bonds on April 1 and interest payments are due semi-annually on October 1 and April 1.

All Water and Sewer debt was issued for the purpose of improving the City's capital infrastructure of its Water and Sewer System. Debt proceeds were used to replace and enhance water and sewer lines, and to make water and sewer plant improvements. All refunding issues are therefore related to the same purpose.

At September 30, 2010, the City still held unspent bond proceeds on the Series 2007 Certificates of Obligation as many capital improvement projects are ongoing.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 13: LONG-TERM DEBT – CONTINUED

The annual requirements to amortize all revenue bonds outstanding as of September 30, 2010, are as follows:

<u>Year Ending September 30</u>	<u>Certificates of Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -	\$ 3,142,750	\$ 3,142,750
2012	-	3,142,750	3,142,750
2013	-	3,142,750	3,142,750
2014	-	3,142,750	3,142,750
2015	-	3,142,750	3,142,750
2016-2020	21,710,000	13,108,250	34,818,250
2021-2025	27,885,000	6,940,125	34,825,125
2026-2029	13,260,000	671,250	13,931,250
	<u>\$ 62,855,000</u>	<u>\$ 36,433,375</u>	<u>\$ 99,288,375</u>

<u>Year Ending September 30</u>	<u>Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 3,640,000	\$ 819,375	\$ 4,459,375
2012	3,915,000	551,875	4,466,875
2013	4,055,000	404,600	4,459,600
2014	4,220,000	249,100	4,469,100
2015	4,375,000	84,888	4,459,888
	<u>\$ 20,205,000</u>	<u>\$ 2,109,838</u>	<u>\$ 22,314,838</u>

The ordinances authorizing the issuance of the Water and Sewer Revenue Bonds allowed for the creation of an Interest and Sinking Fund or the purchase of a Surety Insurance Policy. Consequently, the City purchased a Municipal Bond Debt Service Reserve Insurance Policy in the amount of \$4,606,550 reduced from time to time by the amount of each reduction in the Debt Service Reserve Requirement. There are a number of other limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 13: LONG-TERM DEBT – CONTINUED

Defeasance of Debt

During the fiscal year ended September 30, 2009, the City issued \$7,345,000 in General Obligation Refunding Bonds, Series 2009 to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$3,280,000 Certificates of Obligation, Series 1998, and \$4,065,000 Waterworks and Sewer System Refunding Revenue Bonds, Series 2001. As a result, these certificates and bonds have been considered defeased and the liability has been removed from the Governmental Activities statement of net assets, and from the Water and Sewer Enterprise Fund statement of net assets.

At September 30, 2010, outstanding issues are considered to be defeased. They are analyzed as follows:

Issue	Amount Defeased	Defeased Debt Outstanding
Certificates of Obligation, Series 1998	\$ 3,195,000	\$ 2,945,000
Certificates of Obligation, Series 2000	5,580,000	5,580,000
Waterworks and Sewer System Refunding Bonds, Series 2001	16,190,000	16,190,000
		\$ 24,715,000

NOTE 14: CAPITAL LEASE OBLIGATIONS

The City is obligated under various capital leases for equipment which cost \$8,377,889 of which \$8,377,889 is included in governmental activities' assets.

Future minimum lease payments as of September 30, 2010 are as follows:

Year ending September 30,	General Fund
2011	\$ 534,751
2012	534,751
2013	534,751
2014	534,751
2015	534,751
2016	534,750
Total minimum lease payments	3,208,505
Less amounts representing interest	(385,255)
Present value of net minimum capital lease payments	2,823,250
Less current obligations under capital lease	(424,666)
Obligations Under Capital Leases Less Current Portion	\$ 2,398,584

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 15: LANDFILL CLOSURE AND POST-CLOSURE CARE COST

State and federal laws and regulations require the City to place a final cover on its Johnson Ranch landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The Johnson Ranch landfill site reached its operating capacity during the 1996 fiscal year. The site received approval to enter the post-closure care period during that fiscal year. During the year ended September 30, 2010, \$62,658 was expended for the post-closure care costs for the landfill, and \$15,194 was added to the liability to reflect inflated estimated costs. The City's post-closure liability as of September 30, 2010 was \$1,703,436. The post-closure care costs are based on prior estimates and have been adjusted for inflation. Actual costs may vary due to changes in inflation, changes in technology or changes in regulations.

Although closure and post-closure care costs has been paid only near or after the date that the landfill stopped accepting waste, the City reported a portion of these estimated closure and post-closure care costs as an operating expense in the prior periods based on landfill capacity used in those prior periods. At September 30, 2010, the City does not operate a landfill.

The City has met the financial and public notice component sections of the Local Financial Test and Government Guarantee, and is in compliance with the state and federal laws and regulations governing landfill closure and post-closure care at September 30, 2010.

NOTE 16: RISK MANAGEMENT

It is the policy of the City not to purchase commercial insurance for the risks of losses to which it is exposed, except for certain stop-loss provisions. The City did not have a significant reduction in insurance coverage from coverage in the prior year. Instead, the City believes it is more economical to manage its risks internally and set aside assets for claim settlements in its internal service fund, the Risk Management Fund.

Medical claims exceeding \$250,000 per covered individual, workmen's compensation claims in excess of \$350,000, and comprehensive general liability, law enforcement liability, employment practices liability, EMT liability and automotive liability exceeding \$250,000 with a limit of \$10,000,000 are covered through private insurance carriers. The Risk Management Fund services all claims for risk of loss to which the City is exposed, including general liability, property and casualty, employee health and accident, environmental, and antitrust. All funds participate in the Risk Management Fund. The cost of providing claim servicing and claim payments is allocated by charging a "premium" to each fund. For 2010, these premiums did adequately cover expenditures. There have been no settlements exceeding insurance coverage for the last five years.

Self-Insurance Fund liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used to compute claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, effects of specific incremental claim adjustment expenditures, salvage, subrogation, and allocated claim adjustment expenditures. All outstanding claims and the IBNR claims are reported as current liabilities in accounts payable.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 16: RISK MANAGEMENT - CONTINUED

Changes in the balances of claims liabilities during the fiscal years 2010 and 2009 were as follows:

<u>Fiscal Year</u>	<u>Liability at Beginning</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability at End</u>
2010	\$ 935,035	\$ 6,663,283	\$ 6,010,718	\$ 1,587,600
2009	1,204,212	4,695,120	4,964,297	935,035

The City is a defendant in a significant number of lawsuits pertaining to material matters. As stated in Note 18 - Litigation, the City has accrued and recorded potential losses that are determinable at this time within accounts payable in the Internal Service Funds.

NOTE 17: COMMITMENTS AND CONTINGENCIES

Colorado River Municipal Water District

The City has entered into an agreement with the Colorado River Municipal Water District, ("CRMWD"). The City has agreed with the CRMWD pursuant to a water sales contract, to purchase all of its water needs from the CRMWD. The contract constitutes an obligation of the City to make payments solely from the revenues of its water and sewer utility. These payments are computed annually based upon debt service requirements and production costs.

Federally Assisted Programs - Compliance Audits

The City participates in numerous federally assisted programs. Principal among these is Community Development Block Grant. In connection with this grant, the City is required to comply with specific terms and agreements as well as applicable federal laws and regulations. Such compliance is subject to additional review and audit by the grantors and their representatives.

In the opinion of management, the City has materially complied with all requirements. However, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of any disallowance of claimed expenditures, the City expects the resulting liability to be immaterial. This liability would be paid from the General Fund, or the City would seek reimbursement from those organizations benefited.

NOTE 18: LITIGATION

The City is party to various legal actions arising in the ordinary course of its business. In the opinion of the City's management, upon advice of the City Attorney, the City has adequate legal defense and/or insurance coverage regarding each of these actions and does not believe that they will materially affect the City's operations or financial position. The potential losses of those lawsuits that are determinable at this time have been accrued in the risk management fund.

**CITY OF ODESSA, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 19: NEW PRONOUNCEMENTS

GASB issued Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," to enhance the usefulness of fund balance information by provoking cleaner fund balance classifications and by clarifying existing governmental fund type definitions. This statement is effective for financial statements for periods after June 15, 2010.

The City of Odessa's management is reviewing the implementation process of this standard by gathering required information.

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NON MAJOR GOVERNMENT FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds account for revenues derived from specific taxes or other earmarked revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for a specific purpose. Three individual funds are reported within the Special Revenue Funds.

Housing and Community Development Fund: To account for funds received from the Housing and Urban Development Department as designated by the Housing and Community Development Act of 1974.

Convention and Visitors Fund: To account for funds received from a special tax on local hotels/motels to be used to attract conventions and tourists to Odessa.

MOUFD - To account for funds received from the U.S. and Texas Departments of Transportation and the disbursement of the funds to the Midland - Odessa Transit District.

Other Special Revenue Fund: To account for funds relating to grants, special training, and Municipal Court technology improvements and building security needs.

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, capitalized lease obligations, interest and related costs. Financing is provided by property tax levies.

**CITY OF ODESSA, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2010**

	Special Revenue Funds	
	Housing and Community Development	Convention and Visitors
ASSETS		
Cash and Investments	\$ -	\$ 2,846,798
Accounts Receivable	1,169,476	553,271
Interfund Receivable	48,567	-
Property Held for Sale	1,039,524	-
	<u>2,257,567</u>	<u>3,400,069</u>
TOTAL ASSETS	<u><u>\$ 2,257,567</u></u>	<u><u>\$ 3,400,069</u></u>
LIABILITIES		
Accounts Payable	\$ 38,552	\$ 242,864
Accrued Payroll	20,024	-
Deferred Revenue	1,039,524	-
Interfund Payable	1,166,425	-
	<u>2,264,525</u>	<u>242,864</u>
TOTAL LIABILITIES	<u>2,264,525</u>	<u>242,864</u>
FUND BALANCES		
Reserved for Encumbrances	1,614	128,245
Reserve for Debt Service	-	-
Unreserved		
Undesignated	(8,572)	3,028,960
	<u>(6,958)</u>	<u>3,157,205</u>
TOTAL FUND BALANCES	<u>(6,958)</u>	<u>3,157,205</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 2,257,567</u></u>	<u><u>\$ 3,400,069</u></u>

<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Total NonMajor Governmental Funds</u>
<u>MOUTD</u>	<u>Other</u>		
\$ 100,893	\$ 699,912	\$ 541,064	\$ 4,188,667
-	310,930	-	2,033,677
-	-	-	48,567
-	-	-	1,039,524
<u>\$ 100,893</u>	<u>\$ 1,010,842</u>	<u>\$ 541,064</u>	<u>\$ 7,310,435</u>
\$ 893	\$ 35,061	\$ -	\$ 317,370
-	18,001	-	38,025
-	-	-	1,039,524
100,000	209,026	-	1,475,451
<u>100,893</u>	<u>262,088</u>	<u>-</u>	<u>2,870,370</u>
-	96,465	-	226,324
-	-	541,064	541,064
-	652,289	-	3,672,677
-	748,754	541,064	4,440,065
<u>\$ 100,893</u>	<u>\$ 1,010,842</u>	<u>\$ 541,064</u>	<u>\$ 7,310,435</u>

**CITY OF ODESSA, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2010**

	Special Revenue Funds	
	Housing and Community Development	Convention and Visitors
REVENUES		
Fines and Forfeitures	\$ -	\$ -
Property Tax, Penalties and Interest	-	-
Grants and Entitlements	2,015,968	-
Hotel and Motel Occupancy Tax	-	2,028,217
Investment Income	-	10,089
Other	337,196	-
Sale of Confiscated Property	-	-
TOTAL REVENUES	2,353,164	2,038,306
EXPENDITURES		
Current		
Finance	-	-
Public Works	-	-
Public Safety	-	-
Welfare	2,159,444	-
Culture and Recreation	-	2,116,430
TOTAL CURRENT	2,159,444	2,116,430
Debt Service		
Principal Retirement	-	-
Interest and Fiscal Charges	-	-
TOTAL DEBT SERVICE	-	-
Capital Outlay	-	124,575
TOTAL EXPENDITURES	2,159,444	2,241,005
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	193,720	(202,699)
OTHER FINANCING SOURCES (USES)		
Transfer In	-	-
Transfer (Out)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-
NET CHANGE IN FUND BALANCES	193,720	(202,699)
FUND BALANCES - AT BEGINNING OF YEAR,	(200,678)	3,359,904
FUND BALANCES - AT END OF YEAR	\$ (6,958)	\$ 3,157,205

Special Revenue Funds		Debt Service Fund	Total NonMajor Governmental Funds
MOUTD	Other		
\$ -	\$ 167,997	\$ -	\$ 167,997
-	-	2,925,686	2,925,686
4,742,651	2,006,856	-	8,765,475
-	-	-	2,028,217
-	2,655	3,836	16,580
-	-	-	337,196
-	67,416	-	67,416
<u>4,742,651</u>	<u>2,244,924</u>	<u>2,929,522</u>	<u>14,308,567</u>
-	217,842	-	217,842
4,742,651	19,797	-	4,762,448
-	645,375	-	645,375
-	693,462	-	2,852,906
-	-	-	2,116,430
<u>4,742,651</u>	<u>1,576,476</u>	<u>-</u>	<u>10,595,001</u>
-	-	1,385,000	1,385,000
-	-	1,520,675	1,520,675
-	-	2,905,675	2,905,675
-	304,092	-	428,667
<u>4,742,651</u>	<u>1,880,568</u>	<u>2,905,675</u>	<u>13,929,343</u>
-	364,356	23,847	379,224
-	17,766	-	17,766
-	(7,550)	-	(7,550)
-	10,216	-	10,216
-	374,572	23,847	389,440
-	374,182	517,217	4,050,625
<u>\$ -</u>	<u>\$ 748,754</u>	<u>\$ 541,064</u>	<u>\$ 4,440,065</u>

**CITY OF ODESSA, TEXAS
HOUSING AND COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
REVENUES				
Grants and Entitlements	\$ 1,630,664	\$ 2,614,889	\$ 2,015,968	\$ (598,921)
Other	-	-	337,196	337,196
TOTAL REVENUES	<u>1,630,664</u>	<u>2,614,889</u>	<u>2,353,164</u>	<u>(261,725)</u>
EXPENDITURES				
Current				
Welfare	<u>1,878,663</u>	<u>5,200,251</u>	<u>2,159,444</u>	<u>(3,040,807)</u>
TOTAL EXPENDITURES	<u>1,878,663</u>	<u>5,200,251</u>	<u>2,159,444</u>	<u>(3,040,807)</u>
NET CHANGE IN FUND BALANCE	(247,999)	(2,585,362)	193,720	2,779,082
FUND BALANCE - AT BEGINNING OF YEAR	<u>(200,678)</u>	<u>(200,678)</u>	<u>(200,678)</u>	<u>-</u>
FUND BALANCE - AT END OF YEAR	<u><u>\$ (448,677)</u></u>	<u><u>\$ (2,786,040)</u></u>	<u><u>\$ (6,958)</u></u>	<u><u>\$ 2,779,082</u></u>

**CITY OF ODESSA, TEXAS
CONVENTION AND VISITORS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
REVENUES				
Hotel and Motel Occupancy Tax	\$ 2,200,000	\$ 2,200,000	\$ 2,028,217	\$ (171,783)
Investment Income	23,000	23,000	10,089	(12,911)
TOTAL REVENUES	<u>2,223,000</u>	<u>2,223,000</u>	<u>2,038,306</u>	<u>(184,694)</u>
EXPENDITURES				
Current				
Culture and Recreation	2,233,400	2,408,900	2,116,430	(292,470)
Capital Outlay	-	-	124,575	124,575
TOTAL EXPENDITURES	<u>2,233,400</u>	<u>2,408,900</u>	<u>2,241,005</u>	<u>(167,895)</u>
NET CHANGE IN FUND BALANCE	(10,400)	(185,900)	(202,699)	(16,799)
FUND BALANCE - AT BEGINNING OF YEAR	<u>3,359,904</u>	<u>3,359,904</u>	<u>3,359,904</u>	-
FUND BALANCE - AT END OF YEAR	<u><u>\$ 3,349,504</u></u>	<u><u>\$ 3,174,004</u></u>	<u><u>\$ 3,157,205</u></u>	<u><u>\$ (16,799)</u></u>

**CITY OF ODESSA, TEXAS
OTHER SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amount		Actual	Variance Over (Under)
	Original	Final		
REVENUES				
Fines and Forfeitures	\$ 156,000	\$ 156,000	\$ 167,997	\$ 11,997
Grants and Entitlements	424,201	1,377,842	2,006,856	629,014
Investment Income	-	-	2,655	2,655
Sale of Confiscated Property	-	-	67,416	67,416
TOTAL REVENUES	580,201	1,533,842	2,244,924	711,082
EXPENDITURES				
Current				
Finance	143,440	417,756	217,842	(199,914)
Public Works	-	38,000	19,797	(18,203)
Public Safety	114,740	1,033,620	645,375	(388,245)
Welfare	-	486,220	693,462	207,242
TOTAL CURRENT	258,180	1,975,596	1,576,476	(399,120)
Capital Outlay	140,000	732,510	304,092	(428,418)
TOTAL EXPENDITURES	398,180	2,708,106	1,880,568	(827,538)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	182,021	(1,174,264)	364,356	1,538,620
OTHER FINANCING SOURCES (USES)				
Transfer In	-	45,546	17,766	(27,780)
Transfer (Out)	-	-	(7,550)	(7,550)
TOTAL OTHER FINANCING SOURCES (USES)	-	45,546	10,216	(35,330)
NET CHANGE IN FUND BALANCE	182,021	(1,128,718)	374,572	1,503,290
FUND BALANCE - AT BEGINNING OF YEAR	374,182	374,182	374,182	-
FUND BALANCE - AT END OF YEAR	\$ 556,203	\$ (754,536)	\$ 748,754	\$ 1,503,290

**CITY OF ODESSA, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amount		Actual	Variance Over (Under)
	Original	Final		
REVENUES				
Property Tax, Penalties and Interest	\$ 2,925,686	\$ 2,925,686	\$ 2,925,686	\$ -
Investment Income	-	-	3,836	3,836
TOTAL REVENUES	<u>2,925,686</u>	<u>2,925,686</u>	<u>2,929,522</u>	<u>3,836</u>
EXPENDITURES				
Debt Service				
Principal Retirement	1,385,000	1,385,000	1,385,000	-
Interest and Fiscal Charges	1,540,686	1,540,686	1,520,675	(20,011)
TOTAL EXPENDITURES	<u>2,925,686</u>	<u>2,925,686</u>	<u>2,905,675</u>	<u>(20,011)</u>
NET CHANGE IN FUND BALANCE	-	-	23,847	23,847
FUND BALANCE - AT BEGINNING OF YEAR	<u>517,217</u>	<u>517,217</u>	<u>517,217</u>	-
FUND BALANCE - AT END OF YEAR	<u>\$ 517,217</u>	<u>\$ 517,217</u>	<u>\$ 541,064</u>	<u>\$ 23,847</u>

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INTERNAL SERVICE FUNDS

The Internal Service Funds account for the financing of goods and services provided by one department to other departments on a cost-reimbursement basis. The two Internal Service Funds are described as follows:

Equipment Service Fund: To account for the cost of providing automotive, radio and other equipment for use by other city departments. Such costs are billed to the other departments at rates sufficient to cover actual costs including provision for replacement of equipment at the end of its useful life.

Risk Management Fund: To account for the activities of the City's general and professional liability and health insurance plans. This fund has been renamed and was formerly known as the Self Insurance Fund.

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**CITY OF ODESSA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF NET ASSETS
SEPTEMBER 30, 2010**

ASSETS	Equipment Service Fund	Risk Management Fund	Total
CURRENT ASSETS:			
Cash and Investments	\$ 7,265,794	\$ 2,931,017	\$ 10,196,811
Accounts Receivable	-	7,361	7,361
Interfund Receivable	71,092	-	71,092
Inventories	187,816	-	187,816
TOTAL CURRENT ASSETS	<u>7,524,702</u>	<u>2,938,378</u>	<u>10,463,080</u>
NONCURRENT ASSETS:			
CAPITAL ASSETS			
Land	53,831	35,700	89,531
Buildings	490,161	866,393	1,356,554
Improvements	256,575	186,979	443,554
Furniture and Office Equipment	2,878	35,536	38,414
Machinery and Equipment	1,328,276	245,868	1,574,144
Data Processing Equipment	345,802	125,245	471,047
Automotive Equipment	27,242,561	-	27,242,561
Radio and Electronic Equipment	142,132	3,750	145,882
Less Accumulated Depreciation	(19,260,964)	(580,912)	(19,841,876)
TOTAL CAPITAL ASSETS (Net of Accumulated Depreciation)	<u>10,601,252</u>	<u>918,559</u>	<u>11,519,811</u>
TOTAL ASSETS	<u>18,125,954</u>	<u>3,856,937</u>	<u>21,982,891</u>
LIABILITIES			
CURRENT LIABILITIES:			
Accounts Payable	895,387	1,672,570	2,567,957
Accrued Employee Benefits Payable	224,283	175,182	399,465
Accrued Payroll	46,894	38,290	85,184
Other Liabilities	-	23	23
TOTAL CURRENT LIABILITIES	<u>1,166,564</u>	<u>1,886,065</u>	<u>3,052,629</u>
NONCURRENT LIABILITIES:			
Other Post Employment Benefits Payable	155,525	90,935	246,460
TMRS Phase In Liability	110,096	71,176	181,272
TOTAL NONCURRENT LIABILITIES	<u>265,621</u>	<u>162,111</u>	<u>427,732</u>
TOTAL LIABILITIES	<u>1,432,185</u>	<u>2,048,176</u>	<u>3,480,361</u>
NET ASSETS			
Invested in Capital Assets	10,601,252	918,559	11,519,811
Unrestricted	6,092,517	890,202	6,982,719
TOTAL NET ASSETS	<u>\$ 16,693,769</u>	<u>\$ 1,808,761</u>	<u>\$ 18,502,530</u>

**CITY OF ODESSA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
YEAR ENDED SEPTEMBER 30, 2010**

	Equipment Service Fund	Risk Management Fund	Total
OPERATING REVENUES			
Rental and Other Charges for Services	\$ 10,252,420	\$ 9,462,683	\$ 19,715,103
Other	85,614	777,828	863,442
TOTAL OPERATING REVENUES	10,338,034	10,240,511	20,578,545
OPERATING EXPENSES			
Personal Services	1,346,112	980,728	2,326,840
Supplies and Materials	1,861,405	167,549	2,028,954
Other Services	461,016	8,321,945	8,782,961
Maintenance	2,111,477	13,260	2,124,737
Depreciation and Amortization	3,723,623	39,099	3,762,722
Other	376,896	377,756	754,652
TOTAL OPERATING EXPENSES	9,880,529	9,900,337	19,780,866
OPERATING INCOME	457,505	340,174	797,679
NON-OPERATING REVENUES (EXPENSES)			
Investment Income	26,713	9,277	35,990
Gain on Sale of City Property	210,898	-	210,898
TOTAL NON-OPERATING REVENUES (EXPENSES)	237,611	9,277	246,888
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	695,116	349,451	1,044,567
CAPITAL CONTRIBUTIONS	73,288	-	73,288
CHANGE IN NET ASSETS	768,404	349,451	1,117,855
NET ASSETS - AT BEGINNING OF YEAR	15,925,365	1,459,310	17,384,675
NET ASSETS - AT END OF YEAR	\$ 16,693,769	\$ 1,808,761	\$ 18,502,530

**CITY OF ODESSA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2010**

	Equipment Service Fund	Risk Management Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Other Funds for Rental and Other Charges for Services	\$ 10,259,660	\$ 9,458,584	\$ 19,718,244
Cash Received from Employees and Others	85,614	777,828	863,442
Cash Paid to Employees	(1,311,845)	(900,838)	(2,212,683)
Cash Paid for Goods and Services/Claims and Expenses	(4,247,214)	(7,884,212)	(12,131,426)
Cash Paid to Other Funds for Services	(652,331)	(376,130)	(1,028,461)
	<u>4,133,884</u>	<u>1,075,232</u>	<u>5,209,116</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES			
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	(3,756,663)	-	(3,756,663)
Proceeds from Sale of Capital Assets	224,913	-	224,913
	<u>(3,531,750)</u>	<u>-</u>	<u>(3,531,750)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES			
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income Received on Investments	26,713	9,277	35,990
	<u>26,713</u>	<u>9,277</u>	<u>35,990</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES			
NET INCREASE IN CASH	628,847	1,084,509	1,713,356
CASH - AT BEGINNING OF YEAR	<u>6,636,947</u>	<u>1,846,508</u>	<u>8,483,455</u>
CASH - AT END OF YEAR	<u>\$ 7,265,794</u>	<u>\$ 2,931,017</u>	<u>\$ 10,196,811</u>

(Continued)

**CITY OF ODESSA, TEXAS
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2010**

	Equipment Service Fund	Risk Management Fund	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
OPERATING INCOME	<u>\$ 457,505</u>	<u>\$ 340,174</u>	<u>\$ 797,679</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation and Amortization	3,723,623	39,099	3,762,722
(Increase) Decrease in Accounts Receivable	-	(4,099)	(4,099)
(Increase) Decrease in Inventories	7,144	-	7,144
(Increase) Decrease in Interfund Receivable	7,240	-	7,240
(Decrease) Increase in Accounts Payable	(95,895)	620,160	524,265
(Decrease) Increase in Accrued Employee Benefits Payable	(60,465)	11,239	(49,226)
(Decrease) Increase in Accrued Payroll	(7,494)	1,854	(5,640)
(Decrease) Increase in Other Post Employment Benefit	43,288	25,463	68,751
(Decrease) Increase in TMRS Phase In Payable	58,938	41,334	100,272
(Decrease) Increase in Other Liabilities	-	8	8
	<u>3,676,379</u>	<u>735,058</u>	<u>4,411,437</u>
TOTAL ADJUSTMENTS			
	<u>3,676,379</u>	<u>735,058</u>	<u>4,411,437</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 4,133,884</u></u>	<u><u>\$ 1,075,232</u></u>	<u><u>\$ 5,209,116</u></u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

The Equipment Service Fund acquired capital assets during the fiscal year ended September 30, 2010 in the amount of \$73,288 through contributed capital.

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AGENCY FUNDS

Payroll Fund: To account for the collection and disbursement of wages, salaries and employee deductions.

Ector County Utility District: To account for the billing and collection service provided for the Ector County Utility District.

Martin L. King Memorial: To account for the financial activities of the Martin L. King Memorial.

MOTOR MPO: To account for the financial activities of the MOTOR MPO.

**CITY OF ODESSA, TEXAS
AGENCY FUNDS
COMBINING STATEMENTS OF NET ASSETS
SEPTEMBER 30, 2010**

	<u>Payroll</u>	<u>Ector County Utility District</u>	<u>Martin L. King Memorial</u>	<u>MOTOR MPO</u>	<u>Total</u>
ASSETS					
Cash and Investments	\$ 842,395	\$ 232,011	\$ 454	\$ -	\$ 1,074,860
TOTAL ASSETS	<u>\$ 842,395</u>	<u>\$ 232,011</u>	<u>\$ 454</u>	<u>\$ -</u>	<u>\$ 1,074,860</u>
LIABILITIES					
Accounts Payable	\$ 842,395	\$ 5,722	\$ 454	\$ -	\$ 848,571
Deposits and Billing Payable	-	226,289	-	-	226,289
TOTAL LIABILITIES	<u>\$ 842,395</u>	<u>\$ 232,011</u>	<u>\$ 454</u>	<u>\$ -</u>	<u>\$ 1,074,860</u>

**CITY OF ODESSA, TEXAS
ALL AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED SEPTEMBER 30, 2010**

	<u>Balance October 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30</u>
PAYROLL FUND				
ASSETS				
Cash and Investments	\$ 929,562	\$ 47,138,462	\$ 47,225,629	\$ 842,395
TOTAL ASSETS	<u>\$ 929,562</u>	<u>\$ 47,138,462</u>	<u>\$ 47,225,629</u>	<u>\$ 842,395</u>
LIABILITIES				
Accounts Payable	\$ 929,562	\$ 25,256,091	\$ 25,343,258	\$ 842,395
TOTAL LIABILITIES	<u>\$ 929,562</u>	<u>\$ 25,256,091</u>	<u>\$ 25,343,258</u>	<u>\$ 842,395</u>
ECTOR COUNTY UTILITY DISTRICT				
ASSETS				
Cash and Investments	\$ 227,964	\$ 2,443,078	\$ 2,439,031	\$ 232,011
TOTAL ASSETS	<u>\$ 227,964</u>	<u>\$ 2,443,078</u>	<u>\$ 2,439,031</u>	<u>\$ 232,011</u>
LIABILITIES				
Accounts Payable	\$ 10,848	\$ 9,731,705	\$ 9,736,831	\$ 5,722
Deposits and Billings Payable	217,116	62,556	53,383	226,289
TOTAL LIABILITIES	<u>\$ 227,964</u>	<u>\$ 9,794,261</u>	<u>\$ 9,790,214</u>	<u>\$ 232,011</u>
MARTIN L. KING MEMORIAL				
ASSETS				
Cash and Investments	\$ 453	\$ 1	\$ -	\$ 454
TOTAL ASSETS	<u>\$ 453</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 454</u>
LIABILITIES				
Accounts Payable	\$ 453	\$ 1	\$ -	\$ 454
TOTAL LIABILITIES	<u>\$ 453</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 454</u>

(Continued)

CITY OF ODESSA, TEXAS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2010

	Balance October 1	Additions	Deletions	Balance September 30
MOTOR - MPO				
ASSETS				
Cash and Investments	\$ -	\$ 598,792	\$ 598,792	\$ -
TOTAL ASSETS	\$ -	\$ 598,792	\$ 598,792	\$ -
LIABILITIES				
Accounts Payable	\$ -	\$ 598,792	\$ 598,792	\$ -
TOTAL LIABILITIES	\$ -	\$ 598,792	\$ 598,792	\$ -
 ALL FUNDS				
ASSETS				
Cash and Investments	\$ 1,157,979	\$ 50,180,333	\$ 50,263,452	\$ 1,074,860
TOTAL ASSETS	\$ 1,157,979	\$ 50,180,333	\$ 50,263,452	\$ 1,074,860
LIABILITIES				
Accounts Payable	\$ 940,863	\$ 35,586,589	\$ 35,678,881	\$ 848,571
Deposits and Billing Payable	217,116	62,556	53,383	226,289
TOTAL LIABILITIES	\$ 1,157,979	\$ 35,649,145	\$ 35,732,264	\$ 1,074,860

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CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

**CITY OF ODESSA, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
SEPTEMBER 30, 2010**

	2010
GOVERNMENTAL FUNDS CAPITAL ASSETS:	
Land	\$ 19,911,517
Buildings	27,275,226
Improvements	31,962,909
Infrastructure	69,834,209
Traffic Signals	3,475,070
Furniture and Office Equipment	424,989
Machinery and Equipment	3,522,679
Data Processing Equipment	5,116,013
Communication Equipment	5,592,363
Construction-In-Progress	4,598,449
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 171,713,424
INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE	
General Fund	\$ 31,719,653
Capital Projects Fund	75,102,423
Special Revenue Funds	20,497,172
Other Funds	2,948,934
Donations	41,445,242
TOTAL INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 171,713,424

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF ODESSA, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2010

<u>Function</u>	<u>Total</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements</u>
General Government	\$ 12,009,654	\$ 850,669	\$ 5,782,989	\$ 3,871,255
Finance	2,022,774	-	-	182,538
Public Works	86,519,253	10,798,426	687,001	1,785,723
Planning and Inspection	28,478	-	-	-
Public Safety	32,239,078	247,956	17,566,216	3,769,908
Culture and Recreation	<u>34,295,738</u>	<u>8,014,466</u>	<u>3,239,020</u>	<u>22,353,485</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS BY FUNCTION	<u>\$ 167,114,975</u>	<u>\$ 19,911,517</u>	<u>\$ 27,275,226</u>	<u>\$ 31,962,909</u>
Construction-In-Progress	<u>4,598,449</u>			
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 171,713,424</u>			

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally the capital assets of internal service funds are included as governmental activities in the statement of net assets.

<u>Infrastructure</u>	<u>Traffic Signals</u>	<u>Furniture and Office Equipment</u>	<u>Machinery and Equipment</u>	<u>Data Processing Equipment</u>	<u>Communication Equipment</u>
\$ 908,938	\$ -	\$ 163,126	\$ 43,436	\$ 355,516	\$ 33,725
-	-	77,367	171,803	1,392,449	198,617
68,910,690	3,475,070	51,464	460,917	346,816	3,146
-	-	10,083	-	18,395	-
-	-	94,016	2,283,638	2,926,833	5,350,511
<u>14,581</u>	<u>-</u>	<u>28,933</u>	<u>562,885</u>	<u>76,004</u>	<u>6,364</u>
<u>\$ 69,834,209</u>	<u>\$ 3,475,070</u>	<u>\$ 424,989</u>	<u>\$ 3,522,679</u>	<u>\$ 5,116,013</u>	<u>\$ 5,592,363</u>

CITY OF ODESSA, TEXAS
SCHEDULE OF CHANGES IN CAPITAL ASSETS USED IN
THE OPERATION OF GOVERNMENTAL FUNDS AND ACTIVITY
YEAR ENDED SEPTEMBER 30, 2010

<u>Function</u>	Governmental Funds Capital Assets October 1, 2009	Additions	Transfers or Deductions	Governmental Funds Capital Assets September 30, 2010
General Government	\$ 11,824,311	\$ 187,027	\$ 1,684	\$ 12,009,654
Finance	1,988,819	34,702	747	2,022,774
Public Works	82,615,897	3,905,816	2,460	86,519,253
Planning and Inspection	28,478	-	-	28,478
Public Safety	31,776,084	482,953	19,959	32,239,078
Culture and Recreation	33,633,874	661,864	-	34,295,738
Construction-In-Progress	<u>2,666,271</u>	<u>3,937,413</u>	<u>2,005,235</u>	<u>4,598,449</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 164,533,734</u>	<u>\$ 9,209,775</u>	<u>\$ 2,030,085</u>	<u>\$ 171,713,424</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally the capital assets of internal service funds are included as governmental activities in the statement of net assets.

STATISTICAL SECTION

(Unaudited)

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

Contents	Page
Financial Trends	113-118
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	120-126
<i>These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.</i>	
Debt Capacity	127-131
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue debt in the future.</i>	
Demographic and Economic Information	132-134
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.</i>	
Operating Information	135-136
<i>These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented Statement 34 in 2003; schedule presenting government-wide information include information beginning in that year.

CITY OF ODESSA, TEXAS
NET ASSETS BY COMPONENT
LAST EIGHT FISCAL YEARS
(accrual basis of accounting)
(Unaudited)

	FISCAL YEAR							
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
GOVERNMENTAL ACTIVITIES								
Invested In Capital Assets, Net of Related Debt	\$ 60,031,983	\$ 60,097,708	\$ 64,711,923	\$ 54,747,465	\$ 38,194,475	\$ 46,367,892	\$ 55,667,400	\$ 56,648,128
Restricted	541,064	517,217	406,646	378,704	311,979	217,553	142,867	150,402
Unrestricted	23,979,513	22,362,740	23,008,977	33,935,504	39,560,529	27,742,297	12,978,038	12,644,009
Total Governmental Activities Net Assets	<u>\$ 84,552,560</u>	<u>\$ 82,977,665</u>	<u>\$ 88,127,546</u>	<u>\$ 89,061,673</u>	<u>\$ 78,066,983</u>	<u>\$ 74,327,742</u>	<u>\$ 68,788,305</u>	<u>\$ 69,442,539</u>
BUSINESS-TYPE ACTIVITIES								
Invested In Capital Assets, Net of Related Debt	\$ 64,507,840	\$ 62,825,071	\$ 57,575,123	\$ 50,458,234	\$ 47,269,444	\$ 41,996,868	\$ 38,708,642	\$ 36,595,279
Restricted	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Unrestricted	14,970,722	14,834,570	18,236,777	20,181,896	19,595,139	21,191,991	22,522,628	23,029,737
Total Business-Type Activities Net Assets	<u>\$ 80,478,562</u>	<u>\$ 78,659,641</u>	<u>\$ 76,811,900</u>	<u>\$ 71,640,130</u>	<u>\$ 67,864,583</u>	<u>\$ 64,188,859</u>	<u>\$ 62,231,270</u>	<u>\$ 60,625,016</u>
PRIMARY GOVERNMENT								
Invested In Capital Assets, Net of Related Debt	\$ 124,539,823	\$ 122,922,779	\$ 122,287,046	\$ 105,205,699	\$ 85,463,919	\$ 88,364,760	\$ 95,376,042	\$ 93,243,407
Restricted	1,541,064	1,517,217	1,406,646	1,378,704	1,311,979	1,217,553	1,142,867	1,150,402
Unrestricted	38,950,235	37,197,310	41,245,754	54,117,400	59,155,668	48,934,288	35,500,666	35,673,746
Total Primary Government Net Assets	<u>\$ 165,031,122</u>	<u>\$ 161,637,306</u>	<u>\$ 164,939,446</u>	<u>\$ 160,701,803</u>	<u>\$ 145,931,566</u>	<u>\$ 138,516,601</u>	<u>\$ 132,019,575</u>	<u>\$ 130,067,555</u>

Note: The City implemented GASB Statement 34 in fiscal year 2003.

CITY OF ODESSA, TEXAS
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
(accrual basis of accounting)
(Unaudited)

	FISCAL YEAR							
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
EXPENSES								
Governmental Activities:								
General Government	\$ 4,219,813	\$ 4,469,668	\$ 3,726,808	\$ 3,509,104	\$ 3,420,627	\$ 3,092,316	\$ 2,862,150	\$ 2,745,806
Finance	821,498	978,331	824,208	1,608,949	1,424,160	1,384,410	1,467,632	1,360,019
Public Works	15,485,987	12,271,018	8,942,795	9,545,955	8,710,545	7,936,761	7,378,236	7,787,070
Planning & Inspection	734,271	608,961	518,135	544,824	988,344	858,535	831,633	809,268
Public Safety	37,843,822	38,383,034	33,650,031	29,607,065	31,209,706	29,351,601	28,209,791	27,034,581
Welfare	2,929,321	1,967,159	1,404,923	1,507,099	1,898,378	2,078,137	2,196,337	2,081,631
Culture & Recreation	7,052,105	7,006,832	6,395,924	5,192,067	5,424,420	4,848,271	4,744,606	4,563,220
Interest on Long-Term Debt	1,692,839	1,680,395	1,774,688	1,461,078	1,346,318	1,192,710	963,188	1,002,166
Total Governmental Activities Expenses	<u>70,779,656</u>	<u>67,365,398</u>	<u>57,237,512</u>	<u>52,976,141</u>	<u>54,422,498</u>	<u>50,742,741</u>	<u>48,653,573</u>	<u>47,383,761</u>
Business-type Activities:								
Water & Sewer	39,795,955	39,818,058	37,342,699	29,559,991	32,369,694	28,978,835	30,577,979	28,835,938
Solid Waste	9,806,223	9,877,745	9,202,271	8,837,002	7,579,974	7,327,080	7,105,531	6,686,377
Natural Gas	14,270,216	10,543,829	21,153,516	19,527,764	20,474,867	17,451,033	14,150,499	14,820,556
Ratliff Golf Course	1,585,941	1,908,251	1,377,420	981,938	685,745	-	-	-
Liquid Waste	50,634	58,564	46,926	22,020	41,525	40,006	37,960	41,264
Storm Water	523,047	-	-	-	-	-	-	-
Total Business-Type Activities Expenses	<u>66,032,016</u>	<u>62,206,447</u>	<u>69,122,832</u>	<u>58,928,715</u>	<u>61,151,805</u>	<u>53,796,954</u>	<u>51,871,969</u>	<u>50,384,135</u>
Total Primary Government Expenses	<u>\$ 136,811,672</u>	<u>\$ 129,571,845</u>	<u>\$ 126,360,344</u>	<u>\$ 111,904,856</u>	<u>\$ 115,574,303</u>	<u>\$ 104,539,695</u>	<u>\$ 100,525,542</u>	<u>\$ 97,767,896</u>
PROGRAM REVENUES								
Governmental Activities:								
Charges For Services:								
General Government	\$ 93,066	\$ 108,861	\$ 101,499	\$ 85,643	\$ 111,965	\$ 71,099	\$ 70,772	\$ 60,368
Finance	277,002	281,508	300,335	253,776	254,119	345,495	366,552	-
Public Works	174,435	383,690	471,067	372,293	799,676	218,696	305,546	243,683
Planning & Inspection	347,018	330,748	482,551	342,124	320,753	329,947	284,008	317,367
Public Safety	7,281,874	6,650,040	6,612,682	6,892,991	6,569,059	6,165,260	5,465,768	4,483,312
Culture & Recreation	85,400	69,363	157,782	175,891	58,540	149,494	148,178	54,768
Operating Grants & Contributions	8,798,461	2,643,119	1,067,393	742,622	564,205	1,916,604	1,043,459	1,092,155
Capital Grants & Contributions	2,181,310	2,135,521	3,104,028	3,240,351	3,769,274	4,793,103	3,543,826	3,338,924
Total Governmental Activities Program Revenues	<u>19,238,566</u>	<u>12,602,850</u>	<u>12,297,337</u>	<u>12,105,691</u>	<u>12,447,591</u>	<u>13,989,698</u>	<u>11,228,109</u>	<u>9,590,577</u>

CITY OF ODESSA, TEXAS
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
(accrual basis of accounting)
(Unaudited)

	FISCAL YEAR							
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Business-Type Activities:								
Charges For Services:								
Water & Sewer	\$ 38,671,498	\$ 37,178,348	\$ 37,789,399	\$ 32,202,693	\$ 33,315,232	\$ 29,663,132	\$ 31,175,273	\$ 28,765,983
Solid Waste	9,932,349	9,321,872	9,304,565	8,582,356	7,722,144	7,020,465	6,907,093	6,860,525
Natural Gas	14,263,383	10,559,184	21,148,085	19,508,935	20,465,037	17,433,005	14,166,793	14,832,661
Ratliff Golf Course	1,208,940	1,149,169	274,831	105,372	584,233	-	-	-
Liquid Waste	28,406	21,869	-	-	14,412	15,319	13,927	17,451
Storm Water	703,054	-	-	-	-	-	-	-
Operating Grants and Contributions	12,776	19,854	39,452	35,311	26,910	29,028	20,388	18,850
Capital Grants and Contributions	2,597,609	3,169,126	548,898	2,354,606	3,013,899	2,217,290	841,139	698,084
Total Business-Type Activities Program Revenues	<u>67,418,015</u>	<u>61,419,422</u>	<u>69,105,230</u>	<u>62,789,273</u>	<u>65,141,867</u>	<u>56,378,239</u>	<u>53,124,613</u>	<u>51,193,554</u>
Total Primary Government Program Revenues	<u>\$ 86,656,581</u>	<u>\$ 74,022,272</u>	<u>\$ 81,402,567</u>	<u>\$ 74,894,964</u>	<u>\$ 77,589,458</u>	<u>\$ 70,367,937</u>	<u>\$ 64,352,722</u>	<u>\$ 60,784,131</u>
NET (EXPENSE)/REVENUE								
Governmental Activities	\$ (51,541,090)	\$ (54,762,548)	\$ (44,940,175)	\$ (40,870,450)	\$ (41,974,907)	\$ (36,753,043)	\$ (37,425,464)	\$ (37,793,184)
Business-Type Activities	1,385,999	(787,025)	(17,602)	3,860,558	3,990,062	2,581,285	1,252,644	809,419
Total Primary Government Net Expense	<u>\$ (50,155,091)</u>	<u>\$ (55,549,573)</u>	<u>\$ (44,957,777)</u>	<u>\$ (37,009,892)</u>	<u>\$ (37,984,845)</u>	<u>\$ (34,171,758)</u>	<u>\$ (36,172,820)</u>	<u>\$ (36,983,765)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS								
Governmental Activities:								
Taxes								
Property Taxes	\$ 20,550,483	\$ 19,923,296	\$ 18,507,872	\$ 17,251,565	\$ 16,422,345	\$ 15,772,166	\$ 14,917,030	\$ 13,693,856
Sales Taxes	18,666,954	18,339,589	19,712,982	17,554,919	15,607,492	13,333,770	11,860,134	11,498,700
Gross Receipts Taxes	9,215,471	8,914,736	8,965,937	9,766,148	8,104,150	7,800,527	8,702,216	8,451,401
Hotel-Motel Taxes	2,028,217	2,230,089	2,784,886	2,085,405	1,610,471	1,212,568	1,120,584	963,732
Gain on Sale of Assets	-	-	-	-	-	93,965	37,258	458,551
Industrial Contracts	2,598,135	1,562,380	1,270,769	1,489,459	1,105,118	1,153,097	760,122	1,309,239
Unrestricted Investment Earnings	187,157	415,596	1,566,562	2,544,148	1,707,718	779,839	373,886	496,939
Miscellaneous	16,940	130,989	-	-	-	-	-	160,686
Contributed Capital	52,628	(1,704,008)	(2,389,601)	-	-	-	-	-
Transfers	(200,000)	(200,000)	(161,569)	1,173,496	1,156,854	1,146,548	-	-
Total Governmental Activities	<u>53,115,985</u>	<u>49,612,667</u>	<u>50,257,838</u>	<u>51,865,140</u>	<u>45,714,148</u>	<u>41,292,480</u>	<u>37,771,230</u>	<u>37,033,104</u>
Business-Type Activities:								
Investment Earnings	285,550	730,758	2,638,202	1,088,485	842,516	522,852	353,610	530,334
Contributed Capital	(52,628)	1,704,008	2,389,601	-	-	-	-	-
Transfers	200,000	200,000	161,569	(1,173,496)	(1,156,854)	(1,146,548)	-	-
Total Business-Type Activities	<u>432,922</u>	<u>2,634,766</u>	<u>5,189,372</u>	<u>(85,011)</u>	<u>(314,338)</u>	<u>(623,696)</u>	<u>353,610</u>	<u>530,334</u>
Total Primary Government	<u>\$ 53,548,907</u>	<u>\$ 52,247,433</u>	<u>\$ 55,447,210</u>	<u>\$ 51,780,129</u>	<u>\$ 45,399,810</u>	<u>\$ 40,668,784</u>	<u>\$ 38,124,840</u>	<u>\$ 37,563,438</u>
CHANGE IN NET ASSETS								
Governmental Activities	\$ 1,574,895	\$ (5,149,881)	\$ 5,317,663	\$ 10,994,690	\$ 3,739,241	\$ 4,539,437	\$ 345,766	\$ (760,080)
Business-Type Activities	1,818,921	1,847,741	5,171,770	3,775,547	3,675,724	1,957,589	1,606,254	1,339,733
Total Primary Government	<u>\$ 3,393,816</u>	<u>\$ (3,302,140)</u>	<u>\$ 10,489,433</u>	<u>\$ 14,770,237</u>	<u>\$ 7,414,965</u>	<u>\$ 6,497,026</u>	<u>\$ 1,952,020</u>	<u>\$ 579,673</u>

Note: The City implemented GASB Statement 34 in fiscal year 2003.

CITY OF ODESSA, TEXAS
PROGRAM REVENUES BY FUNCTION/PROGRAM
LAST EIGHT FISCAL YEARS
(accrual basis of accounting)
(Unaudited)

	PROGRAM REVENUES							
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
FUNCTION/PROGRAM								
Governmental Activities:								
General Government	\$ 93,066	\$ 108,861	\$ 101,499	\$ 85,643	\$ 111,965	\$ 377,199	\$ 129,115	\$ 60,368
Finance	277,002	281,508	300,335	253,776	254,119	345,495	366,552	-
Public Works	6,794,186	2,392,970	1,266,616	512,362	2,078,828	357,209	353,284	347,662
Planning & Inspection	347,018	330,748	482,551	342,124	320,753	329,947	284,008	317,367
Public Safety	8,595,267	7,652,703	8,149,259	8,945,935	7,791,901	10,271,066	7,060,745	5,937,810
Welfare	3,046,627	1,766,697	1,503,434	1,789,960	1,831,485	2,159,288	2,886,227	2,371,838
Culture & Recreation	85,400	69,363	493,643	175,891	58,540	149,494	148,178	555,532
Subtotal Governmental Activities	<u>19,238,566</u>	<u>12,602,850</u>	<u>12,297,337</u>	<u>12,105,691</u>	<u>12,447,591</u>	<u>13,989,698</u>	<u>11,228,109</u>	<u>9,590,577</u>
Business-Type Activities:								
Water and Sewer	\$ 41,269,107	\$ 40,042,191	\$ 38,338,297	\$ 34,557,299	\$ 36,329,131	\$ 31,880,422	\$ 32,016,412	\$ 29,464,067
Solid Waste	9,932,349	9,627,155	9,304,565	8,582,356	7,722,144	7,020,465	6,907,093	6,860,525
Natural Gas	14,263,383	10,559,184	21,148,085	19,508,935	20,465,037	17,433,005	14,166,793	14,832,661
Ratliff Golf Course *	1,208,940	1,149,169	274,831	105,372	584,233	-	-	-
Liquid Waste	41,182	41,723	39,452	35,311	41,322	44,347	34,315	36,301
Storm Water	703,054	-	-	-	-	-	-	-
Subtotal Business-Type Activities	<u>67,418,015</u>	<u>61,419,422</u>	<u>69,105,230</u>	<u>62,789,273</u>	<u>65,141,867</u>	<u>56,378,239</u>	<u>53,124,613</u>	<u>51,193,554</u>
Total Primary Government	<u>\$ 86,656,581</u>	<u>\$ 74,022,272</u>	<u>\$ 81,402,567</u>	<u>\$ 74,894,964</u>	<u>\$ 77,589,458</u>	<u>\$ 70,367,937</u>	<u>\$ 64,352,722</u>	<u>\$ 60,784,131</u>

Note: *On January 1, 2006, the City purchased a golf course; the City closed the golf course for renovations on November 1, 2006.

CITY OF ODESSA, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(Unaudited)

	FISCAL YEAR									
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
GENERAL FUND										
Reserved for Encumbrances	\$ 2,526,111	\$ 1,612,613	\$ 5,733,380	\$ 3,214,744	\$ 1,714,748	\$ 1,177,282	\$ 1,007,186	\$ 776,320	\$ 782,763	\$ 457,367
Unreserved, Reported in:										
Designated for Contingencies	9,775,059	9,692,830	9,608,235	8,836,665	8,350,312	7,693,239	7,286,141	6,990,499	6,841,462	6,763,314
Designated for Budget Stabilization	4,072,941	4,038,679	4,003,431	3,681,944	3,479,296	3,205,516	3,035,892	2,912,708	2,850,610	2,818,047
Designated for Compensated Absences	1,143,523	1,143,523	1,143,523	1,143,523	1,143,523	-	-	-	-	-
Undesignated, Reported in General Fund	<u>9,556,250</u>	<u>7,878,225</u>	<u>7,625,703</u>	<u>7,652,340</u>	<u>4,035,112</u>	<u>4,983,903</u>	<u>2,900,336</u>	<u>2,474,872</u>	<u>1,019,768</u>	<u>1,418,886</u>
Total General Fund	<u>\$ 27,073,884</u>	<u>\$ 24,365,870</u>	<u>\$ 28,114,272</u>	<u>\$ 24,529,216</u>	<u>\$ 18,722,991</u>	<u>\$ 17,059,940</u>	<u>\$ 14,229,555</u>	<u>\$ 13,154,399</u>	<u>\$ 11,494,603</u>	<u>\$ 11,457,614</u>
ALL OTHER GOVERNMENTAL FUNDS										
Reserved, Reported in:										
Reserved for Encumbrances	\$ 1,260,551	\$ 642,999	\$ 9,975,556	\$ 4,703,459	\$ 6,028,418	\$ 1,846,409	\$ 394,321	\$ 278,640	\$ 1,015,644	\$ 5,658,535
Reserved for Debt service	541,064	517,217	406,646	378,704	311,979	217,553	142,867	150,402	196,186	245,552
Unreserved, Reported in:										
Capital Projects Fund										
Designated for Obligated Projects	373,203	5,013,991	896,809	7,035,681	15,320,237	9,235,457	6,305,070	786,492	1,161,832	3,107,237
Undesignated	1,080,161	1,526,181	517,036	1,154,451	946,708	630,922	439,314	352,123	(77,713)	(501,069)
Special Revenue Funds										
Designated for Loan Programs	-	-	-	-	-	-	-	-	-	-
Undesignated	<u>3,672,677</u>	<u>3,343,053</u>	<u>2,170,104</u>	<u>1,733,060</u>	<u>891,967</u>	<u>1,330,342</u>	<u>512,566</u>	<u>1,147,655</u>	<u>171,525</u>	<u>43,742</u>
Total All Other Governmental Funds	<u>\$ 6,927,656</u>	<u>\$ 11,043,441</u>	<u>\$ 13,966,151</u>	<u>\$ 15,005,355</u>	<u>\$ 23,499,309</u>	<u>\$ 13,260,683</u>	<u>\$ 7,794,138</u>	<u>\$ 2,715,312</u>	<u>\$ 2,467,474</u>	<u>\$ 8,553,997</u>

CITY OF ODESSA, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(Unaudited)

FISCAL YEAR

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
REVENUES										
Property Tax, Penalties and Interest	\$ 20,405,012	\$ 20,074,762	\$ 18,510,874	\$ 17,314,671	\$ 16,527,966	\$ 15,647,753	\$ 14,685,446	\$ 13,550,201	\$ 12,789,829	\$ 12,456,185
City Sales Tax	18,666,954	18,339,589	19,712,982	17,554,919	15,607,492	13,333,770	11,860,134	11,498,700	10,902,877	11,013,838
Franchise and Gross Receipts	9,215,471	8,914,736	8,965,937	9,766,148	8,104,150	7,800,527	8,702,216	8,451,401	6,075,042	5,225,640
Fines and Forfeitures	3,566,112	2,778,923	3,171,568	2,999,058	3,099,709	2,967,838	2,266,153	1,868,781	1,748,408	1,611,652
Permits and Licenses	441,524	596,579	627,010	430,234	390,571	396,901	358,981	395,647	367,482	351,642
Grants and Entitlements	8,765,475	2,552,137	2,583,844	3,255,295	2,360,800	3,936,110	3,813,577	3,484,752	3,573,869	2,764,153
Hotel and Motel Occupancy Tax	2,028,217	2,230,089	2,784,886	2,085,405	1,610,471	1,212,568	1,120,584	963,732	888,637	871,872
Investment Income	132,113	355,691	1,436,525	2,358,359	1,570,338	707,393	329,100	420,147	684,325	1,351,305
Donations	70,000	100,000	100,000	125,000	-	100,000	100,000	500,000	-	-
Industrial Contracts	2,598,135	1,562,380	1,270,769	1,489,459	1,105,118	1,153,097	760,122	1,309,239	-	-
Other	3,321,252	3,494,528	3,098,048	3,319,390	4,538,687	2,718,043	2,581,712	2,133,440	6,806,808	6,124,127
Intergovernmental	1,089,869	1,099,872	1,034,149	1,083,044	1,150,961	1,132,914	1,131,641	1,028,783	1,038,880	1,014,919
Sale of Confiscated Property	67,416	51,685	73,908	20,589	51,470	105,092	42,454	475,765	55,945	132,143
Total Revenues	70,367,550	62,150,971	63,370,500	61,801,571	56,117,733	51,212,006	47,752,120	46,080,588	44,932,102	42,917,476
EXPENDITURES										
General Government	\$ 3,766,157	\$ 3,940,662	\$ 3,411,384	\$ 3,078,633	\$ 3,001,237	\$ 2,705,055	\$ 2,434,620	\$ 2,369,827	\$ 2,502,345	\$ 2,529,125
Finance	503,217	676,440	957,891	2,078,689	1,465,575	1,492,590	1,510,413	1,370,510	1,333,565	1,712,133
Public Works	13,484,502	10,467,201	7,393,176	8,182,357	6,813,761	6,416,548	5,706,749	5,934,509	5,622,937	5,685,169
Planning & Inspection	697,351	565,315	533,890	530,304	958,695	859,724	809,743	791,045	747,494	716,331
Public Safety	35,244,368	35,825,377	33,247,688	30,369,548	28,309,701	27,221,598	26,133,016	25,984,088	25,272,528	23,786,292
Welfare	2,852,906	1,819,953	1,417,966	1,554,156	1,890,729	2,076,177	2,258,595	2,065,320	2,163,529	1,628,742
Culture & Recreation	6,168,304	6,176,343	5,739,989	4,721,025	4,756,824	4,268,456	4,088,569	3,960,852	3,698,980	3,633,490
Capital Outlay	5,418,090	6,227,457	9,769,480	12,952,144	11,659,946	2,555,040	2,593,246	1,913,465	8,413,547	5,491,469
Debt Service										
Interest and Fiscal Charges	1,647,450	1,498,335	1,501,798	1,156,862	1,194,965	1,030,882	804,499	853,875	931,711	925,624
Principal Retirement	1,792,976	1,425,000	1,135,000	915,000	825,000	905,000	1,095,000	1,030,000	985,000	945,000
Payments to Escrow Agent	-	-	-	124,078	-	-	-	-	-	-
Bond Issuance Costs	-	68,103	69,444	139,560	150,000	95,000	95,000	-	-	-
Total Expenditures	71,575,321	68,690,186	65,177,706	65,802,356	61,026,433	49,626,070	47,529,450	46,273,491	51,671,636	47,053,375
Excess Of Revenues Over (Under) Expenditures	(1,207,771)	(6,539,215)	(1,807,206)	(4,000,785)	(4,908,700)	1,585,936	222,670	(192,903)	(6,739,534)	(4,135,899)

CITY OF ODESSA, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(Unaudited)

	FISCAL YEAR									
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
OTHER FINANCING SOURCES (USES)										
Certificates of Obligations Issued	\$ -	\$ 3,280,000	\$ 4,345,000	\$ -	\$ 10,150,000	\$ 5,400,000	\$ 5,795,000	\$ -	\$ -	\$ 2,550,000
General Fund Payment to Escrow	-	-	-	124,078	-	-	-	-	-	-
Reoffering Premium	-	58,128	169,626	41,304	-	-	-	-	-	-
Refunding Bonds Issued	-	-	-	5,905,000	-	-	-	-	-	-
Payments to Escrow Agent	-	(3,270,025)	-	(5,930,822)	-	-	-	-	-	-
Lease Revenue Proceeds	-	-	-	-	4,360,000	-	-	-	280,000	105,000
Loan Proceeds	-	-	-	-	-	-	-	-	410,000	70,000
Transfers In	17,766	21,624	140,059	1,681,420	1,262,846	1,409,466	229,355	263,910	182,237	172,430
Transfers Out	(217,766)	(221,624)	(301,628)	(507,924)	(105,992)	(98,472)	(93,043)	(263,910)	(182,237)	(172,430)
Total Other Financing Sources (Uses)	<u>(200,000)</u>	<u>(131,897)</u>	<u>4,353,057</u>	<u>1,313,056</u>	<u>15,666,854</u>	<u>6,710,994</u>	<u>5,931,312</u>	<u>-</u>	<u>690,000</u>	<u>2,725,000</u>
Net Changes In Fund Balances	<u>\$ (1,407,771)</u>	<u>\$ (6,671,112)</u>	<u>\$ 2,545,851</u>	<u>\$ (2,687,729)</u>	<u>\$ 10,758,154</u>	<u>\$ 8,296,930</u>	<u>\$ 6,153,982</u>	<u>\$ (192,903)</u>	<u>\$ (6,049,534)</u>	<u>\$ (1,410,899)</u>
Debt Service As A Percentage of Noncapital Expenditures	5.20%	4.68%	4.76%	3.92%	4.09%	4.11%	4.23%	4.25%	4.43%	4.50%

CITY OF ODESSA, TEXAS
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(Unaudited)

<u>Fiscal Year</u>	<u>Property Tax, Penalties & Interest</u>	<u>Sales Tax</u>	<u>Franchise & Gross Receipts Tax</u>	<u>Hotel-Motel Occupancy Tax</u>	<u>Other Tax</u>	<u>Total</u>
2001	\$ 12,456,185	\$ 11,013,838	\$ 5,225,640	\$ 871,872	\$ 1,421,373	\$ 30,988,908
2002	12,789,829	10,902,877	6,075,042	888,637	1,451,713	32,108,098
2003	13,550,201	11,498,700	8,451,401	963,732	1,490,565	35,954,599
2004	14,685,446	11,860,134	8,702,216	1,120,584	922,378	37,290,758
2005	15,647,753	13,333,770	7,800,527	1,212,568	1,349,754	39,344,372
2006	16,527,966	15,607,492	8,104,150	1,610,471	1,411,899	43,261,978
2007	17,314,671	17,554,919	9,766,148	2,085,405	1,794,838	48,515,981
2008	18,510,874	19,712,982	8,965,937	2,784,886	1,662,076	51,636,755
2009	20,074,762	18,339,589	8,914,736	2,230,089	2,014,331	51,573,507
2010	20,405,012	18,666,954	9,215,471	2,028,217	3,004,785	53,320,439
Change 2001-2010	63.81%	69.49%	76.35%	132.63%	111.40%	72.06%

CITY OF ODESSA, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

(in dollars)
(Unaudited)

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2001	\$ 1,375,573,101	\$ 1,041,564,820	\$ 147,526,682	\$ 676,303,180	\$ 1,888,361,423	\$ 0.6599
2002	1,390,533,796	1,091,876,858	168,915,193	690,147,092	1,961,178,755	0.6599
2003	1,461,861,962	1,208,007,865	164,362,903	781,870,164	2,052,362,566	0.6599
2004	1,534,488,297	1,270,247,369	149,301,473	845,549,711	2,108,487,428	0.6899
2005	1,548,306,017	1,419,263,395	277,024,917	978,288,872	2,266,305,457	0.6890
2006	1,793,622,462	1,495,476,041	181,801,084	1,038,923,251	2,431,976,336	0.6790
2007	2,027,853,606	1,580,559,982	211,757,752	1,105,062,056	2,715,109,284	0.6290
2008	2,473,689,283	1,780,692,356	193,893,854	1,313,131,214	3,135,144,279	0.5790
2009	3,086,122,017	2,115,230,278	122,246,427	1,314,759,742	3,548,501,378	0.5623
2010	3,031,216,217	2,022,079,075	129,547,939	1,335,118,607	3,878,228,854	0.5228

Source: Ector County Appraisal District (ECAD)

Note: Property in Ector County is reassessed annually. The ECAD assesses property at approximately 100% of actual value for Residential Property, Commercial Property, and Industrial Property. Tax rates are per \$100 of taxable value.

CITY OF ODESSA, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(rate per \$100 of assessed value)

Fiscal Year	CITY DIRECT RATES			OVERLAPPING RATES				Total Overlapping Rate	Total Direct & Overlapping Rate
	Operating	General Obligation Debt Service	Total Direct Rate	Ector County	Hospital District	School District	Odessa College		
2001	\$ 0.5692	\$ 0.0907	\$ 0.6599	\$ 0.4650	\$ 0.0571	\$ 1.5360	\$ 0.1984	\$ 2.2565	\$ 2.9164
2002	0.5723	0.0876	0.6599	0.4565	0.0571	1.5360	0.1984	2.2480	2.9079
2003	0.5722	0.0877	0.6599	0.4650	0.0939	1.5570	0.2000	2.3159	2.9758
2004	0.6012	0.0887	0.6899	0.4900	0.0939	1.5610	0.2000	2.3449	3.0348
2005	0.6029	0.0861	0.6890	0.4832	0.1200	1.5192	0.2000	2.3224	3.0114
2006	0.5921	0.0869	0.6790	0.4550	0.1045	1.4725	0.2000	2.2320	2.9110
2007	0.5534	0.0756	0.6290	0.4158	0.0808	1.3600	0.1900	2.0466	2.6756
2008	0.4957	0.0833	0.5790	0.4041	0.0695	1.1120	0.1817	1.7673	2.3463
2009	0.4771	0.0852	0.5623	0.3580	0.0577	1.1286	0.1624	1.7067	2.2690
2010	0.4482	0.0745	0.5228	0.3580	0.0584	1.1350	0.1624	1.7138	2.2366

Source: City of Odessa, Texas, Department of Finance.

Note: The City's rates for debt service are set based on each year's requirements.

CITY OF ODESSA, TEXAS
PRINCIPLE PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

<u>TAXPAYER</u>	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Four Star Oil & Gas	\$ 38,966,954	1	1.00%	\$ 45,840,320	1	2.43%
Oncor Electric Delivery Co.	28,701,490	2	0.74%	*	N/A	-
MCM Properties II Ltd.	27,508,422	3	0.71%	22,211,254	5	1.18%
CA New Plan Texas Assets	20,825,194	4	0.54%	*	N/A	-
Southwestern Bell Telephone Co.	15,452,287	5	0.40%	24,288,859	4	1.29%
Lithia Real Estate, Inc.	13,746,468	6	0.35%	*	N/A	-
Odessa Regional Hospital	47,290,015	7	1.22%	*	N/A	-
TRA Midland Properties	27,108,300	8	0.70%	*	N/A	-
Standard Structures Inc.	12,457,877	9	0.32%	*	N/A	-
McJunkin Red Man Corp.	13,535,646	10	0.35%	*	N/A	-
Texas Utilities & Electric Co.	*	N/A	-	31,834,930	2	1.69%
Wal-Mart Stores, Inc.	*	N/A	-	25,806,127	3	-
Albertson's	*	N/A	-	14,072,949	6	0.75%
Centeramerica Venture Fund	*	N/A	-	10,478,537	7	0.55%
Felcor Country Villa	*	N/A	-	10,062,996	8	0.53%
Sewell Ford, Inc.	*	N/A	-	7,467,698	9	0.40%
Energas	*	N/A	-	7,306,207	10	0.39%
	<u>\$ 245,592,653</u>		<u>6.33%</u>	<u>\$ 199,369,877</u>		<u>9.19%</u>

Source: Ector County Appraisal District

* Taxpayer was not in top ten that year.

CITY OF ODESSA, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended September 30,	Taxes Levied For The Fiscal Year	Collected Within The Fiscal Year Of The Levy		Collections In Subsequent Years	Total Collections To Date	
		Amount	Percentage Of Levy		Amount	Percentage Of Levy
2001	\$ 12,516,555	\$ 12,029,480	96.11%	\$ 218,075	\$ 12,247,555	97.85%
2002	12,936,360	12,358,264	95.53%	210,954	12,569,218	97.16%
2003	13,547,280	12,855,608	94.89%	389,633	13,245,241	97.77%
2004	14,540,648	14,030,588	96.49%	445,974	14,476,562	99.56%
2005	15,609,681	14,888,541	95.38%	446,672	15,335,313	98.24%
2006	16,519,696	15,889,843	96.19%	338,771	16,228,614	98.24%
2007	17,078,393	16,455,427	96.35%	440,081	16,895,508	98.93%
2008	18,166,797	17,607,299	96.92%	497,961	18,105,260	99.66%
2009	19,936,310	19,180,760	96.21%	507,071	19,687,831	98.75%
2010	20,280,971	19,419,554	95.75%	513,396	19,932,950	98.28%

Source: City of Odessa, Texas, Department of Finance.

Note: The collection amounts exclude discounts, penalties, and interest.

CITY OF ODESSA, TEXAS
DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS
(Unaudited)

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Odessa Development Corporation</u>	<u>Total</u>	<u>Hospital District</u>	<u>Midland County</u>
2001	1.00%	0.25%	1.25%	0.75%	0.50%
2002	1.00	0.25	1.25	0.75	0.50
2003	1.00	0.25	1.25	0.75	0.50
2004	1.00	0.25	1.25	0.75	0.50
2005	1.00	0.25	1.25	0.75	0.50
2006	1.00	0.25	1.25	0.75	0.50
2007	1.00	0.25	1.25	0.75	0.50
2008	1.00	0.25	1.25	0.75	0.50
2009	1.00	0.25	1.25	0.75	0.50
2010	1.00	0.25	1.25	0.75	0.50

Source: City of Odessa, Texas, Department of Finance.

CITY OF ODESSA, TEXAS
SALES TAX REVENUE PAYERS BY INDUSTRY
FISCAL YEARS 2010 AND 2001
(Unaudited)

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	FISCAL YEAR 2010				FISCAL YEAR 2001			
	Number Of Filers	Percentage Of Total	Tax Liability	Percentage Of Total	Number Of Filers	Percentage Of Total	Tax Liability	Percentage Of Total
Agriculture/Forestry	107	0.24%	\$ 60,035	0.26%	101	0.29%	\$ 43,240	0.31%
Mining	674	1.49%	1,154,164	5.04%	370	1.06%	40,179	0.29%
Construction	1,197	2.64%	309,496	1.35%	452	1.29%	101,009	0.72%
Manufacturing	1,431	3.16%	816,253	3.56%	1,038	2.97%	178,910	1.27%
Transportation/Utilities	2,488	5.49%	2,335,997	10.19%	1,447	4.14%	632,549	4.50%
Wholesale Trade:								
Durable Goods	2,144	4.73%	837,946	3.66%	890	2.55%	273,661	1.95%
Nondurable Goods	1,805	3.99%	318,853	1.39%	858	2.46%	218,503	1.56%
Total Wholesale Trade	3,949	8.72%	1,156,799	5.05%	1,748	5.01%	492,164	3.50%
Retail Trade:								
Building Materials	508	1.12%	516,853	2.26%	527	1.51%	339,434	2.42%
General Merchandise	2,102	4.64%	1,141,558	4.98%	2,003	5.74%	861,347	6.13%
Food Stores	295	0.65%	474,730	2.07%	379	1.09%	473,123	3.37%
Automotive	1,535	3.39%	968,901	4.23%	1,546	4.43%	731,615	5.21%
Clothing	1,749	3.86%	3,109,061	13.57%	896	2.57%	1,053,141	7.50%
Home Furnishings	400	0.88%	350,498	1.53%	514	0.00%	390,157	0.00%
Restaurants	2,557	5.65%	2,359,589	10.30%	2,077	5.95%	1,321,215	9.40%
Drug Stores	463	1.02%	191,793	0.84%	281	0.80%	100,764	0.72%
Liquor Stores	671	1.48%	236,814	1.03%	548	1.57%	174,813	1.24%
Miscellaneous Retail	6,750	14.90%	1,865,606	8.14%	6,276	17.97%	1,352,968	9.63%
Total Retail Trade	17,030	37.60%	11,215,403	48.94%	15,047	43.09%	6,798,576	48.39%
Financial Services	2,381	5.26%	380,227	1.66%	1,307	3.74%	173,649	1.24%
Services	5,576	12.31%	938,374	4.09%	4,422	12.66%	851,354	6.06%
Special Trade	1,576	3.48%	250,165	1.09%	1,159	3.32%	295,038	2.10%
Other	8,882	19.61%	4,301,854	18.77%	7,828	22.42%	4,444,170	31.63%
Total	45,291	100.00%	\$ 22,918,768	100%	34,919	100.00%	\$ 14,050,836	100%

Source: Texas State Comptroller's Office

Notes: Due to confidentiality issues, the names of the ten largest revenue payers are not available per Vernon's Statutes 151.027. The categories presented are intended to provide alternative information regarding the sources of the state's revenue.

CITY OF ODESSA, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage Of Personal Income ^a	Per Capita ^a
	Certification of Obligation Bonds	General Obligation Bonds	Capital Leases	Water & Sewer Revenue Bonds	Capital Leases			
2001	\$ 17,990,000	\$ -	\$ 2,548,195	\$ 44,855,000	\$ -	\$ 65,393,195	4.12%	\$ 719
2002	17,005,000	-	3,089,318	42,570,000	1,577,015	64,241,333	3.98%	689
2003	15,975,000	-	2,725,844	40,175,000	1,288,635	60,164,479	3.65%	644
2004	20,675,000	-	2,344,464	37,660,000	987,335	61,666,799	3.53%	662
2005	25,170,000	-	1,944,280	35,020,000	672,537	62,806,817	3.46%	668
2006	34,495,000	-	5,884,344	32,245,000	343,635	72,967,979	3.88%	753
2007	27,745,000	5,905,000	5,083,365	29,935,000	-	68,668,365	3.52%	690
2008	30,995,000	5,865,000	3,739,018	89,685,000	-	130,284,018	6.28%	1,327
2009	26,470,000	9,050,000	3,231,226	86,525,000	-	125,276,226	5.32%	1,292
2010	25,405,000	8,730,000	2,823,250	83,060,000	-	120,018,250	4.95%	1,243

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

^a See Schedule 18 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

CITY OF ODESSA, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
	Certificate of Obligation Bonds	General Obligation Bonds	Total		
2001	\$ 17,990,000	\$ -	\$ 17,990,000	0.9527%	\$ 198
2002	17,005,000	-	17,005,000	0.8671%	182
2003	15,975,000	-	15,975,000	0.7784%	171
2004	20,675,000	-	20,675,000	0.9806%	222
2005	25,170,000	-	25,170,000	1.1106%	268
2006	34,495,000	-	34,495,000	1.4184%	356
2007	27,745,000	5,905,000	33,650,000	1.2394%	338
2008	30,995,000	5,865,000	36,860,000	1.1757%	375
2009	26,470,000	9,050,000	35,520,000	1.0010%	366
2010	25,405,000	8,730,000	34,135,000	0.8802%	354

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

^a See Schedule 7 for taxable property value data.

^b Population data can be found in Schedule 18.

**CITY OF ODESSA, TEXAS
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 AS OF SEPTEMBER 30, 2010
 (Unaudited)**

<u>GOVERNMENTAL UNIT</u>	<u>Taxable Assessed Value</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
DEBT REPAYED WITH PROPERTY TAXES				
Ector County	\$ 9,520,024,366	\$ 9,500,000	38.89%	\$ 3,694,550
Ector County Independent School District	9,000,889,840	78,745,617	41.17%	32,419,571
Ector County Hospital District	9,520,024,366	11,082,780	38.92%	4,313,418
Odessa Jr. College District	9,308,455,186	-	39.81%	-
Midland County	11,627,001,885	30,635,000	1.49%	456,462
Midland County Hospital District	11,022,201,192	114,995,000	1.49%	1,713,426
Midland Independent School District	10,224,436,060	123,843,253	1.69%	2,092,951
Midland Jr. College District	11,022,201,192	35,799,651	1.57%	562,055
Subtotal, Overlapping Debt				<u>45,252,431</u>
CITY DIRECT DEBT				<u>33,593,936</u>
TOTAL DIRECT AND OVERLAPPING DEBT				<u>\$ 78,846,367</u>

Sources: Assessed value data used to estimate applicable percentages provided by the Ector Count Appraisal District.
 The outstanding bonded debt totals were obtained from each governmental entity.

Notes: Overlapping governments represent those that share, in part, geographic boundaries of the City of Odessa.
 This schedule estimates the portion of the outstanding debt of those overlapping governments that is shared by the residents and business of the Odessa community.

CITY OF ODESSA, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)

	Fiscal Year									
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Debt Limit	\$ 77,564,577	\$ 70,970,028	\$ 62,702,886	\$ 54,302,186	\$ 48,639,527	\$ 45,326,109	\$ 42,169,749	\$ 41,047,251	\$ 39,223,575	\$ 37,767,228
Total Net Debt Applicable to Limit	<u>33,593,936</u>	<u>35,002,783</u>	<u>36,454,055</u>	<u>33,274,297</u>	<u>34,183,021</u>	<u>24,952,447</u>	<u>20,532,133</u>	<u>15,824,598</u>	<u>16,808,814</u>	<u>17,744,448</u>
Legal Debt Margin	<u>\$ 43,970,641</u>	<u>\$ 35,967,245</u>	<u>\$ 26,248,831</u>	<u>\$ 21,027,889</u>	<u>\$ 14,456,506</u>	<u>\$ 20,373,662</u>	<u>\$ 21,637,616</u>	<u>\$ 25,222,653</u>	<u>\$ 22,414,761</u>	<u>\$ 20,022,780</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	43.31%	49.32%	58.14%	61.28%	70.28%	55.05%	48.69%	38.55%	42.85%	46.98%

Note: General property taxes are limited by Home Rule Charter to \$2.00 per \$100 for assessed valuation. There is no limitation within the \$2.00 ceiling for debt service.

Legal Debt Margin for Fiscal Year 2010

Assessed Value	\$ 3,878,228,854
Debt Limit	77,564,577
Debt Applicable to Limit:	
Certificates of Obligation	25,405,000
General Obligation Bonds	8,730,000
Less: Amount Set Aside for Repayment of GO Bonds and CO Bonds	<u>541,064</u>
Total Net Debt Applicable to Limit	33,593,936
Legal Debt Margin	<u>\$ 43,970,641</u>

CITY OF ODESSA, TEXAS
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	WATERWORKS AND SEWER SYSTEM REVENUE BONDS								
	Operating Revenue	Less:	Plus:	Plus:	Plus: Other	Net	Debt Service ^a		Coverage
		Operating Expenses	Depreciation & Amortization	Investment Income		Available Revenue ^b	Principal	Interest	
2001	\$ 28,197,736	\$ 26,434,740	\$ 4,715,186	\$ 1,463,637	\$ -	\$ 7,941,819	\$ 3,345,000	\$ 1,945,845	1.50
2002	29,221,096	27,513,628	4,118,936	707,949	-	6,534,353	2,285,000	2,039,341	1.51
2003	28,765,983	26,722,700	4,451,618	511,454	-	7,006,355	2,395,000	2,209,050	1.52
2004	31,175,273	28,603,944	4,544,536	337,642	-	7,453,507	2,515,000	2,089,300	1.62
2005	29,663,132	27,169,636	4,790,259	498,449	-	7,782,204	2,640,000	1,963,550	1.69
2006	33,315,232	30,306,366	4,992,593	810,817	-	8,812,276	2,775,000	1,831,550	1.91
2007	32,202,693	29,620,215	5,096,837	1,058,878	-	8,738,193	2,915,000	2,138,709	1.73
2008	37,789,399	33,482,624	5,113,690	2,621,941	-	12,042,406	3,260,000	4,404,269	1.57
2009	37,178,348	36,719,079	5,292,152	726,257	-	6,477,678	3,465,000	1,091,081	1.42
2010	38,671,498	36,560,147	5,487,342	283,582	-	7,882,275	3,540,000	194,700	2.11

Notes:

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

^a Annual Debt Service is the total principal and interest to be paid in the next fiscal year for all outstanding revenue bonds

^b Net Available Revenue consists of operating income adjusted for interest income and expenses not requiring consumption of working capital such as depreciation and amortization.

Source: City of Odessa, Texas, Department of Finance.

CITY OF ODESSA, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Population	Personal Income <i>(in thousand of dollars)</i>	Per Capita Personal Income	Median Age	Education Level	School Enrollment	Unemployment Rate%
2001	90,943	\$ 1,587,020	\$ 21,093	32.0	12.4	26,858	5.1
2002	93,195	1,612,418	21,936	32.3	12.4	26,637	7.3
2003	93,385	1,649,205	22,058	33.3	12.4	26,090	6.2
2004	93,195	1,747,685	22,971	32.0	12.4	26,154	6.1
2005	93,952	1,814,020	24,040	32.3	12.4	26,094	5.7
2006	96,948	1,879,540	35,040	32.1	12.4	27,037	4.0
2007	99,459	1,951,890	36,033	30.7	12.4	30,878	3.8
2008	98,214	2,075,135	34,671	32.1	12.4	26,650	3.9
2009	96,987	2,353,818	35,096	30.8	12.4	28,848	8.3
2010	96,526	2,422,353	31,639	30.7	12.4	27,795	8.6

Source: Odessa Chamber of Commerce
U.S. Census Bureau

CITY OF ODESSA, TEXAS
PRINCIPLE EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

<u>Employer</u>	<u>2010</u>			<u>2001</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Total City Employment %</u>	<u>Employees</u>	<u>Rank</u>	<u>% Total City Employment</u>
ECISD	3,526	1	5.13%	3,857	1	7.17%
Medical Center Hospital	1,700	2	2.64	1,600	2	2.79
Odessa Regional	840	3	1.31	430	8	0.75
City of Odessa	839	4	1.30	800	5	1.40
Walmart	823	5	1.28	910	3	1.59
Saulsbury Companies	810	6	1.26	N/A	*	N/A
Halliburton Services	750	7	1.17	N/A	*	N/A
Ector County	658	8	1.02	616	7	1.07
Nurses Unlimited	597	9	0.93	N/A	*	N/A
Investment Corp of America	507	10	0.79	N/A	*	N/A
Odessa College	N/A	*	N/A	882	4	1.54
Huntsman Corp	N/A	*	N/A	666	6	1.16
West Teleservices	N/A	*	N/A	400	9	0.70
Southwestern Bell	N/A	*	N/A	379	10	0.66
Total Employment Population	<u>64,301</u>		<u>11.75</u>	<u>57,323</u>		<u>11.73</u>

Sources: Odessa Chamber of Commerce (2001 to present)
Individual employers
Bureau of Labor Statistics
City of Odessa Budget book

* Employer was not in top ten that year.

CITY OF ODESSA, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION /PROGRAM
LAST TEN FISCAL YEARS
(Unaudited)

FUNCTION/PROGRAM	FULL -TIME EQUIVALENT EMPLOYEES AS OF SEPTEMBER 30, 2010									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Government	39	36	36	36	34	33	33	33	32	36
Finance	57	60	58	56	55	54	51	51	48	44
Public Works	87	90	83	81	83	79	77	79	79	72
Planning & Inspection	13	13	12	11	12	12	12	13	12	11
Public Safety	405	392	372	381	396	394	403	400	404	390
Welfare	6	5	5	5	5	6	7	6	8	7
Culture & Recreation	35	38	37	33	46	35	35	31	33	35
Golf Course	10	10	8	6	10	NA	NA	NA	NA	NA
Water & Sewer	108	122	109	106	110	114	118	118	123	126
Solid Waste	46	46	46	43	44	42	42	43	40	41
Liquid Waste	0	1	1	1	1	1	1	1	1	1
Equipment Services	18	22	21	22	23	23	23	23	23	24
Risk Management	15	14	14	14	14	14	5	5	5	5
Total	839	849	802	795	833	807	807	803	808	792

Source: City of Odessa, Texas, Department of Finance.

Notes: The City purchased the Golf Course in January 1,2006

CITY OF ODESSA, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Unaudited)

FUNCTION/PROGRAM	FISCAL YEAR									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
PUBLIC SAFETY										
Police										
Physical Arrests	9,489	8,711	7,469	7,711	8,791	8,418	7,932	7,792	8,121	8,590
Parking Violations	696	4,215	3,231	7,098	10,837	7,938	6,466	6,558	5,334	1,857
Traffic Violations	31,984	12,821	29,382	40,816	32,195	35,402	36,352	35,388	33,273	33,214
Fire										
Number Of Calls Answered	14,406	15,511	15,248	14,229	12,640	10,363	10,374	9,526	10,445	9,733
Inspections	2,165	2,236	1,831	1,937	1,620	133	127	161	167	194
PUBLIC WORKS										
Street Resurfacing (miles)	30.14	55.62	7	40.9	32	35	74	49	50	51
Potholes Repaired	53	25	33	36	50	176	57	-	-	-
New Construction Permits Issued	358	230	337	284	238	197	228	194	150	121
SOLID WASTE										
Refuse Collected (tons)	86,841	90,800	93,000	93,500	88,000	81,000	80,000	75,000	74,000	69,000
Recyclables Collected (tons)	1,210	1,365	812	2,595	2,088	1,328	1,900	1,911	1,855	1,755
CULTURE & RECREATION										
Community Center Rentals	797	928	875	839	761	730	706	761	719	708
GOLF COURSE										
Number Of Paid Rounds Played	36,471	36,863	7,002	-	23,885	-	-	-	-	-
WATER & SEWER										
Customer Connections	16,384	14,601	15,358	15,227	15,604	16,341	16,760	16,178	17,234	16,140
New Connections-Fire Hydrants	35	72	28	20	26	45	50	22	34	46
Water Main Breaks	124	83	105	144	95	112	77	99	126	168
Average Daily Consumption (million gallons day)	18.60	19.81	18.42	12.58	19.63	18.31	18.71	18.92	19.56	22.46
LIQUID WASTE										
Average Daily Sewage Treatment (millions of gallons)	6.61	6.46	6.34	6.22	5.56	6.11	6.02	5.94	5.75	6.30

Source: City of Odessa, Texas Departments.

Notes: The City purchased the Golf Course in January 1, 2006.
The Golf Course was closed during 2007 and 2008 fro renovations.

CITY OF ODESSA, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Unaudited)

FUNCTION/PROGRAM	FISCAL YEAR									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
PUBLIC WORKS										
Streets (miles)	441	428	410	412	409	410	395	395	395	395
Streetlights	6,033	5,930	5,872	5,832	5,796	5,650	5,615	5,608	N/A	N/A
Metered sectors	12	12	12	12	12	12	12	12	0	12
Traffic signals	567	567	562	562	555	559	587	599	617	617
PUBLIC SAFETY										
Police:										
Stations/Storefronts	1	1	1	2	2	2	2	2	4	4
Patrol Units	48	49	43	43	45	46	48	48	48	48
Fire Stations	8	8	8	9	8	8	8	8	8	8
CULTURE AND RECREATION										
Parks Acreage	756	756	756	756	756	756	682	682	517	517
Parks	37	37	36	36	36	35	35	35	35	35
Swimming Pools	3	3	3	3	3	4	4	4	4	4
Tennis Courts	16	16	16	16	16	16	16	16	16	17
Community Centers	5	5	5	5	4	4	4	4	4	4
GOLF COURSE										
Golf Course Acreage	125	125	125	135	135	-	-	-	-	-
WATER & SEWER										
Water Mains (miles)	642	634	618	612	609	598	730	716	523	573
Fire Hydrants	2,228	2,194	2,106	2,090	2,073	2,047	1,996	1,947	2,000	2,000
Maximum Daily Capacity (millions of gallons)	50	50	50	50	50	50	50	55	55	55
SOLID WASTE										
Collection Trucks	32	32	32	36	50	42	32	30	N/A	N/A
Sanitary Sewers (miles)	504	495	489	487	486	481	479	476	475	471
Storm Sewers (miles)	13.89	13.89	13.89	13.89	13.89	13.89	13.89	13.89	13.89	13.89
Maximum Daily Treatment Capacity (thousands of gallons)	13	13	13	13	13	13	13	13	13	13
RISK MANAGEMENT										
Family Health Clinic	1	1	1	1	1	1	-	-	-	-
Health & Wellness Center	1	1	1	1	1	1	-	-	-	-

Source: City of Odessa, Texas Departments.

Notes: N/A denotes information not available.