

# City of Odessa, Texas



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended  
September 30, 2012

CITY OF ODESSA, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Prepared by:

The Finance Department

James Zentner  
Assistant City Manager  
of Administrative Services

Felicia Nzere  
Director of Finance

**CITY OF ODESSA, TEXAS  
TABLE OF CONTENTS**

Page

**INTRODUCTORY SECTION**

Letter of Transmittal	i
GFOA Certificate of Achievement	vi
Organization Chart	vii
City Officials	viii

**FINANCIAL SECTION**

Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	19
Statement of Activities	20
Fund Financial Statements:	
Balance Sheet - Governmental Funds	23
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (GAAP Basis) and Actual - General Fund	27
Statement of Net Assets - Proprietary Funds	28
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	32
Statement of Cash Flows - Proprietary Funds	34
Statement of Fiduciary Net Assets - Agency Funds	38
Notes to Financial Statements - Index	39
Notes to Financial Statement	40
Required Supplementary Information	
Schedule of Funding Progress	91
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Nonmajor Government Funds	94
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	96

**CITY OF ODESSA, TEXAS  
TABLE OF CONTENTS**

<b>FINANCIAL SECTION (Continued)</b>	<u>Page</u>
Combining and Individual Fund Statements and Schedules (Continued))	
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) and Actual:	
Special Revenue Funds	
Housing and Community Development Fund	98
Convention and Visitors Fund	99
Other Special Revenue Fund	100
Debt Service Fund	101
Combining Statement of Net Assets - Internal Service Funds	104
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Funds	105
Combining Statement of Cash Flows - Internal Service Funds	106
Combining Statement of Net Assets - Agency Funds	109
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	110
 Capital Assets used in the Operation of Governmental Funds:	
Schedule by Source	113
Schedule by Function and Activity	114
Schedule of Changes in Capital Assets in the Operations of Governmental Funds and Activity	116
 <b>STATISTICAL SECTION (Unaudited)</b>	
Financial Trends	
Net Assets by Component	117
Changes in Net Assets	118
Program Revenues by Function/Program	120
Fund Balances of Governmental Funds	121
Changes in Fund Balances of Governmental Funds	122
Revenue Capacity	
Tax Revenues by Source, Governmental Funds	124
Assessed Value and Estimated Actual Value of Taxable Property	125
Direct and Overlapping Property Tax Rates	126
Principle Property Tax Payers	127
Property Tax Levies and Collections	128
Direct and Overlapping Sales Tax Rates	129
Sales Tax Revenue Payers by Industry	130

**CITY OF ODESSA, TEXAS  
TABLE OF CONTENTS**

<b>STATISTICAL SECTION (Unaudited)</b>	<u>Page</u>
Debt Capacity	
Ratio of Outstanding Debt by Type	131
Ratio of General Bonded Debt Outstanding	132
Direct and Overlapping Governmental Activities Debt	133
Legal Debt Margin Information	134
Pledged-Revenue Coverage	135
Demographic and Economic Information	
Demographic and Economic Statistics	136
Principle Employers	137
Full-Time Equivalent City Government Employees by Function/Program	138
Operating Information	
Operating Indicators by Function/Program	139
Capital Asset Statistics by Function/Program	140

## INTRODUCTORY SECTION



March 19, 2013

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, 2012. 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, 2012, 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, 2012, 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 the 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**

The City of Odessa was first incorporated in 1927 and is located in a community that is often referred to as "the heart of West Texas". In fact, the city of Odessa's boundaries are uniquely positioned within Ector

County in an area between Dallas-Fort Worth and El Paso along Interstate 20 in the Permian Basin. Odessa consists of 45.2 square miles of area land with a population of approximately 107,158 residents. The City of Odessa is empowered to levy a property tax on both real and personal properties located within its boundary; however, it neither collects personal or corporate taxes from residents, nor is a state income tax assessed. The City of Odessa is empowered by State statute to extend its corporate limits by annexation, and such events occur 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 staff including the 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 (the City) provides a full range of services including water utilities; waste management; police and fire protection; emergency medical; street and infrastructure maintenance; planning and zoning; parks and recreation; and general administrative support services. Specific water utility and waste management services are provided through the Water & Sewer and Solid Waste Departments of the City, and therefore, have been included as integral parts of the City's financial statements. The City is also financially accountable for the Odessa Development Corporation (the Corporation), a legally separate entity, which is reported separately within the City'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. Likewise, 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'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'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's financial standards controls. All departments of the City 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 a proposed budget to the City Council for review by July 31<sup>st</sup>. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget by September 30<sup>th</sup>, or the close of the City of Odessa's fiscal year.

The City Manager prepares the annual budget by fund (e.g., Water & Sewer), function, and department (e.g., Billing & Collection). Department directors may make transfers of appropriations within their department's line item budget. Transfers of appropriations between funds, however, require special approval by the governing City Council. Financial reports are also prepared monthly to disclose the City's revenue collections and its budgeted and actual expenditures by city department. These reports are posted monthly 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 96.

### **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 from which the City operates.

**Regional and Local Economy.** Despite the economic uncertainty that lingered on both national and global market levels, Odessa's local economy continued to be a bright spot within the region. Both our regional and local economy continued to gain much traction during this past fiscal year and demonstrated an environment with very favorable economic conditions at hand. Renewed and robust activities in the oil and gas industry sector facilitated a strong base of economic support for the regional community. Likewise, the area economy clearly demonstrated solid economic recovery with considerable productivity and growth evident among many sectors across the regional locale. The economic performance is viewed as both extraordinary and incessant when compared to the recessionary conditions that have lingered in communities elsewhere. This extraordinary position is also best noted by the City's sales tax revenue collections which continue to represent the City's largest source of revenue and reflects an increase of \$9.9 million dollars, or 53%, over the past 3 fiscal years.

Without a doubt, the surge in energy production activities for the Odessa community represented a huge gain. Odessa's economic base continued to flourish with remarkably low unemployment levels and an increasing number of both commercial and residential housing developments. The U.S. rig count was up 8.82% at September 2012, while the West Texas Region rig count revealed a significant increase in activity at 26.91% for the same period end, as well. With much change stemming from energy sector activities, various businesses within the Odessa community also continued to prosper and expand their payrolls. Personal consumer spending continued to show signs of great confidence in Odessa and employment activities revealed an annualized unemployment rate of 4.69% at September 2012. Overall, Odessa's economic base continually displayed conditions that evidenced outstanding economic times for fiscal year end 2012.

As mentioned earlier, the City realized extraordinary sales tax revenue collections throughout the entire 2012 fiscal year. Total year-end sales tax receipts were greater than budget by \$7,821,004 or 37.7% and mostly due to huge gains in Odessa's employment among the energy sector base. Other favorable signs of a strong economic environment for the region were evident within the realty markets as sales of existing homes were up significantly, while simultaneously accompanied by increased demand for area housing and an extremely tight residential rental market. Likewise, single-family housing permits increased by 5% over the prior year and represented a solid value of approximately \$8.5 million in additions to the community by September 2012. While other communities across the nation continued to display slow recovery within the housing market, the changes in Odessa's housing market and values continued to reveal the most favorable trends for area activity. The 2012 property values, for example, actually reflected an increase of 3.5% over this past fiscal year end's assessed valuations; this change will affect an increase in related property tax revenues for the coming fiscal year. Meanwhile, the 2012 property tax rate for the City of Odessa reflected no change from the prior year and it remained at the same adopted rate of 52.2750 cents per \$100 of valuation.

Overall, the economic conditions as discussed above clearly indicate the local community is booming and has experienced significant economic gains. There continues to be a steady arrival of new commercial and residential developments within the community and many of those private construction projects are located in subdivisions of east Odessa and are progressing as planned. Such examples include new construction activities along Billy Hext Road, Eastridge Road, and the intersection of 52<sup>nd</sup> Street and North JBS Parkway.

During this past fiscal year, area productivity was also evident amidst the efforts of the Odessa Development Corporation (the Corporation) which provided a total of 37 new jobs with a cumulative annual payroll estimated at \$7.9 million for the community. These job creation efforts were primarily made possible by the Corporation via their exercise of industry-luring incentive strategies funded by designated sales tax collections.

In addition, the Corporation has continued to work to assist with the retention efforts of a possible inland desalination plant for the community and other alternative water supply solutions. Last fiscal year, the desalination plant was proposed to produce fresh water and supplement the proposed clean coal power plant of the Summit Power Group which had been previously identified as a potential community partnership project with the Department of Energy. To date, the proposed desalination plant is still being considered as an effort to be partnered with the City's water supply agent, Colorado River Municipal Water District (CRMWD) to ease concerns regarding Odessa's need for an alternate water supply source.

Although community growth and economic gains are expected to remain present within the area, the water supply concerns continue to be of high priority for the civic and business community leaders of Odessa. There has been an adequate supply of raw water for more than 60 years for the Odessa community. However, the primary sources of the city's water supply diminished significantly in 2011 due to inadequate rainfall and record high temperatures across the state. The water supply issue has mildly improved and the City continues to work diligently with CRMWD to secure alternate water supply options for the future while aiming to simultaneously conserve groundwater usage within the Odessa community. In December 2012, the CRMWD eased its water delivery restrictions; therefore, the City lifted some provisions of its "all-year water usage restrictions" which began in April 2011. Meanwhile, the City leaders continue to work diligently to seek water supply alternatives; promote water conservation education; and maintain a stable water supply for the community. Such efforts will allow the Odessa residents to continue to reap the benefits of every successful economic development partnership within the community as such is made possible.

**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 2012 revealed great progress in the areas of major infrastructure and park improvements including the completion of the San Jacinto Park, the O'Connor Park Playground, Sherwood Park Renovations, and various phases of the Sewer Line Replacement Program. Intergovernmental partnerships facilitated continued operations of School Attendance Court and the attainment of improved emergency care with the availability of newly accredited chest pain and stroke training programs for the City's Field Paramedics. In addition, City efforts to facilitate public purpose goals regarding street improvements, park improvements, water tower renovations, and public safety radio system enhancements continue to be of high priority for the coming fiscal year. Each initiative will reflect all collaborative efforts necessary to effectively enhance and improve the Odessa community. Other planned public works projects 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.

In the near term, the budgetary impact of the water supply issues was addressed in fiscal year 2013 planning with a 40% increase on water rates levied. The increase was necessary due to persistent drought conditions that lingered during this past fiscal year, as well as, the CRMWD's water usage restrictions on the City.

When considering long-term financial planning, the current economic environment undoubtedly offers great opportunities for the community. City officials are quite mindful of the source of the community's extraordinary economic environment and are actively engaged in sound planning activities to guide the City's financial affairs. The present environment of extraordinary economic gain brings both prospects and challenges for the local community. However, the City has executed a financial management strategy for the coming fiscal year that is designed to offset potential windfalls in the economic environment, yet provide the financial stability necessary to address the priorities and policies of the governing City Council and continually provide quality municipal services for the citizens of Odessa. 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, 2011. This was the twenty-sixth 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, 2011. 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 the 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 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 Zentner  
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, 2011

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.



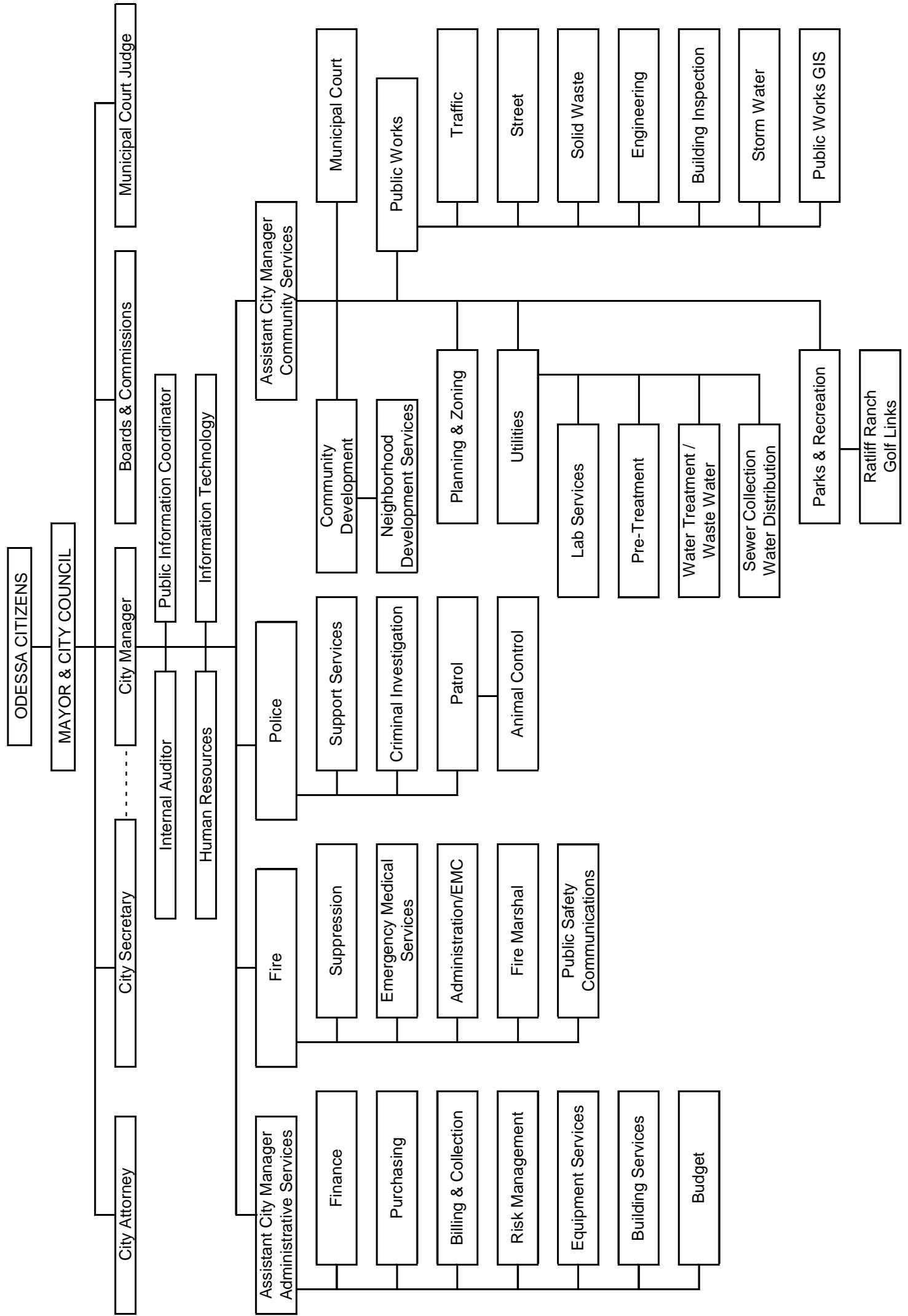
*Christopher P. Mouill*

President

*Jeffrey R. Egan*

Executive Director

# CITY OF ODESSA ORGANIZATION CHART



CITY OF ODESSA, TEXAS

CITY OFFICIALS

MAYOR

DAVID TURNER

CITY COUNCIL

DISTRICT 1

ROGER T. MCNEIL

DISTRICT 2

DEWEY BRYANT

DISTRICT 3

BARBARA GRAFF

DISTRICT 4

DEAN COMBS

DISTRICT 5

SANDRA CARRASCO

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, 2012, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2012 and the respective changes in financial position, and cash flows, where applicable, thereof and the budgetary (GAAP basis) and actual comparison for the general fund 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 19, 2013, 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 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

Page 2

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 17 and schedule of funding progress on page 91 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 financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, statistical section, and schedules of capital assets used in operation of governmental funds are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules, and schedules of capital assets used in operation of governmental funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Odessa, Texas  
March 19, 2013

# CITY OF ODESSA, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### As of September 30, 2012

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, 2012. 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 \$188.0 million (net assets). Of this amount \$57.0 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 \$14.1 million during the 2012 fiscal year. Accordingly, unrestricted net assets increased by \$7.9 million or 16.1%.
- The City of Odessa's governmental funds reported an increase in fund balances of \$12.9 million over the previous year with combined ending fund balances of \$55.6 million as of the close of the current fiscal year. Approximately 48.2%, or \$26.8 million, of this total amount is available for spending at the government's discretion (unassigned fund balances). Within the remaining \$28.8 million, \$644,531 has been restricted for specific debt service requirements, \$9.8 million is restricted or nonspendable, and \$18.4 million is assigned to specific types of expenditures.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$26.8 million, or 45.6%, of total general fund expenditures and is available for spending at the government's discretion for any lawful purpose. Along with the thriving local economic 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 \$1.5 million and decreased by only \$.2 million at the close of the current fiscal year. This change resulted from combined minimal revenues, expenditures and transfers of \$.2 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, 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, 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 and Solid Waste 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 Ratliff Ranch Golf Course, 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 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 \$188.0 million at the close of the fiscal year.

By far, the largest portion of the City of Odessa's net assets, \$129.4 million, or 68.8%, 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

**Government-Wide Financial Analysis (continued)**

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 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	
	2012	2011	2012	2011	2012	2011
Current & Other Assets	\$ 77	\$ 63	\$ 67	\$ 75	\$ 144	\$ 138
Capital Assets	92	92	108	97	200	189
Total Assets	<u>169</u>	<u>155</u>	<u>175</u>	<u>172</u>	<u>344</u>	<u>327</u>
Long-Term Liabilities						
Outstanding	51	50	77	81	128	131
Other Liabilities	13	13	15	9	28	22
Total Liabilities	<u>64</u>	<u>63</u>	<u>92</u>	<u>90</u>	<u>156</u>	<u>153</u>
Invested in Capital Assets, Net of Related Debt	58	58	71	65	129	123
Restricted	1	1	1	1	2	2
Unrestricted	46	33	11	16	57	49
Total Net Assets	<u>\$ 105</u>	<u>\$ 92</u>	<u>\$ 83</u>	<u>\$ 82</u>	<u>\$ 188</u>	<u>\$ 174</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 (\$57 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 \$14.1 million. Governmental type activities had an increase of \$13.0 million; and the business-type activities had a \$1.1 million increase. The total revenues increased to \$139.8 million, which was 7.9% more than the previous year. Total expenses increased to \$125.7 million, which was an increase of \$4.9 million or 4.1%. The net increase to the government's net assets of \$14.1 million was \$5.2 million more than the previous year's amount of \$8.9 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	
	2012	2011	2012	2011	2012	2011
Program Revenues:						
Charges for Services	\$ 8,663	\$ 9,724	\$ 50,270	\$ 51,923	\$ 58,933	\$ 61,647
Operating Grants						
Contributions	5,297	5,835	-	-	5,297	5,835
Capital Grants &						
Contributions	2,368	1,424	4,376	1,463	6,744	2,887
General Revenues:						
Property Taxes	21,670	20,944	-	-	21,670	20,944
Sales Taxes	28,591	23,077	-	-	28,591	23,077
Other Taxes	15,168	12,376	-	-	15,168	12,376
Other Revenues	3,269	2,669	157	204	3,426	2,873
<b>Total Revenues</b>	<b>85,026</b>	<b>76,049</b>	<b>54,803</b>	<b>53,590</b>	<b>139,829</b>	<b>129,639</b>
Expenses:						
General Government	4,280	4,171	-	-	4,280	4,171
Finance	985	1,143	-	-	985	1,143
Public Works	14,805	13,826	-	-	14,805	13,826
Planning & Inspection	785	727	-	-	785	727
Public Safety	39,051	38,689	-	-	39,051	38,689
Welfare	1,106	1,860	-	-	1,106	1,860
Culture & Recreation	7,040	7,011	-	-	7,040	7,011
Interest on Long-Term Debt	1,607	1,644	-	-	1,607	1,644
Water & Sewer	-	-	43,282	39,691	43,282	39,691
Solid Waste	-	-	10,496	9,695	10,496	9,695
Ratliff Golf Course	-	-	1,679	1,738	1,679	1,738
Liquid Waste	-	-	13	17	13	17
Storm Water	-	-	559	552	559	552
<b>Total Expenses</b>	<b>69,659</b>	<b>69,071</b>	<b>56,029</b>	<b>51,693</b>	<b>125,688</b>	<b>120,764</b>
Increase(Decrease) in Net Assets Before Transfers	15,367	6,978	(1,226)	1,897	14,141	8,875
Transfers	(2,305)	350	2,305	(350)	-	-
<b>Increase in Net Assets</b>	<b>13,062</b>	<b>7,328</b>	<b>1,079</b>	<b>1,547</b>	<b>14,141</b>	<b>8,875</b>
Net Assets-Beginning	91,881	84,553	82,026	80,479	173,907	165,032
<b>Net Assets-Ending</b>	<b>\$ 104,943</b>	<b>\$ 91,881</b>	<b>\$ 83,105</b>	<b>\$ 82,026</b>	<b>\$ 188,048</b>	<b>\$ 173,907</b>

## Governmental Activities

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

	<u>2012</u>	<u>2011</u>	<u>Variance</u>
Property Tax, Penalties & Interest	\$ 21,670	\$ 20,944	\$ 726
Sales Taxes	28,591	23,077	5,514
Franchise & Gross Receipts	9,924	9,034	890
Hotel-Motel Taxes	5,244	3,342	1,902
Industrial Taxes	2,885	2,508	377
Unrestricted Investment Income/Misc.	384	161	223
Transfers	<u>(2,305)</u>	<u>350</u>	<u>(2,655)</u>
Total General Revenues & Transfers	<u>\$ 66,393</u>	<u>\$ 59,416</u>	<u>\$ 6,977</u>

The City of Odessa's general revenues and transfers provided \$66.4 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 \$16.3 million and were used to pay expenses associated with governmental activities of \$69.7 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 2012, property taxes generated \$21.7 million and reflected an increase of \$.8 million over the previous year. Property tax collections were derived from growth in the property tax base that increased to \$4.1 billion during the year and was combined with a property tax rate of \$0.52275 per hundred dollars valuation, the same rate as the previous year. Sales taxes revenues generated \$28.6 million, which was more than budget by approximately \$7.8 million. Franchise and gross receipts contributed \$9.9 million to operations, which was an increase from last year by \$890 thousand. The total charges for services came in at \$8.7 million with the majority coming from public safety in the amount of \$7.1 million. Hotel-motel taxes income provided an additional \$5.2 million, which is an increase over the prior year of \$1.9 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 \$39.1 million represents 56.1% of all combined governmental activities expenses.

## **Business-Type Activities**

Net assets from business-type activities were \$83.1 million at the close of the fiscal year and reflected a 1.3% increase from the prior year. Revenues of business-type activities contributed \$54.8 million to the operations of the City of Odessa. Expenses associated with these activities totaled \$56.0 million. After transfers of \$2.3 million, this resulted in an increase to the City's net assets of \$1.1 million from business-type activities.

The major components of the revenue stream for business-type activities represent Water and Sewer revenues of \$37.8 million and Solid Waste revenues of \$10.4 million. Investment earnings were lower in the current fiscal year, and represented only \$0.2 million of the revenue component of business-type activities for the City of Odessa. Meanwhile, grants and contributions revenues totaled \$4.4 million as compared to \$1.5 million during the prior year. The Ratliff Golf Course depicted revenues of \$1.3 million.

Water and Sewer had \$43.3 million in expenses coupled with a deficit position of \$(1.1) million net revenues over expenses for the current fiscal year end. Solid Waste expenses were \$10.5 million and resulted in a deficiency of revenues over expenses totaling \$(118,932). The Ratliff Ranch Golf Course had expenses of \$1.7 million, a transfer in of \$2.3 million and resulted in an excess of revenues over expenses totaling \$2.0 million.

## **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, unassigned 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, 2012, the City of Odessa's governmental funds reported combined ending fund balance of \$55.6 million, an increase of \$12.9 million in comparison with the prior year. Approximately 48.2% of this total amount, \$26.8 million, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is either restricted, committed or assigned to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the City of Odessa. At the end of the current year, unassigned fund balance of the General Fund was \$26.8 million, while total fund balance reached \$44.6 million. Within the General Fund's unassigned fund balance, the City maintains a 60-day contingency balance of \$11,641,796 and a 25-day budget stabilization balance of \$4,850,748. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

## **Financial Analysis of the Government's Funds (continued)**

### 1. Governmental Funds (continued)

Unassigned fund balance represents 45.6% of total General Fund expenditures, while total fund balance represents 76.0% of that same amount. Fund balance of the City's General Fund increased by \$9.6 million during the current fiscal year. Some reasons for the significant increase are apparent in the performance of both General Fund revenues and expenditures, including increased sales tax revenues and property tax revenue and monies not spent in the capital outlay area.

The Capital Projects Fund has a total fund balance of \$1.5 million. Of that amount \$863,788 is restricted for capital outlay and construction; and \$587,587 is reported as assigned. The net decrease in fund balance during the current year for the Capital Projects Fund was \$(187,902). There was not much activity within the Capital Projects Fund during this fiscal year.

### 2. Proprietary Funds

The City of Odessa's proprietary funds provide the same type of information found in the business-type activities 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 \$74.0 million. The total change in net assets was a decrease of \$(1.7) million. Major factors impacting this change include operating loss of \$(2.4) million, \$4.4 million in capital contributions, and \$(3.8) million in interest expense. Operating income was \$5.7 million lower in 2012 than it was in 2011. This decrease is attributable to the imposition of water restrictions for the year, and increased costs of purchasing water.

Unrestricted net assets of the Solid Waste Fund at the end of the year totaled \$552,555. The change in net assets from the previous fiscal year was a \$(115,677) decrease.

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**

At the beginning of the fiscal year, a balanced budget for the General Fund was adopted. The City had very minimal change in budgeted revenues for the year. Actual revenues exceeded the final revenue budget by \$9.5 million during the fiscal year as depicted below.

**General Fund Budgetary Highlights (continued)**

2012 Revenues	Final Budget	Actual	Variance Over (Under)
Property Tax, Penalties & Interest	\$ 18,324,025	\$ 19,036,343	\$ 712,318
City Sales Tax	20,770,356	28,591,360	7,821,004
Franchise & Gross Receipts	9,112,379	9,923,693	811,314
Fines & Forfeitures	3,587,400	3,132,258	(455,142)
Permits & Licenses	420,700	1,021,736	601,036
Investment Income	75,000	112,766	37,766
Industrial Contracts	2,706,000	2,885,016	179,016
Other	3,493,533	3,256,171	(237,362)
Intergovernmental	991,800	1,052,619	60,819
<b>Total Revenues</b>	<b>\$ 59,481,193</b>	<b>\$ 69,011,962</b>	<b>\$ 9,530,769</b>

As noted above, there were significant variances between budgeted revenue and actual revenue. City sales tax made up 82% of this favorable variance as the economy in Odessa is thriving. Property tax, gross receipts tax and building permits all showed favorable variances, again due to increased businesses, buildings, and commercial sales in our current local economy.

Differences between the original budget and the final amended budget resulted in an increase in appropriations of \$14,671,655 and can be briefly summarized, in thousands of dollars, as follows:

- \$ 24 increase in general government activities;
- \$ 11 increase in finance services activities;
- \$ 12 increase in public works activities;
- \$ (160) decrease in public safety activities;
- \$ 16 increase in planning and inspection activities;
- \$ 24 increase in culture and recreation activities;
- \$14,745 increase in capital outlays; and

Approximately \$7.1 million of this increase relates to encumbrances and obligated projects carryover, and \$6.7 million is attributable to one-time supplemental requests approved by the governing body during the fiscal year.

With the adjustments made during fiscal year 2012, the actual expenditures were \$58.7 million as compared to the final budget amount of \$73.8 million causing a positive variance of \$15.1 million. The majority of this variance (98.5%) is in the area of capital outlay expenditures. Many of the one-time supplemental requests in capital outlay were not spent by fiscal year end causing budget to significantly exceed actual expenditures. In addition, some of the obligated projects carried over into 2012 did not get completed. This positive variance is offset by the assigned balances at the end of the fiscal year.

## 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, 2012, amounts to \$199.2 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, 2012 was \$1,130,102 in the governmental activities and \$16,916,539 in the business type activities for a total of \$18,046,641. 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, 2012**  
**(Net of Depreciation, in Thousands)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land	\$ 20,185	\$ 20,129	\$ 458	\$ 458	\$ 20,643	\$ 20,587
Buildings	10,929	11,732	3,932	4,191	14,861	15,923
Improvements other than						
Buildings	23,541	24,430	28,992	31,316	52,533	55,746
Infrastructure	24,647	24,810	56,973	48,205	81,620	73,015
Furniture & Office						
Equipment	42	46	3	4	45	50
Machinery & Equipment	1,162	1,228	368	536	1,530	1,764
Data Processing Equipment	272	365	28	38	300	403
Automotive Equipment	8,202	8,740	-	-	8,202	8,740
Radio & Communications						
Equipment	1,432	265	-	1	1,432	266
Construction in Progress	1,130	86	16,917	12,339	18,047	12,425
Totals	<u>\$ 91,542</u>	<u>\$ 91,831</u>	<u>\$ 107,671</u>	<u>\$ 97,088</u>	<u>\$ 199,213</u>	<u>\$ 188,919</u>

The following major capital projects were completed during fiscal year 2012:

#### Governmental Projects

- O'Connor Park Playground
- Sherwood Park Renovations
- Sections of the East Drainage

#### Water and Sewer Projects

- Elevated Storage Tanks
- Sewer Line Replacements:
  - Phase II
  - E. Loop 338
  - S. Sam Houston
  - 10<sup>th</sup> Street

## **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 \$106.5 million. Of this amount, \$31.0 million is governmental-type tax supported debt. Water and Sewer system revenues support \$75.5 million of business-type activity debt.

**Table 5**  
**Outstanding Debt, at Year-End**  
**(in Thousands)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Certificates of Obligation Serviced	\$ 17,055	\$ 24,710	\$ 62,855	\$ 62,855	\$ 79,910	\$ 87,565
Refunding General Obligations Serviced	13,965	7,970	12,650	16,565	26,615	24,535
Totals	<u>\$ 31,020</u>	<u>\$ 32,680</u>	<u>\$ 75,505</u>	<u>\$ 79,420</u>	<u>\$ 106,525</u>	<u>\$ 112,100</u>

The City of Odessa's total bonded debt decreased \$5.6 million during the current fiscal year. Debt serviced by governmental type activities decreased by \$1.7 million, while debt serviced by business-type activities decreased by \$3.9 million. The City did not issue any additional debt in 2011, however, new debt in the amount of \$6.8 million was issued in 2012 to refund certain 2001 and 2004 certificates of obligation.

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 experience a weakened economy, Odessa's own local economy continues to offer encouragement based upon some of the past accomplishments noted within the community. Some significant signs of our strong local economy is seen in increased sales tax revenues, as well as the continued rise in local property valuations. It is anticipated that the Odessa economy will maintain its current status. 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 growing 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 substantial 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 2013 fiscal year continues to focus on community objectives that are geared toward enhancing the City's image, improving services, researching viable water resources, 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.

Current budgeted expenditures for the City's 2013 fiscal year total \$164.2 million. This amount represents \$17.2 million, or 11.7%, increase above the 2012 fiscal year budget of \$147.0 million. Changes in expenditures reflected increases in most funds and a small decrease in the Community Development fund, and are noted as follows: \$6.5 million increase in the General Fund; \$1.8 million increase in the Water and Sewer Fund; \$396,115 increase in the Solid Waste Fund; \$5.1 million increase in the Equipment Services Fund; \$182,955 increase in the Risk Management Fund; \$2,627 increase in the Golf Course Fund, \$(334,784) decrease in the Community Development Fund; \$(50,592) decrease in the Debt Service Fund and \$3.0 million increase in the new Information Technology Fund.

Total revenues for the 2013 fiscal year are projected at \$161.5 million; an amount that exceeds last year's adopted budget by \$13.4 million, or 9.0%. The more significant revenue changes are derived from several sources including: \$6.5 million increase in General Fund revenues; \$1.9 million increase in Water and Sewer revenues; \$1.1 million increase in Equipment Services revenues; \$3.3 million increase in the new Information Technology Fund revenues; \$363,000 increase in the Solid Waste Fund revenues; \$0.6 million increase in Convention and Visitors revenues; and \$(334,784) decrease in Community Development Fund 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 slight increase in property taxes over the prior year. Sales taxes are projected at 21.5% more than the prior year as actual sales tax for 2012 came in \$5,514,105, or 23.9% higher than 2011.

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

General Fund revenues for the 2013 fiscal year are budgeted at \$70.8 million. The increase over the prior year primarily consists of \$4.5 million increase in sales tax revenue and \$1.8 million increase in property tax revenue, along with slight increases in various other operating revenues. Because assessed values of property in Odessa continue to rise, the City was able to reduce its tax rate at 51.275 cents per \$100 valuation.

Expenditures projected for the 2013 General Fund total \$70.8 million. This amount yields a balanced budget for 2013, yet reflects a \$6.5 million, or 10% increase, over the previous adopted budget.

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

- 5% pay increase to personnel
- position step increases and increases in skill and incentive pay
- increased expenditures for street repairs and maintenance
- increased capital outlay expenditures
- increased fleet maintenance and replacement cost
- introduction of technology charges to Information Technology Fund

The combined balance of the assigned, committed, and unassigned fund balances of the General Fund of \$44.6 million, 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 \$44.9 million and reflect an increase of \$1.9 million, or 4.4%, above revenues budgeted for 2012. This change is attributed to an increase in customers served and a rate increase that went into effect October 1, 2012. The new rates for water service increased by 40%, except for the minimum charge for senior citizen and disability rate classes. The newly established rates set at the start of the 2013 fiscal year are expected to generate revenues sufficient to support increased water costs and to encourage water conservation.

Water and Sewer Fund operating expenditures were budgeted at \$44.7 million with a \$1.8 million, or 4.2%, 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, and the major increase in purchasing water.

In the Solid Waste Fund, budgeted revenues are projected at \$10.4 million and expenditures are estimated at \$10.6 million. Budgeted revenues reflect a \$363,000 increase, while expenditures reflect a \$396,115, or 3.9% increase for the 2013 fiscal year. Solid Waste revenues did not reflect a rate increase for the fiscal year 2013.

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

The Golf Course Fund reflects only slight changes in proposed activities for the 2013 fiscal year. The Ratliff Ranch Golf Course completed its fourth full year of operations as of August 2012, 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 \$1.5 million and expenses are budget at \$1.4 million

### **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.

**THIS PAGE LEFT INTENTIONALLY BLANK**

## BASIC FINANCIAL STATEMENTS

**CITY OF ODESSA, TEXAS**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2012**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Odessa Development Corporation
<b>ASSETS</b>				
Cash and Investments	\$ 67,022,446	\$ 53,403,716	\$ 120,426,162	\$ 16,416,611
Receivables (Net of Allowance for Uncollectibles)	13,378,770	4,199,713	17,578,483	1,296,767
Internal Balances	(4,754,378)	4,754,378	-	-
Inventories	2,305	596,495	598,800	-
Deferred Charges	489,910	813,186	1,303,096	-
Restricted Assets:				
Cash and Investments	-	3,634,971	3,634,971	-
Property Held for Sale	1,191,371	-	1,191,371	179,533
Capital Assets (Net of Accumulated Depreciation):				
Land	20,185,002	458,208	20,643,210	-
Buildings	10,928,844	3,931,644	14,860,488	-
Improvements	23,541,395	28,992,066	52,533,461	-
Infrastructure	24,647,220	56,973,470	81,620,690	-
Furniture and Office Equipment	42,129	3,262	45,391	-
Machinery and Equipment	1,161,607	368,448	1,530,055	-
Data Processing Equipment	271,569	27,567	299,136	-
Automotive Equipment	8,201,775	-	8,201,775	-
Radio and Communication Equipment	1,432,607	-	1,432,607	-
Construction-in-Progress	1,130,102	16,916,538	18,046,640	-
<b>TOTAL ASSETS</b>	<b>168,872,674</b>	<b>175,073,662</b>	<b>343,946,336</b>	<b>17,892,911</b>
<b>LIABILITIES</b>				
Accounts Payable and Other Current Liabilities	7,424,814	7,462,232	14,887,046	59,491
Accrued Interest Payable	268,963	295,613	564,576	-
Unearned Revenue	170,565	2,662,961	2,833,526	-
Noncurrent Liabilities:				
Due Within One Year	5,181,597	4,398,323	9,579,920	-
Due in More Than One Year	50,883,711	77,149,920	128,033,631	-
<b>TOTAL LIABILITIES</b>	<b>63,929,650</b>	<b>91,969,049</b>	<b>155,898,699</b>	<b>59,491</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	57,826,941	71,527,087	129,354,028	-
Restricted for:				
Debt Service	644,531	-	644,531	-
Rate Stabilization	-	1,000,000	1,000,000	-
Unrestricted	46,471,552	10,577,526	57,049,078	17,833,420
<b>TOTAL NET ASSETS</b>	<b>\$ 104,943,024</b>	<b>\$ 83,104,613</b>	<b>\$ 188,047,637</b>	<b>\$ 17,833,420</b>

The accompanying notes are an integral part  
of these financial statements

**CITY OF ODESSA, TEXAS  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2012**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 4,279,814	\$ 111,421	\$ -	\$ -
Finance	985,369	223,453	-	-
Public Works	14,804,737	277,745	3,285,943	1,565,925
Planning and Inspection	785,512	806,596	-	-
Public Safety	39,051,055	7,141,097	741,209	802,111
Welfare	1,105,568	-	1,270,118	-
Culture and Recreation	7,039,829	102,663	-	-
Interest on Long-term Debt	1,607,185	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>69,659,069</b>	<b>8,662,975</b>	<b>5,297,270</b>	<b>2,368,036</b>
Business-Type Activities:				
Water and Sewer	43,282,176	37,761,523	-	4,375,766
Solid Waste	10,495,612	10,376,680	-	-
Ratliff Golf Course	1,679,188	1,343,284	-	-
Liquid Waste	12,608	85,686	-	-
Storm Water	559,034	702,592	-	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>56,028,618</b>	<b>50,269,765</b>	<b>-</b>	<b>4,375,766</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 125,687,687</b>	<b>\$ 58,932,740</b>	<b>\$ 5,297,270</b>	<b>\$ 6,743,802</b>
<b>Component Unit:</b>				
Odessa Development Corporation	\$ 1,449,966	\$ -	\$ -	\$ -
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 1,449,966</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

General Revenues:

Property Taxes  
Sales Taxes  
Gross Receipts Taxes  
Hotel-Taxes  
Industrial Contracts  
Unrestricted Investment Earnings  
Miscellaneous  
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
\$ (4,168,393)	\$ -	\$ (4,168,393)	\$ -
(761,916)	-	(761,916)	-
(9,675,124)	-	(9,675,124)	-
21,084	-	21,084	-
(30,366,638)	-	(30,366,638)	-
164,550	-	164,550	-
(6,937,166)	-	(6,937,166)	-
(1,607,185)	-	(1,607,185)	-
<u>(53,330,788)</u>	<u>-</u>	<u>(53,330,788)</u>	<u>-</u>
-	(1,144,887)	(1,144,887)	-
-	(118,932)	(118,932)	-
-	(335,904)	(335,904)	-
-	73,078	73,078	-
-	143,558	143,558	-
<u>-</u>	<u>(1,383,087)</u>	<u>(1,383,087)</u>	<u>-</u>
(53,330,788)	(1,383,087)	(54,713,875)	-
-	-	-	1,449,966
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,449,966</u>
21,669,691	-	21,669,691	-
28,591,360	-	28,591,360	7,147,840
9,923,693	-	9,923,693	-
5,244,625	-	5,244,625	-
2,885,016	-	2,885,016	-
253,807	156,607	410,414	22,324
129,802	-	129,802	-
<u>(2,305,085)</u>	<u>2,305,085</u>	<u>-</u>	<u>-</u>
<u>66,392,909</u>	<u>2,461,692</u>	<u>68,854,601</u>	<u>7,170,164</u>
13,062,121	1,078,605	14,140,726	5,720,198
<u>91,880,903</u>	<u>82,026,008</u>	<u>173,906,911</u>	<u>12,113,222</u>
<u>\$ 104,943,024</u>	<u>\$ 83,104,613</u>	<u>\$ 188,047,637</u>	<u>\$ 17,833,420</u>

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

**THIS PAGE LEFT INTENTIONALLY BLANK**

**CITY OF ODESSA, TEXAS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
SEPTEMBER 30, 2012**

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 41,574,321	\$ 1,459,041	\$ 8,165,027	\$ 51,198,389
Receivables, net of Allowance for Uncollectibles				
Property Taxes	1,420,397	-	-	1,420,397
Accounts Receivable	9,196,932	-	2,577,683	11,774,615
Other	182,420	-	-	182,420
Interfund Receivables	844,539	17,723	-	862,262
Inventories	2,305	-	-	2,305
Property Held for Sale	-	-	1,191,371	1,191,371
	<u>\$ 53,220,914</u>	<u>\$ 1,476,764</u>	<u>\$ 11,934,081</u>	<u>\$ 66,631,759</u>
<b>TOTAL ASSETS</b>				
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts Payable	\$ 1,258,444	\$ -	\$ 1,502,090	\$ 2,760,534
Accrued Payroll	1,885,946	-	22,965	1,908,911
Deferred Tax Revenue	1,277,617	-	-	1,277,617
Deferred Revenue	3,588,812	-	170,566	3,759,378
Interfund Payable	212,707	-	667,359	880,066
Other	406,924	25,389	-	432,313
	<u>8,630,450</u>	<u>25,389</u>	<u>2,362,980</u>	<u>11,018,819</u>
<b>TOTAL LIABILITIES</b>				
<b>FUND BALANCES:</b>				
Nonspendable	2,305	-	-	2,305
Restricted	-	863,788	9,571,101	10,434,889
Assigned	17,837,824	587,587	-	18,425,411
Unassigned	26,750,335	-	-	26,750,335
	<u>44,590,464</u>	<u>1,451,375</u>	<u>9,571,101</u>	<u>55,612,940</u>
<b>TOTAL FUND BALANCES</b>				
<b>TOTAL LIABILITIES AND FUND BALANCES</b>				
	<u>\$ 53,220,914</u>	<u>\$ 1,476,764</u>	<u>\$ 11,934,081</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.	81,976,418
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	4,866,429
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.	17,315,447
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(54,828,210)</u>
Net Assets of Governmental Activities	<u>\$ 104,943,024</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, 2012**

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property Tax, Penalties and Interest	\$ 19,036,343	\$ -	\$ 2,958,543	\$ 21,994,886
City Sales Tax	28,591,360	-	-	28,591,360
Franchise and Gross Receipts	9,923,693	-	-	9,923,693
Fines and Forfeitures	3,132,258	-	137,094	3,269,352
Permits and Licenses	1,021,736	-	-	1,021,736
Grants and Entitlements	-	-	5,782,548	5,782,548
Hotel and Motel Occupancy Tax	-	-	5,244,625	5,244,625
Investment Income	112,766	4,063	18,528	135,357
Donations	-	-	100,000	100,000
Industrial Contracts	2,885,016	-	-	2,885,016
Other	3,256,171	25,334	112,818	3,394,323
Intergovernmental	1,052,619	-	-	1,052,619
Sale of Confiscated Property	-	-	135,498	135,498
<b>TOTAL REVENUES</b>	<b>69,011,962</b>	<b>29,397</b>	<b>14,489,654</b>	<b>83,531,013</b>
<b>EXPENDITURES</b>				
Current				
General Government	3,886,153	-	-	3,886,153
Finance	503,144	-	297,572	800,716
Public Works	9,802,826	-	3,285,943	13,088,769
Planning and Inspection	749,346	-	-	749,346
Public Safety	37,112,744	-	448,997	37,561,741
Welfare	-	-	1,101,632	1,101,632
Culture and Recreation	4,061,969	4,319	2,020,780	6,087,068
<b>TOTAL CURRENT</b>	<b>56,116,182</b>	<b>4,319</b>	<b>7,154,924</b>	<b>63,275,425</b>
Debt Service				
Principal Retirement	442,039	-	1,545,000	1,987,039
Bond Issuance Costs	-	-	145,914	145,914
Interest and Fiscal Charges	92,712	-	1,305,426	1,398,138
<b>TOTAL DEBT SERVICE</b>	<b>534,751</b>	<b>-</b>	<b>2,996,340</b>	<b>3,531,091</b>
Capital Outlay	2,008,111	122,961	990,253	3,121,325
<b>TOTAL EXPENDITURES</b>	<b>58,659,044</b>	<b>127,280</b>	<b>11,141,517</b>	<b>69,927,841</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (Carried Forward)</b>	<b>10,352,918</b>	<b>(97,883)</b>	<b>3,348,137</b>	<b>13,603,172</b>

(Continued)

**CITY OF ODESSA, TEXAS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2012**

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (Brought Forward)	<u>\$ 10,352,918</u>	<u>\$ (97,883)</u>	<u>\$ 3,348,137</u>	<u>\$ 13,603,172</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Refunding Bonds Issued	-	-	6,780,000	6,780,000
Reoffering Premium	-	-	412,401	412,401
Payments to Escrow	-	-	(7,148,058)	(7,148,058)
Capital Lease Proceeds	1,560,469	-	-	1,560,469
Transfers In	-	-	126,678	126,678
Transfers (Out)	<u>(2,336,844)</u>	<u>(90,019)</u>	<u>(4,900)</u>	<u>(2,431,763)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(776,375)</u>	<u>(90,019)</u>	<u>166,121</u>	<u>(700,273)</u>
<b>NET CHANGE IN FUND BALANCES</b>	9,576,543	(187,902)	3,514,258	12,902,899
<b>FUND BALANCE - AT BEGINNING OF YEAR</b>	<u>35,013,921</u>	<u>1,639,277</u>	<u>6,056,843</u>	<u>42,710,041</u>
<b>FUND BALANCE - AT END OF YEAR</b>	<u><u>\$ 44,590,464</u></u>	<u><u>\$ 1,451,375</u></u>	<u><u>\$ 9,571,101</u></u>	<u><u>\$ 55,612,940</u></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  
YEAR ENDED SEPTEMBER 30, 2012**

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)	\$ 12,902,899
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.	(1,366,810)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	1,525,048
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)	(148,234)
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.	472,670
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.	(1,580,966)
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>1,257,514</u>
Change in net assets of governmental activities (page 21)	<u><u>\$ 13,062,121</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, 2012**

	Budgeted Amount		Actual	Variance Over (Under)
	Original	Final		
<b>REVENUES</b>				
Property Tax, Penalties and Interest	\$ 18,324,025	\$ 18,324,025	\$ 19,036,343	\$ 712,318
City Sales Tax	20,770,356	20,770,356	28,591,360	7,821,004
Franchise and Gross Receipts	9,112,379	9,112,379	9,923,693	811,314
Fines and Forfeitures	3,587,400	3,587,400	3,132,258	(455,142)
Permits and Licenses	420,700	420,700	1,021,736	601,036
Investment Income	75,000	75,000	112,766	37,766
Industrial Contracts	2,706,000	2,706,000	2,885,016	179,016
Other	3,492,108	3,493,533	3,256,171	(237,362)
Intergovernmental	991,800	991,800	1,052,619	60,819
<b>TOTAL REVENUES</b>	<b>59,479,768</b>	<b>59,481,193</b>	<b>69,011,962</b>	<b>9,530,769</b>
<b>EXPENDITURES</b>				
Current				
General Government	3,991,833	4,015,370	3,886,153	(129,217)
Finance	831,846	843,031	503,144	(339,887)
Public Works	9,954,716	9,966,406	9,802,826	(163,580)
Planning and Inspection	735,241	751,193	749,346	(1,847)
Public Safety	36,671,716	36,512,156	37,112,744	600,588
Culture and Recreation	4,234,037	4,257,669	4,061,969	(195,700)
Landfill closure and postclosure care (\$(15,670) [total amount determined for the year under GASB-18] plus \$15,670 change in general long-term debt account group liability)	-	-	-	-
<b>TOTAL CURRENT</b>	<b>56,419,389</b>	<b>56,345,825</b>	<b>56,116,182</b>	<b>(229,643)</b>
Debt Service				
Principal Retirement	442,039	442,039	442,039	-
Interest	92,712	92,712	92,712	-
Capital Outlay	2,196,628	16,941,847	2,008,111	(14,933,736)
<b>TOTAL EXPENDITURES</b>	<b>59,150,768</b>	<b>73,822,423</b>	<b>58,659,044</b>	<b>(15,163,379)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>329,000</b>	<b>(14,341,230)</b>	<b>10,352,918</b>	<b>24,694,148</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital Lease Proceeds	-	-	1,560,469	(1,560,469)
Transfers (Out)	(329,000)	(329,000)	(2,336,844)	2,007,844
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(329,000)</b>	<b>(329,000)</b>	<b>(776,375)</b>	<b>447,375</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>(14,670,230)</b>	<b>9,576,543</b>	<b>24,246,773</b>
<b>FUND BALANCE - AT BEGINNING OF YEAR,</b>	<b>35,013,921</b>	<b>35,013,921</b>	<b>35,013,921</b>	<b>-</b>
<b>FUND BALANCE - AT END OF YEAR</b>	<b>\$ 35,013,921</b>	<b>\$ 20,343,691</b>	<b>\$ 44,590,464</b>	<b>\$ 24,246,773</b>

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

**CITY OF ODESSA, TEXAS  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2012**

	Business-Type Activities - Enterprise Funds	
	Water and Sewer Fund	Solid Waste Fund
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and Investments	\$ 51,587,930	\$ 1,182,044
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	3,207,084	931,907
Interfund Receivable	-	-
Inventories	538,952	-
<b>RESTRICTED ASSETS:</b>		
Cash and Investments	3,634,971	-
	<b>58,968,937</b>	<b>2,113,951</b>
<b>TOTAL CURRENT ASSETS</b>		
	<b>58,968,937</b>	<b>2,113,951</b>
<b>NONCURRENT ASSETS:</b>		
<b>CAPITAL ASSETS:</b>		
Land	437,690	-
Buildings	9,120,631	-
Improvements	74,271,772	-
Infrastructure	123,932,469	-
Furniture and Office Equipment	101,759	-
Machinery and Equipment	2,767,685	122,507
Data Processing Equipment	946,919	10,355
Automotive Equipment	-	-
Radio and Electronic Equipment	3,750	-
Construction-In-Progress	16,916,538	-
Less Accumulated Depreciation	(124,204,363)	(122,665)
	<b>104,294,850</b>	<b>10,197</b>
<b>TOTAL CAPITAL ASSETS (Net of Accumulated Depreciation)</b>		
	<b>104,294,850</b>	<b>10,197</b>
<b>DEFERRED CHARGES:</b>		
Bond Issue Costs (Net of Accumulated Amortization)	813,186	-
	<b>813,186</b>	<b>-</b>
<b>TOTAL NONCURRENT ASSETS</b>		
	<b>105,108,036</b>	<b>10,197</b>
<b>TOTAL ASSETS</b>		
	<b>164,076,973</b>	<b>2,124,148</b>

Business-Type Activities - Enterprise Funds				Governmental
Ratliff				Activities -
Golf	Liquid	Storm		Internal
Course	Waste	Water	Totals	Service
Fund	Fund	Fund		Funds
\$ 450	\$ 110,035	\$ 523,257	\$ 53,403,716	\$ 15,824,058
-	-	60,722	4,199,713	1,337
47,713	-	-	47,713	164,993
57,543	-	-	596,495	-
-	-	-	3,634,971	-
105,706	110,035	583,979	61,882,608	15,990,388
20,518	-	-	458,208	89,531
206,604	-	-	9,327,235	1,356,554
3,883,791	-	-	78,155,563	466,874
-	-	-	123,932,469	-
-	-	-	101,759	38,414
43,613	-	-	2,933,805	1,645,117
10,626	-	-	967,900	427,102
-	-	-	-	29,925,674
-	-	-	3,750	145,882
-	-	-	16,916,538	-
(798,996)	-	-	(125,126,024)	(24,529,314)
3,366,156	-	-	107,671,203	9,565,834
-	-	-	813,186	-
3,366,156	-	-	108,484,389	9,565,834
3,471,862	110,035	583,979	170,366,997	25,556,222

(Continued)

**CITY OF ODESSA, TEXAS  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS (CONTINUED)  
 SEPTEMBER 30, 2012**

	Business-Type Activities - Enterprise Funds	
	Water and Sewer Fund	Solid Waste Fund
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 5,678,352	\$ 332,526
Compensated Absences	230,985	89,896
Accrued Payroll	260,305	118,510
Interfund Payables	-	-
Contracts Payable	751,713	-
Deposits and Billings Payable	2,662,961	-
Current Portion of Bonds Payable	4,055,000	-
Accrued Interest	295,613	-
Other Liabilities	207,981	63,365
	<u>14,142,910</u>	<u>604,297</u>
<b>TOTAL CURRENT LIABILITIES</b>		
<b>NONCURRENT LIABILITIES:</b>		
Compensated Absences	446,873	273,482
Other Post Employment Benefits Payable	1,097,771	405,558
TMRS Phase In Liability	747,925	278,059
Bonds Payable (Net of Current Maturities)	73,615,315	-
	<u>75,907,884</u>	<u>957,099</u>
<b>TOTAL NONCURRENT LIABILITIES</b>		
<b>TOTAL LIABILITIES</b>		
	<u>90,050,794</u>	<u>1,561,396</u>
<b>NET ASSETS:</b>		
Invested in Capital Assets, Net of Related Debt	68,150,734	10,197
Restricted for Rate Stabilization	1,000,000	-
Unrestricted	4,875,445	552,555
	<u>74,026,179</u>	<u>562,752</u>
<b>TOTAL NET ASSETS</b>		

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
Ratliff				Activities -
Golf	Liquid	Storm	Totals	Internal
Course	Waste	Water		Service
Fund	Fund	Fund		Funds
\$ 13,652	\$ -	\$ 4,748	\$ 6,029,278	\$ 2,240,903
11,361	-	11,081	343,323	103,449
22,346	-	8,735	409,896	82,065
-	-	-	-	194,902
-	-	-	751,713	-
-	-	-	2,662,961	-
-	-	-	4,055,000	-
-	-	-	295,613	-
-	-	-	271,346	88
<u>47,359</u>	<u>-</u>	<u>24,564</u>	<u>14,819,130</u>	<u>2,621,407</u>
53,372	-	40,528	814,255	324,822
81,591	6,375	27,087	1,618,382	332,575
57,892	3,803	14,289	1,101,968	255,305
-	-	-	73,615,315	-
<u>192,855</u>	<u>10,178</u>	<u>81,904</u>	<u>77,149,920</u>	<u>912,702</u>
<u>240,214</u>	<u>10,178</u>	<u>106,468</u>	<u>91,969,050</u>	<u>3,534,109</u>
3,366,156	-	-	71,527,087	9,565,834
-	-	-	1,000,000	-
<u>(134,508)</u>	<u>99,857</u>	<u>477,511</u>	<u>5,870,860</u>	<u>12,456,279</u>
<u>\$ 3,231,648</u>	<u>\$ 99,857</u>	<u>\$ 477,511</u>	<u>78,397,947</u>	<u>\$ 22,022,113</u>
			<u>4,706,666</u>	
			<u>\$ 83,104,613</u>	

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, 2012**

	<u>Business-Type Activities - Enterprise Funds</u>	
	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>
<b>OPERATING REVENUES</b>		
Water	\$ 21,656,717	\$ -
Sewer	13,584,706	-
Other	2,520,100	48,345
User Fees	-	10,328,335
	<hr/>	<hr/>
TOTAL OPERATING REVENUES	37,761,523	10,376,680
	<hr/>	<hr/>
<b>OPERATING EXPENSES</b>		
Personal Services	6,710,832	2,735,921
Supplies and Materials	17,073,215	68,678
Other Services	9,077,855	6,477,949
Maintenance	1,334,582	634,686
Depreciation and Amortization	5,926,236	5,099
Other	56,792	542,810
	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	40,179,512	10,465,143
	<hr/>	<hr/>
OPERATING INCOME (LOSS)	(2,417,989)	(88,463)
	<hr/>	<hr/>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment Income	152,006	3,255
Gain(Loss) on Sale of City Property	(13,989)	-
Interest Expense and Fiscal Charges	(3,823,159)	-
Other Non-Operating Expense	-	(30,469)
	<hr/>	<hr/>
TOTAL NON-OPERATING REVENUES (EXPENSES)	(3,685,142)	(27,214)
	<hr/>	<hr/>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(6,103,131)	(115,677)
	<hr/>	<hr/>
<b>CAPITAL CONTRIBUTIONS</b>	4,375,766	-
	<hr/>	<hr/>
<b>TRANSFERS IN (OUT)</b>	-	-
	<hr/>	<hr/>
CHANGE IN NET ASSETS	(1,727,365)	(115,677)
	<hr/>	<hr/>
<b>NET ASSETS - BEGINNING OF YEAR</b>	75,753,544	678,429
	<hr/>	<hr/>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 74,026,179</u>	<u>\$ 562,752</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
Ratliff Golf Course Fund	Liquid Waste Fund	Storm Water Fund	Totals	Activities - Internal Service Funds
\$ -	\$ -	\$ -	\$ 21,656,717	\$ -
-	-	-	13,584,706	-
-	-	-	2,568,445	635,419
<u>1,343,284</u>	<u>85,686</u>	<u>702,592</u>	<u>12,459,897</u>	<u>20,710,436</u>
<u>1,343,284</u>	<u>85,686</u>	<u>702,592</u>	<u>50,269,765</u>	<u>21,345,855</u>
618,491	3,461	229,773	10,298,478	2,305,367
286,186	651	-	17,428,730	2,861,601
558,906	8,496	251,320	16,374,526	7,560,778
75,583	-	77,941	2,122,792	2,117,198
140,022	-	-	6,071,357	3,837,224
-	-	-	599,602	814,303
<u>1,679,188</u>	<u>12,608</u>	<u>559,034</u>	<u>52,895,485</u>	<u>19,496,471</u>
<u>(335,904)</u>	<u>73,078</u>	<u>143,558</u>	<u>(2,625,720)</u>	<u>1,849,384</u>
-	191	1,155	156,607	38,183
-	-	-	(13,989)	49,386
-	-	-	(3,823,159)	-
-	-	-	(30,469)	(61,847)
<u>-</u>	<u>191</u>	<u>1,155</u>	<u>(3,711,010)</u>	<u>25,722</u>
<u>(335,904)</u>	<u>73,269</u>	<u>144,713</u>	<u>(6,336,730)</u>	<u>1,875,106</u>
-	-	-	4,375,766	116,892
<u>2,305,085</u>	<u>-</u>	<u>-</u>	<u>2,305,085</u>	<u>-</u>
1,969,181	73,269	144,713	344,121	1,991,998
<u>1,262,467</u>	<u>26,588</u>	<u>332,798</u>	<u>78,053,826</u>	<u>20,030,115</u>
<u>\$ 3,231,648</u>	<u>\$ 99,857</u>	<u>\$ 477,511</u>	<u>\$ 78,397,947</u>	<u>\$ 22,022,113</u>
			\$ 344,121	
			734,484	
			<u>\$ 1,078,605</u>	

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, 2012**

	Business-Type Activities - Enterprise Funds	
	Water and Sewer Fund	Solid Waste Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 35,824,506	\$ 10,380,245
Cash Received from Other Funds for Services	2,520,100	-
Cash Paid to Employees	(6,487,902)	(2,634,147)
Cash Paid for Goods and Services	(15,854,237)	(4,250,851)
Cash Paid to Other Funds for Services	(7,029,676)	(3,422,480)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	8,972,791	72,767
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Capital Contributions Out	-	(30,469)
Transfer from(to) General Fund	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	(30,469)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES</b>		
Principal Paid on Debt	(4,177,650)	-
Interest Paid on Debt	(3,701,158)	-
Acquisition and Construction of Capital Assets	(12,292,419)	-
Proceeds from Sale of Capital Assets	-	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCIAL ACTIVITIES	(20,171,227)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Income Received on Investments	152,006	3,255
NET CASH PROVIDED BY INVESTING ACTIVITIES	152,006	3,255
NET INCREASE (DECREASE) IN CASH	(11,046,430)	45,553
<b>CASH - AT BEGINNING OF YEAR</b>		
(Included in Cash and Investments of Business-Type Activities of \$63,691,770 and \$4,111,871 in Restricted Accounts)	66,269,331	1,136,491
<b>CASH - AT END OF YEAR</b>		
(Included in Cash and Investments of Business-Type Activities of \$53,403,716 and \$3,634,971 in Restricted Accounts)	\$ 55,222,901	\$ 1,182,044

Business-Type Activities - Enterprise Funds				Governmental
Ratliff Golf Course Fund	Liquid Waste Fund	Storm Water Fund	Totals	Activities - Internal Service Funds
\$ 1,295,571	\$ 85,686	\$ 708,560	\$ 48,294,568	\$ 20,824,451
-	-	-	2,520,100	635,419
(597,353)	(3,461)	(221,345)	(9,944,208)	(2,250,399)
(2,696,029)	(9,147)	(80,256)	(22,890,520)	(13,052,973)
(307,274)	-	(245,460)	(11,004,890)	(643,550)
<u>(2,305,085)</u>	<u>73,078</u>	<u>161,499</u>	<u>6,975,050</u>	<u>5,512,948</u>
-	-	-	(30,469)	(61,847)
<u>2,305,085</u>	<u>-</u>	<u>-</u>	<u>2,305,085</u>	<u>-</u>
<u>2,305,085</u>	<u>-</u>	<u>-</u>	<u>2,274,616</u>	<u>(61,847)</u>
-	-	-	(4,177,650)	-
-	-	-	(3,701,158)	-
-	-	-	(12,292,419)	(3,273,580)
-	-	-	-	49,386
-	-	-	<u>(20,171,227)</u>	<u>(3,224,194)</u>
-	191	1,155	156,607	38,183
-	<u>191</u>	<u>1,155</u>	<u>156,607</u>	<u>38,183</u>
-	73,269	162,654	(10,764,954)	2,265,090
450	<u>36,766</u>	<u>360,603</u>	<u>67,803,641</u>	<u>13,558,968</u>
<u>\$ 450</u>	<u>\$ 110,035</u>	<u>\$ 523,257</u>	<u>\$ 57,038,687</u>	<u>\$ 15,824,058</u>

(Continued)

**CITY OF ODESSA, TEXAS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS (CONTINUED)  
 YEAR ENDED SEPTEMBER 30, 2012**

	Business-Type Activities - Enterprise Funds	
	Water and Sewer Fund	Solid Waste Fund
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
<b>OPERATING INCOME (LOSS)</b>	<b>\$ (2,417,989)</b>	<b>\$ (88,463)</b>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities		
Depreciation and Amortization	5,926,236	5,099
(Increase) Decrease in Accounts Receivable	270,551	3,565
(Increase) Decrease in Inventories	(112,262)	-
(Increase) Decrease in Interfund Receivable	-	1,670
(Decrease) Increase in Accounts Payable	4,767,052	102,478
(Decrease) Increase in Accrued Employee Benefits Payable	48,679	21,507
(Decrease) Increase in Accrued Payroll	9,005	17,128
(Decrease) Increase in Interfund Payables	(500,000)	(50,000)
(Decrease) Increase in Contracts Payable	468,164	-
(Decrease) Increase in Deposits and Billings Payable	312,532	-
(Decrease) Increase in Other Post Employment Payable	124,163	47,790
(Decrease) Increase in TMRS Phase In Liability	41,083	15,349
(Decrease) Increase in Other Liabilities	35,577	(3,356)
	11,390,780	161,230
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 8,972,791</b>	<b>\$ 72,767</b>

**NONCASH INVESTING CAPITAL AND FINANCING ACTIVITIES**

During the fiscal year ended September 30, 2012, the Water and Sewer Fund acquired capital assets of \$4,375,766 through contributed capital.

During the fiscal year ended September 30, 2012, the Internal Service Funds acquired capital assets of \$116,892 through contributed capital.

Business-Type Activities - Enterprise Funds				Governmental
Ratliff Golf Course Fund	Liquid Waste Fund	Storm Water Fund	Totals	Activities - Internal Service Funds
\$ (335,904)	\$ 73,078	\$ 143,558	\$ (2,625,720)	\$ 1,849,384
140,022	-	-	6,071,357	3,837,224
-	-	5,968	280,084	3,272
(15,393)	-	-	(127,655)	210,724
(47,713)	-	-	(46,043)	110,743
(3,733)	-	3,545	4,869,342	(448,334)
7,774	-	937	78,897	17,229
2,125	-	(199)	28,059	(10,117)
(2,059,251)	-	-	(2,609,251)	(105,098)
-	-	-	468,164	-
-	-	-	312,532	-
8,039	-	6,253	186,245	33,050
3,200	-	1,437	61,069	14,806
(4,251)	-	-	27,970	65
(1,969,181)	-	17,941	9,600,770	3,663,564
\$ (2,305,085)	\$ 73,078	\$ 161,499	\$ 6,975,050	\$ 5,512,948

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

**CITY OF ODESSA, TEXAS  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
SEPTEMBER 30, 2012**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and Investments	\$ 809,964
Accounts Receivable	<u>199,544</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,009,508</u></u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 730,558
Deposits and Billings Payable	<u>278,950</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 1,009,508</u></u>

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

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

**INDEX**

<u>Notes</u>	<u>Description</u>	<u>Page</u>
1	Summary of Significant Accounting Policies	40
	A. Reporting Entity	41
	B. Government-Wide and Fund Financial Statements	43
	C. Measurement Focus and Basis of Accounting	44
	D. Cash and Investments	47
	E. Receivables, Payables and Interfund Transactions	48
	F. Inventories	48
	G. Restricted Assets	48
	H. Property Held for Sale	49
	I. Capital Assets	49
	J. Compensated Absences	49
	K. Long-Term Obligations	50
	L. Fund Equity	50
	M. Revenue Recognition - Property Taxes	52
	N. Federal and State Grants and Entitlements	52
	O. Use of Estimates	52
2	Reconciliation of Government-Wide and Fund Financial Statements	53
3	Stewardship, Compliance and Accountability	55
4	Deposits and Investments	56
5	Receivables	57
6	Capital Assets	58
7	Retirement Commitments	60
8	Discrete Component Unit – Odessa Development Corporation	71
9	Joint Venture	78
10	Deferred Compensation Plan	78
11	Flexible Benefits Plan	78
12	Interfund Transactions	79
13	Long-Term Debt	80
14	Capital Lease Obligations	85
15	Landfill Closure and Post-closure Care Cost	86
16	Risk Management	86
17	Fund Balance	87
18	Commitments and Contingencies	87
19	Litigation	88
20	New Pronouncements	88

**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, 2012, 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, 2012 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.

4. Ector County Parks Foundation, Inc. – The Foundation is a non-profit organization, which assists Odessa and Ector County governmental agencies and local groups improve park systems and recreational facilities through land acquisition and development of existing parks. A substantial amount of funding for the Foundation is acquired through the \$1 donation on the City's customer water bills and its expenditure is controlled by the City. As of and for the year ended September 30, 2012, the financial activity for the Foundation is immaterial to the City of Odessa's reporting entity. The Foundation issues its own annual audited financial statements.

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**A. Reporting Entity - Continued**

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, 2012, the two Cities made a \$500,000 contribution into the MOUTD. Further information concerning MOUTD may be found in Note 9 of this financial report.

**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, Liquid Waste, Golf and Storm Water) 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.

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**B. Government-Wide and Fund Financial Statements - Continued**

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.

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.

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**C. Measurement Focus and Basis of Accounting – Continued**

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.

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.

**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 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 ongoing operations. The principal operating revenues of the City's water and sewer, solid waste, liquid waste, golf and storm water funds are charges of this type. Operating expenses include the costs of administration, sales, services and depreciation.

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 and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (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 are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
2. *Debt Service Fund* – The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. 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.

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**C. Measurement Focus and Basis of Accounting – Continued**

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.

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.

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**D. Cash and Investments – Continued**

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.

TexPool – Texpool was also created by an interlocal contract and is governed by the Public Funds Investment Act, and is rated AAAM by Standard and Poor's. 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 fair 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, 2012, represents the final unpaid billings issued prior to September 30, 2012, and includes an amount for unbilled September 2012, 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.

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**H. Property Held for Sale**

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

**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 - 20 Years
Infrastructure	25 Years	Automotive Equipment	3 - 20 Years
Furniture and Office Equipment	7 - 10 Years	Radio Equipment	5 Years

**J. Compensated Absences**

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.

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**J. Compensated Absences – Continued**

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.
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**

Fund Balance

In the fund financial statements, fund balances are required to be reported according to the following classifications:

1. Nonspendable fund balance represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
2. Restricted fund balance represents amounts constrained to use by either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**L. Fund Equity – Continued**

3. Committed fund balance includes amounts constrained to specific purposes determined by a formal action (ordinance) of the City itself, using its highest level of decision-making authority (City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint. The City did not have committed fund balances at September 30, 2012.
4. Assigned fund balance amounts are intended to be used by the government for specific purposes but do not meet the criteria to be restricted or committed. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority. Assigned fund balance represents the remaining amount that is not restricted or committed in governmental funds other than the general fund, which is classified as unassigned.
5. Unassigned fund balance is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance.

The City's policy is to use restricted resources first, then unrestricted resources as they are needed. Within unrestricted fund balance, the committed amount should be used first, assigned amount next, and unassigned amount should be used last.

In 1983 and 1999, the City Council established a fund balance policy to maintain a certain General Fund minimum fund balance for contingencies equal to 60 days of subsequent year budgeted General Fund expenditures (\$11,641,796 at September 30, 2012) and for budget stabilization equal to 25 days of subsequent year budgeted General Fund expenditures (\$4,850,748 at September 30, 2012). As the policy does not meet the criteria to be reported within the restricted or committed fund balance classifications, these amounts are included in the unassigned classification.

**Net Assets**

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

Restricted net assets reported in the proprietary funds and government-wide net assets consist of the following:

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

See note 17 for additional information on fund balances, including a schedule of September 30, 2012, fund balance classifications, and the change in beginning fund balances.

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**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, 2012 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, 2012, 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 \$59,925,907.

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.

**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.

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

**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 \$(54,828,210) difference are as follows:

Bonds, Certification of Obligations and Notes Payable	\$ (31,020,000)
Plus Bond Premiums	(565,161)
Less Deferred Charge for Issuance Costs	489,910
Less Deferred Loss	523,078
Accrued Interest Payable	(268,963)
Landfill Payable	(1,623,462)
Compensated Absences	(7,627,160)
Capital Lease Payable	(3,517,014)
Other Post Employment Benefits Obligation	(5,464,529)
Firemen's Benefit Obligation	(1,901,269)
TMRS Phase-in Liability	<u>(3,853,640)</u>
 Net adjustment to reduce Fund balance - Total	
Government Funds to arrive at net assets - Governmental Activities	<u>\$ (54,828,210)</u>

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 \$ 4,866,429 difference are as follows:

Deferred Property Tax Revenue	\$ 1,277,617
Deferred Municipal Court Fines Revenue	1,863,244
Deferred Other Miscellaneous Revenue	<u>1,725,568</u>
 Net adjustment to increase Fund Balance - Total	
Governmental Funds to arrive at Net Assets - Governmental Activities	<u>\$ 4,866,429</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 \$(1,366,810) difference are as follows:

**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

Capital Outlay	\$ 3,121,325
Depreciation Expense	<u>(4,488,135)</u>

Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (1,366,810)</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 \$1,525,048 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>\$ 1,525,048</u>
--	---------------------

Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,525,048</u>
--	---------------------

Another element of that reconciliation states that the “Issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.” 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 \$472,670 difference are as follows:

Capital Lease Proceeds	\$ (1,560,469)
Refunding Bonds Issued	(6,780,000)
Reoffering Premium	(412,401)
Payments to Escrow	7,148,058
Bond Issuance Costs Paid	145,914
Principal repayments on Bonds, Certificates of Obligation and Capital Leases	1,987,039
Amortization of Premium	25,222
Amortization of Bond Issuances Costs and Deferred Loss	<u>(80,693)</u>

Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 472,670</u>
--	-------------------

**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 “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 \$(1,580,966) difference are as follows:

Accrued Interest	\$ (128,354)
Compensated Absences	27,787
Landfill	15,670
Other Post Employment Benefit	(617,698)
Firemen's Benefit	(666,478)
TMRS Phase-In	<u>(211,893)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (1,580,966)</u>

**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 a resolution.
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.

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

**NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED**

**A. Budgetary Information - Continued**

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, 2012, supplemental appropriations in the amount of \$7.1 million for rollover encumbrances were necessary in the General Fund.

**B. Excess of Expenditures over Appropriations**

For the year ended September 30, 2012, expenditures exceeded appropriations in the General Fund Public Safety Function by \$600,588, and in the Debt Service Fund Bond Issuance Costs expenditures by \$145,914. The over expenditures in the General Fund were funded by available fund balance and excess current year revenues. The overage in the Debt Service Fund was due to the refunding issue and is funded by other financing sources and interest savings.

**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, 2012, 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, 2012. At year-end, the carrying amount of the City's deposits was \$124,871,097 (\$124,061,133 in the Primary Government and \$809,964 in the Agency Funds). Of the total, \$49,397,176 was in deposits (including \$3,001,265 in CD's, \$25,238,467 in CDARS CD's and \$18,320,803 in savings) and \$75,473,921 was in investments, and the respective bank balances totaled \$50,436,220. Of the total bank balance, the Federal Depository Insurance Corporation (FDIC) covered \$3,737,828 and \$46,698,392 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

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

**NOTE 4: DEPOSITS AND INVESTMENTS – CONTINUED**

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, 2012, are:

	Fair Value	Effective Duration or Weighted Average Maturity	Credit Risk
Investment Pools:			
LOGIC	\$ 3,739,770	34 Days	AAAm - S&P
TEXPOOL	34,184,497	48 Days	AAAm - S&P
TexStar	37,549,654	44 Days	AAAm - S&P
Total Fair Value:	<u>\$ 75,473,921</u>		

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, 2012, 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, 2012, 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	\$ 1,479,580	\$ -	\$ -	\$ -	\$ -	\$ 1,479,580
Sales Taxes	5,187,070	-	-	-	-	5,187,070
Accounts	10,412,217	3,468,825	1,009,320	65,987	1,337	14,957,686
Hotel/Motel Tax	-	-	-	-	1,423,742	1,423,742
Intergovernmental	-	-	-	-	1,153,942	1,153,942
Gross Receivables	17,078,867	3,468,825	1,009,320	65,987	2,579,021	24,202,020
Less: Allowance for Uncollectible	(6,279,118)	(261,741)	(77,413)	(5,265)	-	(6,623,537)
Net Total Receivables	<u>\$ 10,799,749</u>	<u>\$ 3,207,084</u>	<u>\$ 931,907</u>	<u>\$ 60,722</u>	<u>\$ 2,579,021</u>	<u>\$ 17,578,483</u>

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

**NOTE 5: RECEIVABLES - CONTINUED**

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, 2012, deferred revenue in the amount of \$4,866,429 was reported.

**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, 2012, was as follows:

Primary Government

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, not being depreciated				
Land	\$ 20,129,632	\$ 63,164	\$ 7,794	\$ 20,185,002
Construction in Progress	85,814	1,044,288	-	1,130,102
Total Capital Assets, not being depreciated	<u>20,215,446</u>	<u>1,107,452</u>	<u>7,794</u>	<u>21,315,104</u>
Capital Assets, being depreciated				
Buildings	28,631,781	-	-	28,631,781
Improvements other than buildings	37,381,032	171,390	-	37,552,422
Infrastructure	75,278,870	1,568,895	-	76,847,765
Furniture and Office Equipment	499,115	8,561	67,346	440,330
Machinery and Equipment	5,156,694	322,958	574,906	4,904,746
Data Processing Equipment	5,639,264	182,000	463,969	5,357,295
Automotive Equipment	27,066,120	3,124,525	264,971	29,925,674
Radio and Communication Equipment	5,738,245	1,560,470	97,325	7,201,390
Total Capital Assets, being depreciated	<u>185,391,121</u>	<u>6,938,799</u>	<u>1,468,517</u>	<u>190,861,403</u>
Less Accumulated Depreciation for				
Buildings	16,899,332	803,605	-	17,702,937
Improvements other than buildings	12,950,795	1,060,232	-	14,011,027
Infrastructure	50,468,837	1,731,708	-	52,200,545
Furniture and Office Equipment	453,343	12,204	67,346	398,201
Machinery and Equipment	3,928,938	387,492	573,291	3,743,139
Data Processing Equipment	5,274,507	275,188	463,969	5,085,726
Automotive Equipment	18,326,440	3,662,430	264,971	21,723,899
Radio and Communication Equipment	5,473,608	392,500	97,325	5,768,783
Total Accumulated Depreciation	<u>113,775,800</u>	<u>8,325,359</u>	<u>1,466,902</u>	<u>120,634,257</u>
Total Capital Assets, being depreciated, net	<u>71,615,321</u>	<u>(1,386,560)</u>	<u>1,615</u>	<u>70,227,146</u>
Governmental Activities Capital Assets, net	<u>\$ 91,830,767</u>	<u>\$ (279,108)</u>	<u>\$ 9,409</u>	<u>\$ 91,542,250</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>
<b>Business-type Activities</b>				
Capital Assets, not being depreciated				
Land	\$ 458,208	\$ -	\$ -	\$ 458,208
Construction in Progress	12,339,447	10,973,872	6,396,781	16,916,538
Total Capital Assets, not being depreciated	<u>\$ 12,797,655</u>	<u>10,973,872</u>	<u>6,396,781</u>	<u>17,374,746</u>
Capital Assets, being depreciated				
Buildings	9,327,235	-	-	9,327,235
Improvements other than buildings	77,951,736	203,827	-	78,155,563
Infrastructure	112,147,661	11,807,553	22,745	123,932,469
Furniture and Office Equipment	107,435	-	5,676	101,759
Machinery and Equipment	3,028,375	65,714	160,284	2,933,805
Radio Equipment	3,750	-	-	3,750
Data Processing Equipment	1,011,406	14,000	57,506	967,900
Total Capital Assets, being depreciated	<u>203,577,598</u>	<u>12,091,094</u>	<u>246,211</u>	<u>215,422,481</u>
Less Accumulated Depreciation for				
Buildings	5,135,716	259,875	-	5,395,591
Improvements other than buildings	46,635,519	2,527,978	-	49,163,497
Infrastructure	63,942,992	3,038,752	22,745	66,958,999
Furniture and Office Equipment	103,357	816	5,676	98,497
Machinery and Equipment	2,492,673	218,978	146,294	2,565,357
Radio Equipment	3,000	750	-	3,750
Data Processing Equipment	973,631	24,208	57,506	940,333
Total Accumulated Depreciation	<u>119,286,888</u>	<u>6,071,357</u>	<u>232,221</u>	<u>125,126,024</u>
Total Capital Assets, being depreciated, net	<u>84,290,710</u>	<u>6,019,737</u>	<u>13,990</u>	<u>90,296,457</u>
Business-type Activities Capital Assets, net	<u>\$ 97,088,365</u>	<u>\$ 16,993,609</u>	<u>\$ 6,410,771</u>	<u>\$ 107,671,203</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:

<b>Governmental Activities</b>	
General Government	\$ 308,242
Finance	243,366
Public Works	1,815,098
Planning and Inspection	-
Public Safety	1,191,771
Cultural and Recreation	929,658
Capital Assets held by governments Internal Service Funds are charged to the various functions based on their usage of assets	3,837,224
Total Depreciation Expense - Governmental Activities	\$ 8,325,359
 <b>Business-type Activities</b>	
Water and Sewer	\$ 5,926,236
Solid Waste	5,099
Ratliff Golf Course	140,022
Total Depreciation Expense - Business-type Activities	\$ 6,071,357

**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](http://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 2012	Plan Year 2011
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)	50% of CPI Repeating	50% 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, 2012, are as follows:

Annual Required Contribution (ARC)	\$ 4,948,960
Interest on Net Pension Obligation	348,932
Adjustment to the ARC	<u>(296,985)</u>
Annual Pension Cost (APC)	5,000,907
Contributions Made	<u>(4,713,140)</u>
Increase (Decrease) in Net Pension Obligation	287,767
Net Pension Obligation / (Asset), Beginning of Year	<u>4,923,145</u>
Net Pension Obligation / (Asset), End of Year	<u><u>\$ 5,210,912</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:

	2012	2011	2010
Annual Pension Cost	\$ 5,000,907	\$ 6,010,398	\$ 6,723,856
Actual Contributions Made	4,713,140	4,836,329	4,788,753
Net Pension Obligation Increase	\$ 287,767	\$ 1,174,069	\$ 1,935,103
Net Pension Obligation Balance	\$ 5,210,912	\$ 4,923,145	\$ 3,749,076

Contributions as a % of Annual Pension Cost	94.2%	80.5%	71.2%
---	-------	-------	-------

The City contributed 94%, 81%, and 71% of the annual pension cost for 2012, 2011, and 2010, respectively. The required contribution rates for the fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

Valuation Date	12/31/2011	12/31/2010	12/31/2009
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level % of Payroll	Level % of Payroll	Level % of Payroll
GASB 25 Equivalent Single Amortization Period	26.2 years; closed period	27.1 years; closed period	28.1 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-yr Smoothed Mkt.	10-yr Smoothed Mkt.	10-yr Smoothed Mkt.
Actuarial Assumptions:			
Investment Rate of Return *	7.0%	7.0%	7.5%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at Cost-of-Living Adjustments	3.0% 1.5%	3.0% 1.5%	3.0% 2.1%

Funded Status and Funding Progress:

The funded status as of December 31, 2011, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL Actuarial as a % of Covered Payroll
12/31/11	\$ 162,075,646	\$ 184,473,148	\$ 22,397,502	87.9%	\$ 29,942,709	74.8%

Additional information regarding the funding progress can be found immediately following the notes to the financial statements in the “Required Supplementary Information” section, and it contains multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

**NOTE 7: RETIREMENT COMMITMENTS – CONTINUED**

Texas Municipal Retirement System - Continued

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

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets. The schedule of funding progress presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability of benefits.

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.

The City’s contributions to the TMRS-SDBF for the years ended 2012, 2011 and 2010 were \$60,287, \$73,500 and \$48,062, respectively, which equaled the required contributions each year.

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

Plan/Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2010	0.05%	0.05%	100%
2011	0.05%	0.05%	100%
2012	0.05%	0.05%	100%

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

**NOTE 7: RETIREMENT COMMITMENTS – CONTINUED**

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. Eligible retired employees participating in the Plan pay their premiums directly to the City. The City of Odessa paid benefits of \$1,029,448 for fiscal year 2012.

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 26.4% of the postretirement healthcare and other benefit costs, which totaled \$1,029,448 for fiscal year ended September 30, 2012. The retirees were responsible for funding approximately 73.6% of the healthcare and other benefit costs.

As part of the transition provisions of GASB Statement No. 45, the City accrued an additional \$836,994 in retiree healthcare expenses during fiscal year 2012.

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.

The required schedule of funding progress immediately following the notes to the financial statements in the "Required Supplementary Information" section 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. As of September 30, 2012:

Fiscal Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded/ (Overfunded) AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
9/30/12	\$ -	\$ 12,645,073	\$ 12,645,073	0%	\$ 40,367,312	31.3%

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

**NOTE 7: RETIREMENT COMMITMENTS – CONTINUED**

Other Postemployment Health Care Benefits (OPEB) – Continued

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

<u>Cost Element</u>	<u>Fiscal Year Ending September 30, 2012 Amount</u>	<u>Percent of Payroll <sup>1</sup></u>
1. Unfunded actuarial accrued liability at October 1, 2012	\$ 12,645,073	31.3%
<u>Annual Required Contribution (ARC)</u>		
2. Normal Cost	\$ 613,858	
3. Amortization of the unfunded actuarial accrued liability over 30 years using open amortization	660,765	
4. Annual Required Contribution (ARC = 2 + 3)	<u>\$ 1,274,623</u>	3.2%
<u>Annual OPEB Cost (Expenses)</u>		
5. ARC	\$ 1,274,623	
6. Interest on beginning of year CAFR accrual	196,516	
7. Amortization of beginning of year CAFR accrual	(334,203)	
8. Fiscal 2012 OPEB cost (5 + 6 - 7)	<u>\$ 1,136,936</u>	2.8%
<u>End of Year CAFR Accrual (Net OPEB Obligation) <sup>2</sup></u>		
9. Beginning of year CAFR accrual	\$ 6,578,493	
10. Annual OPEB cost	1,136,936	
11. Employer contribution (benefit payments)	299,941	
12. End of year CAFR accrual (9 + 10 - 11) <sup>2</sup>	<u>\$ 7,415,488</u>	18.4%

<sup>1</sup> Annual payroll for the 822 active plan participants as of October 1, 2012 was \$40,367,312.

<sup>2</sup> Actual benefits and administrative fees paid in fiscal year 2012 of \$1,029,448 less participant contributions of \$729,507. Employer contributed 26.4% of annual OPEB cost during fiscal year 2012.

Schedule of Employer Contributions

<u>Fiscal Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions <sup>3</sup></u>	<u>Percentage Contributed</u>
September 30, 2010	\$ 1,541,386	\$ 12,094	0.8%
September 30, 2011	1,536,888	246,964	16.1
September 30, 2012	1,274,623	299,941	23.5

<sup>3</sup> Since there is no funding, these are actual benefit payments of \$1,029,448 less retiree contributions of \$729,507 for 2012. For 2011, actual benefit payments were \$988,716 and retiree contributions were \$771,752.

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

**NOTE 7: RETIREMENT COMMITMENTS – CONTINUED**

Other Postemployment Health Care Benefits (OPEB) – Continued

Note: The annual required contribution (ARC) of \$1,274,623 for fiscal year 2012 and CAFR accrual of \$7,415,488 as of September 30, 2012, 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, 2010	\$ 1,458,234	0.8%	\$ 5,402,117
September 30, 2011	1,423,340	17.4	6,578,493
September 30, 2012	1,136,936	26.4	7,415,488

Summary of Key Actuarial Methods and Assumptions

<b>Valuation Year</b>	October 1, 2011 – September 30, 2012
<b>Actuarial Cost Method</b>	Projected Unit Credit Cost Method
<b>Amortization Method</b>	30 years, level dollar open amortization <sup>4</sup>
<b>Asset Valuation Method</b>	N/A

<sup>4</sup> Open amortization means a fresh-start each year for the cumulative unrecognized amount.

**Actuarial assumptions:**

Discount Rate	3.0%
Inflation Rate	3.5%
Projected payroll growth rate	N/A
Health care cost trend rate for Medical and prescription drugs	6.5% in fiscal year 2012, and then decreasing by one-half percentage point per year to an ultimate of 4% in fiscal year 2018 and thereafter.

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 2006-2011.

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.

**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

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, 2011-September 30, 2012

**Date of Census Data** October 1, 2019 **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)**

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

**Retiree Premiums (with Primary Eligibility Elsewhere)**

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

Administrative expenses are included in the premiums.

Annual Health Care Trend Rate Medical and Fiscal Rx Combined

<u>Year</u>	<u>Rate</u>
2012	5.5%
2013	5.0
2014	4.5
2015	4.0

Discount Rate 3.00% per annum

**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

<b>Spouse Age Difference</b>	Husbands are assumed to be three years older than wives for current and future retirees who are married
<b>Mortality</b>	IRS 2008 Combined Static Mortality Table
<b>Participation Rates</b>	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%

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, 2010. 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 - 16.45% for 2011 and 15.49% for 2011.

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

**NOTE 7: RETIREMENT COMMITMENTS – CONTINUED**

Firefighters' Relief and Retirement Fund - Continued

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, 2011:

	<u>December 31, 2011</u>
Retirees and beneficiaries currently receiving benefits and	
Terminated employees entitled to benefits but not yet receiving	145
Current employees	
a. Vested	82
b. Nonvested	<u>96</u>
TOTAL	<u>323</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.

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 15.00% 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 2011 was 16.45% and for 2012 was 15.49%. 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.

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

**NOTE 7: RETIREMENT COMMITMENTS – CONTINUED**

Firefighters’ Relief and Retirement Fund – Continued

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.

Funding Status and Progress:

The Fund is required by statute to conduct actuarial studies every two years and conducted the last study December 31, 2010, 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, 2010. The funding policy of the Fund requires contributions equal to 15.00% of pay by the firefighters and 15.49% 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.

The schedule of funding progress immediately following the notes to the financial statements in the “Required Supplementary Information” section presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time. As of September 30, 2012:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL Funded (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
12/31/10	\$ 46,170,391	\$ 74,359,256	\$ 28,188,865	62.10%	\$ 8,661,029	325.5%

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

**NOTE 7: RETIREMENT COMMITMENTS – CONTINUED**

Firefighters' Relief and Retirement Fund – Continued

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual Required Contribution ARC	\$ 2,143,523	\$ 2,682,289	\$ 1,417,224
Annual Pension Cost	2,143,523	2,682,289	1,417,224
Contributions Made	1,477,045	1,447,498	1,417,224
Change in Net Pension Obligation	666,478	1,234,791	-
NPO, Beginning of Year	1,234,791	-	-
NPO, End of Year	<u>\$ 1,901,269</u>	<u>\$ 1,234,791</u>	<u>\$ -</u>
Contributions as a % of Annual Pension Cost	68.9%	54.0%	100%
	<u>2010</u>	<u>2008</u>	
Contributions as a % of Annual pension cost	54%	100%	
Actuarial valuation date	January 1, 2011	January 1, 2009	
Actuarial cost method	Entry age normal	Entry age normal	
Amortization method	Open method	Open method	
	Level percentage of payroll	Level percentage of payroll	
Asset valuation method	Smoothed market values	Smoothed market values	
Amortization period for ARC	30 years	30 years	
Amortization period for UAAL	71 years	will not amortize	
Amortization period for UAAL without 120% of market value limit on AV of assets	71 years	35.9 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	

**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.

**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 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.

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 2011 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.

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

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

**A. Significant Accounting Policies – Continued**

2. Government-Wide and Fund Financial Statements - Continued

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.

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.

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

**NOTE 8 DISCRETE COMPONENT UNIT- ODESSA DEVELOPMENT CORPORATION-CONTINUED**

**A. Significant Accounting Policies – Continued**

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.

6. Investments

In accordance with GASB 31, the Corporation's investments are stated at fair value, except for external investment pools.

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.

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

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

**A. Significant Accounting Policies – Continued**

7. 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.

8. 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.

9. Net Assets/Fund Balances

In the fiscal year ended September 30, 2011, the Corporation implemented GASB No. 54, *Fund Balance, Reporting and Governmental Fund Type Definitions*, for the governmental fund. Under GASB 54, fund balances are required to be reported according to the following classifications:

Nonspendable Fund Balance – Includes amounts that cannot be spend because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes assets held for sale.

Restricted Fund Balance – Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation). The Corporation has no restricted fund balance at September 30, 2012.

Committed Fund Balance – Amounts constrained to specific purposes because of a formal action (resolution) by the Board – the highest level of decision-making authority. This classification includes incentive agreements.

Assigned Fund Balance – Amounts that are constrained by the Corporation's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. The Corporation has no assigned fund balance at September 30, 2012.

Unassigned Fund Balance – This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance.

The Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed. Within unrestricted fund balance, the committed amount should be used first, assigned amount next and unassigned amount used last.

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as unrestricted net assets.

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

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

**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 \$16,416,611, of which \$3,898,086 was held in investments in TexPool, and \$6,016,417 was held in a high yield savings account at a local bank, and \$6,502,108 was held in certificates of deposit. The fair value amount (\$3,898,086) held in Texpool had a weighted average maturity of 48 days and was rated AAAM by Standards & Poor. The high yield savings account was 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 City 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 investments as the City, which is disclosed in Note 4. At September 30, 2012, 24% 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 of \$1,296,767 as of year-end for the government's individual major fund were entirely from sales tax and the Corporation does not anticipate any uncollectible accounts as of September 30, 2012.

**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 \$16,416,611 at September 30, 2012, are held at TexPool, JP Morgan Chase Bank, Compass Bank, AIM Bank, and Western National Bank.

**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, 2012, 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 \$675,420 for the current year, paid in equal quarterly installments. The Chamber contributed certain in-kind services as provided in the contract. The Corporation received a \$8,804 refund in the current year for the 2010-2011 contract. The contract period began October 1, 2011 and terminated on September 30, 2012, 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 \$67,000 for the current year, paid in equal quarterly installments. The Corporation received a \$1,448 refund from MOTRAN in the current year for the 2010-2011 contract period. The contract period began October 1, 2011 and terminated September 30, 2012, whereby a new annual contract began with essentially the same provisions.

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 \$45,000 for the current period, paid in equal quarterly installments. The Corporation received a \$5,105 refund from OHCC in the current year for the 2010-2011 contract period. The contract period began October 1, 2011 and terminated September 30, 2012, 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**

**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, 2012, and can be obtained from the MOUSD. For the year ended September 30, 2012, the cities had contributed money to the MOUSD in the amount of \$500,000. Both cities have budgeted contributions to the MOUSD, but do not have an equity interest. As of September 30, 2012, the MOUSD had net assets of \$6,793,505 of which \$6,614,044 represented "Investment in Capital Assets." The financial report of the Midland-Odessa Urban Transit District can be obtained by writing to 8007 East Highway 80, Odessa, Texas 79765.

**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.

**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.

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

**NOTE 11: FLEXIBLE BENEFITS PLAN (CONTINUED)**

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, 2012, arising from these transactions were as follows:

	Interfund	
	Receivables	Payables
Governmental Funds		
General Fund	\$ 844,539	\$ 212,707
Capital Projects Fund	17,723	-
Non-Major Government Funds		
Housing and Community Development	-	294,222
Other	-	373,137
Internal Service Funds		
Equipment Service Fund	164,993	194,902
Enterprise Funds		
Ratliff Golf Course Fund	47,713	-
	\$ 1,074,968	\$ 1,074,968

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

**NOTE 12: INTERFUND TRANSACTIONS - CONTINUED**

Interfund transfers for the year ended September 30, 2012, are as follows:

	Interfund	
	Transfers In	Transfers Out
Governmental Funds		
General Fund	\$ -	\$ 2,336,844
Capital Projects Fund	-	90,019
Non-Major Government Funds		
Special Revenue Funds-Other	36,659	4,900
Debt Service Fund	90,019	-
Enterprise Funds		
Ratliff Golf Course Fund	2,305,085	-
	<u>\$ 2,431,763</u>	<u>\$ 2,431,763</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, 2012:

	Balance, October 1, 2011	Additions	Reductions	Balance, September 30, 2012	Due Within One Year
Certificates of Obligation :					
Series 2001	\$ 1,935,000	\$ -	1,935,000	\$ -	\$ -
Series 2004	5,270,000	-	5,160,000	110,000	110,000
Series 2005	4,775,000	-	130,000	4,645,000	135,000
Series 2006	8,475,000	-	400,000	8,075,000	415,000
Series 2007	4,255,000	-	30,000	4,225,000	40,000
General Refunding Bond:					
Series 2006	5,300,000	-	495,000	4,805,000	515,000
General Obligation Refunding:					
Series 2009	2,670,000	-	290,000	2,380,000	300,000
Series 2012	-	6,780,000	-	6,780,000	170,000
Unamortized Premiums:					
Series 2007	135,702	-	8,481	127,221	-
Series 2009	42,280	-	5,285	36,995	-
Series 2012	-	412,401	11,456	400,945	-
Deferred Loss on Refundings:					
Series 2006	(197,701)	-	(23,809)	(173,892)	-
Series 2009	(54,560)	-	(6,820)	(47,740)	-
Series 2012	-	(310,059)	(8,613)	(301,446)	-
Capital Lease Payable	2,398,584	1,560,469	442,039	3,517,014	1,052,129
Compensated Absences	8,065,990	2,658,731	2,669,290	8,055,431	2,344,468
Landfill Closure/Post-Closure	1,639,132	28,706	44,376	1,623,462	100,000
Other Post Employment					
Benefits Obligation	5,146,356	650,748	-	5,797,104	-
Firemen's Benefit Obligation	1,234,791	666,478	-	1,901,269	-
TMRS Phase-in Liability	3,882,246	226,699	-	4,108,945	-
	<u>\$ 54,972,820</u>	<u>\$ 12,674,173</u>	<u>\$ 11,581,685</u>	<u>\$ 56,065,308</u>	<u>\$ 5,181,597</u>

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

**NOTE 13: LONG-TERM DEBT – CONTINUED**

CERTIFICATES OF OBLIGATION

September 30, 2012

\$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% - Repairing, constructing, and improving City streets; constructing improvements to City recreational facilities and acquiring land; purchasing emergency communications equipment.

\$ 110,000

\$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% -Construction of improvements to City parks, construction of drainage, paving, curb and gutter, and street improvements.

4,645,000

\$10,150,000 Certificates of Obligation Bonds due in annual installments from March 1, 2007 through March 1, 2026; interest rates 4.0% –Construction of improvements to City parks; constructing and equipping 3 fire stations and acquisition of land thereof; improvements to City's public safety radio system; improvements to municipal golf course.

8,075,000

\$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% – Developing park facilities; constructing and installing traffic signals; constructing drainage, cubs, gutters and paving streets.

4,225,000

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%

4,805,000

\$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%

2,380,000

\$6,780,0000 General Obligation Refunding Bonds Series 2012 due in annual installments beginning March 1, 2013 through March 1, 2024; effective interest at 3.22%

6,780,000

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.

At September 30, 2012, the City still held unspent bond proceeds of \$863,788.

**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, 2012, are as follows:

Year Ending September 30	Certificates of Obligation		
	Principal	Interest	Total
2013	\$ 700,000	\$ 755,799	\$ 1,455,799
2014	620,000	724,912	1,344,912
2015	645,000	698,899	1,343,899
2016	695,000	671,144	1,366,144
2017	735,000	640,959	1,375,959
2018-2022	6,175,000	2,539,512	8,714,512
2023-2027	7,485,000	774,513	8,259,513
	<u>\$ 17,055,000</u>	<u>\$ 6,805,738</u>	<u>\$ 23,860,738</u>

Year Ending September 30	Bonds		
	Principal	Interest	Total
2013	\$ 985,000	\$ 462,775	\$ 1,447,775
2014	1,145,000	427,850	1,572,850
2015	1,190,000	389,438	1,579,438
2016	1,325,000	346,900	1,671,900
2017	1,405,000	300,500	1,705,500
2018-2022	6,225,000	778,475	7,003,475
2023-2024	1,690,000	68,400	1,758,400
	<u>\$ 13,965,000</u>	<u>\$ 2,774,338</u>	<u>\$ 16,739,338</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. The City was in compliance with all significant limitations and restrictions.

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

**NOTE 13: LONG-TERM DEBT – CONTINUED**

Business-type Activities:

	Balance October 1, 2011	Additions	Reductions	Due Balance September 30, 2012	Within One Year
\$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%	\$ 12,560,000	\$ -	\$ 2,955,000	\$ 9,605,000	\$ 3,070,000
Unamortized Premium on General Obligation Refunding Bonds Series 2006 (W&S portion)	173,826	-	40,896	132,930	-
Combination Tax and Revenue Certificates of Obligation - Series 2007 due in annual installments from September 30, 2008 through September 30, 2027; effective interest at 4.75%	62,855,000	-	-	62,855,000	-
Unamortized Premium on Certificate of Obligations - 2007	2,192,505	-	206,980	1,985,525	-
\$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%	4,005,000	-	960,000	3,045,000	985,000
Unamortized Premium on General Obligation Refunding Bonds Series 2009 (W&S portion)	61,633	-	14,773	46,860	-
Compensated Absences	1,078,681	422,220	343,323	1,157,578	343,323
Other Post Employment Benefits Obligation	1,432,137	186,245	-	1,618,382	-
TMRS Net Pension Obligation	1,040,899	61,069	-	1,101,968	-
	<u>\$ 85,399,681</u>	<u>\$ 669,534</u>	<u>\$ 4,520,972</u>	<u>\$ 81,548,243</u>	<u>\$ 4,398,323</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 business-type activity 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, 2012, the City still held unspent bond proceeds of \$41,526,199 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, 2012, are as follows:

<u>Year Ending September 30</u>	<u>Certificates of Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ 3,142,750	\$ 3,142,750
2014	-	3,142,750	3,142,750
2015	-	3,142,750	3,142,750
2016	3,920,000	3,044,750	6,964,750
2017	4,120,000	2,843,750	6,963,750
2018-2022	23,995,000	10,824,375	34,819,375
2023-2027	30,820,000	4,006,750	34,826,750
	<u>\$ 62,855,000</u>	<u>\$ 30,147,875</u>	<u>\$ 93,002,875</u>

<u>Year Ending September 30</u>	<u>Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 12,650,000</u>	<u>\$ 738,588</u>	<u>\$ 13,388,588</u>

**REFUNDING**

During the fiscal year ended September 30, 2012, the City issued \$6,780,000 in General Obligation Refunding Bonds, Series 2012 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 \$1,810,000 Certificates of Obligation, Series 2001 and \$5,085,000 Certificates of Obligation, Series 2004. As a result, these certificates have been considered defeased and the liability has been removed from the Governmental Activities statement of net assets. The new bonds were issued at a premium which is being amortized over the life of the bonds. The amount required to refund the old debt exceeded its book value, resulting in a deferred loss of \$310,059. The loss is being amortized over the life of the new debt which is the same as the remaining life of the old debt. The refunding was undertaken to reduce future total debt service payments over the next 12 years by approximately \$950,960 and resulted in an economic gain of \$810,760.

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

**NOTE 13: LONG-TERM DEBT – CONTINUED**

Defeasance of Debt

In addition to the refunding this year, The City has issued \$7,345,000 in General Obligation Refunding Bonds, Series 2009 and \$18,735,000 in General Obligation Refunding Bonds, Series 2006 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 1) \$3,280,000 Certificates of Obligation, Series 1998, 2) \$5,580,000 Certificates of Obligation, Series 2000, and 3) \$16,290,000 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, 2012, outstanding issues are considered to be defeased. They are analyzed as follows:

Issue	Amount Defeased	Defeased Debt Outstanding
Certificates of Obligation, Series 1998	\$ 3,280,000	\$ 2,405,000
Certificates of Obligation, Series 2000	5,580,000	4,695,000
Waterworks and Sewer System Refunding Bonds, Series 2001	16,290,000	12,455,000
Certificates of Obligation, Series 2001	1,810,000	1,810,000
Certificates of Obligation, Series 2004	5,085,000	5,085,000
		<u>\$ 26,450,000</u>

**NOTE 14: CAPITAL LEASE OBLIGATIONS**

The City is obligated under a capital lease for equipment which cost \$9,938,358 and is included in governmental activities' assets.

Future minimum lease payments as of September 30, 2012 are as follows:

Year ending September 30,	General Fund
2013	\$ 1,332,730
2014	1,332,730
2015	705,235
2016	534,750
Total minimum lease payments	3,905,445
Less amounts representing interest	(388,431)
Present value of net minimum capital lease payments	3,517,014
Less current obligations under capital lease	<u>(1,052,129)</u>
Obligations Under Capital Leases Less Current Portion	<u>\$ 2,464,885</u>

**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, 2012, \$44,376 was expended for the post-closure care costs for the landfill, and \$28,706 was added to the liability to reflect inflated estimated costs. The City's post-closure liability as of September 30, 2012 was \$1,623,462. 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, 2012, 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, 2012.

**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 2012, 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 2012 and 2011 were as follows:

Fiscal Year	Liability at Beginning	Current-Year Claims and Changes in Estimates	Claim Payments	Liability at End
2012	\$ 1,521,729	\$ 5,702,998	\$ 6,052,696	\$ 1,172,031
2011	1,587,600	7,276,580	7,342,451	1,521,729

The City is a defendant in a significant number of lawsuits pertaining to material matters. As stated in Note 19 - 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: FUND BALANCE**

In accordance with GASB Statement 54, the City classifies its fund balances at September 30, 2012, as follows:

	General	Capital Projects	NonMajor			Debt Service	Total NonMajor	Total Governmental
			Housing & Comm. Dev	Convention & Visitors	Other			
<b>NONSPENDABLE:</b>								
Inventory	\$ 2,305	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,305
<b>RESTRICTED FOR:</b>								
Parks, Public Works, & Public Safety	-	863,788	-	-	-	-	-	863,788
Culture & Recreation	-	-	-	7,765,860	-	-	7,765,860	7,765,860
Public Safety	-	-	-	-	669,893	-	669,893	669,893
Municipal Court	-	-	-	-	223,972	-	223,972	223,972
Debt Service	-	-	-	-	-	644,531	644,531	644,531
Welfare	-	-	-	-	22,407	-	22,407	22,407
Other Purposes	-	-	-	-	244,438	-	244,438	244,438
<b>ASSIGNED TO:</b>								
Compensated Absences	1,143,523	-	-	-	-	-	-	1,143,523
Parks Improvements/Development	1,787,635	-	-	-	-	-	-	1,787,635
Other Capital Projects	-	587,587	-	-	-	-	-	587,587
Public Safety	3,358,025	-	-	-	-	-	-	3,358,025
Information Technology	138,000	-	-	-	-	-	-	138,000
Other Purposes	2,085,409	-	-	-	-	-	-	2,085,409
Public Works	9,325,232	-	-	-	-	-	-	9,325,232
<b>UNASSIGNED:</b>								
	26,750,335	-	-	-	-	-	-	26,750,335
	<u>\$ 44,590,464</u>	<u>\$ 1,451,375</u>	<u>\$ -</u>	<u>\$ 7,765,860</u>	<u>\$ 1,160,710</u>	<u>\$ 644,531</u>	<u>\$ 9,571,101</u>	<u>\$ 55,612,940</u>

**NOTE 18: 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.

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

**NOTE 18: COMMITMENTS AND CONTINGENCIES - CONTINUED**

**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 19: 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.

**NOTE 20: NEW PRONOUNCEMENTS**

GASB issued Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" in December 2010. The statement was issued to directly incorporate the applicable provisions in FASB and AICPA pronouncements issued on or before November 30, 1989, into the state and local government accounting and financial reporting standards. This statement is effective for financial statements for periods beginning after December 15, 2011.

GASB issued Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" to provide guidance in financial statement reporting. This statement is effective for financial statements for periods beginning after December 15, 2011.

GASB issued Statement No. 61 "The Financial Reporting Entity: Omnibus, An Amendment of GASB Statements No. 14 and 34" to enhance understanding of various requirements related to component units. The effective date is for financial statements for periods beginning after June 15, 2012.

GASB issued Statement No. 65 "Items Previously Reported as Assets and Liabilities" to reclassify and recognize certain items as deferred outflows or inflows of resources, which were previously classified or reported as assets and liabilities. This statement is effective for financial statements for periods beginning after December 15, 2012.

GASB issued Statement No. 66 "Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62" to resolve two distinct areas of conflict in previously issued GASB Statements regarding "Risk Financing and Related Insurance Issues" and "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". This statement is effective for financial statements for periods beginning after December 15, 2012.

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

**NOTE 20: NEW PRONOUNCEMENTS – CONTINUED**

GASB issued Statement No. 69 “Government Combinations and Disposals of Government Operations” intended to improve accounting and financial reporting for U.S. state and local governments’ combinations and disposals of government operations, by providing guidance for accounting situations encountered in government environments. This statement is effective for financial statements for periods beginning after December 15, 2013.

GASB issued Statement No. 68 “Accounting and Financial Reporting for Pension – an amendment of GASB Statement No 27” to address new accounting and financial reporting standards for the activities of certain pension plans that are administered through trusts. In particular, it established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement is effective for financial statements for periods beginning after June 15, 2014.

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

**THIS PAGE LEFT INTENTIONALLY BLANK**

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF ODESSA, TEXAS  
SCHEDULE OF FUNDING PROGRESS**

**Texas Municipal Retirement System**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL Funded (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
12/31/11	\$ 162,075,646	\$ 184,473,148	\$ 22,397,502	87.9%	\$ 29,942,709	74.8%
12/31/10	152,172,364	178,894,653	25,772,289	85.6	29,205,009	88.1
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

**Retiree Health Plan**

Fiscal Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded/ (Overfunded) AAL (UAAL)	Funded Ratio	Annual Covered Payroll *	UAAL as a % of Covered Payroll *
9/30/12	\$ -	\$ 12,645,073	\$ 12,645,073	0%	\$ 40,367,312	31.3%
9/30/11	-	15,575,694	15,575,694	0	38,789,201	40.2
9/30/10	-	15,173,522	15,173,522	0	38,167,117	39.8
9/30/09	-	38,026,634	38,026,634	0	38,560,534	98.6

\* Estimated payroll as of September 30, 2012, 2011, 2010 and 2009 includes only plan participants.

**Firefighter's Relief and Retirement**

Actuarial Valuation Date **	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL Funded (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
12/31/11	N/A	N/A	N/A	N/A	N/A	N/A
12/31/10	\$ 46,170,391	\$ 74,359,256	\$ 28,188,865	62.10%	\$ 8,661,029	325.5%
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

\*\* Actuarial valuation performed every two years.

**THIS PAGE LEFT INTENTIONALLY BLANK**

## **NON MAJOR GOVERNMENT FUNDS**

### **SPECIAL REVENUE FUNDS**

The Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Housing and Community Development Fund: To account for funds received from the U.S. Department of Housing and Urban Development that are restricted for expenditure on community development programs.

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 in accordance with the Texas Hotel Occupancy Tax Act.

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

Other Special Revenue Fund: To account for funds received from different individual grants that are small in amount or that are one-time only grants, whose expenditures are restricted to each grant's purpose, including; public safety, public works, health and welfare, and finance. And to account for miscellaneous other specific revenues that are to be spent for these specified purposes:

Federal and State forfeiture funds spent for police training, supplies and materials.

Court security fees spent for personnel costs, training, maintenance, and capital outlay.

State fire and police revenue spent on supplies and materials for fire and police training.

Revenue donated to the Police and Fire departments to be spent on police and fire supplies, equipment, etc.

### **DEBT SERVICE FUND**

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

**THIS PAGE LEFT INTENTIONALLY BLANK**

**CITY OF ODESSA, TEXAS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
SEPTEMBER 30, 2012**

	Special Revenue Funds	
	Housing and Community Development	Convention and Visitors
<b>ASSETS</b>		
Cash and Investments	\$ -	\$ 6,410,454
Accounts Receivable	349,002	1,423,742
Property Held for Sale	1,191,371	-
TOTAL ASSETS	\$ 1,540,373	\$ 7,834,196
<b>LIABILITIES</b>		
Accounts Payable	\$ 1,062,546	\$ 68,336
Accrued Payroll	13,039	-
Deferred Revenue	170,566	-
Interfund Payable	294,222	-
TOTAL LIABILITIES	1,540,373	68,336
<b>FUND BALANCES</b>		
Restricted	-	7,765,860
TOTAL FUND BALANCES	-	7,765,860
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	\$ 1,540,373	\$ 7,834,196

<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Total NonMajor Governmental Funds</u>
<u>MOUTD</u>	<u>Other</u>		
\$ 893	\$ 1,109,149	\$ 644,531	\$ 8,165,027
305,719	499,220	-	2,577,683
-	-	-	1,191,371
<u>\$ 306,612</u>	<u>\$ 1,608,369</u>	<u>\$ 644,531</u>	<u>\$ 11,934,081</u>
\$ 306,612	\$ 64,596	\$ -	\$ 1,502,090
-	9,926	-	22,965
-	-	-	170,566
-	373,137	-	667,359
<u>306,612</u>	<u>447,659</u>	<u>-</u>	<u>2,362,980</u>
<u>-</u>	<u>1,160,710</u>	<u>644,531</u>	<u>9,571,101</u>
<u>-</u>	<u>1,160,710</u>	<u>644,531</u>	<u>9,571,101</u>
<u>\$ 306,612</u>	<u>\$ 1,608,369</u>	<u>\$ 644,531</u>	<u>\$ 11,934,081</u>

**CITY OF ODESSA, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**YEAR ENDED SEPTEMBER 30, 2012**

	Special Revenue Funds	
	Housing and Community Development	Convention and Visitors
<b>REVENUES</b>		
Property Tax, Penalties and Interest	\$ -	\$ -
Fines and Forfeitures	-	-
Grants and Entitlements	1,103,780	-
Hotel and Motel Occupancy Tax	-	5,244,625
Investment Income	-	13,302
Donations	-	-
Other	89,658	-
Sale of Confiscated Property	-	-
<b>TOTAL REVENUES</b>	<b>1,193,438</b>	<b>5,257,927</b>
<b>EXPENDITURES</b>		
Current		
Finance	-	-
Public Works	-	-
Public Safety	-	-
Welfare	1,047,666	-
Culture and Recreation	-	2,020,780
<b>TOTAL CURRENT</b>	<b>1,047,666</b>	<b>2,020,780</b>
Debt Service		
Principal Retirement	-	-
Bond Issuance Costs	-	-
Interest and Fiscal Charges	-	-
<b>TOTAL DEBT SERVICE</b>	<b>-</b>	<b>-</b>
Capital Outlay	134,800	-
<b>TOTAL EXPENDITURES</b>	<b>1,182,466</b>	<b>2,020,780</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>10,972</b>	<b>3,237,147</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Refunding Bonds Issued	-	-
Reoffering Premium	-	-
Payments to Escrow	-	-
Transfer In	-	-
Transfer (Out)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>10,972</b>	<b>3,237,147</b>
<b>FUND BALANCES - AT BEGINNING OF YEAR</b>	<b>(10,972)</b>	<b>4,528,713</b>
<b>FUND BALANCES - AT END OF YEAR</b>	<b>\$ -</b>	<b>\$ 7,765,860</b>

Special Revenue Funds		Debt Service Fund	Total NonMajor Governmental Funds
MOUTD	Other		
\$ -	\$ -	\$ 2,958,543	\$ 2,958,543
-	137,094	-	137,094
3,272,443	1,406,325	-	5,782,548
-	-	-	5,244,625
-	2,625	2,601	18,528
-	100,000	-	100,000
-	23,160	-	112,818
-	135,498	-	135,498
<u>3,272,443</u>	<u>1,804,702</u>	<u>2,961,144</u>	<u>14,489,654</u>
-	297,572	-	297,572
3,272,443	13,500	-	3,285,943
-	448,997	-	448,997
-	53,966	-	1,101,632
-	-	-	2,020,780
<u>3,272,443</u>	<u>814,035</u>	<u>-</u>	<u>7,154,924</u>
-	-	1,545,000	1,545,000
-	-	145,914	145,914
-	-	1,305,426	1,305,426
-	-	2,996,340	2,996,340
-	855,453	-	990,253
<u>3,272,443</u>	<u>1,669,488</u>	<u>2,996,340</u>	<u>11,141,517</u>
-	135,214	(35,196)	3,348,137
-	-	6,780,000	6,780,000
-	-	412,401	412,401
-	-	(7,148,058)	(7,148,058)
-	36,659	90,019	126,678
-	(4,900)	-	(4,900)
-	31,759	134,362	166,121
-	166,973	99,166	3,514,258
-	993,737	545,365	6,056,843
<u>\$ -</u>	<u>\$ 1,160,710</u>	<u>\$ 644,531</u>	<u>\$ 9,571,101</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, 2012**

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
<b>REVENUES</b>				
Grants and Entitlements	\$ 1,465,302	\$ 1,465,302	\$ 1,103,780	\$ (361,522)
Other	-	-	89,658	89,658
<b>TOTAL REVENUES</b>	<u>1,465,302</u>	<u>1,465,302</u>	<u>1,193,438</u>	<u>(271,864)</u>
<b>EXPENDITURES</b>				
Current				
Welfare	1,382,302	2,664,507	1,047,666	(1,616,841)
Capital Outlay	83,000	134,800	134,800	-
<b>TOTAL EXPENDITURES</b>	<u>1,465,302</u>	<u>2,799,307</u>	<u>1,182,466</u>	<u>(1,616,841)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	(1,334,005)	10,972	1,344,977
<b>FUND BALANCE - AT BEGINNING OF YEAR</b>	<u>(10,972)</u>	<u>(10,972)</u>	<u>(10,972)</u>	-
<b>FUND BALANCE - AT END OF YEAR</b>	<u>\$ (10,972)</u>	<u>\$ (1,344,977)</u>	<u>\$ -</u>	<u>\$ 1,344,977</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, 2012**

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
<b>REVENUES</b>				
Hotel and Motel Occupancy Tax	\$ 2,600,000	\$ 2,600,000	\$ 5,244,625	\$ 2,644,625
Investment Income	-	-	13,302	13,302
<b>TOTAL REVENUES</b>	<u>2,600,000</u>	<u>2,600,000</u>	<u>5,257,927</u>	<u>2,657,927</u>
<b>EXPENDITURES</b>				
Current				
Culture and Recreation	<u>2,164,164</u>	<u>2,207,977</u>	<u>2,020,780</u>	<u>(187,197)</u>
<b>TOTAL EXPENDITURES</b>	<u>2,164,164</u>	<u>2,207,977</u>	<u>2,020,780</u>	<u>(187,197)</u>
<b>NET CHANGE IN FUND BALANCE</b>	435,836	392,023	3,237,147	2,845,124
<b>FUND BALANCE - AT BEGINNING OF YEAR</b>	<u>4,528,713</u>	<u>4,528,713</u>	<u>4,528,713</u>	<u>-</u>
<b>FUND BALANCE - AT END OF YEAR</b>	<u>\$ 4,964,549</u>	<u>\$ 4,920,736</u>	<u>\$ 7,765,860</u>	<u>\$ 2,845,124</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, 2012**

	Budgeted Amount		Actual	Variance Over (Under)
	Original	Final		
<b>REVENUES</b>				
Fines and Forfeitures	\$ 182,000	\$ 182,000	\$ 137,094	\$ (44,906)
Grants and Entitlements	14,740	571,767	1,406,325	834,558
Investment Income	-	-	2,625	2,625
Donations	-	100,000	100,000	-
Other	-	-	23,160	23,160
Sale of Confiscated Property	-	-	135,498	135,498
<b>TOTAL REVENUES</b>	<b>196,740</b>	<b>853,767</b>	<b>1,804,702</b>	<b>950,935</b>
<b>EXPENDITURES</b>				
Current				
Finance	287,870	344,816	297,572	(47,244)
Public Works	-	23,300	13,500	(9,800)
Public Safety	334,690	735,762	448,997	(286,765)
Welfare	-	152,968	53,966	(99,002)
<b>TOTAL CURRENT</b>	<b>622,560</b>	<b>1,256,846</b>	<b>814,035</b>	<b>(442,811)</b>
Capital Outlay	90,000	1,469,870	855,453	(614,417)
<b>TOTAL EXPENDITURES</b>	<b>712,560</b>	<b>2,726,716</b>	<b>1,669,488</b>	<b>(1,057,228)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(515,820)</b>	<b>(1,872,949)</b>	<b>135,214</b>	<b>2,008,163</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	-	-	36,659	36,659
Transfer (Out)	-	-	(4,900)	(4,900)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>31,759</b>	<b>31,759</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(515,820)</b>	<b>(1,872,949)</b>	<b>166,973</b>	<b>2,039,922</b>
<b>FUND BALANCE - AT BEGINNING OF YEAR</b>	<b>993,737</b>	<b>993,737</b>	<b>993,737</b>	<b>-</b>
<b>FUND BALANCE - AT END OF YEAR</b>	<b>\$ 477,917</b>	<b>\$ (879,212)</b>	<b>\$ 1,160,710</b>	<b>\$ 2,039,922</b>

**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, 2012**

	Budgeted Amount		Actual	Variance Over (Under)
	Original	Final		
<b>REVENUES</b>				
Property Tax, Penalties and Interest	\$ 2,958,543	\$ 2,958,543	\$ 2,958,543	\$ -
Investment Income	-	-	2,601	2,601
<b>TOTAL REVENUES</b>	<u>2,958,543</u>	<u>2,958,543</u>	<u>2,961,144</u>	<u>2,601</u>
<b>EXPENDITURES</b>				
Debt Service				
Principal Retirement	1,545,000	1,545,000	1,545,000	-
Bond Issuance Costs	-	-	145,914	145,914
Interest and Fiscal Charges	1,413,543	1,413,543	1,305,426	(108,117)
<b>TOTAL EXPENDITURES</b>	<u>2,958,543</u>	<u>2,958,543</u>	<u>2,996,340</u>	<u>37,797</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>(35,196)</u>	<u>(35,196)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Refunding Bonds Issued	-	-	6,780,000	6,780,000
Reoffering Premium	-	-	412,401	412,401
Payments to Escrow	-	-	(7,148,058)	(7,148,058)
Transfers In	-	-	90,019	90,019
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>134,362</u>	<u>134,362</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>99,166</u>	<u>99,166</u>
<b>FUND BALANCE - AT BEGINNING OF YEAR</b>	<u>545,365</u>	<u>545,365</u>	<u>545,365</u>	<u>-</u>
<b>FUND BALANCE - AT END OF YEAR</b>	<u>\$ 545,365</u>	<u>\$ 545,365</u>	<u>\$ 644,531</u>	<u>\$ 99,166</u>

**THIS PAGE LEFT INTENTIONALLY BLANK**

### **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.

**THIS PAGE LEFT INTENTIONALLY BLANK**

**CITY OF ODESSA, TEXAS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF NET ASSETS  
SEPTEMBER 30, 2012**

	Equipment Service Fund	Risk Management Fund	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and Investments	\$ 10,957,996	\$ 4,866,062	\$ 15,824,058
Accounts Receivable	-	1,337	1,337
Interfund Receivable	164,993	-	164,993
<b>TOTAL CURRENT ASSETS</b>	<u>11,122,989</u>	<u>4,867,399</u>	<u>15,990,388</u>
<b>NONCURRENT ASSETS:</b>			
<b>CAPITAL ASSETS</b>			
Land	53,831	35,700	89,531
Buildings	490,161	866,393	1,356,554
Improvements	256,575	210,299	466,874
Furniture and Office Equipment	2,878	35,536	38,414
Machinery and Equipment	1,374,305	270,812	1,645,117
Data Processing Equipment	334,694	92,408	427,102
Automotive Equipment	29,925,674	-	29,925,674
Radio and Electronic Equipment	142,132	3,750	145,882
Less Accumulated Depreciation	(23,915,498)	(613,816)	(24,529,314)
<b>TOTAL CAPITAL ASSETS (Net of Accumulated Depreciation)</b>	<u>8,664,752</u>	<u>901,082</u>	<u>9,565,834</u>
<b>TOTAL ASSETS</b>	<u>19,787,741</u>	<u>5,768,481</u>	<u>25,556,222</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts Payable	962,579	1,278,324	2,240,903
Compensated Absences	60,121	43,328	103,449
Accrued Payroll	49,022	33,043	82,065
Interfund Payables	194,902	-	194,902
Other Liabilities	-	88	88
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,266,624</u>	<u>1,354,783</u>	<u>2,621,407</u>
<b>NONCURRENT LIABILITIES:</b>			
Compensated Absences	163,337	161,485	324,822
Other Post Employment Benefits Payable	209,062	123,513	332,575
TMRS Phase In Liability	151,059	104,246	255,305
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>523,458</u>	<u>389,244</u>	<u>912,702</u>
<b>TOTAL LIABILITIES</b>	<u>1,790,082</u>	<u>1,744,027</u>	<u>3,534,109</u>
<b>NET ASSETS</b>			
Invested in Capital Assets	8,664,752	901,082	9,565,834
Unrestricted	9,332,907	3,123,372	12,456,279
<b>TOTAL NET ASSETS</b>	<u>\$ 17,997,659</u>	<u>\$ 4,024,454</u>	<u>\$ 22,022,113</u>

**CITY OF ODESSA, TEXAS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
YEAR ENDED SEPTEMBER 30, 2012**

	Equipment Service Fund	Risk Management Fund	Total
<b>OPERATING REVENUES</b>			
Rental and Other Charges for Services	\$ 11,184,735	\$ 9,525,701	\$ 20,710,436
Other	86,082	549,337	635,419
<b>TOTAL OPERATING REVENUES</b>	<b>11,270,817</b>	<b>10,075,038</b>	<b>21,345,855</b>
<b>OPERATING EXPENSES</b>			
Personal Services	1,302,899	1,002,468	2,305,367
Supplies and Materials	2,707,994	153,607	2,861,601
Other Services	467,578	7,093,200	7,560,778
Maintenance	2,105,055	12,143	2,117,198
Depreciation and Amortization	3,792,509	44,715	3,837,224
Other	446,188	368,115	814,303
<b>TOTAL OPERATING EXPENSES</b>	<b>10,822,223</b>	<b>8,674,248</b>	<b>19,496,471</b>
<b>OPERATING INCOME</b>	<b>448,594</b>	<b>1,400,790</b>	<b>1,849,384</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment Income	26,739	11,444	38,183
Gain on Sale of City Property	49,386	-	49,386
Other Non-Operating Expenses	(61,847)	-	(61,847)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>14,278</b>	<b>11,444</b>	<b>25,722</b>
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>462,872</b>	<b>1,412,234</b>	<b>1,875,106</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>116,892</b>	<b>-</b>	<b>116,892</b>
<b>CHANGE IN NET ASSETS</b>	<b>579,764</b>	<b>1,412,234</b>	<b>1,991,998</b>
<b>NET ASSETS - AT BEGINNING OF YEAR</b>	<b>17,417,895</b>	<b>2,612,220</b>	<b>20,030,115</b>
<b>NET ASSETS - AT END OF YEAR</b>	<b>\$ 17,997,659</b>	<b>\$ 4,024,454</b>	<b>\$ 22,022,113</b>

**CITY OF ODESSA, TEXAS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2012**

	Equipment Service Fund	Risk Management Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Other Funds for Rental and Other Charges for Services	\$ 11,295,478	\$ 9,528,973	\$ 20,824,451
Cash Received from Employees and Others	86,082	549,337	635,419
Cash Paid to Employees	(1,274,386)	(976,013)	(2,250,399)
Cash Paid for Goods and Services/Claims and Expenses	(5,400,586)	(7,652,387)	(13,052,973)
Cash Paid to Other Funds for Services	(275,435)	(368,115)	(643,550)
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>4,431,153</u>	 <u>1,081,795</u>	 <u>5,512,948</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Capital Contributions Out	(61,847)	-	(61,847)
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(61,847)</u>	<u>-</u>	<u>(61,847)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of Capital Assets	(3,218,956)	(54,624)	(3,273,580)
Proceeds from Sale of Capital Assets	49,386	-	49,386
 NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	 <u>(3,169,570)</u>	 <u>(54,624)</u>	 <u>(3,224,194)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Income Received on Investments	26,739	11,444	38,183
 NET CASH PROVIDED BY INVESTING ACTIVITIES	 <u>26,739</u>	 <u>11,444</u>	 <u>38,183</u>
 NET INCREASE IN CASH	 1,226,475	 1,038,615	 2,265,090
<b>CASH - AT BEGINNING OF YEAR</b>	<u>9,731,521</u>	<u>3,827,447</u>	<u>13,558,968</u>
 <b>CASH - AT END OF YEAR</b>	 <u>\$ 10,957,996</u>	 <u>\$ 4,866,062</u>	 <u>\$ 15,824,058</u>

(Continued)

**CITY OF ODESSA, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
**YEAR ENDED SEPTEMBER 30, 2012**

	Equipment Service Fund	Risk Management Fund	Total
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
<b>OPERATING INCOME</b>	<b>\$ 448,594</b>	<b>\$ 1,400,790</b>	<b>\$ 1,849,384</b>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation and Amortization	3,792,509	44,715	3,837,224
(Increase) Decrease in Accounts Receivable	-	3,272	3,272
(Increase) Decrease in Inventories	210,724	-	210,724
(Increase) Decrease in Interfund Receivable	110,743	-	110,743
(Decrease) Increase in Accounts Payable	(54,832)	(393,502)	(448,334)
(Decrease) Increase in Accrued Employee Benefits Payable	3,756	13,473	17,229
(Decrease) Increase in Accrued Payroll	(3,301)	(6,816)	(10,117)
(Decrease) Increase in Interfund Payable	(105,098)	-	(105,098)
(Decrease) Increase in Other Post Employment Benefit	19,652	13,398	33,050
(Decrease) Increase in TMRS Phase In Payable	8,406	6,400	14,806
(Decrease) Increase in Other Liabilities	-	65	65
<b>TOTAL ADJUSTMENTS</b>	<b>3,982,559</b>	<b>(318,995)</b>	<b>3,663,564</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 4,431,153</b>	<b>\$ 1,081,795</b>	<b>\$ 5,512,948</b>

**NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES**

The Equipment Service Fund acquired capital assets during the fiscal year ended September 30, 2012 in the amount of \$116,892 through contributed capital.

**THIS PAGE LEFT INTENTIONALLY BLANK**

## **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, 2012**

	Payroll	Ector County Utility District	Martin L. King Memorial	MOTOR MPO	Total
<b>ASSETS</b>					
Cash and Investments	\$ 730,101	\$ 79,406	\$ 457	\$ -	\$ 809,964
Accounts Receivable	-	199,544	-	-	\$ 199,544
<b>TOTAL ASSETS</b>	<b>\$ 730,101</b>	<b>\$ 278,950</b>	<b>\$ 457</b>	<b>\$ -</b>	<b>\$ 1,009,508</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 730,101	-	\$ 457	\$ -	\$ 730,558
Deposits and Billing Payable	-	278,950	-	-	278,950
<b>TOTAL LIABILITIES</b>	<b>\$ 730,101</b>	<b>\$ 278,950</b>	<b>\$ 457</b>	<b>\$ -</b>	<b>\$ 1,009,508</b>

**CITY OF ODESSA, TEXAS  
ALL AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED SEPTEMBER 30, 2012**

	<u>Balance October 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30</u>
<b>PAYROLL FUND</b>				
<b>ASSETS</b>				
Cash and Investments	\$ 883,108	\$ 49,224,909	\$ 49,377,916	\$ 730,101
<b>TOTAL ASSETS</b>	<u>\$ 883,108</u>	<u>\$ 49,224,909</u>	<u>\$ 49,377,916</u>	<u>\$ 730,101</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 883,108	\$ 25,509,740	\$ 25,356,733	\$ 730,101
<b>TOTAL LIABILITIES</b>	<u>\$ 883,108</u>	<u>\$ 25,509,740</u>	<u>\$ 25,356,733</u>	<u>\$ 730,101</u>
 <b>ECTOR COUNTY UTILITY DISTRICT</b>				
<b>ASSETS</b>				
Cash and Investments	\$ 139,231	\$ 2,544,804	\$ 2,604,629	\$ 79,406
Accounts Receivable	110,309	2,518,366	2,429,131	199,544
<b>TOTAL ASSETS</b>	<u>\$ 249,540</u>	<u>\$ 5,063,170</u>	<u>\$ 5,033,760</u>	<u>\$ 278,950</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ 13,057,116	\$ 13,057,116	\$ -
Deposits and Billings Payable	249,540	79,925	50,515	278,950
<b>TOTAL LIABILITIES</b>	<u>\$ 249,540</u>	<u>\$ 13,137,041</u>	<u>\$ 13,107,631</u>	<u>\$ 278,950</u>
 <b>MARTIN L. KING MEMORIAL</b>				
<b>ASSETS</b>				
Cash and Investments	\$ 455	\$ 2	\$ -	\$ 457
<b>TOTAL ASSETS</b>	<u>\$ 455</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 457</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 455	\$ 2	\$ -	\$ 457
<b>TOTAL LIABILITIES</b>	<u>\$ 455</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 457</u>

(Continued)

**CITY OF ODESSA, TEXAS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)**  
**YEAR ENDED SEPTEMBER 30, 2012**

	Balance October 1	Additions	Deletions	Balance September 30
<b>MOTOR - MPO</b>				
<b>ASSETS</b>				
Cash and Investments	\$ -	\$ 672,652	\$ 672,652	\$ -
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 672,652</b>	<b>\$ 672,652</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ 672,652	\$ 672,652	\$ -
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>\$ 672,652</b>	<b>\$ 672,652</b>	<b>\$ -</b>
 <b>ALL FUNDS</b>				
<b>ASSETS</b>				
Cash and Investments	\$ 1,022,794	\$ 52,442,367	\$ 52,655,197	\$ 809,964
Accounts Receivable	110,309	2,518,366	2,429,131	199,544
<b>TOTAL ASSETS</b>	<b>\$ 1,133,103</b>	<b>\$ 54,960,733</b>	<b>\$ 55,084,328</b>	<b>\$ 1,009,508</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 883,563	\$ 39,239,510	\$ 39,086,501	\$ 730,558
Deposits and Billing Payable	249,540	79,925	50,515	278,950
<b>TOTAL LIABILITIES</b>	<b>\$ 1,133,103</b>	<b>\$ 39,319,435</b>	<b>\$ 39,137,016</b>	<b>\$ 1,009,508</b>

**THIS PAGE LEFT INTENTIONALLY BLANK**

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, 2012**

	2012
<b>GOVERNMENTAL FUNDS CAPITAL ASSETS:</b>	
Land	\$ 20,095,471
Buildings	27,275,227
Improvements	37,085,548
Infrastructure	73,372,695
Traffic Signals	3,475,070
Furniture and Office Equipment	401,916
Machinery and Equipment	3,259,629
Data Processing Equipment	4,930,193
Communication Equipment	7,055,508
Construction-In-Progress	1,130,102
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 178,081,359
<b>INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE</b>	
General Fund	\$ 33,036,448
Capital Projects Fund	76,011,636
Special Revenue Funds	21,545,131
Other Funds	3,074,089
Donations	44,414,055
TOTAL INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 178,081,359

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, 2012**

<u>Function</u>	<u>Total</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements</u>
General Government	\$ 11,930,940	\$ 842,874	\$ 5,782,989	\$ 3,871,255
Finance	3,770,241	-	-	182,538
Public Works	90,197,979	10,990,176	687,001	1,785,723
Planning and Inspection	28,478	-	-	-
Public Safety	31,522,152	247,956	17,566,216	3,769,908
Culture and Recreation	39,501,467	8,014,465	3,239,021	27,476,124
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS BY FUNCTION	<u>\$ 176,951,257</u>	<u>\$ 20,095,471</u>	<u>\$ 27,275,227</u>	<u>\$ 37,085,548</u>
Construction-In-Progress	<u>1,130,102</u>			
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 178,081,359</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	\$ -	\$ 138,613	\$ 49,812	\$ 302,734	\$ 33,725
-	-	81,235	180,562	1,566,819	1,759,087
72,449,176	3,475,070	50,103	448,045	309,539	3,146
-	-	10,083	-	18,395	-
-	-	95,723	1,911,767	2,677,396	5,253,186
14,581	-	26,159	669,443	55,310	6,364
<u>\$ 73,372,695</u>	<u>\$ 3,475,070</u>	<u>\$ 401,916</u>	<u>\$ 3,259,629</u>	<u>\$ 4,930,193</u>	<u>\$ 7,055,508</u>

**CITY OF ODESSA, TEXAS**  
**SCHEDULE OF CHANGES IN CAPITAL ASSETS USED IN**  
**THE OPERATION OF GOVERNMENTAL FUNDS AND ACTIVITY**  
**YEAR ENDED SEPTEMBER 30, 2012**

<u>Function</u>	Governmental Funds Capital Assets October 1, 2011	Additions	Transfers or Deductions	Governmental Funds Capital Assets September 30, 2012
General Government	\$ 12,008,823	\$ -	\$ 77,883	\$ 11,930,940
Finance	2,083,384	1,744,076	57,219	3,770,241
Public Works	88,640,916	1,655,138	98,075	90,197,979
Planning and Inspection	28,478	-	-	28,478
Public Safety	32,311,627	26,906	816,381	31,522,152
Culture and Recreation	39,344,809	183,762	27,104	39,501,467
Construction-In-Progress	<u>85,814</u>	<u>1,044,288</u>	<u>-</u>	<u>1,130,102</u>
<b>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</b>	<u>\$ 174,503,851</u>	<u>\$ 4,654,170</u>	<u>\$ 1,076,662</u>	<u>\$ 178,081,359</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.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b>	117-123
<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>	
<b>Revenue Capacity</b>	124-130
<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>	
<b>Debt Capacity</b>	131-135
<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>	
<b>Demographic and Economic Information</b>	136-138
<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>	
<b>Operating Information</b>	139-140
<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.

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

	FISCAL YEAR									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>GOVERNMENTAL ACTIVITIES</b>										
Invested In Capital Assets, Net of Related Debt	\$ 57,826,941	\$ 57,809,053	\$ 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	644,531	545,365	541,064	517,217	406,646	378,704	311,979	217,553	142,867	150,402
Unrestricted	46,471,552	33,526,485	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	<u>\$ 104,943,024</u>	<u>\$ 91,880,903</u>	<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>
<b>BUSINESS-TYPE ACTIVITIES</b>										
Invested In Capital Assets, Net of Related Debt	\$ 71,527,087	\$ 65,408,661	\$ 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	1,000,000	1,000,000
Unrestricted	10,577,526	15,617,347	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	<u>\$ 83,104,613</u>	<u>\$ 82,026,008</u>	<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>
<b>PRIMARY GOVERNMENT</b>										
Invested In Capital Assets, Net of Related Debt	\$ 129,354,028	\$ 123,217,714	\$ 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	1,644,531	1,545,365	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	57,049,078	49,143,832	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	<u>\$ 188,047,637</u>	<u>\$ 173,906,911</u>	<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>

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

	FISCAL YEAR									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>EXPENSES</b>										
Governmental Activities:										
General Government	\$ 4,279,814	\$ 4,171,431	\$ 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	985,369	1,143,460	821,498	978,331	824,208	1,608,949	1,424,160	1,384,410	1,467,632	1,360,019
Public Works	14,804,737	13,825,631	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	785,512	726,735	734,271	608,961	518,135	544,824	988,344	858,535	831,633	809,268
Public Safety	39,051,055	38,688,978	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	1,105,568	1,859,913	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	7,039,829	7,011,306	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	1,607,185	1,643,943	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>69,659,069</u>	<u>69,071,397</u>	<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	43,282,176	39,690,780	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	10,495,612	9,695,444	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	1,679,188	1,738,122	1,585,941	1,908,251	1,377,420	981,938	685,745	-	-	-
Liquid Waste	12,608	16,601	50,634	58,564	46,926	22,020	41,525	40,006	37,960	41,264
Storm Water	559,034	551,492	523,047	-	-	-	-	-	-	-
Total Business-Type Activities Expenses	<u>56,028,618</u>	<u>51,692,439</u>	<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>\$ 125,687,687</u>	<u>\$ 120,763,836</u>	<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>
<b>PROGRAM REVENUES</b>										
Governmental Activities:										
Charges For Services:										
General Government	\$ 111,421	\$ 86,316	\$ 93,066	\$ 108,861	\$ 101,499	\$ 85,643	\$ 111,965	\$ 71,099	\$ 70,772	\$ 60,368
Finance	223,453	203,192	277,002	281,508	300,335	253,776	254,119	345,495	366,552	-
Public Works	277,745	412,002	174,435	383,690	471,067	372,293	799,676	218,696	305,546	243,683
Planning & Inspection	806,596	408,991	347,018	330,748	482,551	342,124	320,753	329,947	284,008	317,367
Public Safety	7,141,097	8,526,988	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	102,663	86,201	85,400	69,363	157,782	175,891	58,540	149,494	148,178	54,768
Operating Grants & Contributions	5,297,270	5,835,502	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	2,368,036	1,424,548	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>16,328,281</u>	<u>16,983,740</u>	<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 TEN FISCAL YEARS**  
*(accrual basis of accounting)*  
*(Unaudited)*

	FISCAL YEAR									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Business-Type Activities:										
Charges For Services:										
Water & Sewer	\$ 37,761,523	\$ 39,657,324	\$ 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	10,376,680	10,219,496	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	1,343,284	1,281,974	1,208,940	1,149,169	274,831	105,372	584,233	-	-	-
Liquid Waste	85,686	61,071	28,406	21,869	-	-	14,412	15,319	13,927	17,451
Storm Water	702,592	703,060	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	4,375,766	1,462,732	2,597,609	3,169,126	548,898	2,354,606	3,013,899	2,217,290	841,139	698,084
<b>Total Business-Type Activities Program Revenues</b>	<b>54,645,531</b>	<b>53,385,657</b>	<b>67,418,015</b>	<b>61,419,422</b>	<b>69,105,230</b>	<b>62,789,273</b>	<b>65,141,867</b>	<b>56,378,239</b>	<b>53,124,613</b>	<b>51,193,554</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 70,973,812</b>	<b>\$ 70,369,397</b>	<b>\$ 86,656,581</b>	<b>\$ 74,022,272</b>	<b>\$ 81,402,567</b>	<b>\$ 74,894,964</b>	<b>\$ 77,589,458</b>	<b>\$ 70,367,937</b>	<b>\$ 64,352,722</b>	<b>\$ 60,784,131</b>
<b>NET (EXPENSE)/REVENUE</b>										
Governmental Activities	\$ (53,330,788)	\$ (52,087,657)	\$ (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	(1,383,087)	1,693,218	1,385,999	(787,025)	(17,602)	3,860,558	3,990,062	2,581,285	1,252,644	809,419
<b>Total Primary Government Net Expense</b>	<b>\$ (54,713,875)</b>	<b>\$ (50,394,439)</b>	<b>\$ (50,155,091)</b>	<b>\$ (55,549,573)</b>	<b>\$ (44,957,777)</b>	<b>\$ (37,009,892)</b>	<b>\$ (37,984,845)</b>	<b>\$ (34,171,758)</b>	<b>\$ (36,172,820)</b>	<b>\$ (36,983,765)</b>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS</b>										
Governmental Activities:										
Taxes										
Property Taxes	\$ 21,669,691	\$ 20,943,529	\$ 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	28,591,360	23,077,255	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	9,923,693	9,033,646	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	5,244,625	3,342,560	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	2,885,016	2,507,876	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	253,807	133,408	187,157	415,596	1,566,562	2,544,148	1,707,718	779,839	373,886	496,939
Miscellaneous	129,802	27,726	16,940	130,989	-	-	-	-	-	160,686
Contributed Capital	-	-	52,628	(1,704,008)	(2,389,601)	-	-	-	-	-
Transfers	(2,305,085)	350,000	(200,000)	(200,000)	(161,569)	1,173,496	1,156,854	1,146,548	-	-
<b>Total Governmental Activities</b>	<b>66,392,909</b>	<b>59,416,000</b>	<b>53,115,985</b>	<b>49,612,667</b>	<b>50,257,838</b>	<b>51,865,140</b>	<b>45,714,148</b>	<b>41,292,480</b>	<b>37,771,230</b>	<b>37,033,104</b>
Business-Type Activities:										
Investment Earnings	156,607	204,228	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	2,305,085	(350,000)	200,000	200,000	161,569	(1,173,496)	(1,156,854)	(1,146,548)	-	-
<b>Total Business-Type Activities</b>	<b>2,461,692</b>	<b>(145,772)</b>	<b>432,922</b>	<b>2,634,766</b>	<b>5,189,372</b>	<b>(85,011)</b>	<b>(314,338)</b>	<b>(623,696)</b>	<b>353,610</b>	<b>530,334</b>
<b>Total Primary Government</b>	<b>\$ 68,854,601</b>	<b>\$ 59,270,228</b>	<b>\$ 53,548,907</b>	<b>\$ 52,247,433</b>	<b>\$ 55,447,210</b>	<b>\$ 51,780,129</b>	<b>\$ 45,399,810</b>	<b>\$ 40,668,784</b>	<b>\$ 38,124,840</b>	<b>\$ 37,563,438</b>
<b>CHANGE IN NET ASSETS</b>										
Governmental Activities	\$ 13,062,121	\$ 7,328,343	\$ 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	1,078,605	1,547,446	1,818,921	1,847,741	5,171,770	3,775,547	3,675,724	1,957,589	1,606,254	1,339,753
<b>Total Primary Government</b>	<b>\$ 14,140,726</b>	<b>\$ 8,875,789</b>	<b>\$ 3,393,816</b>	<b>\$ (3,302,140)</b>	<b>\$ 10,489,433</b>	<b>\$ 14,770,237</b>	<b>\$ 7,414,965</b>	<b>\$ 6,497,026</b>	<b>\$ 1,952,020</b>	<b>\$ 579,673</b>

\* Effective September 30, 2010, the City was no longer purchasing and selling natural gas.

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

FUNCTION/PROGRAM	PROGRAM REVENUES									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities:										
General Government	\$ 111,421	\$ 86,316	\$ 93,066	\$ 108,861	\$ 101,499	\$ 85,643	\$ 111,965	\$ 377,199	\$ 129,115	\$ 60,368
Finance	223,453	203,192	277,002	281,508	300,335	253,776	254,119	345,495	366,552	-
Public Works	5,129,613	5,031,534	6,794,186	2,392,970	1,266,616	512,362	2,078,828	357,209	353,284	347,662
Planning & Inspection	806,596	408,991	347,018	330,748	482,551	342,124	320,753	329,947	284,008	317,367
Public Safety	8,684,417	9,377,596	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	1,270,118	1,789,910	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	102,663	86,201	85,400	69,363	493,643	175,891	58,540	149,494	148,178	555,532
Subtotal Governmental Activities	16,328,281	16,983,740	19,238,566	12,602,850	12,297,337	12,105,691	12,447,591	13,989,698	11,228,109	9,590,577
Business-Type Activities:										
Water and Sewer	42,137,289	41,120,056	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	10,376,680	10,219,496	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 *	1,343,284	1,281,974	1,208,940	1,149,169	274,831	105,372	584,233	-	-	-
Liquid Waste	85,686	61,071	41,182	41,723	39,452	35,311	41,322	44,347	34,315	36,301
Storm Water	702,592	703,060	703,054	-	-	-	-	-	-	-
Subtotal Business-Type Activities	54,645,531	53,385,657	67,418,015	61,419,422	69,105,230	62,789,273	65,141,867	56,378,239	53,124,613	51,193,554
Total Primary Government	\$ 70,973,812	\$ 70,369,397	\$ 86,656,581	\$ 74,022,272	\$ 81,402,567	\$ 74,894,964	\$ 77,589,458	\$ 70,367,937	\$ 64,352,722	\$ 60,784,131

**Note:** \*On January 1, 2006, the City purchased a golf course; the City closed the golf course for renovations on November 1, 2006, and reopened on August 8, 2008.

\*\*On September 30, 2010, the City no longer purchased and sold natural gas.

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

	FISCAL YEAR									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>GENERAL FUND</b>										
Reserved for Encumbrances	\$ -	\$ -	\$ -	\$ 1,612,613	\$ 5,733,380	\$ 3,214,744	\$ 1,714,748	\$ 1,177,282	\$ 1,007,186	\$ 776,320
Unreserved, Reported in:										
Designated for Contingencies	-	-	-	9,692,830	9,608,235	8,836,665	8,350,312	7,693,239	7,286,141	6,990,499
Designated for Budget Stabilization	-	-	-	4,038,679	4,003,431	3,681,944	3,479,296	3,205,516	3,035,892	2,912,708
Designated for Compensated Absences	-	-	-	1,143,523	1,143,523	1,143,523	1,143,523	-	-	-
Undesignated, Reported in General Fund	-	-	-	7,878,225	7,625,703	7,652,340	4,035,112	4,983,903	2,900,336	2,474,872
Nonspendable	2,305	2,019	94	-	-	-	-	-	-	-
Committed	-	512,589	192,075	-	-	-	-	-	-	-
Assigned	17,837,824	7,764,667	3,477,559	-	-	-	-	-	-	-
Unassigned	26,750,335	26,734,646	23,404,156	-	-	-	-	-	-	-
Total General Fund	<u>\$ 44,590,464</u>	<u>\$ 35,013,921</u>	<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>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>										
Reserved, Reported in:										
Reserved for Encumbrances	\$ -	\$ -	\$ -	\$ 642,999	\$ 9,975,556	\$ 4,703,459	\$ 6,028,418	\$ 1,846,409	\$ 394,321	\$ 278,640
Reserved for Debt service	-	-	-	517,217	406,646	378,704	311,979	217,553	142,867	150,402
Unreserved, Reported in:										
Capital Projects Fund										
Designated for Obligated Projects	-	-	-	5,013,991	896,809	7,035,681	15,320,237	9,235,457	6,305,070	786,492
Undesignated	-	-	-	1,526,181	517,036	1,154,451	946,708	630,922	439,314	352,123
Special Revenue Funds										
Undesignated	-	-	-	3,343,053	2,170,104	1,733,060	891,967	1,330,342	512,566	1,147,655
Restricted	10,434,889	7,124,686	6,282,586	-	-	-	-	-	-	-
Committed	-	17,311	71,036	-	-	-	-	-	-	-
Assigned	587,587	565,095	580,992	-	-	-	-	-	-	-
Unassigned	-	(10,972)	(6,958)	-	-	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 11,022,476</u>	<u>\$ 7,696,120</u>	<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>

**Note:** The City implemented GASB 54 in 2011 and reclassified the fund balances for fiscal year end 2010.

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

	<b>FISCAL YEAR</b>									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>REVENUES</b>										
Property Tax, Penalties and Interest	\$ 21,994,886	\$ 20,952,246	\$ 20,405,012	\$ 20,074,762	\$ 18,510,874	\$ 17,314,671	\$ 16,527,966	\$ 15,647,753	\$ 14,685,446	\$ 13,550,201
City Sales Tax	28,591,360	23,077,255	18,666,954	18,339,589	19,712,982	17,554,919	15,607,492	13,333,770	11,860,134	11,498,700
Franchise and Gross Receipts	9,923,693	9,033,646	9,215,471	8,914,736	8,965,937	9,766,148	8,104,150	7,800,527	8,702,216	8,451,401
Fines and Forfeitures	3,269,352	3,952,441	3,566,112	2,778,923	3,171,568	2,999,058	3,099,709	2,967,838	2,266,153	1,868,781
Permits and Licenses	1,021,736	525,418	441,524	596,579	627,010	430,234	390,571	396,901	358,981	395,647
Grants and Entitlements	5,782,548	5,509,208	8,765,475	2,552,137	2,583,844	3,255,295	2,360,800	3,936,110	3,813,577	3,484,752
Hotel and Motel Occupancy Tax	5,244,625	3,342,560	2,028,217	2,230,089	2,784,886	2,085,405	1,610,471	1,212,568	1,120,584	963,732
Investment Income	135,357	108,553	132,113	355,691	1,436,525	2,358,359	1,570,338	707,393	329,100	420,147
Donations	100,000	100,000	70,000	100,000	100,000	125,000	-	100,000	100,000	500,000
Industrial Contracts	2,885,016	2,507,876	2,598,135	1,562,380	1,270,769	1,489,459	1,105,118	1,153,097	760,122	1,309,239
Other	3,394,323	3,678,179	3,321,252	3,494,528	3,098,048	3,319,390	4,538,687	2,718,043	2,581,712	2,133,440
Intergovernmental	1,052,619	1,035,003	1,089,869	1,099,872	1,034,149	1,083,044	1,150,961	1,132,914	1,131,641	1,028,783
Sale of Confiscated Property	135,498	214,064	67,416	51,685	73,908	20,589	51,470	105,092	42,454	475,765
<b>Total Revenues</b>	<b>83,531,013</b>	<b>74,036,449</b>	<b>70,367,550</b>	<b>62,150,971</b>	<b>63,370,500</b>	<b>61,801,571</b>	<b>56,117,733</b>	<b>51,212,006</b>	<b>47,752,120</b>	<b>46,080,588</b>
<b>EXPENDITURES</b>										
General Government	3,886,153	3,738,075	3,766,157	3,940,662	3,411,384	3,078,633	3,001,237	2,705,055	2,434,620	2,369,827
Finance	800,716	1,011,168	503,217	676,440	957,891	2,078,689	1,465,575	1,492,590	1,510,413	1,370,510
Public Works	13,088,769	12,058,306	13,484,502	10,467,201	7,393,176	8,182,357	6,813,761	6,416,548	5,706,749	5,934,509
Planning & Inspection	749,346	699,959	697,351	565,315	533,890	530,304	958,695	859,724	809,743	791,045
Public Safety	37,561,741	35,754,263	35,244,368	35,825,377	33,247,688	30,369,548	28,309,701	27,221,598	26,133,016	25,984,088
Welfare	1,101,632	1,808,151	2,852,906	1,819,953	1,417,966	1,554,156	1,890,729	2,076,177	2,258,595	2,065,320
Culture & Recreation	6,087,068	6,035,266	6,168,304	6,176,343	5,739,989	4,721,025	4,756,824	4,268,456	4,088,569	3,960,852
Capital Outlay	3,121,325	1,407,548	5,418,090	6,227,457	9,769,480	12,952,144	11,659,946	2,555,040	2,593,246	1,913,465
Debt Service										
Interest and Fiscal Charges	1,398,138	1,585,546	1,647,450	1,498,335	1,501,798	1,156,862	1,194,965	1,030,882	804,499	853,875
Principal Retirement	1,987,039	1,879,666	1,792,976	1,425,000	1,135,000	915,000	825,000	905,000	1,095,000	1,030,000
Payments to Escrow Agent	-	-	-	-	-	124,078	-	-	-	-
Bond Issuance Costs	145,914	-	-	68,103	69,444	139,560	150,000	95,000	95,000	-
<b>Total Expenditures</b>	<b>69,927,841</b>	<b>65,977,948</b>	<b>71,575,321</b>	<b>68,690,186</b>	<b>65,177,706</b>	<b>65,802,356</b>	<b>61,026,433</b>	<b>49,626,070</b>	<b>47,529,450</b>	<b>46,273,491</b>
Excess Of Reveunes										
Over (Under) Expenditures	13,603,172	8,058,501	(1,207,771)	(6,539,215)	(1,807,206)	(4,000,785)	(4,908,700)	1,585,936	222,670	(192,903)

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

	<b>FISCAL YEAR</b>									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>OTHER FINANCING SOURCES (USES)</b>										
Certificates of Obligations Issued	\$ -	\$ -	\$ -	\$ 3,280,000	\$ 4,345,000	\$ -	\$ 10,150,000	\$ 5,400,000	\$ 5,795,000	\$ -
General Fund Payment to Escrow	-	-	-	-	-	124,078	-	-	-	-
Reoffering Premium	412,401	-	-	58,128	169,626	41,304	-	-	-	-
Refunding Bonds Issued	6,780,000	-	-	-	-	5,905,000	-	-	-	-
Payments to Escrow Agent	(7,148,058)	-	-	(3,270,025)	-	(5,930,822)	-	-	-	-
Capital Lease Proceeds	1,560,469	-	-	-	-	-	4,360,000	-	-	-
Transfers In	126,678	882,749	17,766	21,624	140,059	1,681,420	1,262,846	1,409,466	229,355	263,910
Transfers Out	(2,431,763)	(232,749)	(217,766)	(221,624)	(301,628)	(507,924)	(105,992)	(98,472)	(93,043)	(263,910)
Total Other Financing Sources (Uses)	<u>(700,273)</u>	<u>650,000</u>	<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>
Net Changes In Fund Balances	<u>\$ 12,902,899</u>	<u>\$ 8,708,501</u>	<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>
Debt Service As A										
Percentage of Noncapital Expenditures	5.07%	5.37%	5.20%	4.68%	4.76%	3.92%	4.09%	4.11%	4.23%	4.25%

**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 &amp; Interest</u>	<u>Sales Tax</u>	<u>Franchise &amp; Gross Receipts Tax</u>	<u>Hotel-Motel Occupancy Tax</u>	<u>Other Tax</u>	<u>Total</u>
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
2011	20,952,246	23,077,255	9,033,646	3,342,560	2,969,024	59,374,731
2012	21,994,886	28,591,360	9,923,693	5,244,625	3,310,230	69,064,794
Change 2003-2012	62.32%	148.65%	17.42%	444.20%	122.08%	92.09%

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

(in dollars)  
(Unaudited)

<b>Fiscal Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Less: Tax-Exempt Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>
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	3,047,012,432	1,949,231,265	184,436,189	1,632,178,508	3,548,501,378	0.5623
2010	3,301,115,617	2,115,230,278	116,966,523	1,655,083,564	3,878,228,854	0.5623
2011	3,262,135,178	2,022,079,075	129,547,939	1,506,811,876	3,906,950,316	0.5228
2012	3,281,707,916	2,082,022,187	133,744,508	1,440,889,244	4,056,585,367	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		
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
2011	0.4481	0.0746	0.5228	0.3563	0.0552	1.1350	0.1584	1.7049	2.2277
2012	0.4501	0.0726	0.5228	0.3564	0.0521	1.1320	0.1948	1.7352	2.2580

**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**  
**PRINCIPAL PROPERTY TAX PAYERS**  
**CURRENT YEAR AND NINE YEARS AGO**  
(Unaudited)

<b>TAXPAYER</b>	<b>2012</b>			<b>2003</b>		
	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total City Taxable Assessed Value</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total City Taxable Assessed Value</b>
Midland Investors LLC	\$ 31,012,351	1	0.76%	*		-
Oncor Electric Delivery Co.	29,328,010	2	0.72%	\$ 31,272,270	2	1.52%
MCM Properties LTD	24,062,399	3	0.59%	23,264,766	4	1.13%
Four Star Oil & Gas	22,092,944	4	0.54%	31,157,033	3	1.52%
CA New Plan Texas Assets	21,044,860	5	0.52%	*		-
Faudree LLC	18,734,979	6	0.46%	*		-
Archer Pressure Pumping LLC	15,297,688	7	0.38%	*		-
Lithia Real Estate Inc	13,741,566	8	0.34%	*		-
ICA Properties Inc	13,245,148	9	0.33%	16,070,035	6	0.78%
Odessa Regional Hospital	13,041,244	10	0.32%	15,142,037	7	0.74%
Southwestern Bell Telephone Company	*		-	19,640,933	5	0.96%
Wal-Mart Stores, Inc.	*		-	34,336,041	1	1.67%
Albertson's	*		-	12,230,790	9	0.60%
Centeramerica Venture Fund	*		-	13,881,858	8	0.68%
Family Dollar Distribution Ctr	*		-	11,414,047	10	0.56%
	<b>\$ 201,601,189</b>		<b>4.97%</b>	<b>\$ 208,409,810</b>		<b>10.15%</b>

**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
2003	\$ 13,547,280	\$ 12,855,608	94.89%	\$ 632,468	13,488,076	99.56%
2004	14,540,648	14,030,588	96.49%	444,847	14,475,435	99.55%
2005	15,609,681	14,888,541	95.38%	660,047	15,548,588	99.61%
2006	16,519,696	15,889,843	96.19%	565,082	16,454,925	99.61%
2007	17,078,393	16,455,427	96.35%	555,986	17,011,413	99.61%
2008	18,166,797	17,607,299	96.92%	505,154	18,112,453	99.70%
2009	19,936,310	19,180,760	96.21%	629,401	19,810,161	99.37%
2010	20,280,971	19,419,554	95.75%	666,161	20,085,715	99.04%
2011	20,454,919	19,755,373	96.58%	411,974	20,167,347	98.59%
2012	21,206,265	20,745,059	97.83%	-	20,745,059	97.83%

**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>
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
2011	1.00	0.25	1.25	0.75	0.50
2012	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 2012 AND 2003**  
(Unaudited)

	FISCAL YEAR 2012				FISCAL YEAR 2003			
	Number Of Filers	Percentage Of Total	Tax Liability	Percentage Of Total	Number Of Filers	Percentage Of Total	Tax Liability	Percentage Of Total
Agriculture/Forestry	137	0.27%	\$ 94,394	0.27%	75	0.20%	\$ 32,978	0.23%
Mining	990	1.92%	2,481,254	6.98%	248	0.66%	303,815	2.10%
Construction	1,718	3.34%	546,858	1.54%	223	0.59%	47,435	0.33%
Manufacturing	1,974	3.84%	1,802,905	5.07%	1,187	3.14%	307,042	2.12%
Transportation/Utilities	2,319	4.51%	2,364,975	6.66%	849	2.25%	164,716	1.14%
Wholesale Trade:								
Durable Goods	2,963	5.76%	2,544,604	7.16%	2,815	7.45%	636,598	4.40%
Nondurable Goods	1,857	3.61%	613,338	1.73%		0.00%		0.00%
Total Wholesale Trade	4,820	9.36%	3,157,942	8.89%	2,815	7.45%	636,598	4.40%
Retail Trade:								
Building Materials	544	1.06%	745,617	2.10%	245	0.65%	134,838	0.93%
General Merchandise	2,474	4.81%	2,789,993	7.85%	202	0.53%	154,903	1.07%
Food Stores	115	0.22%	10,955	0.03%	140	0.37%	8,373	0.06%
Automotive	1,556	3.02%	1,682,730	4.74%	117	0.31%	16,126	0.11%
Clothing	2,054	3.99%	3,838,302	10.80%	419	1.11%	195,594	1.35%
Home Furnishings	517	1.00%	481,524	1.36%	95	0.00%	23,478	0.00%
Restaurants	2,621	5.09%	3,199,239	9.00%	1,159	3.07%	885,394	6.12%
Drug Stores	509	0.99%	240,287	0.68%	128	0.34%	112,244	0.78%
Liquor Stores	698	1.36%	289,365	0.81%	240	0.64%	137,084	0.95%
Miscellaneous Retail	7,701	14.96%	3,124,518	8.79%	12,361	32.72%	6,171,888	42.68%
Total Retail Trade	18,789	36.51%	16,402,530	46.17%	15,106	39.99%	7,839,922	54.22%
Financial Services	2,705	5.26%	592,508	1.67%	233	0.62%	34,208	0.24%
Services	6,560	12.75%	1,495,214	4.21%	8,752	23.17%	1,834,296	12.68%
Special Trade	1,881	3.65%	575,837	1.62%	165	0.44%	151,513	1.05%
Other	9,576	18.61%	6,013,388	16.93%	8,123	21.50%	3,108,024	21.49%
<b>Total</b>	<b>51,469</b>	<b>100.00%</b>	<b>\$ 35,527,805</b>	<b>100%</b>	<b>37,776</b>	<b>100.00%</b>	<b>\$ 14,460,547</b>	<b>100%</b>

**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 sales tax 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 <sup>a</sup>	Per Capita <sup>a</sup>
	Certification of Bonds	General Obligation Bonds	Capital Leases	Water & Sewer Certificates & Bonds	Capital Leases			
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
2011	24,710,000	7,970,000	2,398,584	79,420,000	-	114,498,584	4.54%	1,129
2012	17,055,000	13,965,000	3,517,014	75,505,000	-	110,042,014	4.24%	1,027

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

<sup>a</sup> 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			Total	Percentage of Estimated Taxable Value of Property <sup>a</sup>	Per Capita <sup>b</sup>
	Certificate of Obligation Bonds	General Obligation Bonds	Less: Amounts Available in Debt Service Fund			
2003	\$ 15,975,000	\$ -	\$150,402	\$ 15,824,598	0.7710%	\$ 169
2004	20,675,000	-	142,867	20,532,133	0.9738%	220
2005	25,170,000	-	217,553	24,952,447	1.1010%	266
2006	34,495,000	-	311,979	34,183,021	1.4056%	353
2007	27,745,000	5,905,000	378,704	33,271,296	1.2254%	335
2008	30,995,000	5,865,000	406,646	36,453,354	1.1627%	371
2009	26,470,000	9,050,000	517,217	35,002,783	0.9864%	361
2010	25,405,000	8,730,000	541,064	33,593,936	0.8662%	348
2011	24,710,000	7,970,000	545,365	32,134,635	0.8225%	317
2012	17,055,000	13,965,000	644,531	30,375,469	0.7488%	283

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

<sup>a</sup> See Schedule 7 for taxable property value data.

<sup>b</sup> Population data can be found in Schedule 18.

**CITY OF ODESSA, TEXAS**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF SEPTEMBER 30, 2012**  
(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>
<b>DEBT REPAYED WITH PROPERTY TAXES</b>				
Ector County	\$ 10,876,783,585	\$ 7,830,000	35.38%	\$ 2,770,254
Ector County Independent School District	10,232,624,000	73,528,419	37.60%	27,646,686
Odessa Jr. College District	10,624,325,055	68,500,000	36.22%	24,810,700
Midland County	15,791,767,090	28,805,000	1.32%	380,226
Midland County Hospital District	13,240,070,892	110,790,000	1.58%	1,750,482
Midland Independent School District	11,235,065,718	116,989,649	1.86%	2,176,007
Midland Jr. College District	15,571,679,385	32,595,346	1.34%	436,778
Subtotal, Overlapping Debt				<u>59,971,133</u>
<b>CITY DIRECT DEBT</b>				<u>33,892,483</u>
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b>				<u><u>\$ 93,863,616</u></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 businesses of the Odessa community.

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

	Fiscal Year									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Debt Limit	\$ 81,131,707	\$ 78,139,006	\$ 77,564,577	\$ 70,970,028	\$ 62,702,886	\$ 54,302,186	\$ 48,639,527	\$ 45,326,109	\$ 42,169,749	\$ 41,047,251
Total Net Debt Applicable to Limit	<u>30,375,469</u>	<u>32,134,635</u>	<u>33,593,936</u>	<u>35,002,783</u>	<u>36,453,354</u>	<u>33,271,296</u>	<u>34,183,021</u>	<u>24,952,447</u>	<u>20,532,133</u>	<u>15,824,598</u>
Legal Debt Margin	<u>\$ 50,756,238</u>	<u>\$ 46,004,371</u>	<u>\$ 43,970,641</u>	<u>\$ 35,967,245</u>	<u>\$ 26,249,532</u>	<u>\$ 21,030,890</u>	<u>\$ 14,456,506</u>	<u>\$ 20,373,662</u>	<u>\$ 21,637,616</u>	<u>\$ 25,222,653</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	37.44%	41.12%	43.31%	49.32%	58.14%	61.27%	70.28%	55.05%	48.69%	38.55%

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 2012**

Assessed Value	<u>\$ 4,056,585,367</u>
Debt Limit (2% of Assessed Value)	<u>81,131,707</u>
Debt Applicable to Limit:	
Certificates of Obligation	17,055,000
General Obligation Bonds	13,965,000
Less: Amount Set Aside for Repayment of GO Bonds and CO Bonds	<u>644,531</u>
Total Net Debt Applicable to Limit	<u>30,375,469</u>
Legal Debt Margin	<u>\$ 50,756,238</u>

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

**WATERWORKS AND SEWER SYSTEM REVENUE BONDS**

Fiscal Year	Operating Revenue	Less: Operating Expenses	Plus: Depreciation & Amortization	Plus: Investment Income	Plus: Other	Net Available Revenue <sup>b</sup>	Debt Service <sup>a</sup>		Coverage
							Principal	Interest	
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
2011	39,657,324	36,357,110	5,581,329	201,289	-	9,082,832	3,915,000	3,694,625	1.19
2012	37,761,523	40,179,512	5,926,236	152,006	-	3,660,253	4,055,000	3,547,350	0.48

**Notes:**

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

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

<sup>b</sup> 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)

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income</b> <i>(in thousand of dollars)</i>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>Education Level</b>	<b>School Enrollment</b>	<b>Unemployment Rate%</b>
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
2011	101,459	2,519,247	32,687	31.0	12.4	28,049	5.3
2012	107,158	2,594,824	35,555	31.1	12.4	27,621	4.5

**Source:** Odessa Chamber of Commerce  
U.S. Census Bureau  
Bureau of Economic Analysis

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

Employer	2012			2003		
	Employees	Rank	Total City Employment %	Employees	Rank	% Total City Employment
ECISD	3,336	1	4.20	3,216	1	5.38
Medical Center Hospital	1,687	2	2.13	1,707	2	2.86
Saulsbury Companies	1,315	3	1.66	491	8	0.82
Halliburton Services	1,250	4	1.57	-	*	N/A
ORMC	1,090	5	1.37	463	9	0.77
Walmart	803	7	1.01	895	4	1.50
City of Odessa	884	6	1.11	802	5	1.34
Ector County	628	8	0.79	615	7	1.03
Nurses Unlimited	560	9	0.71	1,600	3	2.68
Weatherford CPS	536	10	0.68	-	*	N/A
Odessa College	-	*	N/A	790	6	1.32
Huntsman Corp	-	*	N/A	462	10	0.77
Holloman Construction	-	*	N/A	-	*	N/A
Southwestern Bell	-	*	N/A	-	*	N/A
Total Employment Population	<u>79,387</u>		<u>15.23</u>	<u>59,787</u>		<u>18.47</u>

**Sources:** Odessa Chamber of Commerce (2003 to present)  
 Individual Employers  
 Bureau of Labor Statistics  
 City of Odessa Texas, Department of Finance

\* 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)

<u>FUNCTION/PROGRAM</u>	<u>FULL -TIME EQUIVALENT EMPLOYEES AS OF SEPTEMBER 30, 2010</u>									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Government	42	39	39	36	36	36	34	33	33	33
Finance	52	56	57	60	58	56	55	54	51	51
Public Works	89	81	87	90	83	81	83	79	77	79
Planning & Inspection	13	14	13	13	12	11	12	12	12	13
Public Safety	399	394	405	392	372	381	396	394	403	400
Welfare	5	4	6	5	5	5	5	6	7	6
Culture & Recreation	37	35	35	38	37	33	46	35	35	31
Golf Course	10	10	10	10	8	6	10	NA	NA	NA
Water & Sewer	95	105	108	122	109	106	110	114	118	118
Solid Waste	47	45	46	46	46	43	44	42	42	43
Liquid Waste	0	0	0	1	1	1	1	1	1	1
Equipment Services	19	22	18	22	21	22	23	23	23	23
Risk Management	13	15	15	14	14	14	14	14	5	5
Total	821	820	839	849	802	795	833	807	807	803

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

**Notes:** The City purchased the Golf Course in January 2006.

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

<u>FUNCTION/PROGRAM</u>	<u>FISCAL YEAR</u>									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>PUBLIC SAFETY</b>										
Police										
Physical Arrests	6,065	7,600	9,489	8,711	7,469	7,711	8,791	8,418	7,932	7,792
Parking Violations	661	683	696	4,215	3,231	7,098	10,837	7,938	6,466	6,558
Traffic Violations	19,191	22,354	31,984	12,821	29,382	40,816	32,195	35,402	36,352	35,388
Fire										
Number Of Calls Answered	17,300	16,357	14,406	15,511	15,248	14,229	12,640	10,363	10,374	9,526
Inspections	3,682	2,678	2,165	2,236	1,831	1,937	1,620	133	127	161
<b>PUBLIC WORKS</b>										
Street Resurfacing (miles)	13	29	30	56	7	41	32	35	74	49
Potholes Repaired	17	21	53	25	33	36	50	176	57	-
New Construction Permits Issued	691	382	358	230	337	284	238	197	228	194
<b>SOLID WASTE</b>										
Refuse Collected (tons)	103,334	100,606	86,841	90,800	93,000	93,500	88,000	81,000	80,000	75,000
Recyclables Collected (tons)	1,410	1,327	1,210	1,365	812	2,595	2,088	1,328	1,900	1,911
<b>CULTURE &amp; RECREATION</b>										
Community Center Rentals	961	684	797	928	875	839	761	730	706	761
<b>GOLF COURSE</b>										
Number Of Paid Rounds Played	40,272	41,080	36,471	36,863	7,002	-	23,885	-	-	-
<b>WATER &amp; SEWER</b>										
Customer Connections	17,871	16,459	16,384	14,601	15,358	15,227	15,604	16,341	16,760	16,178
New Connections-Fire Hydrants	46	16	35	72	28	20	26	45	50	22
Water Main Breaks	92	185	124	83	105	144	95	112	77	99
Average Daily Consumption (million gallons day)	14.12	19.72	18.60	19.81	18.42	12.58	19.63	18.31	18.71	18.92
<b>LIQUID WASTE</b>										
Average Daily Sewage Treatment (millions of gallons)	7.02	6.56	6.61	6.46	6.34	6.22	5.56	6.11	6.02	5.94

**Source:** City of Odessa, Texas

**Notes:** The City purchased the Golf Course in January 2006.  
The Golf Course closed November 1, 2006, for renovations.  
The Golf Course completed their renovations and reopened on August 8, 2008.

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

<u>FUNCTION/PROGRAM</u>	<u>FISCAL YEAR</u>									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>PUBLIC WORKS</b>										
Streets (miles)	479	460	441	428	410	412	409	410	395	395
Streetlights	6,095	6,038	6,033	5,930	5,872	5,832	5,796	5,650	5,615	5,608
Metered sectors	12	12	12	12	12	12	12	12	12	12
Traffic signals	569	569	567	567	562	562	555	559	587	599
<b>PUBLIC SAFETY</b>										
Police:										
Stations/Storefronts	1	1	1	1	1	2	2	2	2	2
Patrol Units	58	42	48	49	43	43	45	46	48	48
Fire Stations	8	8	8	8	8	9	8	8	8	8
<b>CULTURE AND RECREATION</b>										
Parks Acreage	756	756	756	756	756	756	756	756	682	682
Parks	37	37	37	37	36	36	36	35	35	35
Swimming Pools	3	3	3	3	3	3	3	4	4	4
Tennis Courts	16	16	16	16	16	16	16	16	16	16
Community Centers	5	5	5	5	5	5	4	4	4	4
<b>GOLF COURSE</b>										
Golf Course Acreage	125	125	125	125	125	135	135	-	-	-
<b>WATER &amp; SEWER</b>										
Water Mains (miles)	656	645	642	634	618	612	609	598	730	716
Fire Hydrants	2,290	2,244	2,228	2,194	2,106	2,090	2,073	2,047	1,996	1,947
Maximum Daily Capacity (millions of gallons)	50	50	50	50	50	50	50	50	50	55
<b>SOLID WASTE</b>										
Collection Trucks	39	39	32	32	32	36	50	42	32	30
Sanitary Sewers (miles)	512	506	504	495	489	487	486	481	479	476
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
<b>RISK MANAGEMENT</b>										
Family Health Clinic	1	1	1	1	1	1	1	1	-	-
Health & Wellness Center	1	1	1	1	1	1	1	1	-	-

Source: City of Odessa, Texas